

We are seeking your feedback on the proposed governance model, Target Operating Model design principles, Design Working Group Terms of Reference and Design Advisory Board Terms of Reference set out in Appendix 2 below. Please see the SCR Launch Statement for details on how to provide a response.

Appendix 2A: Proposed governance model

Summary

This document details the governance arrangements in place for the Target Operating Model (TOM) design work. It provides guidance on decision-making within the TOM design work and the roles of key governance groups in that process. The project operates under a governance framework of the Gas & Electricity Markets Authority (GEMA). GEMA have delegated decision-making authority for the project to the Senior Responsible Owner (SRO), Cathryn Scott.

The SRO is supported in decision making by a Design Advisory Board (DAB) and an internal Ofgem decision-making process through the Ofgem TOM Team and Ofgem TOM Board. This structure is shown in **Figure 1** below. A full description of the roles in **Figure 1** is set out in section 4 of this Appendix.

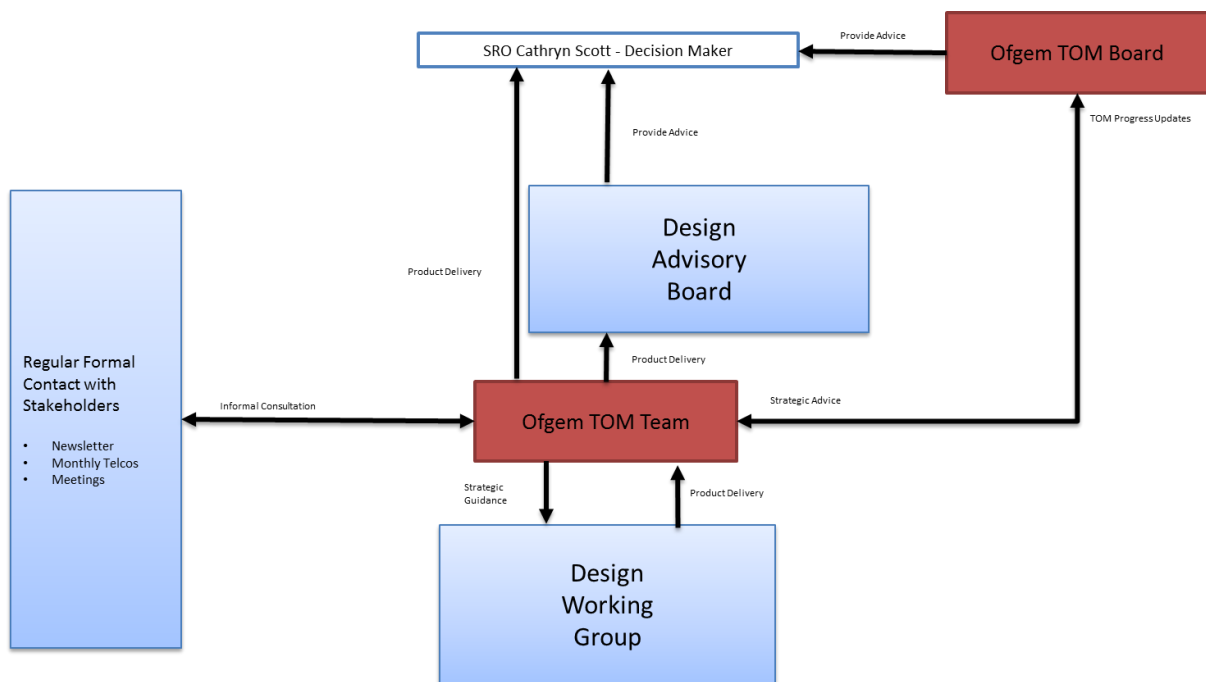


Figure 1: TOM Design Governance

1. Decision-making

1.1 Within the day-to-day operation of the TOM design work there are three primary types of decision that can be made:

- TOM design recommendation
- Preliminary decision
- Final decision

1.2 We provide a description of each of these decision types below.

- TOM design recommendation: this includes all decisions made by the Design Working Group (DWG) on recommendations and options for the design of the TOM in line with the Terms of Reference for the DWG (see Appendix 2C). The DWG will be chaired and facilitated by ELEXON. TOM design recommendations will be escalated by the Ofgem TOM team to the SRO for preliminary or final decision. TOM design recommendations will also be provided to the DAB and Ofgem TOM Board to enable them to provide advice to the SRO.

A TOM design recommendation requires agreement of all members of the DWG. Where agreement cannot be reached the Ofgem TOM Team may, after consultation with the DWG Chair:

- agree to escalate the TOM design recommendation to the SRO for preliminary or final decision. The supporting information provided to the SRO and the DAB by the DWG will outline which members of the DWG disagree with the option or recommendation and explain their reasoning; or
 - seek a preliminary decision from the SRO on how to proceed with the TOM design work on a particular issue.
- Preliminary decision: this includes all decisions made by the SRO to advance the TOM design work before deciding upon the final TOM for mandatory half-hourly settlement. To assist the SRO, the Ofgem TOM Board and DAB will provide advice on the issues being considered for preliminary decision.
 - Final decision: this includes all decisions made by the SRO to finalise the TOM. To assist the SRO, the Ofgem TOM Board and DAB will provide advice on the issues under consideration for final decision.

1.3 The design and development of the TOM will be delegated to the DWG as detailed in the DWG Terms of Reference. Ultimately, the SRO is responsible for decision-making on the final TOM and the preliminary decisions before arriving at the final TOM.

1.4 Terms of Reference for the supporting structures within the project are provided in Appendices 2C and 2D.

2. Product Delivery

2.1 There will be a core process for the DWG to deliver TOM design recommendations to Ofgem. This is set out in the DWG Terms of Reference in Appendix 2C.

2.2 The DWG will make TOM design recommendations. TOM design recommendations must be consistent with the design principles (see Appendix 2B) and the objectives of the HHS project set out in the SCR Launch Statement. A description of the key deliverables and indicative delivery timeframes is set out in the Terms of Reference in Appendix 2C. The Ofgem TOM Team, in consultation with the DWG Chair, will arrange for TOM design recommendations to be escalated to the SRO for decision. TOM design recommendations will also be provided to the DAB and Ofgem TOM Board to review and provide advice to the SRO for a decision.

3. Project governance structures

The governance structures in **Figure 1** are described below:

- **SRO**

The SRO has delegated decision-making authority from GEMA in matters relating to the project. The SRO will receive strategic advice from the DAB and Ofgem TOM Board and will be the sole decision-maker on issues relating to the TOM.

Where the SRO does not think it would be appropriate for them to take a decision, for example, due to the decision's potential impact on Ofgem's reputation or ability to conduct its functions, the SRO may escalate the decision to Ofgem's senior management team or GEMA as required in order to resolve the issue.

- **Ofgem TOM Board**

The Ofgem TOM Board is responsible for reviewing the progress of Stage 1 and Stage 2 of the design work. The Ofgem TOM Board will also review options and recommendations produced by the DWG and will provide strategic advice and guidance to the SRO to inform decision-making. The Ofgem TOM Board will also be responsible for overcoming any issues escalated to them by the Ofgem TOM Team and will ensure the design work continues in a coordinated fashion with Ofgem policy decisions and other relevant, ongoing Ofgem projects.

The Ofgem TOM Board is comprised of members that also sit on the Ofgem Project Board which oversees the broader Settlement Reform work programme.

- **Ofgem TOM Team**

The Ofgem TOM Team provides support to the DWG Chair and attends DWG meetings. The TOM Team will regularly update the Ofgem TOM Board on the work of the DWG. This team is responsible for engaging with members of the DWG and those not participating in the working group through formal stakeholder engagement. The team will ensure design work remains focused on the project design principles and objectives. The team will oversee the escalation of options and recommendations to the DAB, Ofgem TOM Board and the SRO for a final decision.

- **Design Advisory Board**

The DAB will review TOM design recommendations from the DWG and provide forward-looking and strategic input. The Chair of the DWG will attend meetings of the DAB as an "observer" and present TOM design recommendations alongside the rationale for their inclusion in the TOM. The DAB will provide advice from a broader industry and stakeholder perspective to assist the SRO on TOM design recommendations. The roles and responsibilities of the DAB are set out in further detail in the DAB Terms of Reference in Appendix 2D.

- **Design Working Group**

The role of the DWG is to drive forward and deliver options and recommendations on the design of aspects of the TOM as set out in its Terms of Reference (in Appendix 2C). TOM design recommendations will be escalated, via the Ofgem TOM Team, to the SRO for decision. TOM design recommendations will be accompanied by supporting evidence and rationale.

Final decision-making on the TOM rests with the SRO who will be provided with advice on TOM design recommendations by the DAB and Ofgem TOM Board.

In making TOM design recommendations, the DWG must ensure they are consistent

with policy decisions made by Ofgem. These include policy decisions relating to whether or not to centralise functions currently performed by supplier agents, access to half-hourly data for settlement purposes and consumer protection.

The forward work programme of the DWG will be provided by the DWG Chair. Relevant parties may also be invited to attend meetings on an ad-hoc basis to aid in the business of the DWG and progression of any deliverables.

- **Formal Ofgem stakeholder engagement**

The TOM design work will require input from external stakeholders outside of the DWG and DAB to ensure success. Ofgem will maintain regular contact with external stakeholders throughout the duration of the TOM design work, to ensure that all interested parties are informed of progress and to provide the opportunity for wider stakeholder input into the design work.

Ofgem will maintain a list of interested stakeholders and regularly engage with them on the progress of the TOM design through a range of communication channels. These include monthly stakeholder teleconference calls, providing regular newsletters and where requested, individual stakeholder meetings with the Ofgem TOM Team. This will also allow stakeholders to provide, where possible, support and resources to progress the TOM design work through providing feedback to Ofgem on possible options for progressing the design work and by raising issues and concerns.

Appendix 2B: Target Operating Model design principles

1. Purpose of the design principles

- 1.1. The SCR Launch Statement sets out our plan to implement an enduring process for HHS for domestic and smaller non-domestic consumers' electricity usage that delivers benefits for consumers by maximising the opportunities smart metering provides in enabling a smart, flexible, energy system.
- 1.2. Ofgem's outcomes for the mandatory half-hourly settlement (HHS) project are set out in the project objectives, which form part of the Business Case. These are as follows:
 - incentivise all retailers and suppliers (current and future) to encourage customer behaviour in their future electricity demand that contributes to a more cost-effective electricity system;
 - promote the efficient use of, and investment in, energy infrastructure that delivers on government objectives of a flexible, safe and secure low-carbon electricity system; and
 - minimise undesirable distributional effects on consumers.
- 1.3. The design principles, set out below, provide guidance and strategic direction to the Design Working Group (DWG) and Design Advisory Board (DAB) whose respective roles are to develop and review products for the Target Operating Model (TOM) to realise reforms towards HHS¹. Ofgem will also use these design principles to inform its decision-making when considering whether to accept or reject recommendations from the DWG.
- 1.4. Design principles are provided for a number of processes that will require consideration within the TOM design work. They set out our desired strategic outcomes for mandatory HHS, in the context of the high-level objectives set out in 1.2 above.
- 1.5. Once finalised, these design principles will ensure there are agreed criteria for delivering various processes within the settlement arrangements. They will provide transparency and clarity around achievable aims, agreed by both those participating and not directly participating in the design work. This is important to the governance of the project to ensure there is clear and efficient decision-making.
- 1.6. The design principles are to be read in conjunction with the following strategic objectives for the TOM, which set out that settlement arrangements should be designed to:
 - maintain and operate efficient, economic and coordinated settlement processes;
 - be as simple and cost-effective as possible;
 - promote effective competition in the generation and supply of electricity;
 - promote efficiency in the implementation and administration of future balancing and settlement arrangements;
 - promote an electricity system that delivers the Government's objectives cost-effectively, minimising the costs to current and future consumers of

¹ The Target Operating Model will outline how the settlement arrangements and supporting institutions will deliver reform.

moving to a low-carbon electricity system while maintaining security of supply and system efficiency;

- incentivise current and future retailers and suppliers to encourage customers to shift their consumption behaviour, contributing towards a more cost-effective electricity system;
- develop consistently with Ofgem decisions on policies relating to access to half-hourly data for settlement purposes, consumer protection and the question of whether or not to centralise functions currently performed by supplier agents;
- be mindful of potential customer impacts and experience including interactions with their supplier and other relevant parties;
- be flexible to deal with future policies and initiatives;
- become faster and more efficient, reducing the barriers to entry in the energy market; and
- should have safeguards in place to deal with the catastrophic failure of settlement arrangements.

1.7. The TOM design work should be consistent with Ofgem’s principal objective and general duties.

2. Detailed Design Principles

Settlement timetable

- 2.1. The TOM design work provides an opportunity to consider how to reduce the settlement timetable to maximise the opportunities provided by smart metering and to achieve the strategic goals of HHS. In particular, consideration should be given to the extent to which a reduced settlement timetable would reduce credit cover costs for existing suppliers and new entrants.
- 2.2. Full consideration is to be given to how reduced timings (including post reconciliation dispute runs if needed) of each settlement run and a reduced number of runs will create a settlement system which benefits all parties and maintains robust performance assurance.

Data retrieval and processing

- 2.3. The TOM design work will seek to maximise efficiency and realise consumer benefits to deliver the best achievable balance between speed, accuracy and minimisation of data errors within reduced settlement timescales. To achieve this, the TOM design work will consider:
- which enduring roles and responsibilities for data retrieval and processing promote a relatively simple model whilst avoiding the potential to stifle innovation and competition in delivering these benefits; and
 - how best to build upon the changes to data validation and processing introduced under elective HHS.

For the avoidance of doubt, Ofgem will take the policy decision on whether or not to centralise functions currently performed by supplier agents.

Data estimation

- 2.4. To maximise the opportunities provided by smart metering and arrangements for accurate settlement, the TOM should only provide for estimation where necessary. In particular:

- The decision on profiling and estimation should balance reducing costs with retaining adequate accuracy for robust performance assurance;
- Where applied, the process of estimation should be as simple and cost-effective as possible, lowering barriers to entry for new entrants;
- It should limit manual intervention in the estimation process for smart meters; and
- Contingency for a catastrophic failure of settlement arrangements will also need to be in place.

Treatment of non half-hourly settled customers

- 2.5. A number of customers may not have transitioned to HHS. The TOM design work will need to consider how to settle these consumers in the most cost-effective manner whilst limiting impacts on the accuracy of settlement. Full consideration should be given to how to apply reformed HHS arrangements to any remaining non half-hourly sites, to examine the impacts and to ensure appropriate treatment.

Change of Measurement Class (CoMC)

- 2.6. The TOM design work will need to address the transition period involving the mass migration of sites to HHS. It should consider how best to develop an effective and efficient CoMC process (or other method for migration to HHS) in light of any experience gained from the expected increased migration to HHS arising from changes introduced by elective HHS. This includes who should hold Meter Technical Details for installed smart meters, any necessary changes to relevant industry codes and, if required, how to accommodate change of supplier and/or metering system alongside the CoMC. This will require robust processes for CoMC (or other method for migration to HHS) to be in place. Solutions should aim to realise significant efficiency and consumer benefits.

Settlement of export

- 2.7. The TOM design work should consider the potential benefits of including export in mandatory HHS. Specifically:
- At a minimum, improvements to the process for settlement of export should provide solutions for elective take-up;
 - Any settlement arrangements including export should facilitate accurate measurement and allocation of electricity volumes;
 - The solutions to the settlement of import and export should align in the long term to realise the full benefits of settlement reform. This will improve the accuracy of balancing at distribution network level into the mid-2020s to support increased uptake of micro-generation; and
 - The enduring settlement arrangements for export should facilitate the implementation of future policy on small-scale low-carbon generation.

Unmetered supplies

- 2.8. The TOM design work should consider HHS of unmetered supplies (both for non half-hourly and existing half-hourly unmetered supplies). The potential to reduce the amount of inaccurate data processed at each settlement run should be considered to provide improvements to settlement performance whilst limiting the burden of change where potential benefits are limited.

Network Charging

- 2.9. The TOM should facilitate changes aimed at improving the accuracy of data used for the billing of, and determining charges for, distribution networks. These changes should be appropriate for delivering benefits for domestic and small non-domestic consumers settling on a half-hourly basis.
- 2.10. The TOM design work should also take account of and accommodate any changes to the network charging regime which have an impact on HHS.

Transition

- 2.11. As part of the Business Case, Ofgem will develop an approach for the transition to HHS with the aim of providing certainty to industry on the timeframe for change and expectations on them. This will consider the costs and benefits of different implementation timeframes based on the commercial decisions that affect organisations in the transition, including the resources required to manage concurrent industry changes. The work on the transitional approach will need to be informed by the design of the TOM as it develops.

The TOM design work will include the design of settlement arrangements which will give effect to the transitional approach outlined by the Business Case. The TOM design work will also provide information for the Business Case on the costs and benefits of different timeframes for and approaches to the transition.

Specific measures of success

Ofgem will use the measures below as a guide when taking decisions on options and recommendations for the TOM design. Arrangements should:

- reduce the elapsed time required to complete the settlement of any given consumption period;
- reduce the settlement error (i.e. the difference between generation and consumption) that has to be smeared across suppliers and reduce post final reconciliation runs changes;
- minimise the costs of data collection and settlement processing²;
- ensure appropriate customer treatment across all types of supply point by suppliers regardless of meter type;
- promote effective competition in supply and generation;
- ensure the solution is robust and flexible to accommodate change;
- minimise delivery risks for participants;
- ensure that customers are moved across to mandatory HHS in accordance with the transition approach set out by the Business Case
- Reduce the Balancing and Settlement Code (and other codes where relevant) credit cover costs to participants

² For the avoidance of doubt, Ofgem will take the policy decision on whether or not to centralise functions currently performed by supplier agents.

Appendix 2C: Design Working Group Terms of Reference

This document sets out the Terms of Reference for the Design Working Group (DWG) to be used throughout the Target Operating Model (TOM) design work for mandatory half-hourly settlement (HHS)

1. Purpose of the Design Working Group

- 1.1. The objective of the mandatory HHS project is to develop and then implement an enduring process for HHS that delivers benefits for consumers by maximising the opportunities provided by smart metering in enabling a smart, flexible energy system.
- 1.2. To achieve this objective, the TOM design work will consider options, transitional arrangements, and define comprehensive settlement arrangements.
- 1.3. To assist Ofgem in arriving at a final TOM for mandatory HHS, the DWG, chaired by ELEXON, will lead and deliver a recommended TOM to Ofgem for approval, drawing on the relevant technical expertise of members and through wider stakeholder engagement. The DWG will be the formal setting for the design work to develop the TOM and arrive at decisions on options to recommend to Ofgem.
- 1.4. The TOM design work will be undertaken in two stages. Following the formation of the DWG, Phase 1 will establish preliminary options and a design baseline for the TOM design work to proceed. These options are described in ELEXON's skeleton TOMs document (see ELEXON's forward planning document) and will facilitate the detailed technical work of Phase 2 without prejudging Ofgem policy decisions relating to the areas of whether or not to centralise functions currently performed by supplier agents, access to half-hourly data for settlement purposes and consumer protection. At the end of Phase 1, options for potential TOMs will be provided to Ofgem for approval. Phase 2 of the design work will follow the decision on the agreed options for skeleton TOMs and will consider and develop detailed recommendations for roles and responsibilities, settlement processes, policy enablers and the transition to mandatory HHS as defined within the scope below. This will result in Phase 2 of the TOM design work delivering a final TOM to Ofgem for a final decision.

2. Role and scope of the DWG

- 2.1. The DWG will take forward the design of options and recommendations for the TOM. Decisions made by the DWG on options and recommendations for the design of the TOM (TOM design recommendations) will be provided to the Ofgem TOM Team (as defined in Appendix 2A). Options and recommendations provided to the Ofgem TOM Team will be accompanied by supporting evidence and rationale to be taken into account.
- 2.2. The Ofgem TOM Team will arrange for TOM design recommendations to be escalated to the Senior Responsible Owner (SRO) for preliminary or final decision. Final decision-making on the TOM design rests with the SRO. TOM design recommendations will also be provided to the Design Advisory Board (DAB) and Ofgem TOM Board to enable them to provide advice to the SRO.

- 2.3. For a TOM design recommendation to be reached, the DWG must reach unanimous agreement. Where agreement cannot be reached, the Ofgem TOM Team may, after consultation with the DWG Chair:
- Agree to escalate the TOM design recommendation to the SRO for preliminary or final decision. The supporting information provided to the SRO and the DAB by the DWG will outline which members of the DWG disagree with the option or recommendation and provide a detailed explanation of their reasons; or
 - Seek a preliminary decision from the SRO on how to proceed with the TOM design work on a particular issue.
- 2.4. The DWG must seek to resolve any relevant issues and, if not possible, escalate them to the Ofgem TOM Team.
- 2.5. TOM design recommendations must account for, and be consistent with:
- Ofgem policy decisions such as whether or not to centralise functions currently performed by supplier agents, access to half-hourly data for settlement purposes and consumer protection issues;
 - The TOM strategic objectives and design principles; and
 - Any decisions on the design of the TOM made by the SRO.
- 2.6. Ofgem policy decisions are not expected to be finalised by the time the DWG commences. The Ofgem TOM Team will provide regular updates on the progress of these policy issues for the DWG to take into account when developing TOM design options and recommendations.
- 2.7. In performing its role, the DWG will:
- Be provided with a forward work plan by the Chair;
 - Review and assess draft options on aspects of the TOM provided by the Chair;
 - Align the provision of options and recommendations with meetings of the DAB;
 - Provide technical expertise and solutions through discussion in the DWG to arrive at robust and effective options and recommendations to be escalated to the Ofgem TOM Team; and
 - Decide within the DWG on the TOM design recommendations to be escalated to the Ofgem TOM Team with accompanying supporting evidence and rationale.
- 2.8. The minutes of the DWG will be recorded and published by ELEXON, and provided to the Ofgem TOM Team.

3. DWG deliverables

- 3.1. The work of the DWG will provide expert consideration of options for the TOM. The key outputs of the DWG will be to:
- Deliver draft Phase 1 options for skeleton TOM architectures by 10 January 2018. Each skeleton TOM should be accompanied by an explanatory note outlining the code modifications required to give effect to the proposed

settlement arrangements and set out interactions with other Ofgem policy work;

- Deliver Phase 1 options for skeleton TOM architectures for Ofgem decision in March 2018;
- For Phase 2, agree to a final TOM and options for transitional arrangements, accompanied by a detailed description of the code modifications necessary to give effect to these arrangements, to be provided to Ofgem to make a decision(s) to proceed with detailed design in September 2018; and
- For Phase 2, develop and assess options and recommendations for a final detailed TOM and detailed transitional arrangements, including a draft of the proposed code modifications to give effect to arrangements, to be provided to Ofgem for final decision in March 2019.

3.2. In producing the above deliverables, the DWG must:

- Ensure that TOM design recommendations reflect the current status of Ofgem policy considerations;
- Identify interactions between options and other aspects of market arrangements;
- Ensure the options and final TOM delivered realise the objectives and design principles developed by Ofgem; and
- Provide supporting evidence and rationale accompanying the options and recommendations proposed by the DWG.

3.3. More detailed deliverables may be agreed between the Ofgem TOM Team and the Chair of the DWG. This may include the provision of technical input by the DWG on policy issues being considered by Ofgem.

4. Role of the Chair

4.1. The DWG will be led by ELEXON ("the Chair").

4.2. The role of the Chair is to facilitate discussion across the DWG, enable challenge and ensure options are considered thoroughly. In accordance with the DWG's Terms of Reference and the HHS governance and decision-making (see Appendix 2A), the Chair will ensure recommendations for aspects of the TOM design and the final TOM are delivered in a timely fashion and are in line with the project's design principles and objectives.

4.3. The Ofgem TOM Team will, as required, provide support to the Chair.

4.4. The Chair will regularly update the Ofgem TOM Team on the progress of the design work outside of formal meetings of the DWG. The Chair will act upon any strategic direction which is provided by Ofgem in relation to the design work of the DWG.

4.5. The Chair will develop and maintain the work plan of the DWG and will be responsible for the delivery of options and recommendations to Ofgem and the DAB.

4.6. The Chair will present TOM design recommendations at meetings of the DAB. The Chair will be an observer at meetings of the DAB and provide explanation of technical detail and rationale upon request.

5. Establishment of the DWG

- 5.1. Alongside the Significant Code Review Launch Statement, Ofgem issued an open invitation to apply for membership of the DWG. In cooperation with ELEXON, we will identify which applicants are best placed to perform the tasks and achieve the objective of the DWG. This will include expert knowledge of settlement, the ability to identify how reforms will impact the settlement process, market participants' roles and processes and the regulatory framework. This will also include expertise on relevant consumer issues and relevant innovation and technology aspects that might influence/be enabled by HHS. This is alongside the ability to incorporate settlement processes which will be influenced by Ofgem decisions on whether or not to centralise functions currently performed by supplier agents, access to half-hourly data for settlement purposes and consumer protection and business case development.
- 5.2. We will seek to ensure the DWG includes a range of stakeholders' viewpoints to deliver arrangements which enable a smart, flexible energy system.
- 5.3. The final decision on the membership of the DWG is held by Ofgem and will be taken and published by 29 September 2017.

6. Meetings and frequency

- 6.1. The DWG will typically meet every one to two months through Phase 1 and Phase 2 of the TOM design work. The forward work plan and time, date and location of meetings will be set and organised by the Chair. Where necessary, and with the agreement of Ofgem, the DWG will meet to drive through the business required, as called by the Chair.
- 6.2. Meetings of the DWG will be chaired and facilitated by ELEXON.
- 6.3. Ofgem will attend the DWG as an "observer" to monitor progress of the design work and to provide strategic input on the technical design to ensure it fits with the project objectives and design principles. For avoidance of doubt, Ofgem is not a member of the DWG and cannot vote on TOM design recommendations.

7. Rules of participation

- 7.1. Members are expected to possess expert knowledge or experience in one or more of the following areas:
 - settlement arrangements;
 - development and delivery of settlement reforms;
 - regulatory and commercial arrangements and processes which interact with, or may be affected by, the settlement process;
 - consumer issues; and
 - innovation and technology that might influence or be enabled by HHS.
- 7.2. A named alternate for each member shall be identified to ensure meetings can take place where members are not able to attend. Alternates shall only attend when the member is not able to attend.

- 7.3. The Chair and Ofgem will have the discretion to invite interested parties on an ad-hoc basis to attend any meeting to aid in the business of the DWG and progression of any deliverables.
- 7.4. For the avoidance of doubt, any discussions in meetings and views expressed or implied in such discussions, or in associated documents, are without prejudice to, and shall not limit, the discretion of Ofgem with regard to its final decisions. Equally, views expressed by members/attendees will be treated as expert advice in the delivery of the DWG's function.
- 7.5. It is the responsibility of the members to ensure compliance with competition law while participating within the DWG.

8. Administration

- 8.1. ELEXON will chair the DWG and provide secretariat functions.
- 8.2. ELEXON will provide agendas and papers at least 5 working days in advance of each meeting and summarise key decisions and actions within 10 working days of each meeting.
- 8.3. The schedule of meetings, agendas and accompanying papers and minutes will be published in a transparent manner by ELEXON.
- 8.4. Meetings will be held in London, typically at ELEXON's offices.

9. Review

- 9.1. The Terms of Reference, membership and operation of the DWG may be reviewed at any time by the Chair or Ofgem.
- 9.2. Following a review under clause 9.1, Ofgem may make changes to the Terms of Reference, membership or operation of the DWG to ensure they remain appropriate for the requirements of the mandatory HHS project. Ofgem will consult with the Chair prior to making any changes.

10. Membership

- 10.1. ELEXON will invite members to participate in the DWG following the final decision on membership by Ofgem. Members are expected to fulfil a full participatory role in the DWG, including input into any preparatory work before meetings and review of output from the meetings.
- 10.2. Ofgem can, in consultation with the Chair, revoke the membership of a DWG member if:
 - they fail to constructively contribute to the work of the DWG; or
 - there are circumstances that, in the view of the Ofgem, mean that the continued participation of members would be to the detriment of the achievement of the objectives of the design work. If members consider that such circumstances exist, it is their responsibility to bring the matter to the attention of the Chair and Ofgem TOM Team.

Appendix 2D: Design Advisory Board Terms of Reference

This document sets out the Terms of Reference for the Design Advisory Board (DAB) to be used throughout the Target Operating Model (TOM) design work for mandatory half-hourly settlement (HHS).

1. Background

- 1.1. The objective of the mandatory HHS project is to develop and then implement an enduring process for HHS that delivers benefits for consumers by maximising the opportunities smart metering provides in enabling a smart, flexible energy system.
- 1.2. To achieve this objective, the TOM design work will consider options, transition arrangements and define comprehensive settlement arrangements.
- 1.3. To assist Ofgem in arriving at a final TOM for mandatory HHS, a Design Working Group (DWG) will deliver TOM options and design recommendations to the Ofgem Senior Responsible Owner (SRO) for preliminary decision or final decision. The DWG will be chaired by ELEXON and draw on the relevant technical industry expertise of its members. The DWG will be the formal setting for the design work to develop the TOM and arrive at decisions on options to recommend to the SRO.
- 1.4. The DAB and the Ofgem TOM Board will provide advice to assist the SRO in making decisions on TOM design recommendations.

2. Objective of the DAB

- 2.1. The objective of the DAB is provide expert advice to the SRO on TOM design recommendations by the DWG. The DAB will assess whether TOM design recommendations are consistent with the TOM strategic objectives and meet the requirements of the design principles set out in Appendix 2B.
- 2.2. In particular, the DAB's assessment should consider whether TOM design recommendations promote innovation and competition, facilitate a smart, flexible energy system, and reduce the barriers to entry into the energy market for new entrants.

3. Scope and deliverables of the DAB

- 3.1. The DAB will review TOM design recommendations which have been developed by the DWG before they are taken to the SRO for decision. It may also provide expert advice and input on any other issues requested by the DWG or the Ofgem TOM Team to assist the development of TOM options and recommendations.

Review of TOM design recommendations

- 3.2. The Ofgem TOM Team will determine, in consultation with the DWG Chair, when to escalate a TOM design recommendation to the DAB for review.
- 3.3. If a TOM Design Recommendation has been escalated to the DAB for review, the Ofgem TOM Team will arrange for the DWG Chair to give a presentation to the DAB on the TOM design recommendation. Members of the DAB will also be provided with an explanatory paper which provides a detailed explanation and rationale of the TOM design recommendation.
- 3.4. The DAB will provide views and its recommendations, together with supporting evidence and rationale, so that this can be taken into account by the SRO. Views

and recommendations of the DAB will be prepared by the Chair of the DAB and be provided to the SRO in writing. The DAB will endeavour to provide consensus views and recommendations to the SRO. Where consensus cannot be reached, minority views, including reasons for these, will also be provided to the SRO.

Provision of expert advice

- 3.5. The DAB may also provide expert advice and input on issues requested by the DWG or the Ofgem TOM Team to assist the development of TOM options and recommendations. This will be done on an ad-hoc basis.
- 3.6. In performing its functions, the DAB will:
 - Be provided with a forward work plan by the Chair;
 - Review and assess TOM design recommendations escalated by the Ofgem TOM Team and provide guidance and recommendations to the SRO on these design recommendations;
 - Review and provide guidance on design issues raised by the DWG or the Ofgem TOM Team when requested;
 - Identify and flag any risks, issues and dependencies that should be addressed by the DWG or Ofgem TOM Team;
 - Provide a strategic assessment of whether TOM design recommendations will assist in the objectives of mandatory HHS; and
 - Any assessment and advice provided by the DAB should be given in the context of the overall project objectives, the TOM design principles set out in Appendix 2B, Ofgem policy decisions and the Government objective of a smart, flexible energy system.
- 3.7. The minutes of the DAB will be recorded and published by Ofgem.

4. Role of the Chair

- 4.1. The DAB will be led by Ofgem ("the Chair").
- 4.2. The role of the Chair is to facilitate discussion, enable challenge and ensure the DAB provides robust and effective review of TOM design recommendations, and expert advice. In accordance with the DAB's Terms of Reference and the HHS governance and decision-making, the Chair will ensure advice and recommendations for aspects of the TOM design and the final TOM are delivered in a timely fashion and are in line with the project's design principles and Ofgem's project objectives.
- 4.3. The Chair will develop and maintain the work plan of the DAB and the delivery of the DAB's views and recommendations on TOM Design Recommendations and expert advice.

5. Constitution of the DAB

- 5.1. Ofgem will invite representatives to be members of the DAB and ensure there is appropriate representation to perform the tasks and achieve the objective of the DAB. The Ofgem Chair may also invite specific persons to participate in the DAB on an ad-hoc basis if there is a requirement for particular expertise.

- 5.2. The DAB is a senior level group. Members will have a diverse range of expertise and experience, and be able to provide insights on whether proposed TOM design recommendations would achieve Ofgem's objective of facilitating change in the energy system. Members should have a strategic understanding of the HHS project.
- 5.3. The DAB will be constituted of experts sourced from a wide range of stakeholder viewpoints to challenge TOM design recommendations and ensure they deliver arrangements which enable a smart, flexible energy system. Members will be named individuals and drawn from bodies such as suppliers, network operators, supplier agents, the Data Communications Company (DCC), consumer bodies, technical advisors and Government.

6. Meetings and frequency

- 6.1. Meetings of the DAB will be chaired and facilitated by the Chair.
- 6.2. The DAB will typically meet every two to four months through Phase 1 and Phase 2 of the TOM design work. The forward work plan and time, date and location of meetings will be set and organised by the Chair.
- 6.3. Where necessary, the DAB will meet to consider issues as required by the Chair.

7. Rules of participation

- 7.1. DAB members are expected to make all reasonable efforts to attend meetings and constructively contribute.
- 7.2. A named alternate for each member shall be identified to ensure meetings can take place where members are not able to attend. Alternates shall only attend when the member is not able to attend.
- 7.3. The Chair will have the discretion to invite interested parties on an ad-hoc basis to attend any meeting to aid in the business of the DAB and progression of any deliverables.
- 7.4. For the avoidance of doubt, any discussions in meetings and views expressed or implied in such discussions, or in associated documents, are without prejudice to, and shall not limit the discretion of Ofgem with regard to its final decisions. Equally, views expressed by members/attendees will not be treated as representative of organisations they are employed by or otherwise affiliated with.
- 7.5. The Chair can revoke the membership of a DAB member if they:
 - fail to constructively contribute to the HHS design work; or
 - there are circumstances that, in the view of the Chair, mean that the continued participation of members would be to the detriment of the achievement of the objective of the design work. If members consider that such circumstances exist, it is their responsibility to bring the matter to the attention of the Chair.
- 7.6. It is the responsibility of the members to ensure compliance with competition law while participating within the DAB.

8. Administration

- 8.1. Ofgem will chair the DAB and provide secretariat functions.
- 8.2. Ofgem will provide agendas and papers at least 5 working days in advance of each meeting and summarise key decisions and actions within 10 working days of each meeting.
- 8.3. The schedule of meetings, agendas and accompanying papers and minutes will be published in a timely manner on the Ofgem website.
- 8.4. Meetings will be held at Ofgem's office in London unless otherwise notified.

9. Review

- 9.1. Ofgem may review and update the Terms of Reference, membership and operation of the DAB at any time. This is to ensure they remain appropriate for the requirements of the mandatory HHS project. Ofgem will consult with the DAB prior to making any changes.