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Action:	For Decision
<u>Acronyms and Defined Terms SEC Glossary</u>	

Consultations Update – April 2026

1. Purpose

This paper outlines the key messages that will be used for the response to the following open consultations:

- Ofgem consultation on Energy Code Reform phase 1: transitional measures and code changes;
- Ofgem consultation on the draft second preliminary Strategic Direction Statement (SDS) for industry codes;
- DESNZ consultation on reshaping cyber regulation in downstream gas and electricity; and
- Cabinet Office consultation on the Government’s proposal to introduce a national digital ID (identity document) system.

The Panel is requested to discuss the messages outlined for each consultation and delegate approval of the final responses to the Panel Chair.

2. Energy Code Reform – transitional measures and code changes

Ofgem published this consultation on 2 April, with responses invited by 15 May. This consultation outlines Ofgem’s proposed approach to transitioning the Balancing and Settlement Code (BSC) and Retail Energy Code (REC) to the new Phase 1 governance framework, including necessary code text changes and revised licence arrangements for Code Manager candidates.

The key messages we propose the SEC Panel response focuses on are:

- **Code performance measures** – The SEC Panel agrees that the proposed three high-level performance areas – (1) Code management (transparent, effective and collaborative management of the code), (2) Delivery plan and implementation (a clear, understandable and

ambitious yet achievable delivery plan delivered in a timely and effective way), and (3) Financial management (efficient, cost-reflective and transparent budgeting and cost recovery) – are sensible and proportionate measures, and appropriate to be assessed on an individual code manager basis.

- **Monitoring and surveys** – The SEC Panel has concerns regarding the proposal for six-monthly SAF and PAB surveys. While we recognise these are intended to be targeted and proportionate, experience from recent initiatives (for example RFIs linked to code changes and DCC engagement/BMPPA assessments) suggests that repeated formal surveying does not always deliver meaningful or representative feedback. Consistent with the consultation’s emphasis on proportionality and avoiding unnecessary stakeholder burden, we consider it would be more effective to allow Code Managers discretion to determine the most appropriate engagement mechanisms for their code, enabling them to tailor approaches to their Parties and obtain higher-quality, more actionable performance feedback.
- **Code Licence revocation / termination** – The SEC Panel agrees that providing a five-year notice period for licence termination is sensible and proportionate, recognising that replacing a Code Manager would require significant time and resources, including procurement, assurance, and transition activities, and that sufficient notice helps protect continuity, stability and effective code governance for Parties. However, it is unclear on what grounds Ofgem would be able to revoke or terminate a Code Manager licence; further clarity in this area would be beneficial to provide comfort to both the Code Manager and Code Parties that this approach will only be used in limited circumstances.

3. Strategic Direction Statement 2

Ofgem published this consultation on 2 April, with responses invited by 28 May. This consultation seeks views on the second preliminary SDS, including its proposed policy categories, any gaps, and the approach to converting it into a hybrid SDS once key codes are designated in 2026.

The key messages we propose the SEC Panel response focuses on are:

- **Reformed National Pricing (RNP)** – The SEC Panel notes that RNP is positioned within the Act now category for the SEC; however, we believe that its progression is highly dependent on the outcome of the recent NESO consultation, including proposals for 5- or 15-minute settlement periods. Our view is that it is premature to progress considerations on settlement period changes at this time, given MHHS is still in the implementation phase and the expected benefits have yet to be evidenced or realised.
- **Digitalisation and data arrangements** – The SEC Panel notes the joint DESNZ/Ofgem open letter and associated scoping exercise intended to clarify future smart meter data arrangements, including SDR and SMEDR. We believe that SDS-2 reflects some ongoing ambiguity and expect the outcomes of the scoping and forthcoming consultation to be reflected in future iterations, or the SDS is amended to specifically reference this on-going activity. We also note the ongoing work on Consumer Consent (CC). SDS-2 highlights that the SEC may need to evolve to support CC, and SECCo and the SEC Panel will remain engaged in discussions throughout this process. We stress that this should be considered in line with the outcomes of the scoping exercise.

- **Governance and role scoping** – The SEC Panel highlights the risk that fragmented digitalisation governance could lead to misaligned standards or unclear boundaries and stresses the importance of any proposed roles being carefully scoped with clear responsibilities and interfaces, with a need to ensure that costs that fall on consumers are not duplicative.
- **Meter Data Coordinator and Data Best Practice (DPB)** – The SEC Panel considers that the proposed Meter Data Coordinator role is one that SECCo would be well positioned to undertake, given its involvement across both gas and electricity data. We also support the development and coordination of DBP across the sector, noting SECCo's willingness to contribute.
- **Hybrid document** – The SEC Panel agrees with the proposed approach to convert this SDS from a preliminary document to a hybrid document once certain codes are designated as Code Managers later in 2026.

4. Cyber regulation in downstream gas and electricity

DESNZ published this consultation on 27 March, with responses invited by 27 May. This consultation aims to ensure that all Ofgem licensees maintain a baseline level of cyber resilience, using requirements that are proportionate and not overly burdensome, while still offering protection against common cyber-attacks.

The consultation is scheduled for consideration by the Security Sub-Committee (SSC) on 22 April, with further updates to be provided at the Panel meeting.

5. National digital ID system

The Cabinet Office published this consultation on 10 March, with responses invited by 5 May. This consultation seeks views on views on the government's plan to introduce a national digital ID (identity document) system.

The key messages we propose the SEC Panel response focuses on are:

- **Modernising Consumer Consent** – The GOV.UK ID offers an opportunity to streamline processes, replacing antiquated "proof of address" checks with high-assurance digital verification to unlock faster, more secure access to smart meter data.
- **Infrastructure Interoperability** – As a cornerstone of national infrastructure, the energy sector must be integrated into the Digital ID roadmap to ensure technical alignment between DCC protocols and government ID standards, preventing costly "siloed" development and ensuring network security.
- **Preventing Digital Energy Exclusion** – We advocate for "delegated authority" models within the ID framework to protect the 4 million digitally excluded citizens, ensuring that the transition to a digital-first state does not create a barrier to accessing essential energy flexibility and support services.

6. Recommendations

The Panel is requested to:

- **DISCUSS and COMMENT** on the key messages for the consultations detailed in the paper; and
- **AGREE** to delegate approval of the final responses to the SEC Panel Chair.

Oli Meggitt

Senior Strategy Manager

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