

To all interested stakeholders

Contact: CFF@ofgem.gov.uk

4 August 2017

Decision on lead secretariat appointment for the Charging Futures Forum (CFF) and Charging Delivery Body (CDB)

1. Summary

1.1. In our letter explaining the role of the CFF,¹ we refer to the secretariat support required. This document provides more detail on the secretariat function and on which bodies should fulfil those roles.

1.2. Secretariats will be necessary to support components of the new arrangements. The CFF will have a lead secretariat to provide central programme coordination. This will be supplemented by supporting secretariats, where needed, providing support to particular task forces.

We have decided to appoint NGET in its capacity as System Operator (SO) as lead secretariat as part of its SO role. Our current thinking is that for each task force we expect one of the code administrators or the ENA to become supporting secretariat, depending on the role of the task force.

2. Role of the lead secretariat

2.1. The purpose of the lead secretariat will be to:

- provide administrative support to the CFF and the CDB
- act as programme manager, coordinating the projects
- support smaller parties, helping them to navigate the CFF process, and representing their views.

2.2. The lead secretariat will:

- act as first point of contact for stakeholders wishing to contact the CFF or the CDB
- organise CFF and CDB meetings
- set up and maintain a CFF portal and other routes of communication with stakeholders.

We expect the SO to further develop and refine these roles in a way that best meets the purpose of the CFF as explained in the CFF announcement. In doing so, it should take into account whole system outcomes and driving longer-term improvements to market arrangements that form part of its SO role. The lead secretariat will support Ofgem as chair of the CFF and CDB. We will be responsible for approving any changes to the lead secretariat's terms of reference.

¹ The letter can be found here <https://www.ofgem.gov.uk/publications-and-updates/charging-futures-forum>

3. Rationale for appointment of the SO as lead secretariat

- 3.1. In response to our TCR consultation, three bodies offered secretariat support to the CFF: ElectraLink, Elexon and the SO. Each of these bodies is already responsible for code administration for one of the codes potentially affected by changes to charging arrangements. Other respondents highlighted the importance of a neutral party taking this role, including in the ability to provide analytical support.
- 3.2. We have decided to appoint the SO as lead secretariat as it is consistent with other responsibilities as part of its SO role. Both ElectraLink and Elexon (as well as the ENA) will have an important role to play in supporting secretariat roles (see below).
- 3.3. The SO provided a clear vision for the CFF and secretariat in its response to the TCR consultation. In its response to the Future SO consultation,² the SO identified its potential role in supporting a CFF stakeholder forum and steering group as part of its role in the 'Facilitation of Competitive Markets.'
- 3.4. In subsequent correspondence with us, the SO has demonstrated that it has given the CFF a significant amount of thought including learning from its experiences. It has a team in place ready to contribute to the CFF.
- 3.5. Facilitating Competitive Markets is one of four roles for the Future SO described more fully in our recent working paper³ on the Future Regulatory Framework for the SO. We think that the CFF lead secretariat role fits well within this high-level framework. In particular, it resonates with the cross-cutting themes of ensuring the SO provides most value to consumers (ie, protecting consumers from undue costs), transparency in its actions, and high levels of engagement with industry and other network operators. The lead secretariat role offers an opportunity for the SO to demonstrate how it is fulfilling its functions as it transitions to the Future SO role.
- 3.6. Within its role Facilitating Competitive Markets, the principle of promoting competition in wholesale and capacity markets is relevant for the lead secretariat. For all interactions the SO has with market arrangements, we expect the SO to promote competition by:
 - **Engaging** more actively with industry to understand the nature of the challenges and distortions to competition in code arrangements, including in regards to the methodologies for use of system charging.
 - **Proposing and supporting pro-competitive modifications** to industry codes where these are in the interests of current or future consumers. Such modifications should take a holistic view of the electricity system and ensure balancing services providers are able to compete on a level playing field. We think a particular key role for the SO is to identify and propose changes to code arrangements to ensure that new providers are able to compete on a level playing field with existing providers. We also think the SO should be supporting modifications raised by industry by providing a detailed level of analysis, modelling and scenario building as part of its impact analysis. This analysis should stand up to rigorous challenge and avoid claims of bias.
- 3.7. The SO identified some costs of undertaking secretariat functions for the CFF. In our working paper, we stated that we are currently considering National Grid's proposed costs of its Future Role of the SO work programme. In doing so our objective is to ensure that funding for specific tasks or roles will only be given once. If a role already exists then no additional funding will be given over and above the agreed allowances under the RIIIO T1 price control. Moreover, any additional costs need to be shown to be efficient.

²https://www.ofgem.gov.uk/system/files/docs/2017/03/nget_future_arrangements_for_the_electricity_system_operator_role_and_structure.pdf

³<https://www.ofgem.gov.uk/publications-and-updates/future-arrangements-electricity-system-operator-working-paper-future-regulatory-framework>

We expect the SO to demonstrate that there is no double counting, that any additional funding being requested is incremental, and to make best use of existing resources as well as where possible make savings over time.

- 3.8. We will provide draft terms of reference for the lead secretariat role but would expect the SO to further refine the role in a way that best meets the expectations above. Any changes to the terms of reference will be subject to Ofgem approval.

4. Supporting secretariats

- 4.1. Supporting secretariats will be assigned to specific task forces as appropriate. They will provide administrative support to these task forces, complementing the work of the lead secretariat. The precise role would depend on the remit of the task force, with the terms of reference for each task force to be agreed with Ofgem before work begins.
- 4.2. For each task force, we think it is likely to make sense for one of the code administrators or the ENA to become supporting secretariat, depending on the role of the task force. For instance, if a task force examines the CDCM and EDCM, then ElectraLink could be well-placed to continue its role from the existing reviews. Likewise, the ENA could be well-placed to support a task force focused on the transmission/distribution interface given the links to its Open Networks programme.
- 4.3. The ongoing involvement of these supporting secretariats will be important to the success of the CFF, given the cross-cutting nature of the work covered by the CFF. These secretariat roles will be complementary to the code administrators' role on the CDB. We consider these responsibilities are within the scope of the existing roles of those code administrators. Essentially, they will amount to a continuation of their roles within existing reviews, but supporting a more coordinated and inclusive approach across the reviews.

5. Next steps

- 5.1. We expect the SO's work as lead secretariat to start straight away. The first task will be to arrange and prepare for the first meeting of the CFF in the autumn.
- 5.2. The precise role of supporting secretariats will be dependent on the make-up of the task forces. They should be ready to contribute as they have done on the reviews to date. The code administrators will also have an ongoing role in open governance for the change proposals that emerge from the CFF.

If you would like to contact us to discuss the issues outlined in this letter, please write to us at CFF@ofgem.gov.uk.

Yours faithfully,

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