

## Market Facilitator Workshop 6 – Stakeholder Advisory Board (SAB)

Meeting number	<b>6</b>	Venue	<b>Virtual via MS Teams</b>
Date of meeting	<b>4 March 2025 – 10am to 1pm</b>	Classification	<b>Public</b>

### Summary

#### 1. Introduction and Context

The Chair opened the meeting by welcoming attendees and providing an overview of the purpose and intended objectives of the workshop. The session aimed at gathering feedback on Exelon’s proposed approach to creating the Stakeholder Advisory Board (SAB), its purpose, functioning, member selection, meeting proceedings and Terms of Reference.

#### **What is a Stakeholder Advisory Board? from Ofgem’s [Market Facilitator policy framework consultation](#)**

Exelon started the workshop by outlining an update on Market Facilitator’s ongoing work of designing enduring governance arrangements for the Market Facilitator Delivery Body. The design items will be implemented into legally binding documents (BSC, Ofgem’s Governance Framework Document or its subsidiary documents). As part of the design process, Ofgem requires that Market Facilitator establishes a new SAB. Ofgem requires that SAB will:

- provide scrutiny and input into various Market Facilitator decision making and development of technical outputs, delivery plans and budget etc.
- represent interest of stakeholders in shaping Market Facilitator’s outputs
- provide advice to Market Facilitator in identifying barriers to flexibility and propose solutions within the market framework

#### **Design Principles**

Exelon outlined the design principles underpinning its approach to developing the proposals of SAB. These focuses on ensuring open and transparent governance. The SAB will operate in advisory role only, but Market Facilitator must evidence how it has considered SAB’s advice. SAB would also be representative of impacted stakeholders and all of them having equal voice.

#### **SAB Purpose and Powers**

Exelon presented its proposal on SAB’s purpose, after considering Ofgem’s current thinking, that it should provide a strong role for participants in advising, informing and supporting the Market Facilitator activities and decisions. Exelon suggested that it has not identified any decision-making responsibilities for SAB, in line with Ofgem’s proposals, as Market Facilitator has been empowered to make decisions and move at pace.

#### **SAB Objectives**

Exelon shared SAB’s objectives of ensuring transparency and accountability, supporting Market Facilitator in delivering its objectives and supporting Market Facilitator activities in alignments with national policy objectives and identifying any regulatory barriers. Attendees enquired about the legal powers that SAB hold in holding Market Facilitator accountable. Exelon suggested that it is reflective of Ofgem’s thinking and thus no legal powers have been provided to SAB. However, MF will have to evidence how it has considered the SAB advice, and the SAB will play a key role in evaluating the MF’s performance (led by Ofgem).

## SAB's Functions

Exelon shared its proposals of SAB's functions which includes providing scrutiny to the Market Facilitator's delivery plan, delivery schedule, budget, providing input into the Market Facilitator's performance assessment process, responding to relevant consultations, assisting Market Facilitator in identifying barriers to flexibility and propose solutions for the Market Facilitator to consider, providing input to the Market Facilitator change process, advising on potential implementation delays and advice on Distribution System Operator (DSO)/National Energy System Operator (NESO) underperformance and potential escalations to Ofgem, subject to confidentiality.

Attendees feedback during this section:

- Attendees enquired about the legal powers and governance arrangements of SAB. Exelon responded that SAB's advice and input will be considered in the Market Facilitator's decision-making process and where it disagrees with the advice, it will provide a justification in such instances. Exelon shared that SAB will not have any legal powers and the current proposals on SAB's powers are borrowed from code reform thinking and direction of travel. Exelon and Ofgem also shared that there will be an appeal mechanism inbuilt in the change management process and the Market Facilitator budget setting process, to ensure industry has opportunity to raise their concerns to Ofgem. Exelon will also seek industry's views on the design proposals during the industry consultation, which will go live this spring.
- Attendees asked about how many SABs will operate to accommodate the functions Exelon has proposed for SAB. An attendee was of the view that there were three distinct functions that could be better split into three SABs. One on performance (which could be less frequent), one for technical outputs (ad-hoc) and one for and one for decision making scrutiny (ad-hoc). It should therefore be considered whether you have multiple SABs or whether you have different members depending on the business. Exelon clarified that there will only be one SAB performing all the functions and Market Facilitator can establish workgroups where expertise is needed in the change process as outlined in Workshop 5.
- Exelon responded to comments about SAB being modelled on the Cross Code Steering Group (CCSG) and its remit that current proposals of SAB and its powers and responsibilities are in line with code reform thinking and this will avoid going backwards to the Open Networks Programme ways of working where consensus building model was seen as slowing the pace of work. These proposals are keeping in mind the SAB's role of scrutiny and assurance and to prioritise the delivery of outcomes to achieve the desired impact to flexibility.
- Attendees asked about voting powers associated with SAB and if the perspective of representatives will be weighted and whether longer impact assessments will be considered. Exelon responded that the Market Facilitator will hold voting powers – which are covered in more detail later in the workshop, along with SAB composition and roles and responsibilities.
- Attendees asked about whether SAB members have appeal powers, Exelon shared that SAB members can appeal but as a group will not be able to appeal as this is not in line with their advisory role.
- Exelon confirmed that generators will be considered as an enabler of flexibility for the memberships of SAB.
- Exelon suggested that it is in discussion with Ofgem about the appeal criteria and will share more in the subsequent workshops on the outcome of those decisions.

## 2. Structure and Composition of the SAB

Exelon outlined its options on how SAB should be structured. Exelon's preferred option was a fixed membership model meaning SAB will have representation from stakeholders impacted by the Market Facilitator decisions, plus independents, with requirement to act independently and impartially of their employer. This approach will allow impartiality as it works well in the current code group and encourages expert memberships with continuity between meetings and topics. It will also ensure representation of all the impacted stakeholders and allowing fresh perspective from independent stakeholders and builds institutional memory and expertise which will contribute to effective and robust discussions with the Market Facilitator. There is a risk that members may not act impartially but it can be mitigated by independent members, and a strong and effective chair, to fulfil its role of being impartial to the Market Facilitator.

### Who should be represented

Exelon shared three categories for the memberships from the impacted stakeholders – buyers, where we expect expertise from Distribution Network Operators (DNOs)/DSOs, independent Distribution Network Operators (IDNOs), and NESO; Sellers, with expertise in consumers, Flexibility Service Providers (FSPs) including Suppliers and Generators; and Enablers, with expertise in technical and digital service providers, flexibility platform providers, non-FSP energy suppliers. Exelon also proposed that Ofgem should have representative at the SAB to hear, first-hand, the SAB discussions and to provide any relevant policy updates. Other attendees such as the Department for Energy Security and Net Zero (DESNZ), trade bodies and specific organisations can also be invited to the SAB meetings.

## What should the SAB composition be?

Elexon proposed that SAB should be made up of 11 members which would include representations from the categories - 3 buyers, 3 sellers, 3 enablers of flexibility and 2 independents at the Chair's discretion. This is in line with design principles that these stakeholders will have equal voices and would ensure the group is inclusive and representative of key stakeholders impacted by the flexibility. This number is also big enough to reduce the risk of quoracy and small enough not to become difficult to manage. The independent members would help bring fresh perspectives and help increase trust among market participants by demonstrating that decisions are fair and unbiased.

Attendees feedback during this section:

- Elexon confirmed that employees would need sign off from their employers to participate in SAB meetings and will be expected to act independently. In situations where a replacement will be required due to a change in their role it will be allowed. Elexon also confirmed it would investigate whether Members should be indemnified, like BSC Panel members are and that it expected this would be the case.
- Elexon responded to questions related to representation from trade bodies and smaller organisations being represented at the SAB that it would welcome attendance from small organisations and trade bodies in the prescribed roles in the SAB but do not see them as an independent member.
- Attendees asked questions about how parties which represent both roles of sellers and enablers would ensure equal balance. Elexon suggested that they will be appointed by the Chair who will be appointed by Ofgem on the recommendation of the members to ensure the balance of membership and expertise required is appropriate.
- Attendees asked about the constituency-based membership option and why it was not considered, Elexon responded that even though the model had advantages, it also brings additional challenges, such as how the members will engage their constituency effectively and fairly and risks the member being a 'middle person', slowing SAB business down.
- Attendees provided feedback that different demographics of providers of flexibility such as large scale, domestic scale, suppliers, aggregators which means three members in this category may not be balanced. Another point was made on buyer's subgroups in SAB that three members in that category may not be representative of the types of buyers. Elexon said they will think on this point further as currently it is reflecting on the quoracy requirements, and they are looking for expertise about the sector which may not always mean a specific representative will be present from each category.
- Attendees also asked whether the Energy Networks Association (ENA) will be represented on SAB in reflection that their deliverable will have an impact on the flexibility procurement. Elexon responded that the ENA can be represented on the SAB if they can evidence that they can bring expertise as a buyer of flexibility. Elexon is engaging with ENA in parallel to ensure the transition is smooth before the Market Facilitator go-live by the end of this year. Elexon said it would further consider the role of trade bodies on the SAB.
- Attendees questioned why IDNOs should be on the SAB, given they do not currently play a big role in flexibility. Elexon shared that SAB's Chair will decide on creating a right balance among the membership and expertise needed which will decide if IDNO expertise is required. This role may become more significant over time, so calling out IDNOs is more about future proofing, as we expect their involvement to increase over time.

## Chair – independence and length of service

Elexon shared its proposal that the Chair of SAB should be independent of the Market Facilitator and other interested stakeholders as this will more likely mean the Chair will facilitate balanced discussion and moderate debates impartially and this is in line with code reform thinking. It would also help avoid any perceptions of favouritism and conflict of interest. Therefore, Elexon proposed that the SAB Chair should be remunerated for their time by the Market Facilitator as determined by the SAB members. Elexon shared that the Chair should have three years of service and not have more than two consecutive terms, but they would be able to return after a three-year break.

## Member's terms

Elexon shared the members should be appointed for at least two years and should not continue for more than two terms but can return after a two-year break. It was proposed that half of the members should be appointed in years

ending in odd numbers and the other half in years ending with even numbers to ensure continuity of the group without much disruption.

### **Independent members**

Exelon proposed that the SAB Chair should be entitled to appoint up to two independent members in consultation with SAB members to ensure additional fairness and effective governance, to challenge assumptions, scrutinise proposals, and provide a more objective view on change proposals.

Exelon shared that independent members will not work for any industry stakeholder to ensure their decisions are not biased and benefiting the whole industry. Independent members will help mitigate the risk that SAB members are not acting impartially and helps to balance competing interests.

### **Deputy Chair**

Exelon shared that the Deputy Chair will act as Chair when the SAB's Chair is unavailable. The Deputy Chair will be one of the independent members to ensure fairness and independence and will be appointed by the Chair.

Attendees feedback during this section:

- It was proposed, although recognised as radical, that the SAB should be leaned into to avoid needing to consult, which would significantly speed things up. Exelon suggested that this would be opposite to the open governance principles but welcomed the innovative thinking. Exelon also confirmed that it would publish all non-confidential SAB papers, minutes etc.
- Attendees suggested that given DSO services are in a nascent and changing market space it may be difficult to find a SAB Chair who has expertise but has not worked in the space for a year. Exelon shared that they would consider this feedback and look for candidates who have expertise all round and not necessarily in just one space and whether the one-year rule should be reduced.
- Attendees asked about the independence of the Chair from the Market Facilitator if it is appointed by the Market Facilitator. Exelon share that it is just coming to the selection process but conformed it was not appointing the Chair, Ofgem was.
- Attendees provided feedback on the need of international flexibility bodies as SAB's membership to provide insights.
- Exelon confirmed that technical outputs will be developed by the Market Facilitator, and they will be forming industry workgroups where expertise is needed, and it will be brought to SAB to seek their views on progression plans and timelines and will go away and develop the proposals. It will come back to SAB seeking their advice on whether the technical output should be approved or not.

## **3. SAB Selection Process**

Exelon shared its proposal on the process of selecting the SAB members and the Chair which will begin with issuing public invites for SAB membership and ends with their on-boarding. Initially there will not be a SAB member to recommend a Chair or a Chair to appoint the members. Exelon therefore proposed that Ofgem will appoint members, and the Chair to establish the SAB and then the enduring selection process would apply thereafter.

Exelon shared options for selection of SAB members and provided rationale for its preferred options where the Chair appoints the members as it will best to support independence, removes perceived conflicts of interest and transparency. Market Facilitator will recommend the members to the Chair, based on the applications received, Chair will then appoint members. Exelon proposed that the Chair can remove a member in certain circumstances where members resign, or they are unable to continue with their SAB membership. Members will also cease to continue their membership once their term expires.

Exelon shared options for Chair selection and provided its preferred one where SAB selects the Chair based on shortlisting carried out by the Market Facilitator, for Ofgem's approval. This would bring greater legitimacy to the process of the Chair's selection who will be democratically selected and will enable the Chair to act efficiently. The full list of applications will be available to the Chair/Members were requested or deemed necessary.

## **4. Proceedings of the SAB meetings and other SAB Terms of Reference**

Elexon shared its proposals for SAB conducting its business. The preferred option was that members will vote using simple majority, with the Chair having a casting vote where there is a tie. This will make the SAB's working more efficient and timelier, preventing deadlocks, ensuring majority rules and easier to conduct in larger groups. This model has been working efficiently in code panels.

Elexon shared the proposals on the frequency of SAB meetings, on the quoracy requirements, meeting cancellation requirements and timelines for its governance arrangements.

Elexon shared that it is not proposing any proposals for SAB's urgent meetings as ad-hoc meetings can be called by the SAB Chair depending on the urgency. Elexon shared that SAB will not form any sub-advisory board, but it will be able to advise the Market Facilitator if it believes the expertise will be required for certain proposals.

Elexon shared that SAB formation will be part of implementation activities undertaken by the Market Facilitator and it will aim to hold SAB's first meeting by early 2026. During 2025, Market Facilitator will use the Open Networks Challenge Group to get views during this transition period.

Attendees feedback:

- An attendee asked whether the advice of the SAB was binding. Elexon confirmed it wouldn't but that it would have to evidence how it has taken the advice into consideration. In other words, "you'd have to explain your rationale for continuing despite the advice of the experts." Elexon re-iterated that there were checks and balances for Market Facilitator decisions, such as appeals for the budget and changes, as well as SAB playing a key role in supporting Ofgem in evaluating the Market Facilitator's performance.

## 5. Summary and next steps

Elexon recapped on the key points discussed in the workshop and mapped them to the requirements set by Ofgem for the Market Facilitator regarding SAB proposals. The next workshop will be the last workshop in this series and is scheduled on **27 March 2025** which will finalise the cost recovery proposals and any wash-up items from governance arrangements.