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Ref : Flexibility Market Asset Registration Consultation

Thank you for the opportunity to respond to the Flexibility Market Asset Registration (FMAR) Consultation.

Please find below E.ON's response.

Summary

E.ON agrees with the barriers to (flexibility market) entry which Ofgem highlight within this consultation – namely that domestic flexibility must register the same data, multiple times, in different ways, to access different flexibility markets. We also concur that this is a barrier to entry.

It is clear that adopting a common, coordinated approach to tackling these challenges (as per the aspirations outlined within this Consultation) will be central to achieving a nationwide and coherent solution.

We nonetheless have some concerns over what seems to be a conflation within flexibility policy of domestic flexible resource with larger scale flexible capability. This is not just relevant when considering market entry/registration requirements - as contained within the Flexibility Market Asset Registration (FMAR) proposals - but also at each stage of the flexibility value chain.

Domestic flexible resource will not only, invariably, be smaller scale - which entails an aggregation requirement in order to participate in, for example, the Balancing Mechanism (BM). It will also have very different capabilities in terms of the ability to deliver reliable load (due to the inherent variability of the public's daily lives) and will also likely bring along with it an "inconvenience premium" due to expended effort relative to reward.

As such, it is likely the domestic flexibility market - and its drivers - will be distinct from other forms of flexible resource at least in the short to medium term. Bearing this in mind, whilst we endorse the intent of Ofgem's FMAR proposals, we believe

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there are some problematic assumptions contained within which need to be examined/challenged.

For example, and - as we will expand upon in our response to question 4 - in relation to the markets within scope, it should be noted that domestic DSR currently faces very limited access to the Balancing Mechanism (BM), prohibitive Capacity Market entry requirements, and is also largely unable to participate in certain ancillary markets (eg. STOR, Reserve)

It is therefore essential that – at the same time as Ofgem and industry look to improve market entry through a common platform - that similar efforts are put towards delivering both the direct and indirect 'enablers' referenced within the consultation. There should be an even greater focus on this due to the new Government's ambition to decarbonise the grid by 2030.

In particular, we believe that there should be a heightened focus on:

- Expediting the delivery of flexibility market coordination, with particular emphasis on:
 - Unlocking stacking
 - Creating a coherent set of primacy rules
 - Delivering a common baselining methodology (in order that flexibility value is measured against a consistent starting point)
- Understanding divergences in flexibility market access for aggregated assets when compared to larger scale single flexible resource.

If these issues are not addressed alongside the development of the FMAR, the end goal risks becoming redundant – i.e. if the flexibility markets themselves are not fit for purpose, there will be no incentive for domestic resource to register in the first place.

As this Consultation references, there needs to be a collaborative effort between industry, Government, Ofgem, the network companies and consumers in order to meet the stretching "Clean Power 2030" (CP2030) target. Where we believe Ofgem can really add value in this space is to create a coherent, timebound flexibility roadmap.

At present, there is so much disparate activity – within Government/regulation, as well as across industry - that this risks duplication of effort at best, and could result in conflicting developments which undermine wider flexibility goals.

As an impartial regulatory body, Ofgem is in a unique position within the flexibility space to be able to conduct a holistic review of in-flight flexibility policy, regulatory developments, and the wider industry landscape. Due to the pace at which flexibility initiatives are arising (particularly within the commercial arena), as well as the number of concurrent policy/regulatory programmes, we believe that such a review would provide an invaluable means through which industry and

consumers can anticipate and respond accordingly to any duplication/risk of conflicting measures.

It is our view that this review, alongside a clear roadmap, can then be used to provide an updated and comprehensive strategic flexibility direction without which it is unlikely we will be able to successfully roll out domestic flexibility at the pace required.

Responses to Questions:

Q1. Do you agree that policy intervention is needed to deliver common Flexibility Market Asset Registration?

E.ON agrees that policy intervention would be of value in delivering common Flexibility Market Asset Registration (FMAR). The fact that there are already multiple initiatives in this space indicates that there is a need for such a register, and we agree with Ofgem's assertions that a "common approach with high levels of coordination across multiple individual organisations" should be beneficial. For example, adopting a universal approach should provide coherency, as well as interoperability across digital infrastructure.

Although it is unrealistic to think that a commercially developed initiative will not be in place prior to the instigation of the FMAR (certainly if we are working towards the timeframes outlined within this Consultation), we still believe there is value in proceeding with the FMAR as a backstop/no regrets option.

As outlined within our Executive Summary, we believe that Ofgem can also add value in ensuring that enablers such as unlocking stacking and progressing primacy rules are prioritised alongside the implementation of the FMAR. To that end, setting a more ambitious deployment date (for the FMAR) would help ensure traction in these other essential areas.

Similarly, Ofgem can provide an interventionist role in maintaining momentum within the wider flexibility space through the provision of a roadmap which sets out ambitious milestones in key activities such as addressing market entry barriers and progressing enablers.

Q2. Do you agree that for other FDI outcomes policy intervention is not needed at this stage? Are there any risks to consider with this approach to FDI delivery?

Please see our responses above.

Nonetheless, we agree that taking a prioritised and iterative approach will be needed to deliver all Flexibility Digital Infrastructure (FDA) outcomes at pace. We are also broadly supportive of the principle that Data Sharing Infrastructure (DSI) policy, as steered by Ofgem, should be complemented by an industry-wide approach to deliver common data sharing and user registration.

As per our Executive Summary, we do have some reservations, around the level of confidence expressed within this Consultation in relation to domestic flex participating on a like for like basis with larger assets. This is not only in relation to their ability to enter markets, but also pertains to the usability of commercial platforms such as Piclo Max. There seems to be a misconception amongst certain groups of stakeholders that gaining wholesale market access for domestic flexibility is on a par with larger scale flexibility. Whilst this access would be possible/relevant for aggregated volumes, it is important that consumers are not given the impression that a single domestic level flexibility asset will be able to obtain unfettered access to the wholesale market.

Ofgem rightly point to in flight programmes such as ENA's Open Networks programme (which will be largely taken over by the Market Facilitator), as well as collaborations between the ESO and various DSOs. However, as outlined earlier, many of these activities are disparate and so entail 2 key risks: one is that they will be misaligned in terms of timing and two that they will not all be complementary/compatible with one another.

Although these are not reasons in and of themselves for regulatory intervention, we believe that the Market Facilitator should be given sufficient recourse to both monitor and, if necessary, address these highlighted risks.

We are also of the view that – if this is not effective (i.e. via the Market Facilitator alone) – Ofgem should draw on their existing, and newly introduced regulatory powers in relation to Net Zero, to intervene in a meaningful manner. We believe that – to date – the regulator's ability and/or effectiveness in addressing market failures has been limited. However, we do not see this solely as a reflection of the scope of regulatory powers. Instead, we are of the opinion that there is confusion within the energy industry as a whole over roles and responsibilities in relation to flexibility. All too often there is a tendency for a given issue to be batted back and forth between Ofgem and industry, resulting in an impasse.

Q3. 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?

We do not believe there are any policy alignments or industry developments, in the UK or internationally which have not been referenced within this consultation except for the implications of some of the reform being considered under REMA. For example, measures such as shorter settlement periods and/or zonal pricing could have extremely large ramifications - not just for flexibility, but for the energy industry as a whole and so need to be borne in mind.

Q4. Do you agree with the scope proposed for markets, assets, and data? Should anything else be considered?

Please find below E.ON's view on the proposed scope in relation to markets, assets, and finally data:

Markets:

We are supportive of the proposal to include all ESO balancing and ancillary markets, as well as the five core DSO products in terms of priorities.

However, we are not of the view that it is realistic to expect domestic flexibility to be taking part in on a meaningful scale within the Balancing Mechanism (BM) at least in the medium term. This is not only due to the high entry requirements – most of which have a sound technical basis – but also due to BM price volatility (which would make a commercial proposition problematic/complex/risky), as well as the inherent unreliability of any non-automated domestic flexibility.

Whilst we agree with the rationale behind not including the Capacity Market (CM) and wholesale markets at this point in time, if there is a way in which these can be incorporated within the FMAR design at product inception, we believe this should deliver longer term cost savings/future proof the FMAR.

Assets:

Similarly, we appreciate the rationale behind having an initial focus on small-scale domestic/small business assets such as EVs, heat pumps, and home battery storage systems.

However, we are not of the view that the register should be closed to other flexible resource such as, for example EV charge-points or a wider Home Energy Management System (HEMS) controlling aggregated white goods.

Data:

It is difficult to fully appraise the proposals around data without a greater understanding as to how consumer consent will underpin the FMAR since - for example - this would have implications for the visibility of data to various parties.

In order to streamline data entry, there are possible approaches/learnings from other initiatives/markets which could be of benefit:

- Using a portfolio approach - rather than per-asset - to data entry would make registration less onerous.
- Any capability to pre-populate data fields could also deliver some efficiencies.
- Similarly, the ability to synchronize/connect to other platforms such as the NZIP's Automatic Asset Register would reduce the administrative burden on users and should also reduce the risk of manual data entry errors occurring.

Although we note Ofgem's intention is to limit data scope to static fields, only, (which is understandable in terms of removing barriers to market access for consumers), there are risks associated with taking this approach from the point of view of having reliable/accurate data. For example, ramp up and down times of assets are likely to worsen over time. Therefore, we believe that either a common

methodology to account for this will be needed, or data fields may need to be updated at a given point in time (the latter of which could be difficult to manage/enforce). Considering how this will be managed at the design stage will therefore be important in terms of the usefulness of the FMAR.

Another scenario which needs to be considered is where there are certain fields which cannot be populated due to missing information. Depending on the market in scope, as well as the flexible asset, not all data fields may be relevant/essential. We are therefore of the view that there would be merit in within the Working Groups to undertake an exercise to understand whether there could be some optionality in relation to certain fields, depending on the market/asset in question. This could prevent un-necessary exclusions.

Q5. Do you agree with the functional outcomes? Should anything else be considered?

We are supportive of the outlined functional outcomes. We also strongly endorse the acknowledgement within the Consultation that functional outcomes are likely to need to be refined, and agree that this would be best delivered through industry Working Groups (convened by the Market Facilitator). This process should provide a means to accommodate technological developments and emerging user needs.

We would like to highlight a risk that, at a given point in time, two functional outcomes may no longer be compatible with one another. As such there may need to be a ranking and/or an agreed methodology for assessing which functional outcomes are the highest/take priority, should such a situation arise.

The cost of delivering the functional outcomes should also be borne in mind, since this platform will be delivering a wider societal benefit.

Q6. Do you agree with the design principles? Should anything else be considered?

E.ON agrees with the design principles outlined, especially the requirement to avoid vendor and/or technology lock-in, as well as the need to have appropriate data privacy and consent mechanisms. As stated above, we are unclear as to exactly how consent will be granted but our understanding is that this would be based around an embedded version of Ofgem's Consumer Consent Mechanism.

We would welcome greater assurances around the need to ensure that the FMAR remains a market access tool only, and not a sales acquisition tool for Flexibility Service Providers (FSPs).

An area of key concern for E.ON relates to the material within the Consultation around the "timely and pragmatic delivery" principle.

Implementing the FMAR within the timescales required (noting the heightened impetus created by Government's CP2030 – target), whilst also ensuring it is fit for purpose, will be challenging. Clearly some design functions – such as data privacy and consent mechanisms, as well as a good user experience will be critical to

ensuring there is wider consumer buy in. Similarly, avoiding vendor or technology lock-in will also determine the success of FMAR from an end user perspective. On the other hand, cyber security, cost effectiveness and legal deliverability are central to the platform delivering wider societal good.

We anticipate that there may be some conflicts relating to the design principles – for example - in relation to user experience and cost effectiveness; a more costly design may deliver a better user experience.

In order to navigate some of these trade-offs, we believe the proposed Industry Working Groups, and the role of the Market Facilitator in navigating these, will be critical. Whilst it is evident that there is an intention to include FSPs and consumer groups within the Working Groups, we would also advocate for a representative sample of individual consumers taking part where possible. If this is not possible within Working Groups, we suggest that a separate parallel exercise be carried out engaging directly with consumers in order to ensure the full spectrum of society has an opportunity to input.

Q7. 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?

We agree with the enablers and design activities stated and are strongly supportive of the principle that the activities be assigned to a single accountable body. This will ensure coherence, and full oversight of the deliverables. On this basis, it seems appropriate/pragmatic that the Market Facilitator will co-ordinate Working Groups as appropriate (notwithstanding our comments against question 6 in relation to ensuring consumers, not just consumer groups, are able to feed into the process).

E.ON understands the rationale behind the ambition for the ESO and DSOs to align their flexibility market processes ahead of the development of common digital infrastructure. However, we are not of the view that these two activities need to be done sequentially. In view of a) the CP2030 target (which has created an expedited timeframe for delivery) and b) the extensive visibility we already have around how ESO/DSO markets will be aligned, it seems counter-intuitive to delay development of the FMAR until this process is complete. Furthermore, this convergence (of ESO/DSO) markets) will not be a finite process. It will inevitably involve refinement/updating from time to time – for example as new markets/products/services are developed. Therefore, we believe there is merit in developing the FMAR concurrently, where possible, and accepting that it will need to evolve over time.

Q8. 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?

We agree with the advantages and disadvantages Ofgem have enumerated in relation to possible entities which may take on the role of the delivery body. In

particular the recognition that DSOs and/or the ESO are not able to fulfil this role on account of their inability to be impartial is noteworthy.

Before considering the alternatives in more detail, it is important to highlight that the success of any given delivery body will be contingent on having an unambiguous remit, scope of responsibility and measurable outcomes. Without these, there is a significant risk that the assigned party will be ineffective. We note that this has been considered in the references made to accountability within section 4.22.

As set out, it seems that the Market Facilitator is a viable candidate to fulfil the delivery body function. As Ofgem have outlined, the Market Facilitator will be able to be held accountable and it will be able to demonstrate neutrality. We also agree that there is a clear alignment with regards to its market co-ordination responsibilities.

However, as Ofgem note, there are notable knowledge and/or experience gaps. We therefore believe consideration should be given Elexon sub-contracting an expert entity to provide input as and when required, rather than endeavouring to upskill the Market Facilitator in all areas of expertise. Whilst this would entail some additional upfront costs (and would clearly need to be delivered in the most cost-effective manner possible), we are of the view that, incurring some slightly higher short-term costs would outweigh the risks associated with not incorporating subject matter expertise into the FMAR design – impacts which would be felt in the longer term.

Q9. Do you agree with the timelines proposed? Should anything else be considered?

We agree that the critical developments Ofgem have set out – such as the widespread deployment of green technologies as well as the undoubted impact of Market-wide Half-Hourly Settlement (MHHS) – are of key relevance.

However, proposing a 3 year time span across which it is stated “FMAR digital infrastructure should be deployed” is too broad. Whilst it is possible that there will be delays during the deployment phase, the absence of an ambitious (but achievable) single target date - or at least a significantly reduced time range (say 6-9 months) – means there is little impetus in relation to achieving the earliest possible implementation date (across 2025).

This will almost inevitably lead to the FMAR being in place towards the end of the given date range – 2028 – which will put at risk the objectives it is looking to achieve.

We have a strong preference for Ofgem to set a challenging (but achievable) earlier target date, with the mechanism to review this if and when needed. Appointing a competent delivery body, as well as maintaining stakeholder engagement throughout the process will also help to ensure the FMAR is deployed to time and on budget.

If there is no scope to condense timeframes, then as a minimum, we would ask for some clearly defined deliverables within the 2025 – 2028 timeframe, such that industry and consumers can have visibility around what to expect and by when.

Q10. What existing or new policy levers could be used to improve asset visibility?

The policy levers set out within the Consultation seem pragmatic. However, we are mindful that they do not create such an increased administrative burden on installer as to put at risk the huge uptake in installations which will be required as we electrify heat and transport.

It is therefore imperative that – if these measures are put into place – consultation with affected parties is carried out ahead of instigating them to ensure a pragmatic implementation approach is taken. The success of these policy levers would also likely be greater if they are underpinned by an incentive mechanism.

Q11. What use cases for asset visibility should be considered as priorities and why?

We agree that the visibility use case for DNOs needs addressing owing to the partial visibility of distribution network connected assets at present. Whilst the ENA Connect Direct solution will go some way to addressing this, consideration should also be given to ESO's DER Visibility project (which may provide some useful learnings/methodology for the FMAR).

Another priority use case should be the enhanced ability of networks to forecast flexible resource. This (stronger forecasting capability) should deliver reduced balancing costs, as well as lower maintenance costs across all networks which will – ultimately – deliver value to all consumers. We are therefore of the view that this use case should be prioritised accordingly.

Whilst not a use case specifically, consideration of the impact of the FMAR on flexibility market liquidity, as well as competition should also be a key focus area.

Q12. What costs, benefits or factors should be considered in a Cost-Benefit Analysis for asset registration solutions?

We do not have any additional comments to make in relation to those set out within section 5.22, as well as our responses above.