

THOUGHT LEADERSHIP

TURNING INDUSTRY CODES UP TO 11

New Power

With the assistance of



Energy industry codes have long been a block on innovation in the sector. Fundamental reform is planned, but Gemserv has put forward a set of proposals that could be taken on immediately, and give users more power more quickly. Gemserv has 11 recommendations. New Power editor Janet Wood challenged the company to explain the codes – and how they could change – in just 11 questions. Here goes:

1: WHAT IS AN INDUSTRY CODE?

Codes set many of the rules of the gas and electricity markets. They are there to ensure these markets operate efficiently to deliver least cost, secure supplies to customers. They include common technical standards and commercial arrangements covering areas like networks, smart metering, switching and settlement.

There are 11 codes operated by 6 code bodies.

2: WHY ARE THEY A PROBLEM?

They have successfully underpinned the energy system since the late 1990s, but have become complex over time and change is slow. In the meantime, markets and technologies have moved on and they need to be modernised in order to help drive the transition to net zero.

3: WHY CHANGE THEM IF REFORM IS PLANNED?

Reform is needed and this should be driven by government. This is a big undertaking and could take several years. But we mustn't sit on our hands and we think a few no-regrets interventions now could bring early benefits such as increased innovation, reduced regulatory burdens and better consumer outcomes.

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4: HOW CAN YOU MAKE IT ALL SIMPLER?

There's no silver bullet. Fundamentally there needs to be a shift to a more risk-based approach. This would ensure only essential issues are regulated with more risk dealt with through commercial insurance arrangements for example. This must go hand in hand with other steps such as digitalisation, joined up working across the code bodies, performance incentives and greater accountability.

5: CAN'T YOU MAKE IT A ONE-STOP-SHOP?

It's Gemserv's vision that all rules of the market should be accessible through a single online portal, a one-stop-shop if you like. This would allow the rules to be curated such that market participants access only what they need, removing complexity and burden.

6: CAN IT BE DONE AUTOMATICALLY, ONLINE?

A market portal could bring other benefits like enabling

easier participation in change processes, a platform for making data more accessible and for the regulator to more easily monitor market performance and trends.

7: HOW CAN YOU MONITOR IMPROVEMENTS?

We think code bodies and panels need to be incentivised and accountable for their performance. This would go hand in hand with greater transparency and reporting of performance KPIs. Competitive tendering of code bodies can also help drive-up standards and ensure value for money.

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8: SHOULD THIS BE OFGEM OR BEIS'S JOB?

Government should lead the reform process working with industry. While code bodies are making improvements, there just isn't the vires, funding or agreement on the direction of travel for this to happen 'bottom-up'. Issuing strategic direction to code bodies will be key, ensuring they all pull together to achieve common outcomes. This is something that could be done now, a function we think Ofgem should perform.

9: WHO PAYS?

Ultimately the consumer pays for market governance through their energy bills. Improving code governance is an opportunity to drive innovation and efficiencies which will translate into better outcomes for consumers such as through greater innovation and competition in the market. Digitalisation of market rules in other sectors has achieved a reduction in regulatory burdens of between 20% to 30%.

10: WHAT'S THE FIRST STEP?

We'd like BEIS and Ofgem to consider our views and bring forward proposals which can be implemented in the short term, on the road to more fundamental reform which we appreciate will take longer. It's also for code bodies and panels to drive continuous improvement.

11: WHERE CAN I READ THE FULL PROPOSAL

[@ Read more on Gemserv's code proposals](#)