Call for Input

Section 2 Questions

Q1. Do you see potential uses for the DSI within your day-to-day operation in the energy sector?

A1. Equiwatt sees significant potential in using the DSI within our daily operations. As a company operating in the demand flexibility space, we rely on real-time access to data on energy consumption and grid status. The DSI would allow us to better manage distributed energy resources (DERs), such as smart appliances, battery storage, and EV chargers, which are essential for balancing supply and demand. By providing standardized, real-time data, the DSI could help us optimize load shifting and improve energy efficiency, contributing to reduced peak demand and enhanced grid resilience.

Moreover, access to a standardized data-sharing infrastructure would enable more accurate forecasting and aggregation of demand-side flexibility, supporting Equiwatt's core business of aligning household energy usage with grid needs. This would ultimately improve the effectiveness of demand response programs and provide better value to both consumers and the grid.

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

A2. If Ofgem concludes that the ESO (or NESO) is the best choice for delivering the DSI, we support the decision to fund the Minimum Viable Product (MVP) through the System Operator's pass-through cost mechanism. We agree that these costs should be outlined in the System Operator's Business Plan. However, it would be helpful to receive clarification on what Ofgem considers as 'appropriate controls' to prevent excessive costs from being passed down to consumers. Greater transparency regarding how the System Operator will meet the requirements of the HMT Green Book would also be beneficial.

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

A3. 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

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?

A4. Equiwatt agrees with the proposed short-term governance structure, where the Interim DSI Coordinator leads the governance from 2024 to 2028. However, it is essential that this model ensures a level playing field for smaller, innovative companies, allowing us to participate and benefit on equal terms with larger, established entities.

We also recommend that the governance model prioritizes transparency, ensuring that all data-sharing rules and processes are clearly communicated to participants. Additionally, the coordinator should actively engage stakeholders from diverse market segments, including demand-side flexibility, to ensure the framework reflects the sector's varying needs.

While we support the short-term governance model, particularly the use of a 'knowledge base,' further clarity is needed regarding the interaction between the governance of the Market Asset Registration and Consumer Consent solution. It would be helpful to understand the System Operator's responsibilities in collaborating with the Market Facilitator (Elexon), should the System Operator take on the Interim DSI Coordinator role. We believe this collaboration is crucial. We also want to emphasize the importance of transparent stakeholder engagement during the development of the DSI's MVP, along with clear monitoring of these engagement activities.

Q5. **If not, state your reasons and propose an alternative governance model or improvements to our proposed solution.**

A5. N.A

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

A6. See answer 5 above regarding governance with wider workstreams.

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

A7.Equiwatt agrees with the responsibilities outlined for the Interim DSI Coordinator. However, we believe that the coordinator should also have a responsibility to **regularly assess and report on the inclusiveness of the DSI.** This includes ensuring that smaller entities, such as demand flexibility providers, can access and contribute to the DSI without facing disproportionate financial or technical barriers.

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?

A8.The proposed deliverables are comprehensive, but we suggest adding the following:

1. **Demand Flexibility Use Cases**: Given the critical role of demand flexibility in achieving net-zero goals, we recommend that demand-side use cases be prioritized early in the DSI's development. The coordinator should deliver a report on how the DSI can support real-time data exchange for flexibility services.
2. **Cybersecurity and Data Privacy Framework**: Given the sensitive nature of energy data, cybersecurity must be a key deliverable. The coordinator should work with relevant bodies to ensure that the DSI meets the highest standards of data security and user privacy from the outset.

Section 4 Questions

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.

A9. We concur with the rationale outlined in the consultation for selecting the System Operator as the Interim DSI Coordinator. Given NESO's whole-system statutory duties, it is a logical choice to lead the development of the Minimum Viable Product (MVP). The existing requirements for ESO—and soon NESO—around interoperability and independence position it well to fulfill this role. Conversely, assigning such responsibility to an organization with a historically poor track record in IT delivery would be ill-advised. It's crucial to distinguish what NESO should become, as opposed to what ESO has been. If the focus is solely on the future role of NESO, Ofgem's decision is sound. However, without addressing ESO's past shortcomings, the decision warrants scrutiny.

We agree with Ofgem that, to meet the independence requirement, ESO's impartiality must be closely monitored until the transition to NESO is complete. As highlighted in the consultation's timeline, the pilot and MVP will likely be developed during this transition, which should be factored into Ofgem's oversight to avoid disruptions.

Regarding stakeholder engagement, while we agree that ESO (NESO) is theoretically well-positioned to lead this effort, clearer communication across the industry is still needed. Ofgem's response to the BP2 mid-scheme review noted ESO's performance in areas such as transparency, industry engagement, and operational metering as being "significantly below expectations." We've experienced similar shortcomings in ancillary service design and the development of the Local Constraints Market, where decisions by ESO—though not formally discriminatory—placed independent flexibility providers at a disadvantage compared to energy suppliers. The utilization of

existing steering groups and the creation of new ones will be crucial for consumers and service providers to realize the full value of the DSI infrastructure.

Further clarity from Ofgem on the expected form and scope of stakeholder engagement by the Interim DSI Coordinator is necessary to ensure proper oversight and monitoring.

Lastly, while ESO theoretically possesses the operational capabilities for this role, concerns remain about IT investment, as noted in the recent mid-scheme review. Continued reliance on proprietary systems may perpetuate the use of outdated legacy technologies, which the industry has long sought to replace. IT deficiencies pose a significant risk to achieving the desired outcomes for the electricity system and beyond. Given ESO's historical delays attributed to "changes on legacy systems," it is vital that ESO (NESO) implement an industry-wide solution that meets the objectives of this initiative.

Q10. What assessment criteria do you foresee being required when transitioning from short-term governance to an enduring governance model?
A10.Key criteria for transitioning to an enduring governance model should include:

1. **Inclusiveness**: The governance model must ensure equal access for all market participants, from large incumbents to smaller innovators like Equiwatt.
2. **Transparency**: The transition should involve a thorough review of the transparency of decision-making processes, data access, and reporting.
3. **Performance Metrics**: Criteria should include the success of the MVP in delivering real-world benefits, such as improved grid flexibility and efficiency.

Q11. What suggestions or feedback do you have for refining these governance assessment criteria to better meet the requirements and challenges of digitalisation in the energy sector?

A11.To refine the governance assessment criteria for digitalization in the energy sector, several key areas need emphasis. First, **inclusiveness** is critical. The governance model should actively involve smaller market participants, like Equiwatt, to ensure their contributions in demand-side flexibility are represented. This can be achieved by forming a **Stakeholder Advisory Panel** that includes innovators and consumer advocates.

Second, **transparency** in decision-making is essential. Data-sharing rules and governance processes should be clearly communicated to all participants. Regular reporting on governance activities, use case developments, and changes to protocols will help maintain trust and ensure informed decision-making for all stakeholders.

Third, the model must be **adaptable and flexible** to incorporate emerging technologies. A regular **technology assessment** process should be included to ensure the DSI remains future-proof and supports advancements in digital tools, automation, and cybersecurity.

Fourth, **interoperability** with global data standards is crucial for seamless cross-sector and international data sharing. The DSI should align with open, recognized standards to reduce barriers, supporting global scalability and integration for companies like Equiwatt.

Additionally, **collaboration** between the System Operator and entities like Elexon is vital for smooth data integration across sectors. Clear guidelines for this collaboration should be part of the governance framework.

Lastly, **cybersecurity and data privacy** are non-negotiable. The governance model should follow existing frameworks, ensuring consumer data is protected. Ongoing cybersecurity assessments should be part of the governance criteria to stay ahead of evolving threats.

In conclusion, the governance model should ensure **performance metrics** are tracked and monitored regularly to assess the DSI's success in supporting grid flexibility, innovation, and equitable participation for all market players.