

Joseph Cosier
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

2 February 2024

Dear Joseph

MARKET FACILITATOR DELIVERY BODY

We are pleased to have the opportunity to respond to this consultation.

This response is on behalf of ScottishPower and reflects the views of our renewable generation and retail supply businesses. Our networks business, ScottishPower Energy Networks (SPEN), is responding separately from its perspective as an operator of electricity transmission and distribution networks.

The key question in this consultation is whether Elexon or the Future System Operator (FSO) should undertake the role of market facilitator delivery body role for distributed flexibility services. We believe both Elexon and the FSO have sufficient expertise, competence and capability to undertake the required activities namely: strategic leadership, market coordination and implementation monitoring. We also believe both Elexon and the FSO are equally well placed to achieve the key longer term objective of aligning electricity transmission and distribution market arrangements.

The seven design principles that Ofgem is proposing to use to assess the suitability of Elexon or the FSO to undertake the market facilitator delivery body role are:

- Accountable
- Agile
- Delivery at pace
- Expert & strategic
- Impartial
- Inclusive & collaborative
- Transparent.

Of these design principles we consider impartiality is the most important and should be weighted highest, as it is fundamental to the integrity of the market and its ability to function efficiently with trust and confidence of market participants. We believe this principle counts against the FSO, given that it will also have a role procuring distributed flexibility services for electricity transmission system operation. In contrast, Elexon has no such conflicts and on this basis we think Elexon is best placed to undertake the market facilitator delivery body role.

The consultation appears to rate the FSO higher on the principle of accountability by virtue of its intended statutory objectives and licence, whereas Elexon's accountability would have to be set out in the Balancing and Settlement code (BSC). We think the FSO's advantage here is overstated. In practice, the FSO will be a Government-owned not-for-profit organisation and, as a result, the impact of Ofgem's enforcement and monitoring activities will be limited to reputational effects, as noted by Ofgem's recent consultation on the FSO's financial and regulatory framework¹. We therefore believe Elexon and the FSO are similarly matched on accountability and overall Elexon scores better than the FSO, primarily on the most important principle of impartiality.

If you have any questions regarding any aspect of this response please don't hesitate to contact me or my colleague Haren Thillainathan (hthillainathan@scottishpower.com).

Yours sincerely,



Richard Sweet
Director of Regulatory Policy

¹ <https://www.ofgem.gov.uk/publications/consultation-policy-direction-future-system-operators-regulatory-framework>