

SUMMARY POLICY ISSUE PAPER – FOR EDAG DISCUSSION

Title of Paper	Switching Programme Design, Build and Test Phase Governance and Assurance Strategy		
Issue Ref		Date: 8 November 2016	
Issue Owners / Author	Tony Thornton (Author), James Crump		
Discussed at User Group	1 November 2016	Discussion at EDAG Group	21 November 2016
Issued to DA		Discussion at DA	

Summary and recommendations

1. This paper considers arrangements for governance and assurance in the Design, Build and Test (DBT) phase of the Switching Programme. It has been drafted in the context of decisions taken by the Programme Board in July 2016 (reflected in Appendix 2).
 2. Work will be undertaken during the Detailed Level Specification (DLS) phase and the Enactment phase of the Switching Programme to establish the detailed governance and assurance roles in DBT. This should reflect other deliverables within the programme which will have a bearing on the Governance and Assurance Strategy, such as System Integration, Testing and Post Implementation strategies.
- The key features of this approach are set out below. **Governance:** Ultimate responsibility for programme governance in DBT phase will sit with a single decision-making SRO (Ofgem) advised by a Programme Board. The composition of this body may expand to include other parties as required in order to ensure that an appropriate breadth of opinion is reflected in decision making. In addition, other (separate) bodies may provide advisory functions or may act with authority delegated from this body, in order to allow for executive and working level of representation and decision making during the DBT phase.
 - **Assurance:** The need for assurance will differ depending on the final design of the Switching Programme and the lifecycle stage of DBT (before, during and after testing). The approach to types of assurance required should be risk-based, and a final decision on the form of assurance will be taken when the final design of switching arrangements is decided and the areas of greatest risk are identified. Ofgem and DCC may decide to procure external independent assurance for the programme. A detailed assurance plan for the DBT phase will need to be drawn up in good time to allow the assurance providers to be procured ahead of commencement of that phase.

- **Programme Management:** Provision of programme management activity and the PMO role which is currently proposed to be delegated to the Data Communication Company (DCC) for the DBT phase.
 - **Incentives:** Changes to regulatory obligations to ensure that industry parties are fully engaged throughout the DBT phase and committed to its delivery may be considered as part of the ongoing work of the Switching Programme.
3. Final decisions on the structure of the governance, assurance and programme management functions will take place once certainty is achieved on the reform package chosen for the programme. This will include which parties will undertake these functions (and the level of independence required for these parties and how this will be guaranteed).
 4. The DBT Programme Board should be installed sufficiently in advance of the commencement of DBT in order to allow decisions relating to other roles and responsibilities (such as delegation of responsibility) to be resolved in time to ensure a seamless transition without 'gaps' in governance responsibilities between phases.
 5. EDAG is invited to comment upon the proposals as set out above. Our questions for consideration are:
 - Do you agree with our proposed approach to governance, assurance and programme management?
 - How can we ensure that assurance is carried out by participants who are appropriately independent of the functions that they are assuring and have an adequate understanding of the risks being assured?
 - Do you agree with the PB's view at this stage that the DCC is best placed to hold responsibility for providing or procuring programme management function?

Background and Analysis

Essential Background

6. A DBT governance and assurance framework was not specifically covered under the TOM v2. However, evidence from other energy market reforms (such as Smart Metering and Nexus) and large-scale IT system changes highlights the importance of having strong programme controls during the design and build phase in order to reduce delivery risks.
7. In July 2016, a high-level model for roles and responsibilities within the future phases of the Switching Programme (including the DBT phase) was agreed by the Switching Programme's Programme Board. This is summarised in Appendix 1.

Governance

8. The Gas and Electricity Market Authority (GEMA) has delegated responsibility for delivery of the Switching Programme to Ofgem. Ultimate responsibility for decisions

taken as part of the Programme will fall to Ofgem, which will be represented on the Programme Board (and other key decision making bodies) within the DBT phase.

9. Ofgem will have overall SRO responsibility, sponsorship and accountability for delivering the benefits of the programme through to a go/no go decision and for a period (to be determined) following 'go-live', (the extent of which will be determined by the complexity of the chosen arrangements).
10. As SRO, Ofgem may delegate responsibilities as it feels appropriate. For example, the July Programme Board that overall programme management and PMO roles for the DBT phase should be delegated to DCC. In addition, other bodies may be also represented on the Programme Board to ensure that decision making is robust and a plurality of views are represented.
11. Effective and transparent decision making must be maintained as the Switching Programme moves through DLS and Enactment phases, and into DBT. Decisions will be required during the DLS and Enactment Phase to ensure that critical governance components for DBT can be secured in good time, especially where procurement exercises are required. For example, a Programme Board should be in place ahead of DBT with the appropriate representation and definition of the terms of reference and responsibilities for key sub-groups will help ensure a seamless transition from Enactment to DBT phases.

Assurance

12. The Testing and Systems Integration Strategies will be developed to the next level of detail during DLS, shaping the testing and integration requirements. The assurance function will need to be combined with testing and System Integration strategies to ensure that an overarching view of the end-to-end programme delivery readiness is achieved, with no 'assurance gaps' for the programme as a whole.
13. The person or persons carrying out the assurance should be appropriately independent of the risk being assured, based on an assessment of risk. This is essential to ensure that assurance assessments provide an unbiased opinion on the progress towards the assured outcome, and that the governance framework facilitates decision making that is balanced across any individual organisational interests, whilst the cost of assurance remain in proportion to the risks posed to the programme. Independence is an important factor in support of maintaining regulatory, industry, and public confidence.

Programme Management

14. Programme Management of the Blueprint, DLS and Enactment phases of the will be undertaken by Ofgem. However, the the July 2016 Programme Board recognised that Ofgem does not necessarily have the capacity or relevant expertise to provide Programme Management for the DBT phase of the programme. At the Programme Board it was envisaged that the Data Communication Company (DCC) would be responsible for providing or procuring the Programme Management and PMO function, as the operator of the CRS. This does not necessarily create a conflict of interest for the programme management function. The view of the Programme Board

is that DCC is best placed to understand the risks surrounding the programme and that any potential conflicts of interest can be managed by effective governance. DCC may procure a party that is fully independent of the remainder of the Switching Programme to conduct PMO activity.

Views from User Group

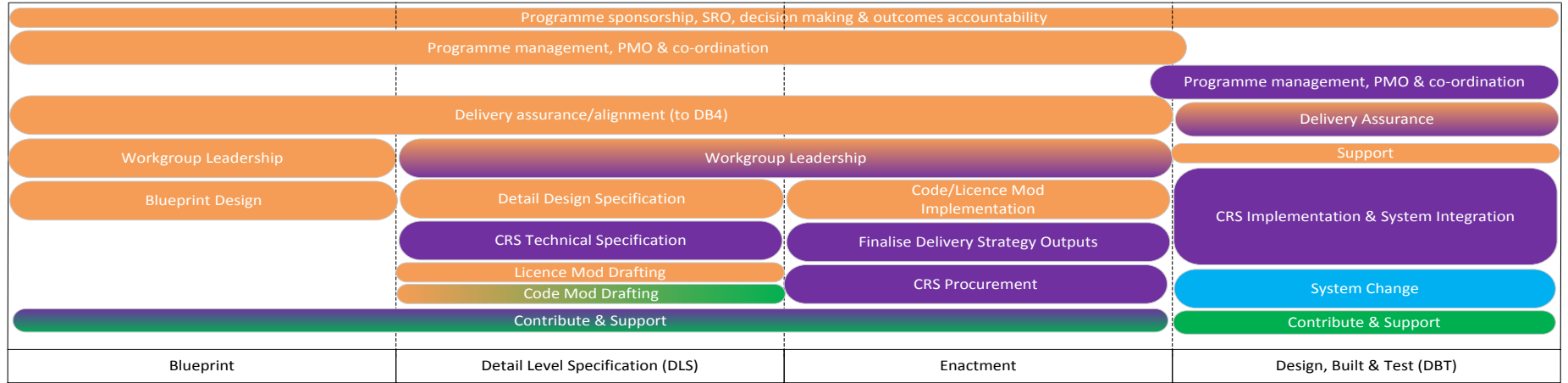
15. Governance and Assurance proposals were discussed at User Group on 1 November. The group generally agreed with the conclusions of the programme Board. The Group highlighted the importance of ensuring that an appropriate degree of independence were achieved for the assurance and programme management functions, but that this was balanced with ensuring that the selected parties were competent to exercise the required functions.

Related Issues

16. **Reform Approach:** The appropriate approach to Governance and Assurance will depend somewhat on the chosen reform approach, with each reform package likely to require progressively more intrusive governance and assurance to help manage the increased risk.
17. **System Integration Strategy:** Reform Packages 2 and 3 envisage a systems integration function, which could be taken by an existing body or appointing a specialist body act as Systems Integrator. The SI strategy must be compatible with any Governance and Assurance Strategy developed for the DBT phase.
18. **Testing Strategy:** The testing strategy will be an important component of the overall approach to assurance within the programme to ensure that Ofgem and key stakeholders are provided with assurance that the new switching arrangements will operate as specified.
19. **Post-Implementation Strategy:** The Post Implementation Strategy product creates arrangements to ensure appropriate technical support for the new switching arrangements (including the CRS) post-go-live, and before transition to enduring 'business as usual' arrangements. The product will define appropriate programme entry and exit criteria that defines a successful conclusion of the DBT phase and potentially defines a period of 'enhanced support' post go-live.
20. The DBT governance and assurance arrangements must be capable of supporting the programme for a period after go-live, in order to avoid the Programme prematurely closing before its performance and stability have been proven and exposing industry participants and customers to undue risks before a managed hand over to the steady state arrangements.
21. **Regulatory Design:** Delivery of new licence and industry code provisions is essential to ensure that the correct obligations are placed on market participants to ensure that they meet the objectives of the Switching Programme and therefore fully engage with the governance and assurance requirements.

Appendix 1 - Switching Programme – Proposed future delivery roles

Annex 2 - Switching Programme – Proposed future delivery roles



Description	Summary & Key Issues
<ul style="list-style-type: none"> Ofgem remain responsible for and lead (with industry support) detail design. Delivery responsibility for CRS technical specification, procurement & completion of Delivery Strategy outputs delegated to DCC. Ofgem retain delivery responsibility for and lead and co-ordinate code modifications work but delegate the delivery of drafting code changes to relevant code bodies. Workgroups created with industry but led by Ofgem/DCC 	<ul style="list-style-type: none"> Responsibility for CRS specification and transition falls to the body responsible for its procurement & operation. Ofgem retain control of code modification work but changes are delivered by industry. Requires code body acceptance to take on activity Increased effort to ensure co-ordination & alignment of activity in DLS

Activity	Ofgem	DCC	Code Admin	Industry	SRO/Programme Board / Design Authority
Delivery Assurance/Alignment	R	C I	C I	I	A
Planning & Programme Management ¹	R	C	C	I	A
Detail Design Specification	R	C S	C S	C S	A
CRS Technical Specification	C S	R	C S	C S	A
Code/Licence Mod Specification & Drafting	R	C S	C S	C S	A
Code/Licence Mod Implementation	R	C S	C S	C S	A
Finalise Delivery Strategy	C S	R	C S	C S	A
CRS Procurement	C I	R	I	I	A
CRS Implementation	S I	R	S I	C I	A

R – Responsible A - Accountable² C – Consulted S – Support I- Inform

¹ - Planning & Programme Management Responsibility transfers to DCC for DBT Phase.

² - Accountability for overall programme, R indicates responsibility for delivery and accountability to SRO