

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 once completed.

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Is your feedback confidential? NO ☒ YES ☐

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

Yes, we agree that the proposed criteria should be used to inform the decision on which party should be responsible for the ongoing governance, funding, and operation of the Event Driven Architecture (EDA) for Market-wide Half Hourly Settlement (MHHS).

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

The extent to which the chosen organisation's remit can support the governance, funding, and operation of the EDA, now and in the future is of particular importance and ought to be considered when making any assessment.

We believe that organisational capability and level of experience in the procurement, delivery, and ongoing operation of IT systems like that of the EDA is also important, as this should realise benefits in terms of cost efficiencies and ultimately provide value for money for consumers.

We consider that the ability to put appropriate governance arrangements in place in a timely manner is important as industry may require time to fully understand any new governance arrangements. For example, the roles, responsibilities, obligations, and any new processes introduced as part of the EDA. Any such arrangements introduced will also need to be considered from an enduring perspective i.e. that there are clear routes to change as and when data requirements change.

The ability to put appropriate funding arrangements in place for the EDA in a timely manner is also important, as this should provide certainty (and sufficient notice) to parties regarding the value of any funding, which parties are to then take a share in funding of the EDA, as well as how the funding requirement between parties will be apportioned and subsequently recovered.

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

No, we do not believe any additional criteria are needed to make the decision as to which party should assume responsibility of the MHHS EDA.

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.

We agree that the code and body that assumes responsibility for the EDA should promote the objective to provide accurate and timely support for the settlement process through any governance arrangements which are established. Providing timely and accurate support for the settlement process should improve the provision and accuracy of data into the settlement system, which is of particular importance from an operational perspective for many interested parties. For example, this should allow for more robust information to be provided to suppliers which in turn should deliver the benefit of more accurate supplier forecasting and matching of supply and demand. This may potentially result in a reduction in the imbalance that we as the Electricity System Operator (ESO) would be required to resolve and subsequently the costs (recovered via end consumers) associated with this process.

We also agree that furthering consumers' interests through the appropriately controlled use of data should also be an objective for the eventual EDA governing body. As the EDA platform will transmit and store large amounts of consumption data for various purposes (beyond that of just settlement) it is vital that a primary focus for the governing body will be to put in place effective controls to ensure the security of consumers' data (both physical and digital). The ability to allow controlled use of this consumption data to a wider range of market participants and innovators should also further consumers' interests as access to, and use of such data, will support the innovation of new product offerings and services. This in turn should enable the move to a smarter and more flexible energy system and support the transition to Net Zero.

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?

We agree that those parties which value access to the EDA data, and which have an interest from an operational perspective in the accurate and timely provision of energy consumption data into the settlement system, should be represented and have an active role in the governance of the EDA. This is of particular importance to the ESO as we use settlement data (from the Balancing and Settlement Code (BSC) central services) for network charging purposes as well as for planning, forecasting and reviewing the effectiveness of operational measures, both long and short term. Therefore, should there be changes to either the charging methodologies or to data requirements in the future, we would require representation in the governance of the EDA to ensure the format of any data files received are fit for purpose.

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.

We agree in principle that those parties identified in the consultation document (electricity suppliers, supplier agents, DNOs, generators and NGESO) have an operational interest in, and value the accurate and timely provision of settlement data, and therefore should all take a share in the funding of the EDA.

We consider that any share in funding of the EDA from an NGESO perspective would be captured as part of our cost pass-through arrangements, and therefore treated in line with the recovery of other similar cost items, through charges on users of the system. As a result, there may be efficiencies to be gained in direct recovery via electricity suppliers rather than passing funding requirements via multiple parties. For example, any costs initially funded via DNO's revenues or NGESO will ultimately be charged and passed through to suppliers anyway.

We consider that any funding arrangements for the new EDA service will need to be developed by the chosen EDA governing body, industry and Ofgem in a timely manner. This will provide certainty to industry and in particular those parties who will take a share in any EDA funding. This will also need to be aligned with the overarching delivery timeline of the wider MHHS Programme.

We note that the MHHS EDA operational costs will be budgeted and paid for by the appointed operator and recovered via the relevant code in a manner yet to be determined. We also understand that the costs associated with the design, build and test of the EDA are currently budgeted through the MHHS Programme and recovered via BSC arrangements (from suppliers). However, this may not capture all these costs (associated with design, build and test) given that the EDA was not originally part of the initial MHHS Programme plan. As such, it would be helpful to further understand any requirements for additional funding associated with these costs and if this is expected to also be recovered via the appointed EDA body in addition to the operational costs.

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?

We consider that it would be appropriate for the governance, operation, and funding of the MHHS EDA to be managed by Elexon and included within the BSC. This is because the BSC membership already captures those parties considered to have an interest in governance of the EDA as well as those relevant to the wider MHHS Programme. However, it may also be beneficial to ensure the EDA data itself is extended to any non-BSC party (such as third-party innovators) where it is clear that consumer benefits can be gained from their access.

In addition, the BSC can provide sufficient flexibility to support the creation of bespoke provisions for a new EDA governance mechanism, with modifications to the framework, such as contract amendments, allowing for recovery of costs from normal funding arrangements. Furthermore, we believe the EDA falls within scope of the BSC as its introduction will require changes to existing settlement data flows and interfaces (including those of ESO IT systems), which all form part of Elexon's management of settlement processes. Therefore, we consider it prudent for the EDA to be managed by Elexon as this should allow any changes to be delivered more efficiently and at value-for-money for all existing and future industry parties.

We note however, that any decision relating to the governance mechanism and the party which assumes responsibility of the EDA will need to be aligned with the outcomes from the energy code reform - which is currently considering changes to the institutional governance framework for the codes which govern our energy system.

Whichever party assumes responsibility of the EDA will need to have proven organisational capabilities and experience in overseeing the delivery of, and enduring operation of, IT systems similar in both complexity and scale to that of the EDA platform. This will ensure that the end-to-end management (and ongoing operation) of the change is delivered in an efficient and timely fashion.

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?

Please see our response to question 7.

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).

Please see our response to question 7.