

# People & Process Advisory Group

## Meeting 2 Minutes

**Date:** 10/05/2023      **Location:** Virtual

**Start:** 13:00      **End:** 15:00

## Participants

Attendee	Organisation
James Edwards-Tombs (Interim Chair)	ESO
Claire Addison	Flexitricity
Gemma Beard	IOTICS
Gea Mikic	Icebreaker One
Prof Chris Budd	University of Bath
Barbara Bormann (New attendee)	Drax
Simon Evans	Arup
Beatrice Nassi	Arup
Divya Mahalingam (Facilitator)	ESO

## Agenda

1. **Apologies for absence**
2. **Discussion: Creating a governance framework**
3. **Discussion: Proposed governance model**
4. **Discussion: Governance model roles & responsibilities**
5. **Next meeting**
6. **AOB**

## Discussion and details

1. **Apologies for absence**
  - Teodora Kaneva - TechUK
  - Kevin Reeves - Construction Leadership Council

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#### 4. Discussion: Creating a governance framework

- A good governance framework enables you to communicate and establish a collective understanding of the vision and approach, and the guiding principles to be applied throughout the design lifecycle. ESO proposed seven governance design principles which were derived through reviewing existing governance models in-sector and cross-sector (e.g., Open Banking)
  1. **Transparent competition:** extent to which all development and actions are visible and accessible to energy sector stakeholders and the public.
  2. **Accountability:** how much Decision-makers should be responsible for the outcomes of their decisions and be held accountable for their actions.
  3. **Stakeholder Engagement:** enable different stakeholders to work together to achieve common goals and objectives, and to create collective value.
  4. **Responsiveness:** governance systems should be able to adapt to changing circumstances, including new challenges, opportunities, and stakeholder needs.
  5. **Participation:** all stakeholders should have the opportunity to participate in decision-making processes and have their voices heard.
  6. **Empowerment:** does this model empower new development and innovation?
  7. **Legitimacy:** how to make this structure legitimate and recognised? Mandated, Association, Community norms.

#### Reflection Points

- *Out of the seven governance design principles, are there one or more you think should have greater influence on the model design, and are there any additional principles required?*
- *Do you agree with the separation of coordination, oversight and rule setting from operation implementation and competition responsibilities?*

#### Discussion

- It was agreed that the VirtualES will provide a set of governance requirements for all data being shared on it. These requirements and controls will come from a team composed of various sector representatives and subject matter experts in the energy sector.
- It was explained that out of seven governance design principles, transparent competition was articulated well and has greater influence. There are significant advantages to productivity, trust, culture, and morale when you embrace transparency.
- One of the group members mentioned Advanced Dispatch Optimiser (ADO) use case was described as one good example to illustrate transparency where all the development and actions are visible and accessible to energy sector stakeholders and the public.
- It was mentioned that both the 'participation' and 'responsiveness' principles emphasise how a clear communication path both from top down and vice versa is essential. Also, a group member suggested that we need to be clear on which factors are for advisory and which are essential for creating a governance framework.
- Empowerment of innovation was mentioned to aid adoption of flexibility in implementing and operating the governance design principles for VirtualES.
- It was concluded that having better technology and timeline attributes attached to the empowerment principle will be beneficial for the governance design.

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#### 5. Discussion: Proposed governance model

- ESO proposed high-level governance models, as stated below:
  - **Model A:** minimum change, this model brings the minimum set of changes needed to the current status quo to enable the VirtualES.
  - **Model B:** industry lead, this model places the wider energy industry in the driving seat independently from government oversight.

- **Model C:** centrally lead, this governance model is steered centrally with an Orchestrator body that provides overarching coordination, accountability, and representation of sector's needs.
- **Model D:** co-lead, this model sees a new independent Orchestrator entity for coordination and conflict resolution with clear government backing.

#### Reflection Point

- **Which model do you think would work best? Why?**

#### Discussion

- Group members preferred Model D because it facilitates engaging the industry to ensure sector needs are actioned, and standard to be defined quickly, through structured feedback, and oversight from Expert Advisors to meet net zero.
- It was also agreed that Model C governance model is steered centrally with an Orchestrator body that provides overarching coordination, accountability, and representation of sector's needs more effectively than Model B.
- It was decided in concert that Model D and C have a better combination of making sure the right skill set is up, and decisions can be made, in transparent way for the strongest governance framework. Overall, the governance model should build a sense of shared endeavour and support for the VirtualES across stakeholders in the sector.

#### Reflection Points

- **How can we improve the model?**
- **Are there any major issues with any of these models?**
- **What early engagement should take place to set the model up for success?**

#### Discussion

- It was suggested that clear communication in the models contributes to good governance primarily in the area of influence. Skilful communication can increase stakeholder's support for governance reform objectives, influencing opinion, attitude and behaviour change.
- A key risk across the energy sector is the numerous governance mechanisms overlapping each other, it is not clear how these mechanisms can interact or inform each other effectively to provide the overarching governance needed for a sector wide digital initiative, such as VirtualES. Therefore, the implementation of an overarching governance model is a key requirement to make informed decisions of national critical digital infrastructure.
- A clearly articulated governance model will allow the VirtualES to invite discussion and drive conversations with key stakeholders across the sector, enabling the VirtualES to steer the sector towards a common goal, and champion best practice principles.

#### Reflection Point

- ***What are the values this governance model promote? e.g.***
  - Whole-system nature
  - Collaboration
  - Transparency and fairness
  - Security
  - Value and use case driven
  - Innovation
  - Agility
  - Continuous improvement

#### Discussion

- It was mentioned that the principles driving any new organisation must be of fundamental value, understood by all users and reflect the organisation's purpose.

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- These governance models must promote organisational effectiveness by identifying a vision, developing a strategy, selecting and supporting a leadership to deliver that strategy, assurance that progress is being made, the stewardship of resources, and the guardianship of quality and safety – all done to the highest standards of probity and transparency.
  - It was raised that ownership and authority need explanation. For example, will the Future System Operator (FSO) take ownership and orchestration? ESO confirmed that we are still relatively early in our FSO plans and knowledge. It was confirmed that FSO will have a central role to drive progress towards net zero, deliver value for consumers, improve whole energy system decision-making, and support energy security.

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## 6. Discussion: Governance model roles & responsibilities

### Reflection Points

- *Do you recommend any changes to the core responsibilities for a specific role?*
- *Are there existing or proposed organisations you think can cover (1) Orchestrator Entity, and (2) Common Infrastructure Operator roles?*
- *Are there challenges the proposed governance roles might face? (e.g., funding, new processes, duplication, time, appointing.)*

### Discussion

- It was recommended that setting up a role for the digital orchestrator entity to invite people onto the expert advisor roles can be effective. Factors like membership and how long the advisor role is required is still an open question and need to be addressed.
- It was advised that academia could provide a skill set for advanced data and technology, specifically how it can be used for future energy systems. For example, modelling is a key component for digital twins and can involve skills like simulations, applications of AI and Machine Learning, and other data analysis techniques. It was mentioned that lot of investment at the moment is focused into academic research for these skill sets.
- It was concluded that the key recommendations to incorporate into the VirtualES governance framework from review of relevant initiatives are:
  - Be legitimate and transparent with clear outcomes and decision-making processes.
  - Follow user-centred principles.
  - Integrate with existing sector governance.
  - Regulator engagement to ensure participation.
  - Promote agile and adaptive regulation.
  - Provision of an orchestrating role in data and model integration.

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## 7. Next meeting

- The next meeting will be held on Wednesday 5th July from 13:00 to 15:00.

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## 8. AOB

- The Chair thanked the group for their attendance and contribution.
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