20 September 2024

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Ofgem
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Cadent
Your Gas Network

Email: digitalisation@ofgem.gov.uk

Dear Ofgem Digitalisation Team

Consultation on Governance of a Data Sharing Infrastructure

I am writing in response to your consultation, shared on 26th July 2024, regarding the governance relating to the data sharing infrastructure.

The annex to this letter provides specific responses to the questions set out within your consultation, which we hope you find useful, and we would welcome the opportunity to discuss further.

If you would like to discuss any of our comments further, please contact me at marta.czerep@cadentgas.com

Yours sincerely

Marta Czerep

Head of Data and Digitalisation

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Annex – Cadent's response to specific questions

Section 1 – What is a DSI and why is it needed?

A1.1 Q1. Do you see potential uses for the DSI within your day-to-day operation in the energy sector?

The proposed use cases for near-term funding, i.e.:
- "Outage Planning" pilot;
- Strategic Planning;
- Connections reform;
- SSES;
- Flexibility Digital Infrastructure and;
- Automatic Asset Registration

are focused on testing the design and functionality of Data Sharing Infrastructure based on electricity (distribution and transmission) use cases.

With the significant role gas plays in the current energy mix in the UK, we feel that it is a omission to invest for 4 years in the Digital infrastructure without testing its design and functionality on use cases that truly reflect the mix of the energy used to power the UK.

There are several potential use cases that could be proposed that would allow testing the national level of data exchange whilst taking into consideration all players in the energy sector.

For example:
- Planning for interruptions in energy supply considering the impact on customers where either electricity or gas or both are not available would provide high value in the short term to be used to support response and mitigations of serious energy supply disruptions.
- With the Ofgem announcement of the intention to modernise Regulatory Reporting Process (RRP), it is sensible to ensure that the exchange of network performance data and the Regulator is being tested and conducted via Data Sharing Infrastructure. This allows the use of a narrow scope of chosen performance data to be tested involving all energy networks and can serve as a valuable lesson in understanding the effort, technical execution and gaps with involvement of all electricity and gas stakeholders.
- The modernisation of RRP also allows the opportunity to open the conversations on how network performance data can be reused

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by trusted participants of the DSI to compliment or construct other energy use cases.
- There is currently an open consultation on Regional Energy Strategic Planning that could be from a technical perspective executed via DSI in the future enriching the mix of both data and trusted stakeholders to test the solution in a near-term that is not currently considered under the set of potential use cases.
- Similarly, a consultation in relation to Customer Consent outlines a specific need to govern and share customer consent information in a controlled way and there is a risk that the opportunity to deliver the use case via DSI is going to be missed. This would, result in Networks investing in multiple Data Sharing solutions and in effect at higher cost to the consumers.

The long-term (post 2028) direction is not yet known, which is understandable given the immaturity of the proposed solution at the current moment. However, an assumption of mandating the use of the solution for all regulated networks without a specific use case involving gas data might be seen as the transformation being done to the gas networks, rather than with collaboration with gas networks resulting in significant risks that might not be quantifiable if there has been no opportunity to collaborate and innovate jointly in the near-term horizon.

A1.2 Q2. Do you have any comments on the funding mentioned within this section?

The proposed funding mechanism mentions SIF and NIA mechanisms which are only for System Operators for MVP. This makes it difficult for Cadent as a GDN to understand clearly our costs and efforts in relation to preparation and development of the data, digital infrastructure and how appropriate processes will be funded. This highlights that the current work and direction is not anticipating to include gas data related use cases in the proposal.

Currently, the gas networks do not have any agile funding mechanisms available that would allow them to participate in near-term horizon development efforts and trialling the solution, with the proposal for DSI MVP funding being shaped by the System Operator in late 2024.

Licensees working within T3/RIIO-3 decision making cycles, have received an instruction to estimate potential costs of connecting to DSI also by December 2024 (in line with regulatory submission deadline) in the Business Plan Guidance – there is no reference for this funding mechanism in the consultation which is perceived as a significant disconnect.

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As there are no clear uses cases defined for DSI that would require gas data, it becomes difficult to anticipate the direction, cost and effort that traditionally is expected to be explained in significant level of detail in Business Plan submissions. There is an open question of the level of scrutiny the Business Plans for Gas Networks will receive in areas of anticipated cost to connect to DSI, given the number of uncertainties.

We feel that different funding proposals for different participants of future DSI would add an extra layer of complexity to the proposed delivery.

A1.3 Q3. Do you have any comments on the timeline shown?

It is sensible to define near-term and long-term periods and transparency of the timeline. The agile use case driven approach is being used to evolve the DSI but it is not clear on the timeline how the use cases will be widening the circle of stakeholders and interested parties in the DSI.

It is worth noting, if the expectation is that after a significant effort in relation to MVP construction (12 months) and the time to apply the learning from the MVP (12 months) the assumption is that promotion and additional uses cases (from the intention expressed so far 5-6 use cases) the delivery cycle for additional use cases (combined to 30 months) is significantly shorter thanks to the agile model.

When looking from the perspective of the potential user of DSI, Cadent needs to assume that the first use case that might require some involvement from the gas sector (if the use cases will expand to gas networks) is going to be around early 2026.

That will be seen by the Gas Networks as the MVP for sharing gas data, and based on the assumptions already made for MVP and MVP learnings it is feasible to assume that a period of 24 months (12 months for MVP and 12 months for learnings) is going to be required to realise the first use case.

With this in mind, the proposed timeline of 2028 to launch DSI for regulated networks seems premature, given that in the most optimistic scenario only 1 gas use case will be delivered in comparison to a bigger number of use cases for electricity.

Without a clear view of what sector decision will be made based on data exchanged via DSI, it is premature to assume that "mandating" the usage of DSI is going to be possible given the limited number of sector wide use cases.

Section 3 – Our vision for governance of a DSI

A1.4 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?

We agree with the proposal

A1.5 Q5. If not, state your reasons and propose an alternative governance model or improvements to our proposed solution.
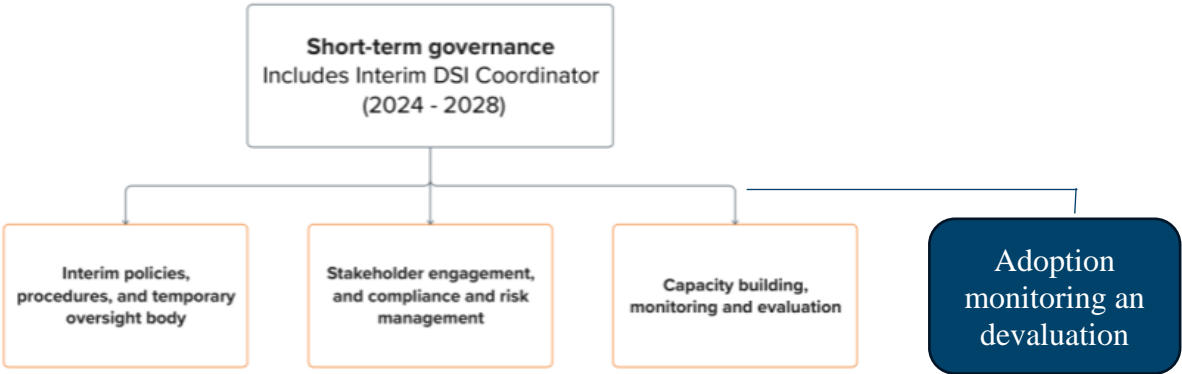
N/A

A1.6 Q6. Are there any additional governance roles that are not covered by the proposed governance model? If so, what are these?

We would propose an additional body that would be dedicated to capacity building, monitoring and adoption of the DSI by the DSI participants. It is assumed that the current proposal focuses on capacity building for the DSI solution, not for participants of this solution.

The reason why it is important to differentiate between these two is that the DSI solution is being set from the pilot point of view, without any technical debt or pre-existing dependencies on other technologies and systems.

This is very different for participants of DSI, that work within the limits of current systems, technology choices and the efforts and scale of transformation involved in adoption of DSI need to be measured and articulated differently.

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A1.7 Q7. Do you agree with the responsibilities of the interim DSI Coordinator? Are there any additional responsibilities that it should undertake?

We see the need for DSI to understand the adoption challenges and represent the interests of all stakeholders.

A1.8 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 additional deliverables should include the view of pace and challenges in adoption of DSI. It should also include being an active voice to not only issue the requirements and standards but have the success criteria concentrated on adoption rates within the networks. In this way the required change of skillset and new ways of working in the networks is looked at holistically and both the DSI coordinator and the participants of the DSI infrastructure share the joint outcome; driving the need of transparency, inclusion, and collaboration throughout all stages of DSI development.

Section 4 – Options for delivery of an Interim DSI Coordinator

A1.9 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.

System Operator is the best position to assume the DSI Coordinator role if it represents the needs of all the future participants of DSI.

A1.10 Q10. What assessment criteria do you foresee being required when transitioning from short-term governance to an enduring governance model?

We have already highlighted several use cases based on current consultations issued by Ofgem, that are seeking governance structures to make high impact decisions in the energy sector. (RESP, Consumer Consent, etc.)

The main consideration when deciding on the enduring governance is the assessment of relationship between various governance bodies and in turn the relationship with required governance for enduring DSI solution.

<u>A1.11 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?</u>

At this stage a visible gap is the strong representation of the participants of the DSI. As the sector matures in adopting the agile development principles, the voice of the solution's users should be prioritised along with the benefits of driving the enhancement and new requirements of the solution.

Articulation of the benefits and understanding the value of the DSI at this moment is hypothesised, and given the significant effort in delivering DSI, some measurable metrics and leading indicators should be proposed to understand who does benefit from DSI, what is the level of efficiency, and whether achieved efficiency indeed outweigh the cost in realising the use cases through DSI.

Funding obligations - are a key consideration and how the costs of the DSI's central governance functions will be allocated. It is critical that these costs are fairly distributed among the involved parties. If costs are not apportioned carefully, parties with minimal involvement in the DSI's core functions could bear financial burdens disproportionate to their level of participation. A sector-specific or activity-based cost-sharing model may be necessary to avoid imposing undue financial obligations on parties that have limited interaction with the DSI.

Change management - As the DSI evolves, agreement on future amendments to its core functions will be essential. The development of the DSI may lead to diverging interests among participating parties, with some advocating for changes and others opposing them. A balanced voting structure will be necessary to ensure fair representation, particularly in-light of the disproportionate number of Gas Distribution Networks (GDNs) compared to Local Distribution Zones (LDZs). This will ensure that all stakeholders, regardless of their size or role, have a voice in the decision-making process.

Release management - Implementing changes to the DSI will require careful planning and coordination to ensure alignment across all parties. The method of releasing updates, whether through a "big bang" approach or phased implementation, will need to be agreed upon. Both approaches present challenges, and the decision-making process should take into account the potential impacts on all stakeholders. Scheduled release dates and a clear approval process will be necessary to manage these updates effectively.

Data volumes - The volume of data that will need to be prepared or created is currently unknown, making it difficult to plan for the resources required to support this effort. Proper planning and resource allocation will be crucial as the DSI develops to ensure that parties are adequately prepared to manage their data obligations.

These considerations must be addressed proactively to ensure the long-term success of the DSI and to avoid unintended consequences for all involved parties.

End

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