

# ElectraLink 2020 Spring Webinar Series: Energy Governance Transformation — Webinar Report

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For information

**Report by:** Marketing and Engagement Team

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## Introduction

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Every year, ElectraLink hosts two Engagement Day events, one in Spring and one in Autumn, and invites stakeholders from across the UK energy market to participate in a lively discussion on the most pressing topics and challenges facing the industry.

Due to the severity of the global coronavirus outbreak, we transformed our usual Spring Engagement Day into a Spring Webinar Series aimed at providing a platform for continued discussion between energy-sector professionals on challenges and opportunities affecting energy market participants in Britain today.

The energy sector is at the centre of the climate change debate, with increasing attention being placed on strengthening the sector's response to building a climate-resilient pathway through innovation. Divided into three webinars, the series discusses how the energy market can use data and regulation as well as new technological solutions to make the marketplace more efficient, open and competitive for the benefit of businesses and consumers, and help the industry meet the net-zero challenge in time.

ElectraLink's first webinar in the Spring Series was hosted on 15<sup>th</sup> April, followed by a Q&A Panel Session on 23<sup>rd</sup> April, both of which were co-hosted with CGI. In total, 96 individuals from the energy and utilities sectors attended the sessions, and this report summarises this online event.

## About the webinar

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ElectraLink's Energy Governance Transformation webinar looked at the intersection between code governance and technology innovation. In a period of unprecedented challenges, it is an ideal opportunity to question our usual ways of working, remove complexity and inefficiency, and focus on how we can introduce digital solutions to make positive changes in code management.

ElectraLink and CGI, recognised leaders in the regulatory governance and technology marketplace, explained how digitalisation combined with nearly 50 years of industry knowledge will drive improvement and reliability in code governance when based on the principles of greater collaboration and engagement, reduction in cost and removal of unnecessary complexity.

During the webinar presentation on 15<sup>th</sup> April, ElectraLink's Code Manager, Dimple Gohil, spoke on the current code landscape, ways to achieve greater collaboration while reducing costs, removing complexity, and supporting innovation. Webinar co-presenter, Chris Beard, CGI's Director of Consultancy for Energy, Utilities and Telecoms, then gave an assessment of the regulatory landscape from a technologist's perspective.

This was followed by a Q&A Panel Session, broadcasted live on 23<sup>rd</sup> April, chaired by Stefan Leedham, ElectraLink's Director of Governance Services. The panel included the webinar presenters, Dimple and Chris, who were joined by Mark Olliver, Head of Advisory Services for ElectraLink and Rich Hampshire, VP of Future Utilities for CGI.

Stefan opened the session with a recap of the webinar presentation. He highlighted that while codes have been successful in delivering a competitive market and facilitating change over the years, it is also important to recognise that the market has substantially changed since they were first created in 1998. Codes have come under criticism from many areas, including the Competition and Markets Authority (CMA) and from the most recent BEIS and Ofgem code review. Some of the current code management challenges relate to the change process being too slow; changes being expensive to deliver, domination of larger organisations; resource constraints; and lack of engagement and collaboration. He also spoke of the need for change being rooted on the commitment to transition to net-zero, not only in terms of how electricity is generated but also related to how it is supplied. In addition, since

1998, there has been an increase in technological advances, consumer expectation, greater levels of innovation as new players from outside the industry enter the market and shake-up how energy is delivered, and a growth in the number of energy suppliers.

Finally, Stefan talked about ElectraLink’s and CGI’s view to address the current challenges basing it in four key solutions:

- Digitalisation as the enabler that goes beyond putting the existing codes into an electronic document to:
  - Create a virtual, collaborative, accessible environment
  - Ensure a more accessible, digitised code
  
- Process improvements:
  - Empowered change clinics to discuss issues and identify the solutions, in a collaborative manner by bringing together innovators and technical experts
  - Metric-based continuous improvement
  
- Democratisation:
  - Ensuring increased participation across the industry including central body stakeholders
  - Using technology to enable increased market access and greater collaboration
  - Enabling innovation by bringing new ways of working to the Code
  
- Best of breed knowledge and experience:
  - Proven code governance expertise
  - Change practitioner

The panel then proceeded to answer questions from the attendees on the topic.

## Panel questions and answers

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Questions	ElectraLink’s and CGI’s Answers
<p><b>How has the current COVID-19 situation changed the way in which codes and regulations can be managed in the future?</b></p>	<p>We have seen an increase in virtual working, which demonstrates that much of the technology required has already sufficiently matured to support us during this new reality. We have also seen a sudden and widespread digital upskilling. For a lot of our work, we have seen an increased acceptance of virtual interactions. These have been facilitated by online collaboration tools such as Zoom and Microsoft Teams and also by improvements to virtual reviewing and document signing tools.</p> <p>This represents a cultural shift and acceptance from our customers, which is helping to bring forward our move towards more digital working practices. At the same time, this has increased the rationale for digitalisation of a lot of the codes. For those who have in the past felt like second-class citizens by joining meetings online, the current work environment has allowed for the democratisation of virtual working, demonstrating that effective collaboration can still be achieved without individuals needing to travel to attend meetings in person.</p>

	<p>We are now seeing increased engagement as technology serves as the enabler for interaction and information dissemination. From the feedback we have received so far, this has been extremely useful, and we can only see things continuing to improve as virtual working becomes the new norm and the way forward.</p>
<p><b>How will a sandbox drive innovation? Can anything be learnt from current initiatives?</b></p>	<p>As some of you may be aware, we already deliver a sandbox, the Distribution Connection User System Agreement (DCUSA). The idea behind a sandbox is to allow innovators to demonstrate and test a model or a new idea. In other words, it follows the “Fail Fast Principle”, and if a model is proven to work or needs improvement, the Code Manager will work with innovators to raise those changes and bring them into DCUSA.</p> <p>In support of Ofgem’s relaunch of the sandbox initiative to promote integration across codes, ElectraLink continues to work closely with the DCUSA Panel and the Regulator. The focus is on how DCUSA can be integrated with other sandboxes such as the Balancing and Settlement Code (BSC) so that there is a clear roadmap for innovators to test and trial potential new services.</p> <p>What we have noted from these early engagements is that there is a need for deep industry experience and understanding of key drivers (i.e., in this case, DCUSA and the changing landscape of the traditional DNO transitioning to a Distribution Service Operator can be combined to support innovation) with either well-established organisations or newer market entrants working together to deliver change. Our approach also focuses on supporting the establishment of a clear business case to drive efficiency and clarity from the very beginning of the process.</p> <p>As the industry evolves and with the establishment of the Retail Energy Code (REC), we believe there is no reason for sandboxes to be limited to either the distribution or settlement of energy. Notably, sandboxes not only increase the reach of existing market participants but also provide a clear route for new organisations or those wishing to enter the industry, to engage and test innovative solutions with the appropriate support and guidance from industry experts. There is an opportunity therefore to ensure that innovation is unconstrained not only by the process but also the scope of the services that are developed and offered to end customers.</p>
<p><b>You’ve talked about Ofgem’s desire to promote the integration of the codes. How are you working with Ofgem, ELEXON, and the other code managers to coordinate activities?</b></p>	<p>Following on from the previous question, we support the view that sandboxes are a good platform to establish that integration. We are working closely with Ofgem to determine how improvements can be made and how existing and future sandboxes can be integrated, which also requires the involvement of other central bodies.</p> <p>For example, ElectraLink are engaged in other projects such as Ofgem’s Switching Programme and initiatives where we work under the Code Administration Code of Practice (CACoP), which will also be an on-going requirement for REC. This approach already unites different</p>

	<p>organisations and underpins how Code Managers need to continue to operate in the future:</p> <ul style="list-style-type: none"> <li>▪ Collaboratively;</li> <li>▪ Proactively; and</li> <li>▪ Empowered to drive change.</li> </ul> <p>The collaborative aspect is vital to ensure that stakeholders are actively engaged, not forgetting the consumer. For example, we work closely with other parties, such as the Citizens Advice and Ombudsman Services, to ensure that the consumer is considered as part of industry change. They serve as an independent observer or a sounding board to ensure that any proposed changes are heading in the right direction and will not lead to issues when implemented.</p> <p>On another note, technology plays an essential role in promoting the integration of the codes. As they become increasingly long and complex, we often have to rely on individuals to understand not only the content of those codes but also how they interact to be able to map-through changes. This is where tools such as Code Navigator, supporting the digitalisation of the Smart Meter Installation Code of Practice (SMICoP) can bring significant value. For example, in the case of SMICoP, to change a section of the code related to the installation process, the tool will auto-flag associated areas cross-referencing the relevant parts of the code that are impacted.</p> <p>Using technology to digitise codes helps identify cross-code impacts, which will then enable effective engagement with other code parties to ensure we deliver a consistent and joined-up change addressing any potential issues early on in the process.</p>
<p><b>How do you drive agreement between different parties who have different motivations or perspectives on potential changes?</b></p>	<p>During the webinar, CGI summarised an example of a SEC Modification – Mod 62 (SECMP0062), which was subject to a very long change process. The reason for this being the change process was supported by suppliers and opposed by Network Operators, which resulted in three industry consultations. However, it did not solve the core problem. The change was finally carried when the suppliers outvoted the network parties, following a presentation from the Central Service Provider that explained why this change was needed.</p> <p>There is something to be said about the voting rights within the bodies making such decisions. The consumer is usually underrepresented in Change Panels. These panels seem to favour those assumed to be predominantly paying for code changes. However, it is important to consider that these changes are ultimately paid for by the consumer who we should all be focusing on.</p> <p>The voting rights issue is an interesting one, particularly, as we have talked about in our presentation, with the increase in democratisation which will result in more participants potentially raising changes.</p>

	<p>To unpack this, we can use the SEC Mod 46 (SECMP0046) change as an example. Here the DNOs raised a change for access to control the Home Area Network Connected Auxiliary Load Control Switch (HCALCS) to help them manage demand on their infrastructure, which has not been approved based on voting rights. Even though there are legitimate reasons for DNOs to be able to control new low and no carbon demand connected to their network, they are still not able to do so based on the approval process. This highlights the need for establishing a change evaluation criteria and an escalation and arbitration process, particularly in instances where:</p> <ul style="list-style-type: none"> <li>▪ A group of market participants may be seen to be using the approval process as a means of delaying or blocking change; or</li> <li>▪ Voting parties could either be abstaining or not in attendance during a voting session because they do not see certain changes as having an impact on them.</li> </ul> <p>It is also a good example of the importance of establishing a clear statement of requirement rather than a statement of solution and of engaging the Technical Design Authority (TDA) early from a REC perspective.</p> <p>These issues are even more important when considering the consumer and wider stakeholders, including new service providers that are looking to reduce barriers to entry and, ultimately, to deliver new and meaningful choices to consumers.</p>
<p><b>What practical steps will you take to establish such evaluation criteria and escalation path?</b></p>	<p>Through Ofgem and BEIS, we can engage a wide range of industry stakeholders to agree on a fair, transparent, and non-discriminatory evaluation criterion. Where parties are seen to be blocking change that meets the agreed criteria, then we will have a clear approach for challenge and, if not resolved, for reference to arbitration.</p> <p>For example, general SEC objectives are open to wide interpretation, and each participant tends to interpret them as they like. By establishing the above, we can ensure we hold more informed discussion sessions where we can challenge all the relevant parties.</p> <p>The introduction of Change Clinics and the use of online collaboration tools is intended to support this by creating a platform for greater engagement, clarity, and understanding of any changes.</p> <p>The key is engaging early and helping the parties raising the change communicate why it is needed and its significance in the context of the code, not as a starting point solution but as a requirement. Leveraging technology to promote a cultural shift that allows for more people to get involved and collaborate online and with greater frequency, will also go a long way in terms of driving consensus.</p>
<p><b>How do you reconcile the desire to simplify and reduce the complexity of Code language, with the need to</b></p>	<p>The industry has had various rule books, and they exist to set a high standard for all parties and to ensure there is an understanding of the expectations from central services.</p>

<p><b>maintain a legally enforceable document that can underpin investment decisions for the many different business models operated in the electricity market? Would Code Administrators be happy to provide services without a legally enforceable contract?</b></p>	<p>Digitalisation provides a solution where simplification and reduction of the complexity around code language can be achieved. Using tools such as Code Navigator can make parts of the codes far more accessible, which could have a very pragmatic and profound impact on change. This is because they automate the monitoring process to identify the consequential impact of any proposed code changes. However, we recognise that there is still a need to have legal contracts attached to them, as the codes are technical documents, and the contract language is needed to guide the delivery and implementation of technical-detailed requirements.</p> <p>There are very different levels of understanding and engagement across the industry. These vary from the companies that can afford to have teams of people understanding the regulations and engaging with the codes at a detailed level, to the companies where only one person, in addition to that, also ensures compliance and runs the relevant operational processes. This is where Code Navigator comes in as an enabler to help parties understand what they need to be doing, in a way and format that best meets their needs.</p> <p>In conclusion, the legal document underneath codes must remain, but through digitalisation tools, parties can access the codes and engage with them at the level that they require. It allows for more focus on principles and consumer outcomes. Rather than stipulating what must be done, parties are presented with the outcome and left with a choice of how best to deliver it.</p>
<p><b>How can you maintain the current working arrangements post-COVID-19 and ensure we don't revert to business as usual?</b></p>	<p>As mentioned during the webinar Q&amp;A session, before lockdown measures were introduced across the UK, the technology needed for us to work and collaborate remotely already existed.</p> <p>With most of us having to work from home and with less time spent on travel, we have noticed that people are more productive, focused on reading papers, and providing additional input. We now have more time to spend on projects and to engage with peers and stakeholders. Through our stakeholder engagement activities, we have found that although the lockdown period is time-limited, there does not seem to be as much demand within the industry for parties to attend face-to-face meetings post COVID-19. In the future, there will still be a need to engage face-to-face, however, we hope to build on our current working experience and look to continue to make use of remote work capabilities to drive more efficiencies across the codes we manage.</p> <p>In the past, we have perhaps not made the best use of online collaboration tools, with those participating in meetings remotely often being forgotten. COVID-19 has been a leveller, in that everyone is now working remotely, and as we come out of lockdown, it is important to ensure we do not go back to our old ways of working and repeat past mistakes. For example, we need to think about our meeting etiquette and how the collaboration tools we use support inclusivity, where in the</p>

	<p>past discussions may have been led by the majority of attendees within a room. The chair will have a crucial role to play here to ensure everyone can make their contributions.</p>
<p><b>ElectraLink is an established code manager, how will you rise to the new challenges you describe in the presentation? How will you do things differently?</b></p>	<p>ElectraLink has been at the heart of the industry as an independent code manager since the UK competitive market was established. In this time, we have grown considerably as an organisation developing wider regulatory governance and data services. As we have evolved, we have not lost sight of our independent position which we believe is a valuable asset in owning and solving challenges on behalf of industry.</p> <p>Looking ahead we believe we are already rising to those challenges and can be demonstrated by the pandemic we are currently facing. As part of our roadmap for change, we have looked to make better use of technology and this can be proven by the organisation continuing to operate with little change whilst our teams work from across the country. We had the vision to be the first to digitise an industry (SMICoP) driven by a recognition of the need to reduce complexity in the industry and lower barriers for new market entrants. By working more closely with central market bodies we are ensuring that there is more consideration of consumer outcomes.</p> <p>As we have stated elsewhere in this webinar, we do not intend to return to the old ways of code management but rather embrace our new ways of working which will also help support measures more focussed on principles and consumer outcomes.</p>
<p><b>How will inter-operability challenges be managed with a principles-based approach? Will Code Managers adapt at the centre to allow multiple media and formats for communication of key industry data?</b></p>	<p>CACoP establishes the framework by which Code Managers can work together to continue to develop ways of working across the industry.</p> <p>The digitisation of codes will enable the ability to unify the way in which we develop and maintain a less complex set of rules.</p> <p>In our work across ElectraLink, we continue to support increasing access. The work of our Data Teams is focussed on increasing access to industry data and working to break through some of the silos that have been created across the industry over the years.</p> <p>We can point, most recently, to the Single Gas Catalogue as a way in which we have brought a number of data strands together. We will soon implement the Energy Market Data Hub (EMDH) which will provide another step towards a central access point to industry data and we have recently consulted on our proposal to develop and build a central system to support the DSO market, where again industry data would be accessed through a single access point.</p>

## Attendees

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In total, 96 people from across the energy industry attended the webinar and Q&A Panel Session.

## Feedback from attendees

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- We collected feedback from attendees through an online post webinar survey.
- 80% of the respondents were able to watch the recorded webinar presentation.
- All of the respondents found that the follow-up Q&A Panel Session was useful to them.
- Finally, 85% of respondents felt the event had completely met their expectations, with the remaining 15% expressing their expectations were somewhat met. We will process and incorporate constructive feedback data into our preparations and themes for the future webinars.

## Contact details

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- For more information on ElectraLink's Spring Webinar Series, please visit our website or contact [communications@electralink.co.uk](mailto:communications@electralink.co.uk)
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