

Consultation

Market facilitator policy framework

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We are consulting on the detailed policy framework for setting up the market facilitator. We would like views from stakeholders with an interest in local flexibility markets. We particularly welcome responses from distribution network operators, flexibility service providers, industry experts, academics, consumer groups and charities.

This document outlines the scope, purpose and questions of the consultation and how you can get involved. Once the consultation is closed, we will consider all responses. We want to be transparent in our consultations. We will publish the non-confidential responses we receive alongside a decision on next steps on our website at [ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations). If you want your response – in whole or in part – to be considered confidential, please tell us in your response and explain why. Please clearly mark the parts of your response that you consider to be confidential, and if possible, put the confidential material in separate appendices to your response.

Consultation – Market facilitator policy framework

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Foreword

There is not a single path for clean power without flexibility as a key driver. Not a single path! This is not true just for Great Britain's energy system, but this is the reality for every energy system across the globe. So, for obvious reasons, we see flexibility, and specifically flexibility driven by consumer devices (e.g. electric vehicles and heat pumps), as absolutely essential to deliver on government ambitions for the energy sector. NESO's recently published [CP2030 report](#) has reinforced this - we'll need 16GW in 2030, and up to 70GW sourced from demand side response & vehicle-to-grid in 2050.

Reality check! We have only about 7GW of demand flexibility available today. In order to scale to 16GW and then eventually scale to 70GW we have to first reduce friction. There is today unnecessary and overly burdensome friction within existing flexibility markets that essentially force a flexibility provider to jump through all sorts of process just to qualify for entry. This is an unacceptable start when we are on a mission to go from 7GW to eventually 70GW.

We expect Elexon as market facilitator to remove this friction. We are proposing with this consultation to give Elexon a two-year delivery plan to align all DNO and NESO flexibility market arrangements as detailed in this consultation. With aligned flexibility market arrangements and a digital one stop shop for [Flexibility Market Asset Registration \(FMAR\)](#) we believe that we are sending a clear signal to the present and future flexibility providers that markets are open for you to rapidly scale flexibility.

I should note that as we scale flexibility, we are by definition exponentially increasing the number of energy assets participating in the energy system which means there will be an increasing number of new interactions between sector participants relating to those assets (and the new roles relating to these interactions), and an increasing risk to the stable operation of the energy networks. So, while the flexibility market facilitator will align market arrangements, Ofgem's efforts to digitize the energy system are fundamental to managing this increasing complexity through both driving improved efficiency of core energy sector services, and creating new services, that manage these assets and interactions. And, finally in [ED3](#) we are focusing on building a strong network, because if we are to optimise the cost savings of flexibility, this will generally require a strategic approach of having a strong network to be able to cope with peak power flows and encouraging consumer demand to access savings from cheap renewables.

Ofgem is working on multiple fronts - ED3, FMAR, [Data Sharing Infrastructure \(DSI\)](#), [Consumer Consent](#), [Smart Secure Electricity Systems \(SSES\)](#) & [Data Best Practice](#) - to redesign the energy system, originally designed for centralized generation, to be able to maximize the in-take of flexibility. As we redesign for a distributed energy system, we

are keenly aware that this is one step in a trilemma. The other two parts of the trilemma are consumer uptake of electric vehicles and heat pumps, and market leadership through better incentives and propositions for consumers to want to flex!

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Decentralization, Innovation, Digitalization

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Executive Summary

Flexibility is critical to reaching clean power in 2030 and meeting net zero in 2050. Currently there are barriers that make it difficult for flexibility service providers to participate in flexibility markets. With the growth of renewable generation and the increasing uptake of electric vehicles and heat pumps, tackling these challenges and reducing friction is essential to unlock the full value of flexibility.

To help address this, we have [appointed Elexon](#) as market facilitator: a single, expert entity with a mandate to align local and national flexibility market arrangements. In practice, as market facilitator, Elexon will be responsible for aligning rules, processes, standards and services to reduce friction and increase liquidity in flexibility markets. It will do so through open, transparent and participatory engagement with DNOs, NESO and market participants.

Building on previous policy development and publications, this consultation sets out our proposals for the market facilitator policy framework, including: our forward workplan, roles and responsibilities, scope, deliverables and performance arrangements.

Our market facilitator policy interacts with other key Ofgem policy areas, in particular Flexibility Market Asset Registration and the Data Sharing Infrastructure.

Setting up the market facilitator

To enable market facilitator go-live by the end of 2025 we will be publishing consultations on a governance framework document and licence condition changes for DNOs and NESO. We will also work with Elexon to undertake an assessment of the key impacts of the market facilitator policy. Elexon will be working with Open Networks to ensure a smooth handover from the current arrangements.

Roles and responsibilities in the transitional phase

We are proposing that Elexon leads on developing the detailed governance arrangements, ie the specific processes Elexon will follow as market facilitator, before submitting its proposals to Ofgem for review and sign-off. Ofgem will develop the policy framework, including how to hold Elexon to account and setting requirements for the detailed governance arrangements.

We set out our forward work plan and whether Ofgem or Elexon are leading on the activity, so that roles and responsibilities are clear to stakeholders.

The market facilitator function

Market facilitator scope

We propose that DNO flexibility services, most NESO ancillary services and some aspects of the Balancing Mechanism are in scope and prioritised for the market facilitator's first

two-year delivery plan (2026-27). For the second delivery plan (2028-29) we propose that the market facilitator should also explore bringing the Capacity Market and Wholesale Market within scope. We refer to these broadly as 'flexibility markets' in this document. This is for ease of reference and because flexibility service providers will participate in many of them at a given time.

Enduring roles and responsibilities

We previously set out activities that Elexon should perform under each of the three market facilitator functions (strategic leadership, market coordination and implementation monitoring). We propose that the market facilitator should be a key stakeholder for input into NESO service design, and provide views on NESO and DNO performance around market design. We also set out the proposed enduring roles and responsibilities for other key actors (DNOs, NESO, DESNZ, Ofgem and wider market participants), including that NESO and DNOs will be required to adopt the market facilitator's technical outputs.

We are proposing that stakeholders can support and scrutinise the market facilitator by attending workshops and responding to consultations, through a stakeholder advisory board and survey. We propose an appeals process on technical outputs and the budget.

Market facilitator deliverables

Our proposal is that the market facilitator should produce a delivery plan covering a two-year period, with a short delivery schedule published each year providing a more granular view. We are suggesting that Elexon publishes a draft plan for stakeholder scrutiny, but are not suggesting an ex-ante Ofgem review.

Similarly, we propose that the market facilitator sets and consults on its own budget, which should be cost reflective, with stakeholders able to appeal.

We also propose that the market facilitator will be responsible for technical outputs, outputs related to implementation monitoring and providing strategic advice.

Market facilitator performance arrangements

To incentivise high performance, we are proposing a reputational assessment of Elexon's performance as market facilitator. This will be an evaluative assessment undertaken annually against plan ambition and delivery, metric performance and stakeholder evidence. Ofgem can also issue directions to Elexon, and in the unlikely event of severe and ongoing underperformance issues, reallocate the market facilitator role.

Next steps

This consultation will be open for 9 weeks, closing on 11 February 2025. We aim to publish our decision in spring 2025.

1. Introduction

Section summary

This chapter provides a background on distributed flexibility, situates the market facilitator in the wider landscape and summarises the market facilitator policy journey. It also provides an overview of what is being consulted on and the structure of the consultation.

Background

Context

- 1.1 To achieve the UK government's ambition of clean power by 2030 we need to continue our historic shift away from fossil fuels while generating more of our electricity from renewables, like wind and solar. Large volumes of renewables will make supply more variable, requiring a much more flexible system.
- 1.2 Flexibility will help us avoid billions of pounds of additional investment and will help us unlock the value of distributed assets like electric vehicles and heat pumps. The [2021 smart systems and flexibility plan](#) estimates that increased system flexibility could save around £10 billion in annual system costs by 2050.
- 1.3 Unlocking these savings will require us to address fragmented flexibility markets, a lack of clear accountability and information gaps. As set out in our [multiyear strategy](#), this will require a range of interventions, including creating a new market facilitator role.
- 1.4 The market facilitator will be a single expert entity with a mandate to grow and develop local flexibility markets and align local and national flexibility market arrangements. In practice, as market facilitator, Elexon will be responsible for aligning rules, processes, standards and services to reduce friction and increase liquidity in flexibility markets. It will do so through open, transparent and participatory engagement with DNOs, NESO and market participants.
- 1.5 In July 2024 we appointed Elexon to the market facilitator role. This consultation is the next step in the process of setting up the market facilitator, which we want to be fully up and running by the end of 2025.
- 1.6 The proposals in this consultation align with other key Ofgem policy areas, particularly Flexibility Market Asset Registration (FMAR) and Data Sharing Infrastructure (DSI). FMAR aims to establish a common registration solution to eliminate burdensome entry requirements into flexibility markets and enable revenue stacking, which is a key objective of the market facilitator. The recent

FMAR consultation proposed that the market facilitator be responsible for initial design work for the FMAR digital infrastructure, which should align with the DSI policy for secure data exchange in the energy sector.

The market facilitator policy journey so far

- 1.7 In our [April 2022 Call for Input](#), we identified key stakeholder concerns about the market facilitation of flexible resources. After consulting on our proposals in [March 2023](#), we confirmed our [decision](#) to appoint a single expert entity aimed at aligning national and local flexibility market arrangements - the market facilitator - in November 2023.
- 1.8 Following that, in [December 2023](#) we consulted on whether Elexon or NESO should take on the market facilitator role, deciding in July 2024 to appoint Elexon.

What are we consulting on?

- 1.9 Following our decision to appoint Elexon as the market facilitator, we are consulting on the detailed policy framework for the market facilitator and are seeking input from stakeholders on our proposals.
- 1.10 We are seeking input for the market facilitator function which includes its scope, enduring roles and responsibilities and those of other key stakeholders. We are also seeking input on the market facilitator deliverables and performance arrangements.
- 1.11 We intend to publish our decision on these matters in spring 2025.

Structure of the consultation

- Chapter 1 introduces the background and context to this consultation, and what areas are being consulted on
- Chapter 2 sets out the policy design process to develop the policy framework and detailed governance arrangements, the transitional roles and responsibilities and the forward workplan
- Chapter 3 sets out the market facilitator function which includes its scope, enduring roles and responsibilities and those of other key stakeholders
- Chapter 4 sets out the market facilitator deliverables and key parameters
- Chapter 5 sets out the market facilitator performance arrangements
- Chapter 6 sets out how we use your data, confidentiality and timelines

2. Setting up the market facilitator

Section summary

This chapter describes the proposed approach to set up the market facilitator. It includes transitional roles for Ofgem and Elexon and a forward work plan summarising activities and timelines. The chapter also outlines opportunities for stakeholders to provide feedback and shape the market facilitator proposals.

Questions

- Q1. Do you agree with the proposed forward workplan and roles and responsibilities for setting up the market facilitator?

Introduction

- 2.1 In our July 2024 decision, we set out an ambition for the market facilitator to be fully operational by the end of 2025 or early 2026 at the latest.
- 2.2 Since July, however, the UK government has set out its ambition for achieving clean power by 2030. We believe the market facilitator has an important role to play in reaching that ambition, we therefore want it to be fully up and running by the end of 2025. To achieve this will require delivery at pace across Ofgem's three workstreams (detailed design, implementation and transition) and from Elexon. Ensuring a smooth handover process from Open Networks will also be essential to avoid a loss in momentum.
- 2.3 This section sets out our progress to date and outlines a forward workplan for Ofgem and Elexon activities until the end of 2025, clarifying roles and responsibilities and upcoming engagement opportunities.

Progress to date

- 2.4 Since we published our decision in July 2024 to appoint Elexon as the market facilitator delivery body we have been progressing work across three workstreams.

Detailed design workstream

- 2.5 We have been developing the policy framework to enable the market facilitator to be fully operational by the end of 2025.
- 2.6 To develop proposals and build on what we already set out in previous publications, we have undertaken analysis and option development alongside a programme of stakeholder engagement, including workshops and bilateral engagement.

- 2.7 Alongside our own policy development work, we have also been working closely with Elexon to support their work in developing detailed governance arrangements through their own stakeholder workshops.

Implementation workstream

- 2.8 A Balancing and Settlement Code (BSC) modification was required to extend Elexon's remit to take on the market facilitator role. [P481 'Enable Elexon to be the Market Facilitator Delivery Body'](#) was approved by Ofgem on 4 November 2024 ([P481 decision letter](#)).

Transition workstream

- 2.9 We have been engaging with Open Networks on the transition from the current arrangements to the market facilitator. The Energy Networks Association (ENA) have begun work on a handover plan. Regular bilateral engagement is taking place between the ENA and Elexon and knowledge transfer is underway.
- 2.10 In [September 2024](#), Elexon became the Chair of the Open Networks Challenge Group, which is responsible for shaping the direction, priorities and outcomes of Open Networks. As Challenge Group Chair, Elexon sits on the Open Networks Steering Group. Elexon representatives are also now embedded in key Open Networks workstreams.

Transitional roles and responsibilities

- 2.11 The transition phase is distinct from the enduring arrangements as there are several detailed design activities to be completed and decisions to be made that only need to be done once eg the transition plan and developing and signing off the detailed governance arrangements.
- 2.12 The overarching market facilitator governance arrangements include:
- The 'detailed governance arrangements', by which we mean the processes Elexon will follow in delivering the market facilitator role. This includes the change management process for technical outputs, developing the delivery plan, monitoring the implementation of technical outputs, etc. It also includes any additional processes we specify in this consultation (eg an appeals process). These processes need to be developed and documented.
 - The policy framework, this includes:
 - How Elexon will be held to account, including how Ofgem will assess and monitor its performance and any specific requirements for inclusion in the detailed governance arrangements. This will be set out in the Governance Framework Document, which Ofgem will be responsible for

drafting and which Elexon will be required to comply with. Some requirements may also be embedded into a second BSC modification.

- Licence condition changes for NESO and DNOs, requiring them to adopt the market facilitator's technical outputs.

2.13 We are proposing that Elexon leads the develop of the detailed governance arrangements. These proposals would then be submitted to Ofgem for review and sign-off, subject to the proposals meeting our requirements. We are proposing that Ofgem is responsible for the policy framework.

Elexon

2.14 As above, we are proposing that Elexon leads on developing proposals for the detailed governance arrangements. It has already set out plans to cover the following topic areas, through its own stakeholder workshops and consultations:

- scope and deliverables during the transition period - including which activities will transition from Open Networks to the market facilitator
- budgeting and finance - what type of market participants should fund the market facilitator and how should costs be apportioned?
- market coordination delivery plan - the process and timescales for drafting, consulting on and agreeing the enduring delivery plan
- implementation monitoring - the metrics that should be used to monitor DNOs and NESO compliance with the outputs of the market facilitator, and how that data should be used and published, with thresholds for referring to Ofgem
- enduring change management - change process for enduring market facilitator governance documents and technical outputs
- any remaining governance topics - further workshop(s) to take a holistic view from previous workshops and consider any further changes required

2.15 We believe that Elexon is best placed to develop proposals for detailed governance arrangements. Elexon have expertise and resource to progress this work, and this allows the market facilitator development to progress at pace.

Ofgem

2.16 We will consider the proposals submitted to us by Elexon on the detailed governance arrangements. We will review them to ensure they meet our requirements and provide feedback on any changes that are required before we sign off final proposals.

- 2.17 Subject to the outcome of this consultation, we will continue to input our requirements (in the areas set out in Chapters 3, 4 and 5) to Elexon as they develop their proposals and will consider signing off individual topics as they are presented to us, rather than waiting until the end, to support delivery at pace.
- 2.18 This approach ensures the appropriate regulatory safeguards are incorporated while preventing a lengthy decision-making and sign off process, which could slow down agile development and testing of proposals. To ensure full transparency and to be accessible for future reference, we will also publish a full list of our requirements as part of our decision on this policy framework consultation.
- 2.19 We will lead on developing the policy framework as it would not be appropriate for Elexon to design the key processes and mechanisms for it to be held to account as market facilitator.

Stakeholder input

- 2.20 There will be several opportunities for stakeholders to provide views and to continue to further shape the market facilitator proposals, as we set out below:
- Respond to this policy framework consultation
 - Attend Elexon's workshops on detailed design running from November 2024 to March 2025
 - Respond to Elexon's consultations on the proposed governance arrangements
 - Feed into Elexon's development of the first enduring delivery plan
 - Respond to our consultation on the draft governance framework document
 - Respond to our non-statutory and statutory consultations on proposed licence conditions being introduced so that DNOs and NESO comply with the outputs of the market facilitator

Forward workplan

- 2.21 We summarise the key publications and timescales to establish the market facilitator in Table 1.

Winter 2024

- 2.22 Elexon are planning to run a series of six or seven workshops between November 2024 and March 2025, to work through key areas (as set out in paragraph 2.14) with stakeholders.

- 2.23 From January 2025, Elexon are also planning to send a dedicated monthly newsletter to keep stakeholders updated on news about the market facilitator role.
- 2.24 From November 2024 through to March 2025 we'll be supporting Elexon in preparation for their workshops. We'll also be analysing responses to this consultation and if required, undertaking further options development and analysis and stakeholder engagement.

Spring 2025

- 2.25 We will publish our decision on the policy framework in response to this consultation. We will include priorities and objectives for the transition period. The priorities and objectives will set expectations of what is required to be delivered and enable Ofgem to assess Elexon's performance as market facilitator.
- 2.26 Our decision on the policy framework will then form the basis of our governance framework document and the requirements for a second BSC modification.
- 2.27 We also think a transition and handover plan - from Open Networks to the market facilitator agreed between the ENA and Elexon - is important. This will give stakeholders clarity over what is to be delivered in the transition period and help track progress. This could be a joint publication between Ofgem, the ENA and Elexon, or could come from Elexon and the ENA, or just Elexon.
- 2.28 Elexon will also start work on its first two-year delivery plan (for 2026-27), based on feedback from their workshops on how they should draft and consult on the plan, and how stakeholders should be engaged. Elexon's initial proposal is to consult and finalise in autumn / winter 2025.

Summer / Autumn 2025

- 2.29 In June 2025, Elexon will submit proposals to Ofgem on the detailed governance arrangements, developed in their stakeholder workshops and consultations. We will consider and sign-off subject to the proposals meeting our requirements.
- 2.30 In summer 2025, we plan to publish a draft governance framework document for consultation. This document will set out the governance arrangements for the market facilitator, including Elexon's roles and responsibilities, and how we will monitor Elexon's performance and hold them to account. Responses to this policy framework consultation and Elexon's stakeholder workshops will inform the development of the draft governance framework document.

- 2.31 We will assess the main impacts of this policy once we have a more complete picture of the detailed governance arrangements being developed by Elexon, along with the overarching policy framework.
- 2.32 We will also publish a non-statutory consultation in summer 2025, followed by a statutory consultation in autumn 2025. These will add licence conditions to the Distribution Licence and the Electricity System Operator Licence to require DNOs and NESO to comply with the outputs of the market facilitator.
- 2.33 It is expected that a second BSC modification will be required. However, the timescales and scope of the modification will be dependent on the development of the market facilitator governance. It will also be dependent on the funding and operation arrangements during Elexon's stakeholder workshops due to end in March 2025.

Winter 2025

- 2.34 We plan to publish the governance framework document and decision on licence conditions, so that everything is in place before the end of 2025.

Table 1 - forward workplan publications

Publication	When?	Who?
Policy framework decision	Spring 2025	Ofgem
Transition / handover plan	Spring 2025	Elexon
Detailed governance arrangements consultation	Spring 2025	Elexon
Draft Governance Framework Document consultation	Summer 2025	Ofgem
Non-statutory licence consultation	Summer 2025	Ofgem
Statutory licence consultation	Summer 2025 / Autumn 2025	Ofgem
Draft detailed governance arrangements documents	Summer 2025	Elexon
Final detailed governance arrangements documents	Autumn 2025	Elexon
Governance Framework Document	Winter 2025	Ofgem
Licence conditions decision	Winter 2025	Ofgem
The first enduring delivery plan	Winter 2025 (TBC)	Elexon

3. Market facilitator function

Section summary

In this section, we outline the market facilitator function and clarify what falls within and outside the scope of Elexon's roles and responsibilities as market facilitator, along with those of other key stakeholders.

Questions

- Q2. Do you agree with the proposed scope of the market facilitator, in particular in relation to the Balancing Mechanism? If not, what would you change and why?
- Q3. Do you agree with the proposed enduring roles and responsibilities for Elexon as market facilitator, specifically, working with NESO and inputting in NESO and DNO performance assessment? If not, what would you change and why?
- Q4. Do you agree with our proposed roles and responsibilities for key actors and on stakeholder and external scrutiny, in particular in relation to including a stakeholder survey, a stakeholder advisory board and an appeals process? If not, what would you change and why?

Introduction

- 3.1 We want to set the market facilitator up for success: this requires a clearly bounded scope and well-defined roles and responsibilities.
- 3.2 The market facilitator scope must be broad enough to ensure that Elexon can take a holistic view and deliver effectively whilst avoiding scope creep and overload. The scope must also ensure the market facilitator can focus on driving change in key markets and delivering tangible results as soon as possible.
- 3.3 The roles and responsibilities have been developed over the course of previous publications and through stakeholder workshops. In this consultation we have refined the activities under the three key functions: strategic leadership, market coordination, and implementation monitoring. We also describe the roles and responsibilities for some of the key actors that will be interacting with the market facilitator.

Market facilitator scope

Proposal

- 3.4 We propose that all DNO flexibility services and most NESO ancillary services are in scope with the market facilitator responsible for leading alignment, subject to the specific market facilitator roles and responsibilities outlined in the next section.

- 3.5 For NESO ancillary services, we propose that all service types set out in Part C Section 1 of its [Procurement Guidelines](#) under the heading "Commercial Ancillary Services" are in scope, apart from Stability and Reactive Power. A description of the current specific services of these types that NESO procures is covered under Section 2.1 of the Procurement Guidelines. For clarity, this would mean that the services classed as "System Ancillary Services", which include mandatory services and Electricity Restoration Services, would be out of scope for the market facilitator.
- 3.6 We propose that the market facilitator considers the full end-to-end flexibility process for the above, from procurement (exploration, registration and competition) to operations (availability and dispatch) and reporting (verification and settlement).
- 3.7 We also propose that the Balancing Mechanism is within scope, excluding operations, which would remain wholly NESO's responsibility. However we propose that procurement and reporting are both in scope. For instance, looking at entry requirements and registration processes would be in scope, including where possible aligning these with DNO flexibility services and NESO ancillary services.
- 3.8 We are also proposing that the market facilitator should explore bringing the Capacity Market and the Wholesale Market within scope for the second delivery plan period (spanning 2028 - 2029).
- 3.9 We are not proposing changes to the institutional arrangements for the Balancing Mechanism, the Capacity Market or Wholesale Markets, nor are we proposing additional powers for Elexon in these areas. Instead we would expect Elexon to work within the existing governance arrangements and work with the relevant parties (eg Ofgem, DESNZ, industry parties, etc) to identify and remove barriers.
- 3.10 We are not proposing that Active Network Management or innovation are in scope, beyond ensuring the market facilitator is aware of key developments, interdependencies and their impact on the market facilitator's work. This is explained further in paragraph 3.20.

Rationale

- 3.11 In our stakeholder workshops and subsequent bilateral engagement, stakeholders suggested a wide scope that encompassed DNO flexibility, NESO services and the Balancing Mechanism.

- 3.12 We agree that to deliver more accessible flexibility market arrangements, the market facilitator's scope needs to be broad enough to capture the many interdependencies and complexities preventing the full value of flexibility from being unlocked. However, it is also important to avoid overloading Elexon and ensure that the scope aligns with existing institutional and regulatory arrangements.
- 3.13 As such we have bounded the market facilitator's scope in relation to the Balancing Mechanism to reflect the fact that it is not a flexibility market but an operational tool that NESO uses to balance supply and demand. While we believe there may be opportunities to reduce barriers to entry, we do not want the market facilitator's work to impede NESO's responsibility for security of supply. We consider there is value in ensuring that flexibility service providers have as consistent an experience as possible, including access to the Balancing Mechanism where applicable.
- 3.14 We are also mindful of the governance arrangements for the Balancing Mechanism, Capacity Market and Wholesale Market, where Elexon will not have the same levers as it will for DNO flexibility services and ancillary services. Whilst NESO will be required to comply with Elexon's technical outputs, many aspects of the Balancing Mechanism are governed through the Balancing and Settlement Code (BSC), whereas there are existing processes in place for the Capacity Market, such as through the Capacity Market Advisory Group. We want Elexon to embed itself within the existing governance arrangements role for the Balancing Mechanism, Capacity Market and the Wholesale Market, working with other parties (be that Ofgem, DESNZ or industry parties) as required.
- 3.15 With regards to NESO ancillary services, we consider that our proposed in-scope market types (ie the majority of services covered under their Commercial Ancillary Services definition) are the most appropriate. We expect these NESO services to be those which flexibility service providers are most likely to interchange and / or interact with for assets which are in other markets (eg DNO markets and the Balancing Mechanism), and therefore where consistency in the flexibility service provider experience would be most important. They also tend to reflect delivery of energy to the system.
- 3.16 We have considered that services which are under the Commercial Ancillary Services definition but which reflect network services, such as reactive power and stability, to be less fungible and with lesser scope for consistency across other service types. We do recognise that some flexibility service providers may value stacking of services of this nature with other services and would expect

NESO to be open to opportunities to align service provision with other areas if applicable. Additionally, NESO currently tends to procure these services over longer time durations than the other services within this classification and therefore there is also less opportunity for influence over the market design.

- 3.17 On ANM, there were mixed views on whether it should be in scope of the market facilitator when explored with stakeholders. ANM interacts with flexibility markets which it will be important for the market facilitator to understand as markets grow. However the proposed market facilitator scope is already substantial and we don't want to overload Elexon. Given the recent changes to access rights we do not believe this is a priority area for reform.

Enduring roles and responsibilities: Elexon as market facilitator

- 3.18 The proposed market facilitator functions are unchanged from the market facilitator delivery body consultation, as are most of the activities proposed. However, we have added an appeals process in response to stakeholder feedback, and provided further detail relating to the different areas within the proposed scope.

Proposal

- 3.19 We propose the following roles and responsibilities under the **strategic leadership** function:
- Monitor and horizon scan for upcoming challenges and opportunities (policy, regulation, innovation, energy markets, international best practice)
 - Provide strategic and expert advice to Ofgem / DESNZ, as requested, or proactively where a policy or regulatory barrier has been identified
 - Recommend strategic updates to Ofgem to the market facilitator role as required
 - Create a two-year delivery plan in line with Ofgem and DESNZ's flexibility policy, and an annual delivery schedule
 - Proactively identify barriers to flexibility to either address in the delivery plan if within the market facilitator scope or raise with the relevant party.
- 3.20 We expect the market facilitator to stay informed of key developments that may impact its work as part of its monitoring and horizon scanning activity. Where barriers to flexibility are identified outside of the market facilitator's scope, or where its levers are not suitable, Elexon should inform the relevant party, providing recommendations as appropriate. This could cover many areas, for instance Active Network Management and innovation, which we are not

proposing as within the market facilitator scope but where there may be interactions and interdependencies with flexibility. This could also include in relation to the Balancing Mechanism, Capacity Market or Wholesale Market when removing a barriers requires intervention from other parties (eg Ofgem, DESNZ, and industry party etc)

3.21 For the **market coordination** function, we propose the following roles and responsibilities:

- Design and develop new / update existing common rules, market processes, services, standards, in line with the delivery plan published in the form of technical outputs. This could include digital infrastructure (as per 3.24) or IT tools (eg application programming interfaces (APIs))
- Input into NESO service design at an early stage, identifying and advising on potential inconsistencies
- Input into the NESO market design framework to support alignment between flexibility market arrangements
- Set out timelines for the adoption of new and updated common technical outputs
- Facilitate open, participative discussions with wide stakeholder representation in developing technical outputs
- Maintain an up-to-date repository of technical outputs in a publicly accessible place
- Engage and comply with the appeals process.

3.22 For DNO flexibility, we propose that the market facilitator is responsible for leading the design process for common processes, services, rules or standards covering the full end-to-end flexibility journey, as per paragraph 3.6. This means that for any new process, service, rule or standard, Elexon would be responsible for leading the development process.

3.23 For the ancillary services within scope, Elexon can set technical outputs covering the full end-to-end flexibility journey which NESO will be required to adopt, for example for primacy rules or a common dispatch API. For the Balancing Mechanism we propose excluding operational activities, as per paragraph 3.7. However, we are not proposing that Elexon leads the service design process for new NESO services, or for changes to existing services. NESO will continue to be responsible for leading this process. Instead, we propose the market facilitator role includes:

- Inputting into NESO's market design framework

- Inputting into the NESO service design process from an early stage, prior to formal industry consultation. We propose requiring NESO to engage with the market facilitator as part of its service design process and incorporate Elexon's feedback.
- 3.24 In addition, we are currently considering consultation responses on Flexibility Market Asset Registration, as part of which we have proposed a role for the market facilitator. Specifically, we proposed that the market facilitator undertakes work to align processes for registering an asset into DNO and NESO flexibility markets; coordinates with industry to design common digital infrastructure to support the collection, storage, and access to asset data; and potentially to develop/procure, own, and operate that digital infrastructure. We will publish our decision on this consultation in February 2025.
- 3.25 We propose the following roles and responsibilities under **the implementation monitoring** function:
- Track implementation of market facilitator technical outputs across DNOs and NESO, and report implementation issues to Ofgem, in accordance with the implementation monitoring framework
 - Input into the NESO performance assessment process and DSO incentive process, as requested by Ofgem
 - Assess the effectiveness of services, processes, rules, standards, etc. and identify and feedback improvements or updates into the market coordination function.
- 3.26 For both DNOs and NESO we are proposing that the market facilitator inputs into the performance assessment processes. For NESO this will depend on our performance assessment framework and process, which is still under development. For DNOs, we will consider how Elexon can feed into the existing DSO incentive arrangements, or whether changes are required to allow for this.

Rationale

- 3.27 These three key functions and their associated activities target the gaps identified through our local governance review, specifically: a lack of singular accountability and inconsistent implementation, which is preventing delivery at pace under current arrangements.
- 3.28 As explained in our market facilitator delivery body decision, Elexon as market facilitator will not be responsible for designing NESO services. Instead, we envisage Elexon working with NESO to ensure that its services enable a frictionless flexibility journey.

- 3.29 This will enable the market facilitator to flag inconsistencies for NESO to address while avoiding slowing down NESO's decision-making process and adding in burdensome requirements. As most changes to NESO products and services come to Ofgem for a decision, we will have the opportunity to challenge NESO if it has not addressed the market facilitator's comments. There would be an expectation for NESO to explain any deviations proactively and for deviations to be rare. In addition, the market facilitator will be able to feed into the NESO performance assessment process, as described in paragraph 3.32.
- 3.30 Some DNOs challenged us on the different role we are proposing for the market facilitator in relation to NESO relative to DNOs. We agree that the market facilitator will need to exert influence over both NESO and DNO arrangements for the role to be successful. NESO will be required to adopt the market facilitator's outputs, as will DNOs, as explored in the enduring roles and responsibilities section. However, it is also important to recognise that there are differences between the DNOs and NESO, including their role, the differing regulatory requirements and NESO's status as a publicly owned body with specific statutory net zero and customer duties.
- 3.31 The proposed market facilitator activities, combined with a reciprocal requirement on NESO to work with the market facilitator and then adopt the market facilitator outputs, reflect those differences while ensuring the market facilitator can play a meaningful role in NESO product and service design.
- 3.32 Given Elexon's interactions with DNOs and NESO, capturing its input into the relevant performance assessment processes will be important. This should strengthen the incentives on DNOs and NESO to work constructively with the market facilitator and is therefore an important addition.

Enduring roles and responsibilities: key actors

Proposal

- 3.33 We propose the following common roles and responsibilities for market participants, NESO, DNOs and any other interested party:
- Contribute to the development of technical outputs, delivery plans and budgets (through multiple routes eg working groups, public consultations, as a stakeholder advisory board member, etc.)
 - Input to the market facilitator's performance assessment process (through the stakeholder survey and stakeholder advisory board)
 - Appeal a market facilitator decision (technical output or budget) as described in paragraphs 3.46 and 3.47.

- 3.34 In addition, for NESO we propose the following roles and responsibilities:
- Adopt the market facilitator's technical outputs
 - Consult at an early stage with the market facilitator as part of the NESO's service design process and get market facilitator input to the market design framework
 - Report the implementation status of technical outputs in accordance with the implementation monitoring process
 - Designate a named senior "sponsor" who is responsible for the market facilitator relationship. Specifically, we propose the sponsor is ultimately responsible for ensuring that the relevant parts of the business engage in full, including adopting the agreed technical outputs and complying with the agreed processes (e.g. implementation monitoring).
- 3.35 For DNOs, we propose the following roles and responsibilities (in addition to what we have set out paragraph 3.33):
- Adopt the market facilitator's technical outputs
 - Report the implementation status of technical outputs in accordance with the implementation monitoring process
 - Designate a named senior "sponsor" who is responsible for the market facilitator relationship. Specifically, that person would be responsible for ensuring that all relevant parts of the business engage in full, including adopting the agreed technical outputs and complying with the agreed processes (e.g. implementation monitoring).
- 3.36 We propose that the requirements on DNOs and NESOs listed above will be included in their licences, which will be modified as per the forward work plan in chapter 2.
- 3.37 We propose the following roles and responsibilities for government:
- Direction setting through the publication of policy and strategy documents
 - Request strategic advice from Elexon subject to the agreed process
 - An option to input into the annual delivery schedule
 - An option to input into the development of the delivery plan.
- 3.38 We propose the following roles and responsibilities for Ofgem:
- Direction setting, working with DESNZ on policy and strategy documents
 - Set the market facilitator's objectives
 - Review the detailed governance arrangements developed by Elexon

- Consider and decide any appeals relating to the market facilitator's budget or technical outputs, as set out in paragraphs 3.46 and 3.47.
- An option to input into the development of the delivery plan
- An option to input into the annual delivery schedule
- Issue directions to Elexon as market facilitator, in accordance with [paragraph 17.5, section C of the BSC](#)
- Reallocate the market facilitator role, as set out in paragraph 17.5, section C of the BSC
- Through the market facilitator governance framework document, set out, and if necessary update the market facilitator policy framework, including the scope, roles and responsibilities and requirements of the role
- Undertake an annual performance assessment
- Compliance and enforcement of NESO and DNO licences
- Request strategic advice from Elexon subject to the agreed process

Rationale

- 3.39 As the operators of the key markets in scope of the market facilitator, NESO and DNOs face the most extensive requirements. These requirements are important to ensure Elexon is empowered to deliver its role effectively. Alongside the requirements market operators face, there are also considerable opportunities to input into, and if necessary challenge the market facilitator's decision-making.
- 3.40 We believe this set of roles and responsibilities ensures there is an effective balance between requirements and opportunities, guaranteeing that NESO and DNOs are required and appropriately incentivised to work with Elexon, while providing ample opportunities to shape the work and decision-making.
- 3.41 Market participants and wider stakeholders will also play a key role in shaping the market facilitator's outputs and holding Elexon to account, reflected in their roles and responsibilities. This is explored in more detail in the 'Stakeholder and external scrutiny' section.
- 3.42 The roles of DESNZ and Ofgem are defined such that on an enduring basis, neither entity is involved in the operational day-to-day activities of the market facilitator. Ofgem and DESNZ will be responsible for shaping and defining the long-term vision for flexibility through policy and strategy documents and will have an opportunity to feed into the market facilitator's priority setting through the delivery plan development process. We have also suggested an option for

Ofgem and DESNZ to input into the annual delivery schedule, to ensure that key policy or regulatory developments can be fed in.

- 3.43 Ofgem is in addition responsible for assessing Elexon's performance in delivering the market facilitator role, as well as ensuring its role, scope and regulatory framework remains fit for purpose, reflecting our role as GB's energy regulator.

Enduring roles and responsibilities: stakeholder and external scrutiny

Proposal

- 3.44 We propose the following forms of stakeholder input for the market facilitator:
- Industry consultation (eg working groups, public consultations, webinars, etc)
 - An annual stakeholder survey
 - A stakeholder advisory board
 - An appeals process (for technical outputs and the budget).
- 3.45 We propose a dual role for the stakeholder advisory board: supporting high quality decision-making by Elexon and feeding into Ofgem's assessment of Elexon's performance as market facilitator. We propose that further detail is developed by Elexon as part of the detailed governance arrangements work, as set out in chapter 2.
- 3.46 We also propose embedding an appeals process within the policy framework. This would cover the market facilitator budget and technical outputs. We propose working with Elexon and stakeholders to agree on an effective and efficient appeals process that embeds an appropriate route for recourse without slowing down decision-making. This could include for instance:
- A clearly set out appeals process in the governance arrangements, including setting a time window for appeals (eg 10 working days after publication of the relevant technical output or budget)
 - A set of criteria for valid appeal grounds, including a provision for Ofgem to reject appeals that do not meet the grounds or that are vexatious or trivial
 - Clear criteria on who can submit an appeal.
- 3.47 We envisage the criteria could be different for the budget relative to the technical outputs, reflecting the differing nature and frequency of these outputs, the impact an appeal would have and to limit the potential for abuse. For budgets specifically, this could include for instance:

- That appeals do not stop the budget being spent while the appeal is in progress
- That an appeal should relate to a specific budget item
- That Ofgem should not be required to specify a new value for budget amounts.

3.48 We welcome views on potential criteria for technical output appeals.

Rationale

3.49 Our proposals for stakeholder and external scrutiny perform two key functions within the market facilitator policy framework: 1) enabling effective scrutiny of the market facilitator's decision-making and outputs and 2) allowing stakeholders to play a meaningful role in holding Elexon to account for its performance. As such we believe having different routes of input is important.

3.50 Elexon will be making decisions that could have a material impact on the systems and processes of market operators and flexibility market participants. As such, appropriate checks and balances are important. A proportionate appeals regime is a key part that.

3.51 There was support from both market operators and market participants to have an appeals process in place. Whilst recognising that having a route to challenge can be an important safeguard, this should be a last resort. Decision-making processes should be designed to allow views to be weighed up and decisions made transparently and objectively.

4. Market facilitator deliverables

Section summary

In this chapter, we propose parameters for the market facilitator's key deliverables, which include a delivery plan, budget and technical outputs, among others.

Questions

- Q5. Do you agree with our proposals on the market facilitator delivery plan, in particular in relation to the two-year timeframe, adding an annual delivery schedule and Ofgem's role? If not, what would you change and why?
- Q6. Do you agree with our proposals on the market facilitator budget, in particular in relation to Ofgem's role and the proposed requirements? If not, what would you change and why?
- Q7. Do you agree with our proposals on the other key market facilitator deliverables? If not, what would you change and why?

Introduction

- 4.1 As discussed in previous publications, Elexon will need to produce a range of deliverables in its market facilitator role, including:
- A delivery plan
 - A budget
 - Technical outputs (the common processes, rules, services, standards and IT tools for adoption by DNOs and NESO)
 - An implementation monitoring report or tracker, and
 - Strategic advice
- 4.2 In addition, Elexon may have a position in the rollout of digital infrastructure, subject to our decision on Flexibility Market Asset Registration and further work under the Flexibility Digital Infrastructure workstream.
- 4.3 Through these deliverables Elexon will be setting out its priorities, budget and decisions. They need to be easily accessible and produced in a way that enables effective scrutiny. In this chapter we outline our proposals for the market facilitator deliverables, including key parameters.

Delivery plan and plan assessment

Proposal

- 4.4 We propose:

- The market facilitator sets its own delivery plan with no ex-ante assessment or sign-off by Ofgem, however we can input as part of the public consultation and development process alongside other stakeholders.
- A two-year delivery plan timeframe, with the first plan covering 1 January 2026 to 31 December 2027 and published before the start of 2026.
- A requirement to publish a draft delivery plan and invite comments from stakeholders, which must then be considered and responded to, as part of finalising the delivery plan.
- A requirement to publish a delivery schedule each year to provide a more granular view of the market facilitator's activities for the year ahead. The delivery schedule should be a short document with no associated requirements on Elexon to consult publicly and no right of appeal. We suggest the delivery schedule is integrated into the delivery plan when it falls on the same year.

4.5 In practice, we suggest the following timeline for the delivery plans and delivery schedules:

- By the end of 2025: Elexon publishes the 2026 - 2027 delivery plan and 2026 delivery schedule
- By the end of 2026: Elexon publishes its 2027 delivery schedule
- By the end of 2027: Elexon publishes the 2028 - 2029 delivery plan and 2028 delivery schedule
- By the end of 2028: Elexon publishes its 2029 delivery schedule
- By the end of 2029: Elexon publishes the 2030 - 2031 delivery plan and 2030 delivery schedule
- And so on.

Rationale

4.6 We previously proposed an annual delivery plan however many stakeholders have suggested that an annual planning cycle involves burdensome planning processes during which delivery work itself slows down or is paused.

4.7 Instead, a two-year timeframe will allow Elexon to take a slightly longer-term view while providing an opportunity to set a new delivery plan in preparation for CP2030. In the 'Performance expectations' section we have proposed objectives for the first delivery plan (2026 - 2027) and would envisage setting new objectives for the second delivery plan (2028 - 2029). A two-year timeframe

also means the second delivery plan coincides with the start of the next electricity distribution price control, presenting an opportunity for alignment.

- 4.8 A requirement to consult on the draft delivery plan and respond to consultation responses provides an opportunity for stakeholders to scrutinise and challenge the delivery plan, which we believe is important.
- 4.9 We believe an annual delivery schedule will also support transparency while enabling Elexon to respond to changes within the delivery plan period. Not requiring Elexon to consult on a draft delivery schedule minimises the burden on Elexon, ensuring it can remain focused on delivering at pace.
- 4.10 While an ex-ante assessment of the delivery plan by Ofgem would provide a higher level of scrutiny it places a higher resource burden on Ofgem, which we do not believe is proportionate or required. It may also reduce the incentives on stakeholders to scrutinise the draft delivery plan. Under our proposals while Ofgem would not have a formal role in assessing or approving the delivery plan, we would be able to feed in through the public consultation and hold Elexon to account through our annual performance assessment.

Budget setting and scrutiny

Proposal

- 4.11 We propose that the market facilitator sets its own budget ahead of year and that the process is subject to the following requirements:
- Budgets are cost reflective.
 - Costs included should be set out in a clear and transparent manner.
 - Costs should not be demonstrably uneconomical, wasteful or inefficient.
 - Elexon as market facilitator must publish a draft budget ahead of the relevant year for a set consultation period and invite comments from stakeholders. Consultation responses must then be considered and responded to, as part of finalising the budget.
 - The final budget is subject to an appeals process, enabling stakeholders to dispute the final budget subject to an agreed process and specific criteria, as described in paragraphs 3.46 and 3.47.

Rationale

- 4.12 This approach allows stakeholders to scrutinise and comment on a draft market facilitator budget while avoiding overly burdensome processes. Requirements that the budget should be cost-reflective communicated clearly and

transparently and not be demonstrably uneconomical or inefficient sets clear expectations for Elexon.

- 4.13 We believe including the budget within the proposed appeals process provides an additional safeguard to ensure Elexon delivers value for money. However, setting specific criteria, as referenced in paragraph 3.47, will be important to prevent abuse of the appeals process which could slow down the decision-making process and hinder Elexon's ability to deliver at pace.

Technical outputs and other key deliverables

Proposal

- 4.14 In addition to the budget and delivery plan, we propose the following key deliverables for the market facilitator:
- Technical outputs, which include designing and developing new common rules, market processes, services, standards and IT tools (e.g. APIs) across DNO and NESO markets. This could include design and delivery of the digital infrastructure proposed in the Flexibility Market Asset Registration consultation. Elexon may also need to update the existing common outputs. Decisions on technical outputs could be appealed, as described in chapter 3.
 - An implementation report or tracker to track the implementation of standardised market processes, rules, standards and services across NESO and the DNOs. To deliver this Elexon will need to establish an approach and process to engage with and gather data from NESO and the DNOs.
 - Strategic advice to either Ofgem or DESNZ. This could be in response to a request from either organisation. It could also be for Elexon to flag a policy or regulatory barrier it has identified that is not within its remit to resolve. It is expected that this will be an ad hoc rather than regular activity.
 - Recommendation to Ofgem on any strategic updates to its role. This will be on an ad hoc basis and is certainly not expected to be required for some time, as the role is currently being established and developed, with input from Elexon and stakeholders. However, once the market facilitator is operational there could be opportunities to modify to its role.

Rationale

- 4.15 The deliverables set out above are key to delivering the three market facilitator functions. We want to keep the outputs limited to ensure that we are not overloading Elexon. If additional outputs and processes are needed, developing them will require additional time and resources from both Ofgem and Elexon which may not maximise the overall benefits.

5. Market facilitator performance arrangements

Section summary

This section sets out measures to evaluate Elexon's performance, detailing the key design choices relating to financial incentives, the performance assessment process and performance expectations.

Questions

- Q8. Do you agree with our proposal not to include financial incentives and instead require Elexon to link its senior management performance related remuneration policy with our performance assessment? If not, what would you change and why?
- Q9. Do you agree with our proposals on performance assessment, in particular do you have views on the quantitative metrics we should consider? If not, what would you change and why?
- Q10. Do you agree with our proposals on performance expectations, in particular in relation to our proposed 2028 objective? If not, what would you change and why?

Introduction

- 5.1 We expect strong performance from Elexon in delivering the market facilitator role. We want the performance arrangements to reflect that, incentivising high performance and setting ambitious expectations.
- 5.2 However, as Elexon will be the sole provider of the market facilitator role, appropriate measures to scrutinise its decision-making and hold it accountable, drive high performance and deliver at pace are essential.

Financial incentives

Proposal

- 5.3 We propose no financial incentives or revenue at risk. This would mean no formal link between Elexon's performance delivering the market facilitator role and higher or lower revenues. In other words, the outcome of the performance assessment would not lead to a financial award or penalty.
- 5.4 However, we believe a requirement for Elexon to ensure that its senior management performance related remuneration policy is linked to market facilitator performance could be beneficial. We do not propose prescribing how this is done in practice. If we decide to proceed with this proposal we would need to undertake further work to consider the specifics of implementation.

Rationale

- 5.5 As stated at our stakeholder workshop on 4 October 2024 we believe no financial incentives or revenue at risk is the most proportionate and realistic approach. Most stakeholders supported this position and rationale.
- 5.6 While we recognise that financial incentives can be powerful, given Elexon's not-for-profit status we continue to believe this option is most appropriate. One workshop attendee highlighted, for instance, that financial incentives could result in a box-ticking approach to delivery or that Elexon becomes too narrowly focused on metrics that are most closely tied to financial rewards.
- 5.7 Two stakeholders suggested we reconsider staff-level incentives to strengthen incentives for high performance. We believe a requirement for Elexon to link its senior management performance related remuneration policy (without being prescriptive on the specifics) achieves that in a proportionate and practical way. This proposal is consistent with the approach we have taken for NESO.

Performance assessment

Proposal

- 5.8 We propose undertaking an annual public assessment of Elexon's performance as market facilitator, whereby we evaluate Elexon's performance against the following criteria:
- Plan ambition and delivery
 - Metric performance
 - Stakeholder evidence
- 5.9 Under 'plan ambition and delivery,' we would consider Elexon's performance against its two-year delivery plan and annual delivery schedule, proposals for which are set out in the 'Delivery plan and plan assessment' section. We propose considering the level of ambition of its plan and delivery schedule. We would then consider the progress made against the delivery plan and schedule.
- 5.10 Under 'metric performance', we would consider how Elexon is performing against the market facilitator quantitative performance measures and targets, including whether under or over performance was within Elexon's control or due to external factors. This could relate to the amount of flexibility dispatched, procured or tendered for instance, or the savings associated with flexibility procurement. Further work will be needed to develop quantitative measures for inclusion in the delivery plan and linked to the 2028 target set out in the next section.

- 5.11 Under 'stakeholder evidence' we would consider:
- The feedback received through an annual stakeholder survey on Elexon's performance over the previous year.
 - Formal input from a stakeholder advisory board, which we discuss in more detail in the 'Stakeholder and external scrutiny' section.
- 5.12 We propose undertaking an evaluative assessment of Elexon's performance whereby we consider Elexon's performance in the round across the different criteria.

Rationale

- 5.13 We believe the three proposed criteria (plan ambition and delivery, metric performance, and stakeholder evidence) provide a comprehensive picture of Elexon's performance as market facilitator. We also believe an evaluative model is best placed to measure the different aspects of the role - where quantitative measures alone may be impractical or too narrow to capture the breadth of the role.
- 5.14 At stakeholder workshops, stakeholders agreed with our suggestion to incorporate both quantitative (such as KPIs) and qualitative measures if possible. There was recognition that KPIs bring added rigour but come with practical challenges, which include developing a robust methodology, sourcing reliable data and setting appropriate targets. As such, if appropriate quantitative measures and targets cannot be developed and agreed then the two other criteria - plan ambition and delivery, and stakeholder evidence - are sufficient to form a view on performance.
- 5.15 We believe a relatively light touch assessment approach is important to avoid overly burdensome requirements on industry, Elexon, and Ofgem. The level of scrutiny and oversight, including the reporting requirements placed on Elexon, need to be proportionate to the size of the market facilitator role. This includes in terms of its anticipated annual budget and headcount, which we expect to be an order of magnitude smaller than NESO or DNOs, for instance.

Performance expectations

Proposal

- 5.16 We propose that by no later than the end of 2027 Elexon should:
- Align the market arrangements across all the DNO and NESO ancillary services that are within the market facilitator's scope, with differences by

exception and only permitted where there is a clear justification (eg a legal, technical, regulatory requirement).

- Identify and implement opportunities for alignment between DNO, NESO ancillary services and the Balancing Mechanism, subject to the market facilitator scope.
- These objectives should be with the aim of making it easier for flexibility service providers to access and participate in the relevant markets, including by:
 - Identifying and removing barriers to market entry and participation
 - Streamlining and standardising flexibility market arrangements
 - Unlocking revenue stacking

5.17 We refer to this objective as the '2028 target' elsewhere in this consultation and should be delivered through the first delivery plan (2026-27). Ofgem envisages setting a new target / set of objectives for the second delivery plan (2028-2029).

5.18 To cover the transition period - which as discussed in chapter 2 will run until the end of 2025 - we propose the following two overarching objectives:

- Undertake all necessary work to ensure market facilitator is fully operational by the end of 2025 including, through:
 - Supporting Ofgem in designing the market facilitator role
 - Leading the required BSC changes to set-up the market facilitator role
 - Producing a delivery plan for the transition period up until go-live
 - Working collaboratively with industry stakeholders through workshops and consultations to agree any required aspects of the market facilitator arrangements
- Deliver a smooth transition from current arrangements without any loss in momentum by:
 - Working with the Open Networks project and its members to take over key workstreams in 2025
 - Taking over as Chair of the Open Networks Challenge Group (which took place in September 2024)
 - Start delivering market facilitator activities over the course of 2025, for instance taking over Open Networks workstreams as part of the handover plan

Rationale

- 5.19 Achieving clean power by 2030 will require coordinated, accessible and liquid flexibility markets. The enabling work to standardise and remove barriers needs to be completed prior to that. As such we believe 2028 is an ambitious yet achievable deadline to align DNO and NESO flexibility market arrangements, which are but one of the building blocks for unlocking the full benefits of flexibility, as well align Balancing Mechanism arrangements where feasible and beneficial. We believe that setting a specific and time-bound outcome that is aligned to the first delivery plan timeframe, without specifying how to reach it, empowers Elexon to act independently and deliver at pace.
- 5.20 In our stakeholder workshop, stakeholders advocated for the inclusion of specific deliverables and outputs in the objectives, to ensure there are clear expectations and objectives against which progress and performance can be measured. We agree that specific targets are important however believe this level of detail should be set out in the delivery plan, delivery schedule and through performance measures (eg KPIs and targets). All of which should contribute to the 2028 target.
- 5.21 The proposed transition period objectives - which will run until the end of 2025 - are intended to cover the key requirements for Elexon to set up the market facilitator role and manage a smooth transition from the Open Networks programme.

6. Your response, data and confidentiality

Consultation stages

- 6.1 The consultation will be open until 11 February 2025. Responses will be reviewed, and the consultation decision will be published in spring 2025.

How to respond

- 6.2 We want to hear from anyone interested in this consultation. Please send your response to flexibility@ofgem.gov.uk.
- 6.3 We've asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.
- 6.4 We will publish non-confidential responses on our website at www.ofgem.gov.uk/consultations.

Your response, your data and confidentiality

- 6.5 You can ask us to keep your response, or parts of your response, confidential. We'll respect this, subject to obligations to disclose information, for example, under the [Freedom of Information Act 2000](#), the [Environmental Information Regulations 2004](#), statutory directions, court orders, government regulations or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.
- 6.6 If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you *do* wish to be kept confidential and those that you *do not* wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we'll get in touch with you to discuss which parts of the information in your response should be kept confidential, and which can be published. We might ask for reasons why.
- 6.7 If the information you give in your response contains personal data under the [General Data Protection Regulation \(Regulation \(EU\) 2016/679\)](#) as retained in domestic law following the UK's withdrawal from the European Union ("[UK GDPR](#)"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with [section 105 of the Utilities Act 2000](#). Please refer to our Privacy Notice on consultations, see Appendix 4.
- 6.8 If you wish to respond confidentially, we'll keep your response itself confidential, but we will publish the number (but not the names) of confidential responses we receive. We won't link responses to respondents if we publish a summary of

responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

General feedback

6.9 We believe that consultation is at the heart of good policy development. We welcome any comments about how we've run this consultation. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Were its conclusions balanced?
5. Did it make reasoned recommendations for improvement?
6. Any further comments?

Please send any general feedback comments to stakeholders@ofgem.gov.uk

How to track the progress of the consultation

You can track the progress of a consultation from upcoming to decision status using the 'notify me' function on a consultation page when published on our website. Choose the notify me button and enter your email address into the pop-up window and submit.
[ofgem.gov.uk/consultations](https://www.ofgem.gov.uk/consultations)

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Upcoming > **Open** > **Closed** (awaiting decision) > **Closed** (with decision)

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Appendix 1 – Full list of consultation questions

Q1. Do you agree with the proposed forward workplan and roles and responsibilities for setting up the market facilitator?

Q2. Do you agree with the proposed scope of the market facilitator, in particular in relation to the Balancing Mechanism? If not, what would you change and why?

Q3. Do you agree with the proposed enduring roles and responsibilities for Elexon as market facilitator, in particular on working with NESO and inputting in NESO and DNO performance assessment? If not, what would you change and why?

Q4. Do you agree with our proposed roles and responsibilities for key actors and on stakeholder and external scrutiny, in particular in relation to including a stakeholder survey, a stakeholder advisory board and an appeals process? If not, what would you change and why?

Q5. Do you agree with our proposals on the market facilitator delivery plan, in particular in relation to the two-year timeframe, adding an annual delivery schedule and Ofgem's role? If not, what would you change and why?

Q6. Do you agree with our proposals on the market facilitator budget, in particular in relation to Ofgem's role and the proposed requirements? If not, what would you change and why?

Q7. Do you agree with our proposals on the other key market facilitator deliverables? If not, what would you change and why?

Q8. Do you agree with our proposal not to include financial incentives and instead require Elexon to link its senior management performance related remuneration policy with our performance assessment? If not, what would you change and why?

Q9. Do you agree with our proposals on performance assessment, in particular do you have views on the quantitative metrics we should consider? If not, what would you change and why?

Q10. Do you agree with our proposals on performance expectations, in particular in relation to our proposed 2028 objective? If not, what would you change and why?

Appendix 2 – Glossary

ANM

Active Network Management is the use of DNO control systems to monitor network limits and provide signals to control DER operation in line with these limits.

Balancing and Settlement Code (BSC)

The Balancing and Settlement Code contains the rules and governance arrangements for electricity balancing and settlement in Great Britain. This code is administered by Elexon.

CP2030

Clean Power 2030 is the UK government's ambition to establish a clean power sector by 2030 to promote sustainability and reduce carbon emissions.

Department for Energy Security and Net Zero (DESNZ)

The ministerial department focused on delivering the energy portfolio.

Distributed flexibility

The ability for DERs and CERs, connected to a distribution network, to modulate their operation in response to an external signal to deliver a flexibility service.

CER – Consumer Energy Resources is the collective term for consumer owned energy system assets. These can include demand, storage, and generation assets, such as EVs (including V2G), heat pumps, HVAC, white goods, batteries, and rooftop solar or wind.

DER – Distributed Energy Resources is the collective term for business-owned small-scale power generation or storage devices connected to the distribution network, located close to where energy is consumed. Their purpose is to provide energy system services or business services.

Examples include medium sized solar farms, wind farms or batteries, commercial electric vehicle fleet charging, and industrial and commercial demand side response from equipment or buildings.

Distribution Network Operator (DNO)

A DNO is a company that operates the electricity distribution network, which includes all parts of the network from 132kV down to 230V in England and Wales. In Scotland, DNOs operate all parts of the distribution network up to but do not include 132 kV as 132 kV is considered part of the transmission network and, therefore, not included in DNOs' activities. There are 14 DNO licensees that are subject to RIIO price controls. These are owned by six different groups.

Distribution System Operation incentive

This is a Distribution System Operation (DSO) Output Delivery Incentive (ODI) introduced in the RII0-ED2 final determinations that aims to encourage licensees to develop and utilise their networks more efficiently, considering flexible alternatives to network reinforcement.

DSI

Data Sharing Infrastructure is a proposed mechanism to securely share standard data between energy sector organisations. This develops and delivers the Energy Digitalisation Taskforce recommendations for a Digital Spine.

Energy Networks Association (ENA)

The Energy Networks Association is a not-for-profit industry body representing energy network operators in the UK and Ireland.

Flexibility

Modifying generation and/or consumption patterns in reaction to an external signal (such as a change in price) to provide a service within the energy system.

Flexibility markets

Flexibility market refers to the arena of flexibility service procurement processes across various market operators within GB. This includes DNO local flexibility markets, NESO Frequency and Ancillary services, Balancing Mechanism, Wholesale Market, Capacity Market, P2P services (i.e. Power Purchase Agreements (PPAs)) etc.

Flexibility services

Using on-network or customer owned equipment to control power and energy flows across network infrastructure, leading to more efficient and cost-effective outcomes.

FMAR

The Flexibility Market Asset Register is a Ofgem policy proposing digital infrastructure where data is collected once, stored as a single source of truth by a trusted entity, and can be accessed by multiple users who need it.

FSP

Flexibility Service Provider is an umbrella term for the party who takes delivery and other contractual risks when providing flexibility services. This may be the asset owners, asset operators, aggregators, Virtual Lead Parties, and Demand Side Response Service Providers.

Market facilitator

A new role tasked with reducing friction across distribution markets and aligning distribution and transmission market arrangements, to help unlock the full value of flexibility.

National Energy System Operator (NESO)

NESO is the publicly owned body that took on all the main roles and responsibilities of National Grid ESO and the longer-term planning, forecasting and market strategy functions with respect to gas. NESO was established on 1 October 2024.

Open Networks programme

The Open Networks programme is led by the ENA and supported by DNOs and the NESO to support the development of local flexibility markets. It was launched in 2017 in response to the Smart System and Flexibility Plan.

SSES

A Smart Secure Electricity Systems programme is a government initiative which will ensure consumers are protected when they purchase smart energy assets and register with FSPs.

Appendix 3 – Related publications

- [Call for Input: Future of local energy institutions and governance](#)
- [Consultation: Future of local energy institutions and governance](#)
- [Decision: Future of local energy institutions and governance](#)
- [Consultation: Market facilitator delivery body](#)
- [Decision: Market facilitator delivery body](#)
- [Consultation: Flexibility Market Asset Registration](#)
- [Call for Input: The Future of Distributed Flexibility](#)
- [NESO's Clean Power 2030 report](#)
- [Smart systems and flexibility plan 2021](#)
- [Ofgem's multiyear strategy](#)
- [Transitioning to a net zero energy system: Smart Systems and Flexibility Plan 2021](#)
- [Consultation: Governance of the Data Sharing Infrastructure](#)
- [P481: Enable Elexon to be the market facilitator delivery body](#)
- [Decision to approve BSC Modification P481](#)
- [Consultation: Delivering a smart and secure electricity system](#)

Appendix 4 – Privacy notice on consultations

Personal data

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR).

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the controller and contact details of our Data Protection Officer

The Gas and Electricity Markets Authority is the controller, (for ease of reference, “Ofgem”). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

N/A

5. For how long we will keep your personal data, or criteria used to determine the retention period.

We will retain your personal data until six months after the market facilitator is fully up and running (intended for the end of 2025).

6. Your rights

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

- know how we use your personal data
- access your personal data
- have personal data corrected if it is inaccurate or incomplete
- ask us to delete personal data when we no longer need it
- ask us to restrict how we process your data
- get your data from us and re-use it across other services

- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making.

9. Your personal data will be stored in a secure government IT system.

10. More information For more information on how Ofgem processes your data, click on the link to our "[ofgem privacy promise](#)".