

Local Governance and Flexibility Strategy
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7 February 2024

Dear Joseph,

Market facilitator delivery body

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore and offshore wind and solar generation, as well as energy storage. With over five and a half million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to respond to this consultation on the market facilitator delivery body. We continue to agree with Ofgem's intent to put in place a single market facilitation function to support in a coordinated manner the growth of flexibility across the system. In addition, we would like to highlight the following key points:

Vision for the market facilitator

Ofgem's proposed market facilitator design principles which it will use to evaluate the merits of the delivery body options are an appropriate measure. We note that following a decision in Spring 2024, Ofgem will set out a detailed design of the market facilitator's role which will underpin the governance arrangements and processes and implement a transition plan. We believe that Ofgem needs to clearly set out on how it will hold the market facilitator to account for its decision making as well as its adherence to the principles of good stakeholder engagement – effective, inclusive, transparent and well-governed stakeholder engagement activities. In addition, we believe that there is merit in considering measuring these entities against whether they can deliver cost efficiencies.

We note that one of Ofgem's wider consideration is the speed and ease to get the market facilitator operational – in order to avoid a hiatus and ensure the benefits of the reform are unlocked as soon as possible. We believe it is crucial that introducing a market facilitator quickly is not to the detriment of having a clear regulatory landscape in place within which the market facilitator will operate.

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Delivery Body Options

We agree with Ofgem that both Elexon and the FSO are credible candidates to take on the market facilitator role. Whichever entity Ofgem decides should be the market facilitator delivery body will need to provide stakeholders the confidence that it will have the bandwidth and capability to take on this role.

Both entities have demonstrated the ability to deliver elements of the market facilitator delivery body, but both require significant investment in resourcing and capability to deliver Ofgem's vision.

Industry participants have expressed concerns over National Grid ESO's performance as the delivery body for the Capacity Market over the past several years. In particular, there have been significant delays in the development and implementation of the new EMR Portal (originally due in April 2021 and now expected from May 2024) and other improvements to IT systems and internal processes. These delays have postponed numerous changes to the Capacity Market design and policy and caused ongoing inefficiencies for both participants and the other Delivery Partners (Ofgem, DESNZ, etc.). Industry provided views on this issue to the ESO and Ofgem for a number of years and formally as part of the ESO's BP1 performance review process from 2021-2023, contributing to Ofgem's performance rating of 'below expectations' for Role 2, which includes the Capacity Market delivery body role.

Should the FSO be awarded the market facilitator role, there is a need to focus on how it would effectively deliver the market co-ordination and implementation function. We would be concerned that the shortcomings experienced with the Capacity Market role over a long period of time could be repeated and on a much larger scale with more significant impacts across industry. We would encourage Ofgem to monitor the performance of the market facilitator role closely and provide industry with a forum that adhere to the principles of good stakeholder engagement to provide regular feedback on performance and suggested improvements.

We believe that Elexon has demonstrated a good track record in delivering and managing the Balancing and Settlements Code (BSC) as well as the Capacity Market Advisory Group (CMAG). However, to date it has not undertaken a significant strategic leadership function. Therefore, given the need to grow capacity and capability in order to undertake the market facilitator role, Ofgem need to assure themselves how this would be secured.

Furthermore, we believe that the effective delivery and implementation of the Market-wide Half Hourly Settlements (MHHS) programme by Elexon by October 2026 is critical. We would be concerned whether as market facilitator delivery body, Elexon will have sufficient resource and focus to effectively manage both roles, or whether one would suffer detriment as a result. Both the MHHS programme and the market facilitator role are extremely important to the future landscape of the energy industry, and we cannot afford to let one negatively offset the other.

Implementation of current programmes

We note Ofgem's vision is that the market facilitator will be empowered and responsible for delivering standardised, easily accessible, and transparent DSO markets. By the time that a market

facilitator delivery body has been appointed and in place we would expect that the Energy Networks Association's Open Networks Programme would be near completion. Ofgem has stated¹ that at a minimum, for the summer 2024 flexibility tenders at the latest, it expects agreed upon and implemented standardised products, contracts and dispatch APIs as well as the iteration of primacy rules for service conflicts to have been implemented. Therefore, Ofgem need to review exactly what role the market facilitator will play in terms of delivering this vision.

Should you wish to discuss any of the issues raised in our response or have any queries, please contact me or Natasha Ranatunga on 07875 112 981.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'AM Cox'.

Mark Cox
Head of Nuclear & Wholesale Policy and Regulation

¹ https://www.ofgem.gov.uk/sites/default/files/2023-07/Open%20letter%20on%20Open%20Networks_Final.pdf