
ADE RESPONSE

OFGEM DATA SHARING INFRASTRUCTURE GOVERNANCE CONSULTATION

19 SEPTEMBER 2024

Context

On behalf of our mission to Empower Energy Demand, the ADE welcomes the opportunity to respond to Ofgem's consultation on the Data Sharing Infrastructure Governance.

Our mission is to embrace the value of a decarbonised, demand-led energy system, creating a future where households, businesses and industry are properly rewarded. The current electricity system is creaking under the demands of a rapidly changing system. We must harness the millions of EVs, heat pumps and the immense industrial demand we have right now to lower bills and keep our electricity system operable. Instead, we're fighting against them. Even more than that, industrial energy is decarbonising with long-term consequences for our energy system – creating new infrastructure and unlocking even greater sources of flexibility. The Government, Ofgem, the CCC and others all recognise that households, businesses and industry should play an active role in a decarbonised electricity system. Now is the time to make this a reality.

Summary

We agree that this infrastructure is needed and that the role of an Interim DSI Coordinator is required. In our response we have laid out the following:

- We agree with the governance structure, particularly the introduction of a 'knowledge base'.
- More clarity is needed on how the governance structure between this work, the Market Asset Registration and Consumer Consent workstreams being carried out by Ofgem, particularly the role the system operator would play and the interaction with the Market Facilitator.
- We have concerns with the System Operator being chosen to be the Interim DSI Coordinator, such as the following:
 - Their lack of independence until fully transitioned into the NESO.
 - Their reputation for industry engagement, this being a primary function of the role.
 - The use of 'proprietary systems' and how this could lead to the use of out of date, legacy systems and how ESO (NESO) would be able to implement an across industry solution using this IT.
 - Alternative funding models would then also need to be considered, ensuring that large costs are not passed down to the consumer.
- Consideration into wider policy developments should be at the centre of the development of the DSI.

We encourage Ofgem to read our recent [report](#) on the NESO transition in full, as part of our consultation response, as it heavily relates to the content under discussion.

Section 2

A1.2 Q2. Do you have any comments on the funding mentioned within this section?

If Ofgem do decide that NESO is the best option, we agree with the minimum viable product (MVP) of the DSI being funded through the System Operators pass-through cost mechanism and that these costs should be laid out in the System Operators Business Plan. It would be useful to have clarity on what Ofgem are considering as the 'appropriate controls' to ensure that there is not a high cost to delivering the DSI that gets passed down to consumers. Transparency on what is being done by the System Operator to meet the HMT Green Book requirements would be beneficial. If it is decided that this will not be delivered by ESO (NESO), Ofgem will need to be clear on how they intend for the infrastructure to be funded.

We would like clarity from Ofgem on the 'prepare' component of the DSI, particularly the costs that would be associated with organisations having to 'securely present the standardised data to the sector through standard Application Programming Interfaces (APIs)'. It is recommended in the [Digital Spine Feasibility Study](#) that 'there should only be one consistent cross-sector data preparation node to reduce the friction and barriers to cross-sector data sharing' meaning that a containerised solution would be put together and could therefore be '[deployed to run consistently across different computing and deployment environments, such as cloud, on-premise, hybrid, and others.](#)' It would still be a requirement for organisations to put data into the correct format, despite the 'prepare' technology being established for industry. It is also unclear who will be responsible for correcting data errors which will inevitably occur. If the responsibility is placed on organisations who are extracting the data, this will implicitly favour large scale organisations who have the resource to dedicate to disentangling data errors. Therefore, further exploration of the DSI Coordinator's responsibility for quality assurance and correcting data errors is needed.

A1.3 Q3. Do you have any comments on the timeline shown?

We have concerns about the time that this will take to develop past the interim stage, such as if the infrastructure will be able to develop at the same pace as wider industry developments.

Section 3

Questions A1.4 Q4. Do you agree with our short-term governance structure model where the Interim DSI Coordinator is responsible for leading the short-term governance (2024 - 2028) of the DSI?

We agree with the short-term governance structure, particularly the use of a 'knowledge base'.

Clarity on the governance between the Market Asset Registration and Consumer Consent solution work would be beneficial. In particular it would be useful to understand the requirements on the System Operator to collaborate with the Market Facilitator (Elexon) if they were to become the Interim DSI Coordinator. We consider it vital that this happens and want to emphasise the importance of the

requirement for stakeholder engagement in the development of the MVP of the DSI, with transparency on how this will be conducted and monitored.

Furthermore, it is important that the tariff interoperability framework being developed through the SSES team is not delayed given conflicting timelines with the DSI.

A1.6 Q6. Are there any additional governance roles that are not covered by the proposed governance model? If so, what are these?

See above answer regarding governance with wider workstreams.

A1.7 Q7. Do you agree with the responsibilities of the interim DSI Coordinator? Are there any additional responsibilities that it should undertake?

We agree with these responsibilities.

A1.8 Q8. Do the proposed deliverables reflect the outputs that the Interim DSI Coordinator should focus on in the initial DSI stages? Do you suggest any additional deliverables?

Yes.

Section 4 Questions

A1.9 Q9. Do you agree with us that the System Operator is the best option as the Interim DSI Coordinator? If no, explain your reasons and justify your proposed option.

We agree with the reasons laid out in the consultation as to why the System Operator was chosen to become the Interim DSI Coordinator. Considering its whole-system statutory duties, NESO is the obvious choice to undertake developing the minimum viable product (MVP). The current requirements on ESO (and soon for the NESO) for interoperability and independence should put them in good stead to deliver this role. Equally, it seems highly questionable to bestow an organisation with a patchy, at best, track record on IT delivery such a responsibility. Here, it is critical to delineate what NESO should be and what ESO has been. If we are purely focussed on the former, then Ofgem's decision makes perfect sense. However, if we ascribe to the reality in which we live, Ofgem's decision, without any acknowledgement of ESO's shortcomings, is difficult to reconcile.

To achieve the Independence requirement, we agree with Ofgem that until ESO has transitioned to the NESO, impartiality will need to be monitored. In the timeline laid out in the consultation, it's clear that the pilot and MVP will be being developed at the time of the ESO's transition, so this must also be taken into consideration by Ofgem to ensure this doesn't have an impact on this work. On engagement, again we agree with Ofgem that in theory the ESO (NESO) are in a good position to carry this out, however, across the industry we still need far clearer communication from the ESO. As laid out in Ofgem's response to the BP2 mid-scheme review, performance in relation to transparency, industry engagement and progress

on skip rates and operational metering were 'significantly below expectations'. We have also experienced this in ancillary service design and in the formation of the Local Constraints Market, where without consultation, ESO elected to adopt an approach to payment/settlement that, although not formally discriminatory, substantively disadvantaged independent flexibility providers and businesses wishing to participate directly in the service in comparison to energy suppliers. The utilisation of the existing steering groups mentioned in the consultation and the creation of new ones will be vital for consumers and service providers to see the true value of this infrastructure and the flexibility it could help provide. It would be useful to have clarity from Ofgem on what stakeholder engagement will be required from the Interim DSI Coordinator, such as what form it should take so that this is able to be more closely monitored

Furthermore, we agree with ESO, in theory being able to carry out the operational capabilities for this role. Yet again, as laid out in the most recent mid-scheme review decision by Ofgem, IT investment has not been entirely up to scratch, and we are concerned that in continuing to use proprietary systems in the DSI could lead to ESO continuing to use out of date legacy systems that the industry has been trying to move away from. IT incapacities pose increasing risks to achieving satisfactory outcomes for the electricity system, let alone the whole energy system. Since "changes on [ESO's] legacy systems" are cited repeatedly over the years as reasons for delayed deliverables. In having the responsibility to carry out this role, ESO (NESO) must ensure that a solution that works across the industry is implemented to fulfil the objectives of this work.

As a first step, and in line with the recommendations in our report, more work is needed to help establish proper ethical walls within NESO to ensure that DSI Coordination functions are not influenced by other areas of the business. In other words, the development of the DSI should not be overly guided by the needs and desires of either the NESO markets team or the control room. Ofgem must ensure that proper separation is created between the parts of NESO that may have overlapping or potentially conflicting interests. It is important that Ofgem monitor this separation closely.