

ELEXON

20 September 2024

By e-mail to: digitalisation@ofgem.gov.uk

Dear Mr Finch,

Re: Governance of the Data Sharing Infrastructure

Thank you for the opportunity to respond to your consultation on the governance of the Data Sharing Infrastructure.

Elexon is an independent, not-for-profit company that has been operating for 25 years, playing a critical role as an expert delivery body, supporting the transition to a net zero energy system. We provide governance, settlement and data platforms (Elexon Kinnect), and manage the Balancing and Settlement Code (BSC). This enables the smooth and effective operation of the electricity market, which includes energy suppliers, generators, flexibility service providers and network companies across Great Britain. Over the past year, we have helped around 50 new companies enter the market, enabling a more flexible and innovative energy system.

Our end-to-end expertise in governance, assurance, technology platform development and electricity market data is available to support the industry, Government and Ofgem, as the energy sector transitions to net zero. Building on our purpose of serving the industry, the electricity market data we hold is open, and available for anyone to access, analyse and distribute. As a trusted, independent and reliable market expert, we continuously look to evolve and innovate for the benefit of our customers and consumers.

Ofgem has appointed us as the Senior Responsible Owner for implementing the Market-wide Half Hourly Settlement (MHHS) Programme, a key enabler of the flexibility required for the transition to net zero. Once MHHS is live, Elexon will manage up to 38m energy readings daily. Half-hourly data is an important enabler for demand side response, and used effectively, can encourage more flexible use of energy – reducing household bills and rewarding customers. Ofgem estimates half hourly settlement will deliver up to £4.5bn of net benefits to consumers by 2045.

We also calculate, collect and distribute payments incentivise investment in low carbon generation and energy security for the Capacity Market, Contracts for Difference (CfD) and Nuclear RAB schemes, on behalf of the Low Carbon Contracts Company (LCCC). In July 2024, we were appointed as the market facilitator of local distributed flexibility markets.

We have limited our response to areas where we feel we can add value. If you would like to discuss any areas of our response, please do not hesitate to contact us.

Yours sincerely,

Anthony Riding
Head of Data
Elexon

Elexon's key recommendations

Below we highlight our key recommendations within our response.

1. Elexon supports the option of a working group undertaking the Interim Data Sharing Infrastructure (DSI) Coordinator role

NESO are currently working on the development of the DSI, initially via the pilot, then the MVP and finally rolling it out in 2028/29. We strongly recommend that a working group or independent body undertake the Interim DSI Coordinator role. This will help to avoid a conflict of interest, whereby NESO are developing their own standards, as well as responsible for monitoring their own progress of DSI development, holding their own standards to account.

While we strongly support NESO and its creation, we would like to objectively highlight the risk that allocating all development and monitoring roles to one organisation (in this instance NESO) may erode market trust in the process being developed appropriately, particularly if other market participants think there is bias in the design build. An example of this is the choice of outage planning for the initial pilot. The Digital Spine Feasibility Study identified three Day 1 initiatives for the DSI:

- Vulnerable consumer identification
- LAEP & coordination of local decarbonisation planning
- Electricity flexibility

We believe any of those three would have been a better choice for the initial pilot and subsequent MVP.

The consultation outlines an alternative option of a working group being chosen as the Interim Coordinator. We believe this is a better option as it will allow a more diverse set of stakeholders to influence and steer this key sector initiative. Adding more diverse, skilled capabilities to the DSI development will allow it to develop more organically than the step-by-step plan outlined in the consultation.

2. A more ambitious and agile approach to the implementation timeline is needed

If the DSI is to gain traction and be a useful sector-wide data sharing tool, initial momentum will be key. We would recommend a more agile, multi-initiative approach where initiatives can run in parallel, and lessons can be learned quickly and shared. A fail-fast, agile approach involving multiple stakeholders coordinated via an effective working group will progress the DSI more quickly.

3. As a sector, we should be pushing Data Best Practice further

Elexon is a strong advocate of Data Best Practice (DBP). Although Ofgem has set the intentions for DBP, this is currently only mandated for Network Operators, rather than wider. We view the adoption of DBP as the real key to unlocking sector-wide data interoperability and sharing. One of the keys risks we see to the ultimate success of the DSI is the disparity in the levels of data maturity across the sector. Simply put, an

organisation's poor data maturity will act as a key barrier to entry. Mandating DBP will help to address this and allow more data to be integrated into the DSI.

Furthermore, sector-wide sharing of data catalogues, using standardised meta data, will offer a better view of the actual data sets out there and the show the true potential the DSI can offer.

We therefore recommend focusing on making data more open, accessible and usable, via DBP adoption, alongside building the DSI infrastructure.

4. Collaboration between the DSI and Flexibility Digital Infrastructure initiatives is vital

There are currently a wide range of consultations across industry on data and digitalisation, and Elexon is taking a holistic approach in our response (i.e. we are not responding to this consultation in isolation). Like many industry stakeholders we are providing responses simultaneously to other consultations regarding Flexibility Market Asset Registration (FMAR) and the Consumer Consent Framework.

There is a clear linkage and interdependency between DSI and the FDI. We see this dependency as an opportunity for Elexon to collaborate on both fronts.

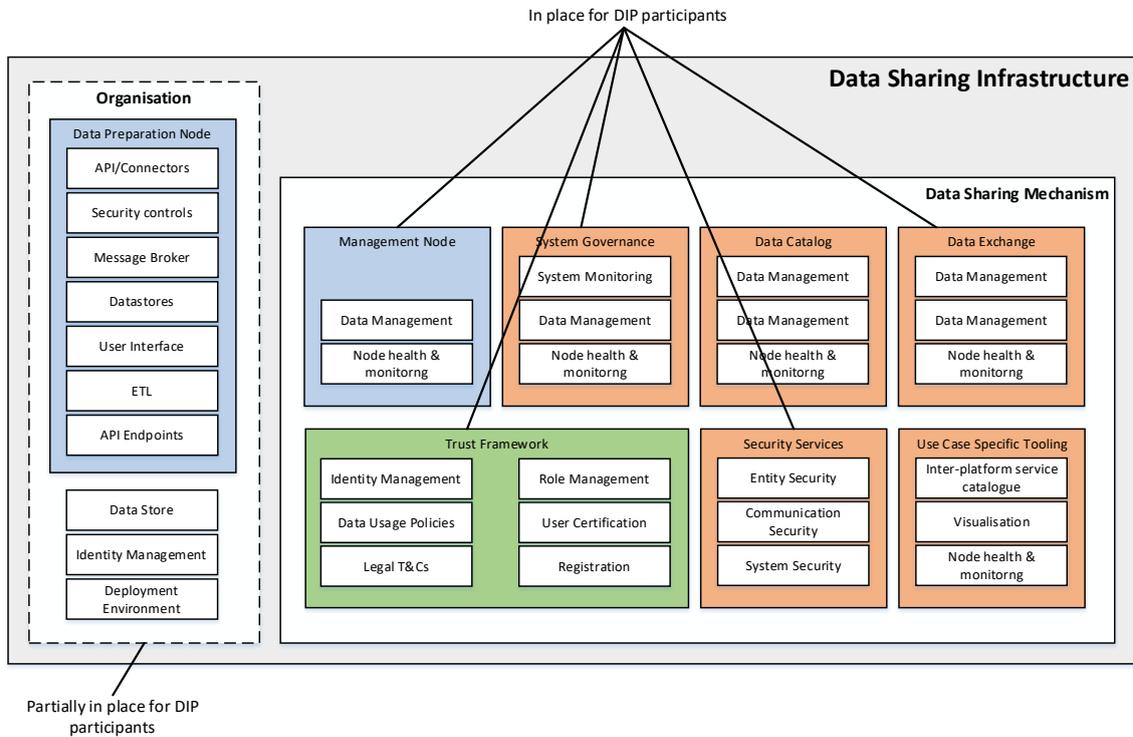
In our role as Market Facilitator, we are committed to developing the FMAR and the FDI that will underpin it. Therefore, close collaboration between Elexon and the Interim Coordinator will be key. With close collaboration in place there will be a positive opportunity to work more efficiently and effectively across these two interrelated initiatives.

5. Lessons can be learned from Elexon's experiences

Elexon's leadership and experiences gained in implementing the Data Integration Platform (DIP) to support the Market Wide Half Hourly Settlement (MHHS) Programmes offers many synergies with the DSI proposal.

In responding to this consultation, we have reflected on the lessons learnt from the implementing a large-scale integration platform across the sector and can see many similarities in the two initiatives.

In comparing the capability model outlined in the Digital Spine Feasibility Study, we were able to compare against the capabilities we have implemented to develop and support the DIP going forwards. The diagram below shows where we have already implemented solutions.



Source: Digital Spine Feasibility Study | Arup, ESC, University of Bath

We believe discussing and offering the lessons learnt from our experiences in implementing the DIP, to support MHHS, would be of real benefit in the evolution of the DSI.

6. Stakeholder engagement and communications strategy will be key

Stakeholder engagement, and the inclusion and support of the appropriate industry resources will be key to the success of implementing a DSI. In our view, the option of a working group, led by a neutral party, to act as the Interim DSI Coordinator will offer the best opportunity to realise this goal of building a truly diverse team.

Additionally, a detailed communications strategy will be another key factor in gaining user support and take up. This area has not been covered within the consultation, although in our experience of implementing the DIP, we have seen that it is a critical success factor in ensuring plans remain in place and users remain engaged.

Elexon's consultation response

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

At Elexon we see the development of a Data Sharing Infrastructure (DSI) as a key enabler in supporting sector wide data sharing and interoperability. The ability to connect Elexon's vast portfolio of industry data sets, stored within our Kinnect platform, is an opportunity we are keen to grasp. Like most key sector stakeholders, we are keen to integrate our data more widely and support the concept of creating a network of preparation nodes connected via a DSI. Furthermore, based on our experience of developing and implementing an industry wide integration platform, to support the Market Wide Half Hourly Settlement (MHHS) Programme, we believe we can offer some valuable insights into how the DSI could be implemented more widely.

In terms of the potential uses of the DSI relevant to Elexon, we see the domestic smart meter data stored within our smart meter repository as being a key data set in creating the products and innovations that will lead the drive to net zero. Integrating this data via a wider DSI will allow the development of solutions that focus on vulnerable customers (a use case identified as day one requirement in the original Digital Spine feasibility study) and help in the identification of energy theft. Focusing on initiatives like these rather than the current pilot's focus on outage planning would offer more value to suppliers and consumers.

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

As outlined in our key recommendations, we have an alternative view on the role of the interim coordinator to avoid a conflict of interest. Rather than being controlled by a single entity we feel there is value in coordinating the development of the DSI using a working group of sector wide experts capable of offering the right levels of expertise and impartiality.

The consultation does not provide a lot of detail on funding, but using a working group led by a neutral party will offer a more agile approach, leveraging the expertise in industry and allowing for greater cost transparency and a more lightweight funding model.

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

With government's net zero targets rapidly approaching, the timelines need to be more ambitious. Furthermore, the plan is only focused on a set of step-by-step milestones for implementation. Outside the MVP approach, there is little content in the consultation to help understand how the value of the DSI will be measured.

It is also not yet clear from the plan how the sector wide adoption of the DSI will be promoted. As stated in our key recommendations section, we see the adoption of Ofgem's Data Best Practices and Standards, via the sharing of data catalogues and the use of standardised meta data, as being mandatory. Only with this in place will a true understanding of the breadth of the data at the disposal of the DSI be achieved. This should therefore be a key metric, as it will offer insight into how the DSI can share the data in the most appropriate way going forwards.

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?

No, we do not agree with this.

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

There are a number of positive aspects in introducing the Interim Coordinator role. However, the length of the interim role status, being in place until 2028 is too protracted. Without any authority to push adoption of data best practices and standards across the sector there is a risk that the DSI's imprint will be slow to embed.

Additionally, with the focus being on the pilot it is unclear how parallel initiatives can be prioritised to increase the velocity of delivery. Here, a working group comprised of industry experts would likely be more effective at fostering engagement and collaboration than a designated Interim Coordinator.

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

Outside of the governance roles outlined, there are some additional capabilities that could be considered.

In the area of data governance:

Data Quality - Establishing clear data quality standards and validation processes will help ensure the integrity and reliability of data shared through the DSI, essential for accurate analysis and decision making.

Security and Privacy - Implementing robust security measures to protect data privacy and prevent unauthorised access.

Data Lifecycle - Establishing policies for data retention and deletion to comply with legal and regulatory requirements.

Additional areas to consider:

Dispute Resolution - Defining a dispute resolution mechanism to address disagreements or conflicts between participants regarding data sharing, access, or usage.

Monitoring and Evaluation Framework - Development of a comprehensive monitoring and evaluation framework to track the DSI's performance, will help identify areas for improvement, and measure its impact on the sector.

The design of the DSI's governance framework should be scalable and adaptable to accommodate future growth and changes within the energy sector. By adopting this approach and addressing these potential missing requirements, the short-term governance of the DSI can be strengthened to ensure its effective and sustainable operation.

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

The consultation maps out the responsibilities of the Interim Coordinator into five broad areas:

- Architecture
- Technology
- Cyber Security
- Tenders
- Oversees relevant delivery companies

Although these make sense in the context of delivering aspects of an MVP, we do see some gaps in these responsibilities and make more recommendations below.

Data Quality and Governance Framework

As previously discussed, the development of a straightforward data quality and governance framework, including standards for data accuracy, completeness, and consistency, would add value to the DSI implementation. This would mitigate the risk of sporadic data quality and help onboard smaller stakeholders by giving a clear path to entry.

Integration with Other Platforms and Initiatives

Exploring opportunities for integrating the DSI with other relevant platforms or initiatives, such as in the water industry, would offer the opportunity to learn lessons from other deployments and grow the DSI's footprint more quickly.

Financial Analysis and Impact Assessment

A focus on conducting financial analyses to assess the potential benefits and costs of the DSI, including its impact on market efficiency, innovation, and consumer welfare, would help guide its development. Additionally, this could include developing metrics to measure the DSI's contribution to achieving energy sector goals, such as decarbonisation and energy affordability.

Long-Term Sustainability and Governance

The transfer from interim to enduring governance model could be outlined by the Interim Coordinator by the development of a long-term sustainability plan for the DSI, including funding mechanisms, governance structures, and succession planning. This would explore options for transitioning the DSI to a more permanent governance model.

Public Engagement and Awareness

The coordinator could also develop a public engagement strategy to raise awareness of the DSI and its benefits. This could include creating educational materials and resources to help stakeholders understand the value of data sharing and how to use the DSI effectively.

These additional responsibilities can help ensure that the DSI is a sustainable, effective, and valuable asset to the energy sector.

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?

The consultation maps out some key deliverables for the interim coordinator:

- Establishment of provisional rules, roles, and mechanisms to facilitate initial data sharing activities during infrastructure development.
- Annual generation of reports on existing and proposed use cases of the DSI.
- Production of a report on the platform's evolution based on its initial two years in operation.
- Accumulation of key information and knowledge on managing and establishing use cases on the DSI.
- Conducting a forward-looking technology assessment to maintain a future-proof platform.

In addition to these the following deliverables could be considered:

Data Governance and Privacy

We have already outlined the importance of data governance and would consider several deliverables would be required to support a framework for data governance and privacy, including data ownership, access controls, and data quality standards.

Interoperability and Standardisation

Clear guidelines and standards for data formats, metadata, and APIs to facilitate interoperability between different data sources and systems.

Stakeholder Engagement and Collaboration

Strong stakeholder engagement will be essential for building trust, ensuring buy-in, and addressing potential conflicts. A proactive approach here, would include the development of a stakeholder engagement plan and set up of regular communication channels.

Use Case Prioritisation

A clear methodology for prioritising use cases and evaluating their potential benefits and risks. This will help focus resources on the most valuable applications of the DSI.

Monitoring

A detailed monitoring and evaluation framework developed to track the DSI's performance, identify areas for improvement, and measure its impact on the energy sector.

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.

No, we do not consider the System Operator the best option here. Rather we consider an independent working group or neutral party as a better option to avoid a conflict of interest.

While establishing an independent working group may require initial time and resources, the benefits of such an approach can outweigh the potential drawbacks. Below are some arguments in favour of an independent working group:

Objectivity and Neutrality

An independent group will provide an impartial perspective, ensuring that the DSI operates in the best interests of the sector, rather than favouring specific participants or interests.

Diverse Expertise

A well-composed working group will bring together a wide range of expertise, including technical knowledge, regulatory understanding, and industry experience. This diversity will enhance the group's ability to address complex issues and make informed decisions.

Credibility and Trust

An independent group will build credibility and trust among stakeholders, fostering collaboration and participation in the DSI.

Flexibility and Adaptability

An independent group can be more flexible and adaptable than a formal organisation, allowing it to respond quickly to changing circumstances and emerging challenges.

Accountability and Transparency

An independent group will be subject to greater public scrutiny and accountability, ensuring that its decisions are made in a transparent and responsible manner.

Despite potential challenges, we feel that an independent working group offers significant benefits.

Q10. What assessment criteria do you foresee being required when transitioning from short-term governance to an enduring governance model?

When transitioning from a short-term governance model to an enduring one for the DSI, several key criteria should be considered to ensure a smooth and effective transition:

Effectiveness of Interim Governance

- Has the interim governance model successfully achieved its objectives, such as establishing the DSI's infrastructure, building stakeholder relationships, and developing initial use cases?
- Have valuable lessons been learned from the short-term governance model that can inform the design of the enduring governance structure?

Alignment with Long-Term Goals

- Does the proposed enduring governance model align with the DSI's long-term strategic objectives and vision?
- Can the enduring governance model accommodate the DSI's growth and expansion in the future?

Stakeholder Support

- Is there a consensus among key stakeholders on the proposed enduring governance model?
- Have stakeholders been actively involved in the development of the enduring governance model and do they support its implementation?

Governance Structure

- Are the roles, responsibilities, and decision-making processes within the enduring governance structure clearly defined and understood?
- Does the structure ensure accountability and transparency in decision-making?

Resource Allocation

- Are sufficient resources, including funding, personnel, and infrastructure, available to support the enduring governance model?
- Can the DSI sustain the long-term costs and resource requirements of the enduring governance structure?

Risk Management

- Have potential risks and challenges associated with the enduring governance model been identified and assessed?
- Are appropriate strategies in place to mitigate these risks and challenges?

Legal and Regulatory Compliance

- Does the enduring governance model comply with relevant legal and regulatory requirements, such as data privacy laws and competition regulations?
- Does the model address potential legal and regulatory risks associated with the DSI's operations?

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?

We have provided some suggested assessment criteria in our response to question 10. These along with other suggestions received via other consultation responses should be refined by the interim coordinator in the early stages of taking up their role.