

DESIGN WORKING GROUP TERMS OF REFERENCE (DWG01/01)

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 Market Wide half-hourly settlement (HHS).

1. Purpose of the Design Working Group

- 1.1 The objective of the Market Wide 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 Market Wide 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 Market Wide 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:

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- 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.

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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:

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- 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 Market Wide 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.