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20<sup>th</sup> September 2024

Dear Ofgem,

## **Ofgem Consultation on Flexibility Market Asset Registration**

### Introduction

NODES is a provider, facilitator, and operator of independent marketplaces for a sustainable energy future where grid owners, producers and consumers of energy can trade decentralised flexibility and energy. NODES has established a proven flexibility trading platform in several countries and has developed its capabilities to meet the evolving market requirements.

<https://nodesmarket.com/>

NODES has pleasure in responding to the above consultation. We are broadly in agreement with the principles outlined and encouraged by Ofgem's desire to create an independent and regulated delivery body to ensure fair and transparent market access for all relevant flexibility providers.

For ease of reading, we have copied the twelve questions posed by Ofgem below with NODES' response annotated underneath each question.

**Question 1:** Do you agree that policy intervention is needed to deliver common Flexibility Market Asset Registration?

*NODES: Yes, it is imperative at this stage of market evolution. A neutral actor having only the needs of future grid resilience in mind and providing open access to all flexibility providers, system operators, market platforms and other relevant entities will ensure a proper foundation for the growth of the market flexibility. We do not expect an appropriate entity, in particular as concerns open access and neutrality, to naturally result from competition or commercial activity.*

**Question 2:** Do you agree that for other FDI (Flex Digital Infrastructure) outcomes policy intervention is not needed at this stage? Are there any risks to consider with this approach to FDI delivery?

NODES: Continual monitoring and potential intervention by Ofgem is required to ensure the ongoing development of the FDI and we are in agreement with the hierarchy proposed (core and supporting outcomes) this far.

**Question 3:** Are there any other policy alignments or industry developments, in the UK or internationally, which should be considered as part of ongoing FDI policy development?

NODES:

### Section 3

**Question 4:** Do you agree with the scope proposed for markets, assets, and data? Should anything else be considered?

NODES: We agree with the suggestion. However, there is a need to carry out a sense check on how these new markets may impact on either day ahead or intra day wholesale trading markets to ensure there is no clash of interest in supporting local flexibility.

We understand the need to limit the scope, however see a clear need for a forward-looking and futureproof development from start. The need for interfaces to wholesale markets needs to be discussed even if not yet developed. As concerns the assets within scope, the platform should be technology agnostic and ensure from start as far as possible that bigger and smaller assets compete on a level playing field. Also, if some information is not required for all markets/products (or their prequalification), relevant fields should not be mandatory otherwise than for participation in the concerned market.

As concerns data, it is unclear whether the proposal is appropriate for a situation where one customer have several contracts with several providers for different assets behind the same metering/connection point (e.g. one contract for EV, one for heat pump). This should be possible from start.

**Question 5:** Do you agree with the functional outcomes? Should anything else be considered?

NODES: As concerns the non-functional requirements, neutrality is important to create trust and ensure that the registry and the associated processes contributes to competition between FSPs, but also between market platforms and other relevant entities. Neutrality should be granted through legal and functional unbundling of the entity operating the registry from any related activity such as flexibility trading, buying, or market platforms where flexibility is sold (Chinese walls). In the absence of such unbundling, there is a risk that business sensitive information about the registered information, the users, the access frequency etc is used in the interest of a non neutral party. Regulatory overview of the neutrality is necessary.

**Question 6:** Do you agree with the design principles? Should anything else be considered?

NODES: Agree

#### Section 4

**Question 7:** Do you agree with the enablers and design activities needed and for the Market Facilitator to coordinate Working Groups for them? If not, what other activities and governance arrangements should be considered?

NODES: We welcome the stakeholders' engagement through working groups. however, in the description of participants to these working groups, we would welcome the inclusion of independent market platforms that are relevant for the markets. As there are still ongoing tender activity, we see no reason for excluding market platforms that do not have a contract, in order to keep the infrastructure and processes open for potential future users.

**Question 8:** What are the advantages and disadvantages of the proposed delivery body options for the Flexibility Market Asset Registration digital infrastructure? Are there any additional options that should be considered? Do you agree with the justification for discounting approaches?

NODES: We have a clear preference for option 4. The lack of subject matter expertise could be mitigated by sufficient stakeholder involvement (including independent market platforms) through regular meetings and an appropriate working structure.

The second best would be option 5, but we clearly agree with the suggested disadvantages.

Option 3 would probably not properly include the relevant needs of DSO/DNOs and their local flexibility markets, and also the ESO could not be neutral and may not have the trust of FSPs. Indeed, these may fear that the ESO would prefer to contact asset owners directly to suggest flexible tariffs or other non market based solutions, by-passing the FSP.

Option 4 would probably lead to a distributed solution which is clearly suboptimal. We would not expect DNO/DSOs to easily agree on a centralised solution.

Option 1 is not realistic and could, if forced, seriously harm competition with subsequent reduced available flexibility volumes.

That being said, until an appropriate centralised solution is implemented, we stress the need for other entities (DNO/DSO, independent market operators, other), to be able and allowed to set up registries for their own needs.

**Question 9:** Do you agree with the timelines proposed? Should anything else be considered?

NODES: The timeline needs to find a balance between going forward and ensuring sufficient stakeholder discussions and engagement. We do not have further view or inputs to the suggested timeline.

## Section 5

**Question 10:** What existing or new policy levers could be used to improve asset visibility?

NODES: We do not have any recommendations on this.

**Question 11:** What use cases for asset visibility should be considered as priorities and why?

NODES: trialling several use cases is key to ensuring that the DSO's can be convinced that flexibility can support grid resilience – this needs to be robustly testing under a controlled environment. Setting price points is also key in attracting more local flexibility and this topic needs to be considered.

Assets that are active both in local flexibility markets and other markets would benefit from the registry – both for registering but also for the relevant markets continuously verifying that the relevant flexibility service provider actually have assets able to deliver the offered services in the right topological part of the grid.

**Question 12:** What costs, benefits or factors should be considered in a Cost-Benefit Analysis for asset registration solutions? Consideration should be given to:

- a) the time (in minutes) and resources required to complete current EREC G98, EREC G99 and MCS asset registrations (accounting for any recent process improvements, including ENA's Connect Direct)
- b) the current rate of duplicative registration processes for assets (e.g. networks and MCS)
- c) whether any additional asset data (beyond that of the current registration processes) needs to be registered to enable the benefit cases to be realised
- d) the costs to establish and maintain a register of assets
- e) the process required to assess suitability in accessing asset data
- f) what the essential asset registration requirements are to enable the benefit cases to be realised

NODES: The CBA should include an analysis of the cost and risk of keeping redundant information in different registries (e.g. in the absence of a centralised register, each market needs a register of its own). The risks are related both to lock-in for DSOs that have chose a given third party local flexibility market platform, and to inconsistencies between registries.