

10<sup>th</sup> February 2022

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### **Consultation Response: Governance, funding and operation of an Event Driven Architecture (EDA) for Market-Wide Half-Hourly Settlement**

We believe that either the REC or the BSC could be a suitable home for the new EDA. Both are similar organisations, designed to facilitate the governance and delivery of services for the energy sector.

Arguably Elexon is currently closer to the EDA, having initially proposed its implementation and is in the process of procuring the first event broker, or Data Integration Platform (DIP) as the MHHS programme are referring to it. It also has a longer track record of managing and delivering services than the REC, which was only introduced recently.

However, we believe that neither Elexon nor RECCo currently have people with the relevant experience to manage this type of service. They would therefore both have to recruit individuals to manage this new service and there is little to differentiate between them.

It is therefore right to consider the broader implications of the EDA for the electricity market and ultimately what industry code would be best place to provide oversight of it.

Dialogue about the EDA has currently been deliberately focused on implications for data used in electricity settlement. Its future potential, and the implications for the existing DTN, go far beyond electricity settlement processes. It is for these reasons that we would prefer the enduring governance for the EDA to be managed and delivered by the REC.

#### **Responses to specific consultation questions:**

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

The list of criteria seems comprehensive. Within the text of the consultation there are numerous references to the requirement for the chosen organisation to be good at contract management. Something we agree is important for this role.

However, the list of criteria to judge the organisations didn't seem to include an explicit reference to this type of activity. It might have been intended to be included in criteria 3 (experience and capabilities relevant to procuring and overseeing a system) but it wasn't listed. We believe that it would be better to make this a clear criterion for assessment.

Our suggestion would be to split criteria 3 into two separate areas.

Firstly, the organisations experience and capability in procuring similar services. This would allow a judgement of their capabilities in undertaking the one off project based activity to periodically procure a new service provider.

Secondly, there should be a criterion regarding service provider management. This could include the details included within criteria 3 but also include such measures as experience of performance management of service providers, delivering contractual change management etc.

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

We do not have any concerns with the technical ability of either Elexon or RECCo to manage the EDA service provider. Both have experience of managing similar contractors and we would envisage both would score similarly in a benchmarking activity.

The key differentiator between the two will be the potential that they offer for its future broader use in the energy sector (e.g. to the gas sector). We would suggest that criteria that recognise this trait are given a higher relevant scoring. For example, criteria 6 (stakeholder relationships), criteria 5 (governance arrangements that involve a broad range of stakeholders) and criteria 8 (synergy with other services)

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

From our engagement with the MHHS programme it is clear they wish to limit the scope of the implementation of a new EDA to only those information flows that are affected by settlement. We understand that this is to ensure there is limited scope creep in their project and their implementation timescales are not unduly affected.

We note however from the decision document on the implementation of the EDA, and from dialogue with the MHHS programme, that it is likely that it will supersede and replace the existing DTN.

There is clearly a need for this industry transition from the DTN to the EDA to be managed in a co-ordinated way. This will ensure that costs to the industry, and ultimately consumers, are minimised.

This will be a challenging new project for either RECCo or Elexon to manage and therefore we would suggest that both candidate organisations are asked as to how they would undertake this activity.

Scoring their response to this specific question would be a good test to understand their future suitability to being the responsible entity for its governance and delivery.

Another potential question to ask the candidate organisations would be how they intend to transition the current activity from the MHHS programme and implement the new service. This would provide another good example to judge their suitability for the role and score against the broader set of criteria.

***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.***

Both these proposed objectives seem relevant to the EDA and its potential future development. Other potential objectives could include the facilitation of innovation in the energy sector and the efficient delivery of services.

Providing a reliable service, that easily adjusts to the evolving needs of the market, in the most cost effective way, should be the aim of whatever industry code ultimately has responsibility for overseeing it.

***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?***

Yes, all these stakeholders would have an interest in the service from the outset and should be included in its governance arrangements. The mechanism for governing the service should be dynamic and allow for potential future users of the service to be included.

***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.***

It is difficult to argue against the concept that the users of the EDA service should fund its operation.

If the EDA's future is to be limited to supporting electricity settlement services, then it may be pragmatic for these costs to be paid for solely by suppliers. Costs allocated to other industry parties (e.g. agents, network operators or the system operator) would all ultimately be passed onto suppliers and therefore directly charging them would be preferable.

What we have not seen to date in the debate regarding the implementation of the EDA is an objective assessment of its costs and benefits. The view published late in 2021 that the EDA should be implemented, and that it would replace parts of the DTN, was not accompanied by a detailed cost versus benefits analysis.

We are concerned at the potential unknown levels of cost that we might be exposed to from the new EDA as an IDNO. It is unlikely that we will have a recovery mechanism for these new costs in the medium term and until amendments are made to the PCDM in the DCUSA to recognise these. We therefore may be exposed to an undefined cost.

We are also concerned that the costs for the existing DTN will increase significantly with the implementation of the EDA. There was reference within the assessment to the types of data flows that would be affected, but not an assessment of the volumes of data transmitted over the DTN. It is this that drives the allocation of costs for this service. We are concerned that the implementation of the EDA may make the DTN prohibitively expensive for the limited amount of future data traffic that it would manage.

A more transparent financial assessment of the costs of the new EDA and the continued use of the DTN is needed to justify the proposed use of two networks in the future.

***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 believe that Elexon would be competent to manage the governance arrangements and contracting with the EDA service provider.

It has experience of managing IT service providers and has been instrumental in proposing the new service and the merits that it will offer to the industry.

The implementation of the EDA service is also integral to the successful implementation of the MHHS project. Regardless of who is chosen to be the ultimate custodian of the governance of the EDA service there will need for there to be close interaction with the MHHS programme.

***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?***

We believe that RECCo would be competent to manage the governance arrangements and contracting with the EDA service provider.

It has experience of managing IT service providers and has recently introduced new arrangements to provide cross industry governance of IT data flows. The new REC Code Manager service also includes a Technical Service. This new dedicated resource presents an opportunity to leverage the potential for the EDA to provide services across the energy sector in the future.

It is for this reason that we ultimately believe that RECCo probably provides a better long term home for the EDA governance.

***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).***

No, we believe BSC/Elexon and REC/RECCo are the two most logical industry codes to be responsible for the governance and provision of the EDA service.