

Energy Networks Association

Response to Ofgem's market facilitator delivery body consultation

Feb 2024

Energy Networks Association

About ENA

Energy Networks Association represents the companies which operate the electricity wires, gas pipes and energy system in the UK and Ireland.

We help our members meet the challenge of delivering electricity and gas to communities across the UK and Ireland safely, sustainably and reliably.

Our members include every major electricity and gas network operator in the UK and Ireland, independent operators, National Grid ESO which operates the electricity system in Great Britain and National Grid which operates the gas system in Great Britain. Our affiliate membership also includes companies with an interest in energy, including Heathrow Airport and Network Rail.

Together, the energy networks are [keeping your energy flowing](#), supporting our economy through [jobs](#) and investment and [preparing for a net zero future](#).

Our members and associates

ENA members



ENA associates

- [Chubu](#)
- [EEA](#)
- [Guernsey Electricity Ltd](#)
- [Heathrow Airport](#)
- [Jersey Electricity](#)
- [Manx Electricity Authority](#)
- [Network Rail](#)
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Introduction

ENA welcomes the opportunity to respond to Ofgem's consultation on the market facilitator delivery body. Please note that this response is on-behalf of all of our electricity network members **including the ESO**. Whilst we have shared our views with Elexon, they were not included in the discussion for development of this response. We have therefore refrained from answering consultation questions 5-7 and stating a preference. We have focused our discussions on the roles and design principles of the market facilitator.

Alongside this response, we refer you to individual electricity network company responses for their views on preferences of options and the specific questions posed through this consultation.

Our Response

Executive Summary

- Our members are committed to bringing further liquidity into the flexibility markets and removing barriers to participate in the market. These are key focus areas for the Open Networks programme, DNOs in their ED2 business plans and the ESO's business plan. Network companies believe that the development of a mature flexibility market will require network companies to work more closely together and with external parties in a fast and highly organised fashion. We therefore fully welcome the decision to establish a new market facilitator and believe it will be additive to the ongoing efforts of network companies.
- Our members fully support the view the market facilitator will need to be a neutral, independent body, that can be held accountable for its decision-making and deliver at pace through open, transparent, and participatory engagement with DNOs, the ESO, and market participants. However, we are of the view that detailed design arrangements cannot be ignored in making the decision.
- Some members also noted that the role of market facilitator, as they are presented are quite broad. While key capabilities of both organisations can be well utilised in the end design of the market facilitator role; a more detailed articulation of the key objectives could be useful to make an objective assessment of the options with specific metrics of what we are assessing them against. For example, how both parties can demonstrate the capabilities required to perform the market facilitation role. We also acknowledge that the flexibility market is a fast-evolving space and may warrant a review of the markets facilitator's remit/role through the evolution.
- We note that these are a number of other initiatives from Ofgem and Department for Energy Security and Net Zero (DESNZ) which are quite intrinsic to what the market facilitator is setting out to do. While some of these are still nascent, it is important for Ofgem to establish how the market facilitator will interact and evolve with initiatives such as Flexibility Exchange, Automatic Asset Register and Digital Spine etc. Our members also welcome clarification of Ofgem's role during the transition ahead of the formal launch of the market facilitator in late 2025/ early 2026. Our members are keen to have further engagements with Ofgem to ensure the transition is smooth for all and we are not duplicating efforts set out in the networks' business plans.
- Finally, ENA's Open Networks embodies the commitment of all the network companies to come together as an industry to progress key challenges in the proliferation of flexibility markets and to ensure that the sum of our efforts is greater than individual parts. Open Networks has made significant progress over the last five years. Both DESNZ and Ofgem, working in partnership

with network companies as members of the Open Networks Steering Group, have played a significant role in that success. We are keen to ensure there is no hiatus in activities undertaken by Open Networks and outputs are easily transferrable to the market facilitator. We welcome Ofgem's support in ensuring a smooth transition. Regardless of a decision on the delivery body, Open Networks is fully committed to working closely with the new market facilitator to ensure we identify and continue to deliver optimum network outcomes during the transition.

Answers to specific questions

Question 1: Do you agree with the proposed market facilitator design principles? If not, what additions or changes do you suggest?

- Our members support the design principles presented in the consultation. The network companies strongly believe that some design principles are more important than others and are not mutually exclusive.

Question 2: Do you think some of the design principles are more important than others? If so, which should we attach greater weight to?

- Our membership believes that **impartiality** and **transparency** are the two most important of the design principles for the new market facilitator. Maintaining impartiality garners trust among both market participants and networks companies. It was noted that that DSO and ESO markets have their own objectives and approach. It will be crucial for the new market facilitator to be cognisant of that fact and develop an approach in a neutral and transparent way.
- In the context of monitoring implementation impartially, we would welcome further detail from Ofgem with respect to their intention "to require DNOs and the FSO to adopt the outputs specified by the market facilitator through changes to their licences."
- Our members are of the view that accountability is a key component that can be achieved through good implementation and incentive structure. We believe inclusivity and agility are also embedded within good implementation. We believe the market facilitator should demonstrate agility in balancing innovation and standardisation, delivering outcomes quickly in sensible increments that allows adoption of new industry developments.

Question 3: How important is it for the market facilitator to be able to align transmission and distribution flexibility market arrangements? Why?

- The argument of impartiality was extended to note that the market facilitator needs to have an understanding of both the national and distribution markets. While FSO and Elexon have varied levels of expertise in the national market, the DNOs believe the new market facilitator needs to develop expertise and capabilities of distribution network and energy suppliers. Whilst we don't propose thinking of distribution markets and national markets in isolation, expertise in the existing markets and the use of flexibility by suppliers and aggregators is imperative in achieving impartiality. Especially in developing products and process that appropriately accounts for the needs of distribution networks and are not simply an extension of what was done at transmission.
- There should be recognition of the different accountabilities e.g. on local network reliability vs national system balancing and that the market facilitator can ensure that these work hand in hand but avoid any dilution.

Question 4: How important is ease of implementation and enabling a smooth transition when considering the market facilitator delivery body? Why?

- Ofgem’s DSO baseline requirements clearly articulates deliverables and expectations, which the DNOs are delivering as per their approved RIIO-ED2 Business Plans. Notably we are still in year 1 of RIIO-ED2, therefore it would be pragmatic to make decisions on reforms that link to these DSO related activities once there has been sufficient time to assess progress and that any outcome of this reform should be cognisant of the existing regime.
- Furthermore, significant work is underway to make flexibility markets easier to participate. Open Networks is reinstating a sense of urgency in delivering outcomes as we continue to focus on areas that lead to tangible results delivering greater standardisation of flexibility products, processes and a consistent user experience. Open Networks is in line to deliver on the key outcomes committed for 2024. We are on schedule to implement standardisation of
 - Flexibility products,
 - pre-qualification process,
 - calculation methodologies for the settlement process,
 - Framework agreement for procurement of flex and
 - first two increments of primacy rules.
- Working closely with the industry stakeholders ([Open Networks Challenge group report 2023](#)) we continue to address key barrier to flexibility market such as
 - Further increments of primacy rules,
 - industry standard for dispatch interoperability,
 - stackability of flex services,
 - Mapping baselining methodologies to standard products and
 - harmonisation of information sharing across network companies.
- We are keen to ensure there is no hiatus in activities undertaken by Open Networks and outputs are easily transferrable to the market facilitator. We welcome Ofgem’s support in ensuring a smooth transition. Regardless of a decision on the delivery body, Open Networks is fully committed to working closely with the new market facilitator to ensure we identify and continue to deliver optimum network outcomes during the transition.
- As noted in Ofgem’s letter to the ENA on Open Networks the DSO Incentive will be a crucial means of driving best practice. The DNOs are of the view that the ease and pace of transition is not a major concern. The risk of a hiatus is mitigated as the DNOs are ramping up their delivery through ED2, together with the momentum developed through Open Networks programme. We are therefore in favour of an objective assessment of the options that best support longer-term benefits for the consumer. We suggest that the new market facilitator leverages these existing mechanisms and Ofgem considers how arrangements are weaved together to drive progress.



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