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| **Response Form**  Consultation on Governance, funding, and operation of an Event Driven Architecture for **Market-Wide Half-Hourly Settlement** | | |

*The deadline for responses is* ***17 February 2022****. Please send this form to* [***HalfHourlySettlement@ofgem.gov.uk***](mailto:HalfHourlySettlement@ofgem.gov.uk) *once completed.*

**Organisation: Elexon**

**Contact: Alina Bakhareva (**[**alina.bakhareva@elexon.co.uk**](mailto:alina.bakhareva@elexon.co.uk)**)**

**Is your feedback confidential?** NO YES

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**Question 1:** **Do you agree with the proposed criteria for making our decision?**

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| We agree with the proposed criteria for Ofgem to make a decision on the EDA operator. We have one additional consideration that we outline in our answer to consultation question 3. This is that we believe that it is important for the EDA operator to demonstrate a verifiable ability to deliver complex change/IT system development/delivery programmes and a well-established and demonstrable capability to manage a portfolio of service providers. |

**Question 2:** **Do you have any views about the relative importance of the criteria?**

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| We believe it is prudent for the industry to utilise the capabilities it has already paid for, intensively tested and verified as robust and scalable. Utilising such capabilities will result in cost effectiveness and a greater value for money, which we believe is important now more than ever, given the wholesale energy price crisis and the corresponding effect it has had on the supplier ecosystem and its continuing contribution to the unfolding cost of living increase. Therefore, we believe that criteria 7 (Value for money, efficiency including ‘whole-of-system’ efficiency, and cost effectiveness) and 8 (Synergy with other services provided by an EDA operator, for example in terms of customer journey, costs, operations, governance) should be given high importance. The scale of the challenge in the energy sector should not be underestimated and, therefore, optimising the use of our existing resources should spring-board progress.  We see criteria 7 and 8 as linked and reliant on criterion 3 (Experience & capabilities relevant to procuring and overseeing a system similar to the EDA) as efficiency and value for money are a function of established capabilities and extensive experience of developing specifications, procurement, and overseeing the development and operation of systems similar to the EDA (DIP) in scale and importance. Therefore, we believe criterion 3 should also be viewed as equally important as criteria 7 and 8. |

**Question 3: Are there any other criteria we should consider in making our decision?**

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| We believe that it is important for the EDA operator to demonstrate a verifiable ability to deliver complex change/IT system development/delivery programmes and a well-established capability to manage a portfolio of service providers. |

**Question 4: Should the EDA governing body have objectives** **to provide accurate and timely support for the settlement process and to further consumers’ interests through the appropriately controlled use of data? If not, please provide reasons and set out alternative objectives, also with reasons.**

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| Yes, we agree with the above statement. Moreover, we strongly believe that, as set out by Ofgem in the consutation document, the EDA is an intrinsic part of settlement. We therefore firmly believe that the EDA governing body needs to have a primary objective of providing accurate and timely support for the settlement process, and also the opportunity for the EDA to be further developed to support the wider market. In addition, we agree that the aggregate data from the EDA should be available to all interested parties to further consumers’ interests through the appropriately controlled access to and use of data. |

**Question 5: Do you agree that electricity suppliers, supplier agents, DNOs, generators, National Grid (NG) ESO, consumers and energy service innovators should be represented in the governance of the EDA? If not, please give reasons. Should any other categories of party be represented in the EDA governance?**

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| Yes, we agree with the above statement.  We would like to provide further detail and information about market participants that are parties to the BSC (Balancing and Settlement Code), given that the BSC has the most industry actor types of all the industry Codes.  The BSC arrangements cover Suppliers, Generators, National Grid ESO, DNOs, LDSOs and Virtual Lead Parties (VLPs), as well as traders and interconnectors (BSC, Section A <https://www.elexon.co.uk/documents/bsc-codes/bsc-sections/bsc-section-a-parties-and-participation/>) We would like to provide more information on VLPs. These companies can facilitate the participation of Independent Aggregators in the Balancing markets. Ofgem defines independent aggregators as parties who bundle changes in consumer’s loads or distributed generation output for sale in organised markets and who do not simultaneously supply the customer with energy. VLPs are aggregators of Supplier Volume Allocation (SVA) registered units for the sole purpose of participating in the provision of balancing services. They can participate in both the Balancing Mechanism and Replacement Reserve market. The VLP role was introduced in December 2019 as part of P344 ‘Wider Access & Project TERRE’. More information can be found here <https://www.elexon.co.uk/about/roles/virtual-lead-party>  In addition, under BSC modification P332 ‘Revisions to the Supplier Hub Principle’ (<https://www.elexon.co.uk/mod-proposal/p332/>) , there is active consideration of metering agents acceding to the BSC.  Therefore, Ofgem’s suggested governance of the EDA fits well with the existing and established governance of the BSC.  We would suggest, therefore, that it would seem out of step with the Codes Review objectives to consider governance of the EDA under the REC, if it would mean parties who would not otherwise be required to accede to the REC for any other reason would then be required to do so. In this regard we would point to National Grid ESO and generators.  With regard to consumers, we also would like to mention the BSC Panel composition that has been constructed to have a broad representation of stakeholders from its inception (<https://www.elexon.co.uk/documents/bsc-codes/bsc-sections/bsc-section-b-the-panel-2/>) The BSC Panel has two of its members appointed by organisations representing consumers (Citizen’s Advice) in addition to the industry members and non-industry members – more on the BSC Panel composition here - <https://www.elexon.co.uk/committees-meetings/elexon-insights-bsc-panel-template-panel-constitution/>  Lastly, we would like to make a comment on who can introduce changes to the BSC. Any BSC party can raise a modification proposal. Non-BSC parties can raise Issues and can make a representation to the BSC Panel to be designated to raise a Modification Proposal. The most recent example of a non-BSC party raising modification through a representation to the BSC Panel is LCC raising P435 ‘Extension of Elexon’s Vires’ (<https://www.elexon.co.uk/mod-proposal/p435/>) . The Panel therefore decides whether the modification proposal that is made by a non-BSC party is valid before it enters the modification process. However, the Panel also has powers to close modifications that they believe are spurious or vexatious. This is therefore a flexible but controlled process, which avoids a free for all on modification raising, which would risk wasting both time and money.  Elexon is committed to servicing all of its parties, new market entrants, and consumers in a fair and open way. This has been one of the fundamental principles of Elexon’s operational model from the company’s inception 20 years ago and has been embedded within BSC Applicable Objectives, BSC Panel composition, and our ways of working. |

**Question 6: Do you agree that electricity suppliers, supplier agents, DNOs, generators and NG ESO should all take a share in funding the EDA? If not, please provide reasons. Should any other categories of party take a share in funding the EDA?** **We would be interested in any proposals as to the proportions by which the funding requirement should be shared between these parties.**

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| We believe that whichever governance arrangement is chosen for the governance of the EDA that there needs to be flexibility to allow for the market actors mentioned to be able to fund the arrangements.  As set out in question 5, the BSC has the greatest coverage of industry actors within its governance arrangements and there are discussions about metering agents acceding to the BSC through P332 ‘Revisions to the Supplier Hub Principle’ (<https://www.elexon.co.uk/mod-proposal/p332/>) Therefore, whilst we do not think it is for Elexon to argue as to which segments of industry should fund the EDA and in what proportions, we do see that the BSC would be able to accommodate various combinations of funders, as we do under the BSC at the moment. Of note, most recently Elexon enacted alternative Modification P423 ‘Market-wide Half Hourly Settlement (MHHS) Implementation’ (https://www.elexon.co.uk/mod-proposal/p423/), which sees Suppliers only pay for the Market-wide Half Hourly Settlement Programme Manager.  We would however caution that it would seem out of step with the Codes Review objectives to consider funding the EDA under the REC, if it would mean parties who are not required to accede to the REC for any other reason would then be required to do so. In this regard we would point to National Grid ESO and generators.  In addition, should the need arise, there would be an option to introduce a User Pays arrangement into the BSC, to charge individual Parties on the basis of the services that they use. |

**Question 7: With reference to each of the criteria and objectives, including any additional ones you propose, to what extent do you agree that the governance, operation, and funding of the EDA should be managed through BSC and delivered by Elexon?**

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| We outlined our reasoning for the EDA (DIP) to be governed, operated and funded through the BSC and delivered by Elexon in our self- assessment form. We include a summary below:  1. **The EDA is being delivered primarily as a function of MHHS.** While we recognise the EDA will deliver multiple additional benefits to the electricity system and will have interfaces with other central systems, this service fits most closely with the systems and processes Elexon uses to deliver settlement. Delivering the EDA as a BSC service will reduce friction at these interfaces and improve the delivery of end-to-end changes to the system. It will also ensure that Elexon has direct control over the service provider who is providing the EDA and not place Elexon in a position of trying to influence RECCo or another organisation to address any service issues that may be impacting on settlement. Therefore, to have the EDA governed under the BSC would be a more efficient process and help assure settlement accuracy.  **2. Established understanding of the EDA, MHHS, market & system trends, and customer and consumer expectations.** We have developed a comprehensive understanding of the market changes, central services and, systems evolution, and customer expectations. We have also gained practical skills and experiences in translating emerging requirements into systems design and specifications through our recent work on the transformation of our BSC systems to Elexon Kinnect, our new cloud platform.  **3. Proven experience & established capabilities relevant to procuring and overseeing a system similar to the EDA**. Elexon has proven mature capabilities in procuring and managing service providers to build, test and operate IT systems similar in scale and complexity to the EDA. In the last two years Elexon has successfully transitioned to a multi-vendor IT delivery environment and service model. We now use an agile methodology for most aspects of business and system change.  **4. Synergies with other services delivered by Elexon to the industry; high value for money.** There are multiple synergies with existing functions and capabilities that Elexon has developed in recent years working on the transformation of our legacy BSC systems. We know these capabilities, approaches to system development, and ways of working with service providers can be easily extended to another service such as EDA. We believe the synergies we have detailed further on in the document will lead to efficiency in the EDA service development, building and test phases, as well as in the operational phase. This will result in faster development and deployment of the service. It also represents a positive business case as the industry will utilise the capabilities, which have been intensively tested and verified as robust and scalable.  **5. Commitment to a fair and open way of working with the industry**. Elexon is committed to servicing all of its parties, new market entrants, and consumers in a fair and open way. This has been one of the fundamental principles of Elexon’s not-for-profit operational mode, which has been used since the company’s inception 20 years ago. It has been embedded within BSC Applicable Objectives, BSC Panel composition, and our ways of working. |

**Question 8: With reference to each of the criteria and objectives, including any additional ones you propose, to what extent do you agree that the governance, operation and funding the EDA should be managed through the REC and delivered by RECCo?**

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| We do not agree that the EDA should be managed through the REC. As set out above and recognisedby Ofgem in its consultation document, the EDA and the data provided are intrinsic to settlement and is essential for the processes operated by Elexon under the BSC. There are also BSC data governance and quality obligations with regard to the data entering settlement which would fall under the BSC performance assurance arrangements and audit.  The argument to place the EDA under the REC seems to centre around the provision of data to develop and offer services to innovators, rather than REC having any direct necessity for the information. The BSC already provides information free of charge via the Balancing Mechanism Reporting Service, currently using PowerBI. This is being replaced with Elexon’s Analysis and Insight Product, which could easily be used to provide data to interested parties to develop product offerings, but also develop additional insights reporting based on analysis of market trends.  We also believe placing the governance of EDA under REC would be out of step with the Codes Review objectives, if it would mean parties who are not required to accede to the REC for any other reason would then be required to do so (when the EDA could be governed effectively under the BSC). In this regard we would point to National Grid ESO and generators not presently being required to accede to the REC, but potentially having to do so and incurring an additional burden for the management thereof. |

**Question 9: Is there any other governance mechanism and party that you consider would be better placed than BSC/Elexon or REC/RECCo to govern, operate and fund the EDA? If there is, please substantiate your response by reference to each of the criteria and objectives (including any additional ones that you propose).**

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| While there may be other governance mechanisms and parties that could take on governance, operation and funding of the EDA (DIP) (although would not be, in our view, better placed), we believe this would be likely to lead to unnecessary fragmentation of central industry systems and accentuate some of the long-standing issues already identified as part of the Code Review process, resulting in longer change cycles, and complexity around coordination and handovers.  Aligning governance, operation and funding of the EDA (DIP) with one of the existing bodies that is already operating central systems on behalf of the industry can lead to building a foundation for a more streamlined, agile, and responsive central service landscape that is fully empowered and equipped to support the energy industry, Government, Ofgem and the wider society on the transition to net zero. We therefore believe that the option put forward by Ofgem to place the EDA (DIP) with the BSC will best align with the Code Reform initiative that Ofgem and BEIS are presently working on. |