

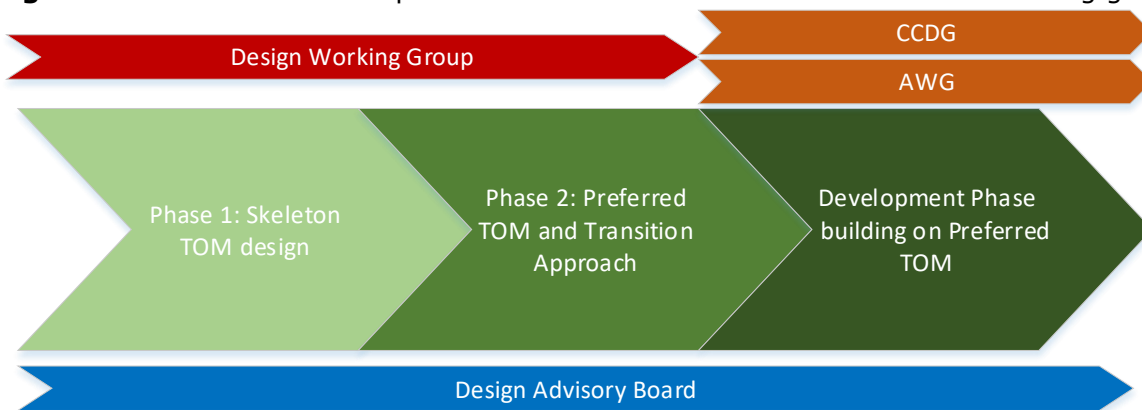
## Governance model for TOM Development Phase

### Summary

Following the delivery of the Design Working Group (DWG) Preferred Target Operating Model (TOM) and Transition Approach report<sup>1</sup> the development phase of the TOM work can begin. The development phase will build on the TOM design work carried out by the DWG. This further work is needed in order to continue the development of the TOM to achieve the SCR objective of developing and then (subject to a Business Case assessment) implementing an enduring process to enable Market-wide Half-Hourly Settlement (MHHS). To do this we confirm the creation of two new TOM development groups; the Code Change and Development Group (CCDG), and the Architecture Working Group (AWG).

Upon delivery of the DWG Preferred TOM and Transition Approach Final Report, the DWG have now discharged their duties under the DWG Terms of Reference.<sup>2</sup> As a result, the DWG will be stood down. The Design Advisory Board (DAB) will continue to be used to provide expert advice on recommendations from the CCDG and AWG and we have formally expanded the remit of the DAB to include providing expert advice on areas of the project outside the TOM design, including the Business Case. This will sit alongside our wider stakeholder engagement, as we seek to acquire evidence from a wide range of sources.

**Figure 1** shows the different phases of the TOM work and the associated working groups.



**Figure 1:**

### TOM Design phases and associated workgroups.

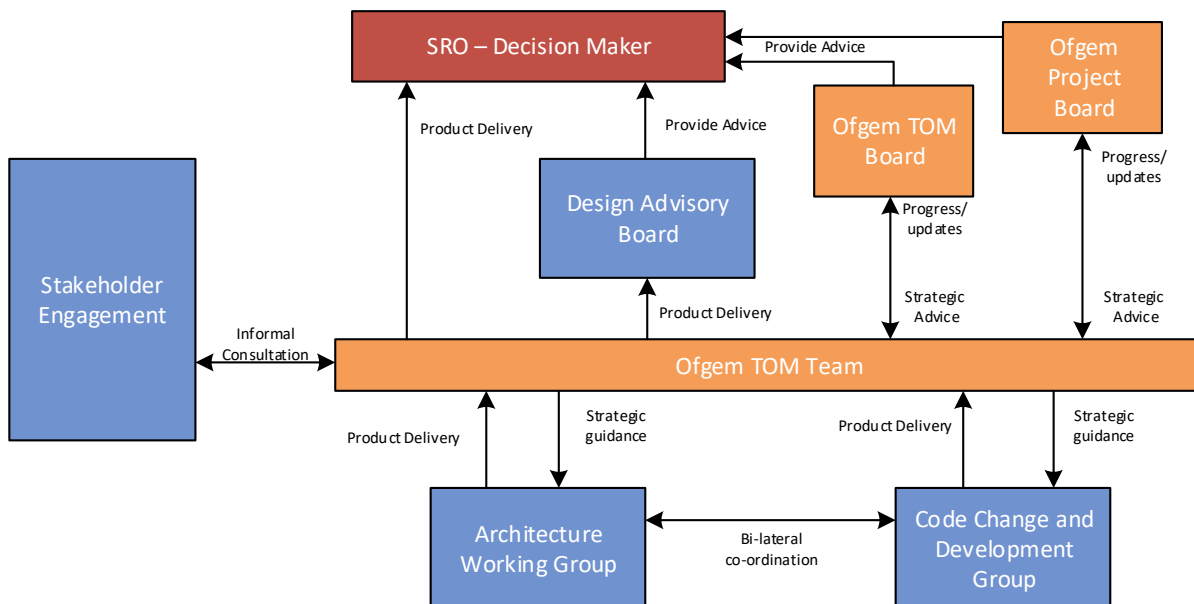
This document details the governance arrangements in place for the Target Operating Model (TOM) further development work. It provides guidance on decision-making within the TOM development phase and the roles of key governance groups in that process. The project operates

<sup>1</sup> See the Ofgem website for the DWG Final report on the Preferred TOM and Transition Approach, here: <https://www.ofgem.gov.uk/publications-and-updates/open-letter-dwg-final-report-and-proposed-new-governance-structure>

<sup>2</sup> <https://www.elexon.co.uk/documents/groups/dwg/dwg-terms-of-reference/>

under a governance framework of the Gas & Electricity Markets Authority (GEMA). GEMA has delegated decision-making authority for the project, pursuant to the general delegation, to the SRO. The original governance arrangements, which covered the development of the skeleton TOMs and design of the preferred TOM and the transition approach, can be found with the Electricity Settlement Reform Significant Code Review (SCR) launch statement.<sup>3</sup>

The governance structure is shown in **Figure 2** below. A full description of the roles in **Figure 2** are set out in section 3.



**Figure 2: TOM Development Phase Governance**

## 1. Decision-making

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

- TOM development recommendation
- Preliminary decision
- Final decision

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

- TOM development recommendation: this includes all decisions made by the Code Change and Development Group (CCDG) and Architecture Working Group (AWG) on recommendations and options for the development of the TOM in line with the Terms of Reference for the CCDG and AWG respectively. The CCDG and AWG will be chaired

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group>

and facilitated by ELEXON. TOM development recommendations will be escalated by the Ofgem TOM team to the SRO for preliminary or final decision. TOM development recommendations will also be provided to the DAB, as required, and the Ofgem TOM Board to enable them to provide advice to the SRO.

A TOM development recommendation requires a consensus view of the members of the CCDG or AWG. Where agreement on a consensus view cannot be reached the Ofgem TOM Team may:

- agree with ELEXON and the AWG or CCDG to escalate the TOM development recommendation to the SRO for preliminary or final decision. The supporting information provided to the SRO by the CCDG or AWG will outline which members of the CCDG or AWG 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 development work on a particular issue.
- Preliminary decision: this includes all decisions made by the SRO to advance the TOM work before deciding upon the final TOM for Market-wide Half-Hourly Settlement. To assist the SRO, the Ofgem TOM Board and DAB (where required), 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 further development of the TOM, following the delivery of the DWG Preferred TOM and Transition Approach final report, will be delegated to the CCDG and AWG as detailed in the CCDG and AWG 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.

## **2. Product Delivery**

2.1 There will be a core process for the CCDG and AWG to deliver TOM development recommendations to Ofgem. This is set out in the CCDG and AWG Terms of Reference.

2.2 The CCDG and AWG will make TOM development recommendations, for the appropriate decision areas outlined in their respective terms of reference. TOM development recommendations must be consistent with the Development Principles. They must also be consistent with the TOM Design Principles (which includes the TOM Strategic Objectives) and

overall objectives of the MHHS project,<sup>4</sup> both of which are set out in the SCR Launch Statement. A description of the key deliverables and indicative delivery timeframes are set out in the Terms of Reference of the CCDG and AWG. The Ofgem TOM Team will arrange for the relevant TOM development recommendations to be escalated to the SRO for decision. TOM development recommendations will also be provided to the DAB and Ofgem TOM Board to review and provide advice to the SRO for a decision, as appropriate.

### 3. Project governance structures

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

- **SRO**

GEMA has delegated their decision-making authority pursuant to the general delegation, and the SRO, or their delegate, will make the decisions in relation to the MHHS project. The SRO<sup>5</sup> will receive strategic advice from the DAB (as required), Ofgem TOM Board and Ofgem Project Board.

Where the SRO, or their delegate, 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, they 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 TOM development work. The Ofgem TOM Board will also review options and recommendations produced by the CCDG, and AWG 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 development 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 Project Board**

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<sup>4</sup> The project objectives can be found in the Strategic Outline Case for MHHS here:

[https://www.ofgem.gov.uk/system/files/docs/2018/02/market\\_wide\\_hhs\\_strategic\\_outline\\_case\\_february\\_2018.pdf](https://www.ofgem.gov.uk/system/files/docs/2018/02/market_wide_hhs_strategic_outline_case_february_2018.pdf)

<sup>5</sup> For the avoidance of doubt, where SRO decisions are referred to in this document, this would include any decisions that have been escalated or delegated by the SRO.

The Ofgem Project Board oversees the Settlement Reform work programme, and provides strategic advice and guidance to the SRO to inform decision-making. This will include policy areas where the DAB are asked for their advice.

- **Ofgem TOM Team**

The Ofgem TOM Team provides support to the CCDG and AWG Chairs, Technical Secretariats, Technical Leads and the AWG Ofgem Technical Consultant and attends CCDG and AWG meetings. The TOM Team will regularly update the Ofgem TOM Board on the work of the CCDG and AWG. This team is responsible for engaging with members of the CCDG and AWG, and those not participating in the working groups through stakeholder engagement, such as bilateral meetings, workshops, teleconferences etc. The team will ensure development work remains focused on the TOM Development Principles and the TOM Design Principles and overall objectives of the MHHS project. The team will oversee the escalation of options and recommendations to the DAB and Ofgem TOM Board for advice, and to the SRO for a preliminary or final decision.

- **Design Advisory Board (DAB)**

The DAB will review TOM development recommendations from the CCDG and AWG and provide forward-looking and strategic advice where required. The Technical Lead of the CCDG will be invited to attend meetings of the DAB when they are required to present TOM development recommendations that need the DAB input. The AWG Ofgem Technical Consultant will attend the DAB (as required) to provide rationale for, and explain the technical details behind TOM development recommendations. The DAB will provide advice from a broader industry and stakeholder perspective to assist the SRO on TOM recommendations.

The DAB will also provide expert advice to the SRO on broader Ofgem policy decisions relating to the Settlement Reform SCR, such as the impact assessment, Business Case, consumer impacts and access to half-hourly data for settlement purposes. This will sit alongside our wider stakeholder engagement, as we seek to acquire evidence from a wide range of sources.

The roles and responsibilities of the DAB have been refreshed since the delivery of the DWG preferred TOM and transition approach final report. These refreshed TOR's are set out on the Ofgem website. The original DAB TOR's are detailed in the original governance arrangements that can be found with the Electricity Settlement Reform SCR launch statement.<sup>6</sup>

- **Code Change and Development Group (CCDG)**

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<sup>6</sup> <https://www.ofgem.gov.uk/publications-and-updates/electricity-settlement-reform-significant-code-review-launch-statement-revised-timetable-and-request-applications-membership-target-operating-model-design-working-group>

The role of the CCDG is to deliver on the TOM development recommendations focusing on changes to the identified industry codes and subsidiary documents, and the detailed development of the TOM design as delivered by the DWG. The recommendations from the CCDG will be escalated, via the Ofgem TOM Team, to the SRO for decision as required. Final decision-making on the TOM rests with the SRO who will be provided with advice from the DAB and Ofgem TOM Board. The forward work programme will be developed by the CCDG, and approved by Ofgem. Relevant parties may also be invited to attend meetings on an ad-hoc basis to aid in the business of the CCDG and progression of any deliverables.

- **Architecture Working Group (AWG)**

The role of the AWG is to drive forward and deliver principles, options and recommendations relating to the system architecture changes required to implement the TOM as set out in its Terms of Reference. TOM development recommendations in relation to architecture will be escalated, via the Ofgem TOM Team in consultation with the Ofgem Technical Consultant, to the SRO for decision. TOM development 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 from the DAB and Ofgem TOM Board. The forward work programme will be developed by the AWG, and approved by Ofgem. Relevant parties may also be invited to attend meetings on an ad-hoc basis to aid in the business of the AWG and progression of any deliverables.

- **Ofgem stakeholder engagement**

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

Ofgem will regularly engage with stakeholders who have expressed interest in being informed on the progress of the TOM through a range of communication channels. These include stakeholder teleconference calls, workshops, 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 work through providing feedback to Ofgem on possible options for progressing the development phase of the TOM work and by raising issues and concerns.