

## Forward work programme 2021/22 consultation – Anmut's response

Anmut welcomes the new strategic framework and congratulate all of those involved.

Anmut is a data asset management SME. We enable organisations to understand the real value of their data assets and get the best return from them. We have worked with a number of leaders in the field of data, and clients seeking to better understand their data and investments in it. Our full response is set out below, but our position can be summarised as:

- Recognise data as a strategic asset.
- Overcome the data incentive trap by considering how to incentivise the sharing of high-quality, fit-for-purpose data to enable a more flexible and fluid energy system.
- Make data asset management an explicit consideration within both the sectoral and Ofgem organisational transformation

Consultation Section	Anmut Comment	Evidence
<b>Point 1: Ofgem's new strategic framework</b>		
No comment.		
<b>Point 2: Core regulatory functions</b>		
No comment.		
<b>Point 3: Delivering government schemes</b>		
<p><i>"One of our key drivers across all of these schemes is to ensure that public funds are protected. To that end, we employ data-driven statistical and targeted auditing, to ensure that participants on the schemes comply with the rules that are set out in regulation or legislation. This is managed through our hub model, which provides functional expertise for delivery, assurance and policy and engagement."</i></p>	<p>In the contracting out of these schemes, Anmut strongly recommend the ownership and management of the data assets created during delivery are carefully considered, rather than limiting to an audit function. Data assets are complex asset types and require careful consideration, our own data condition framework, against which we assess fitness-for-purpose, has 7 layers and 60 points.</p> <p>Without this consideration, Ofgem are exposing themselves to significant risk of project mismanagement, poor ROI and being locked in to ongoing contractual commitments because suppliers own critical data assets, which is contrary to the desired outcome of the Data and Digitalisation Strategic Change Programme: Increased Data Sharing.</p>	<p>In the water sector regulated companies contracted out engineering and support functions to large service providers without recognition that lack data ownership would cause operational and commercial issues. Such issues could have been avoided.</p>

Point 4: Low carbon infrastructure		
<p><i>“Ofgem will take an active role in facilitating this investment and ensuring it is efficiently spent. We will work collaboratively with the government to enable and encourage the industry to prepare for the future by setting frameworks to help manage uncertainty, and to maximise the opportunities to enable a smart, lower-cost zero-carbon future.”</i></p>	<p>Key to managing uncertainty will be having the correct data in place (understanding its relevance, value and condition). Providing a framework for how data should be collected, assessed and managed will help. This starts with understanding the importance and value of the data to the multiple stakeholders. The end result would be a prioritisation of activities that multiple stakeholders buy into. Having data of this nature will enable better decisions in uncertainty and better clarity on stakeholder needs.</p>	<p>Highways England vision 2050 has strong parallels to Ofgem's work. They are building the infrastructure to underpin a future transport system, the likes of which cannot be specified now. We worked with them to enable them to manage their data as an asset, valuing it based on the role data plays in creating value for stakeholders. This approach to data valuation delivered broader benefits to the organisation, not least giving them detailed understanding of stakeholder needs and preferences.</p>
Point 5: Full chain flexibility		
<p><b>Ongoing activities that support this strategic change programme</b></p> <ul style="list-style-type: none"> <li>Require and incentivise system operators at national and distribution levels to coordinate and use flexibility where it can effectively reduce balancing, ancillary and constraint management costs</li> </ul>	<p>Enabling a more fluid and flexible energy system is essential to improving national competitiveness and quality of life. Achieving this, as Ofgem has recognised, means enabling different actors to coordinate and collaborate. This will require data sharing from one actor to another to enable them to coordinate.</p> <p>Yet, if Actor A is not incentivised to create and manage the data that Actor B needs, then Actor A will not do that. Actor B will not get fit for purpose data, and so Actor B's decisions will not result in a flexible energy system, quite the opposite.</p> <p>This happens a lot with data. The value of data is realised by parties other than those who generate the data. Without fair, robust and systemic ways to value and exchange data, there will be no incentives for actors in the energy system to perform the most basic function of collaboration and cooperation – the sharing of fit for purpose data to enable others to make better decisions.</p>	

## Point 6: Future of retail

*“Ofgem aims to enable a future retail market that can help deliver the technological and behavioural changes needed to support decarbonisation while ensuring the interests of consumers remain protected.”*

The data considerations behind such a market are significant. It can be expected that more and more organisations will seek to monetise their data. This raises a number of concerns and could create perverse behaviours in the market, as we’ve seen from media organisations focusing on advertising revenue.

We recommend Ofgem consider the data aspect of the future of retail carefully and understand, from a multi-stakeholder perspective, the different data needs and preferences that exist, to enable more considered decisions on the inevitable trade-offs.

## Point 7: Data and digitalisation

<ul style="list-style-type: none"> <li>• <i>Improved planning and management of energy data, including regulation of data monopolies.</i></li> <li>• <i>Increased data sharing, to enable new and more efficient markets.</i></li> <li>• <i>Better information is received by consumers, who can take advantage of this data.</i></li> <li>• <i>Improved regulatory decisions, through Ofgem making greater use and sharing of data</i></li> </ul>	<p><b>Data is a strategic asset, this isn't currently acknowledged.</b></p> <p>By not explicitly recognising data as a strategic asset, it seems that Ofgem's approach to data is not as advanced as others in the public sector e.g. UK Government National Data Strategy, EU Data Governance Act, US Federal Data Strategy and US Department of Defense Data Strategy.</p> <p>In the Energy Data Taskforce report, there is no mention of data assets, just traditional energy assets. Although the unified Digital System Map of the Energy System proposed in recommendation 5 may deliver a picture of the energy system's data asset portfolio, it equally may well not unless explicitly directed to.</p> <p>Conceptualising data as a strategic asset means Ofgem, and therefore the whole sector, begin to manage data as an asset, instead of a commodity, which it is not.</p> <p><b>Enabling fast, fair and effective data sharing</b></p> <p>As stated earlier, creating a more fluid and flexible energy system requires cooperation. Cooperation requires sharing of data to enable more coordinated decision making. Data from one actor may have little value to them, but be incredibly valuable to another actor. Without a clear way of valuing data, measuring fitness for purpose and exchanging data, the likelihood of coordinated decision making is left entirely to chance.</p>	
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Point 8: Energy systems governance		
<p><i>"Our energy system governance strategic change programme will help shape Ofgem's role in the energy system transition, transforming Ofgem's capabilities to become a more adaptive regulator, that can flexibly respond to a rapidly changing energy landscape, making us a regulator fit for the future."</i></p>	<p>Regulatory oversight and decision making is dependent on data. Without any standardised processes and frameworks for assessing the condition of the data with regards to the purposes the regulator requires, regulatory decisions will be made on the basis of unknown unknowns.</p>	<p><a href="#">Research by PWC</a> (page 29, exhibit 12) shows that the condition of data hasn't improved in the last ten years, despite all the money invested.</p>
Point 9: Transforming Ofgem		
<ul style="list-style-type: none"> <li>• <i>Effective structure and governance to make better decisions, through flatter leadership, simpler governance and supporting decision-making frameworks.</i></li> </ul>	<p>Better decisions are a function of structures, governance, leadership, direction, values, culture and data. All are mentioned in Point 9, except data.</p> <p>If the organisation's decisions making needs change, and the data ecosystem that gathers, processes, shapes, stores and reports the data does not change, then the quality of decisions will be reduced, and will continue to deteriorate over time, as the gap between decision making need and the data ecosystem continues to widen.</p> <p>This is a normal occurrence in any organisational transformation because data is an invisible, intangible asset. The most tangible aspect of data is technology, but technology is just the piping through which data flows. Unfortunately, most transformation efforts focus on the piping, not the broader data ecosystem.</p> <p>It is fundamental to the transformation of Ofgem that the data needs for decision making are properly understood, clearly articulated, invested in and focused on, in order to deliver the desired results.</p>	<p>One of Anmut's infrastructure clients was investing in a digitalisation initiative. They planned to spend £64m on new technology systems and changes to existing systems.</p> <p>By looking at the existing activities already in-flight, focused on improving the underlying data assets, we identified that by adjusting the scope of these projects and spending an additional £14m on these projects, they could achieve the same outcomes targeted with the £64m spend. A saving of £50m through a focus on underlying data assets.</p>

<b>Point 10: Reducing burdens</b>		
No comment.		
<b>Point 11: Estimated expenditure</b>		
No comment.		