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Sent by email to: [consumerflexibility@ofgem.gov.uk](mailto:consumerflexibility@ofgem.gov.uk)

Dear Nina,

### **Flexibility Market Asset Registration Consultation**

Thank you for the opportunity to respond to Ofgem's 29 July 2024 consultation on Flexibility Market Asset Registration (FMAR).

We welcome Ofgem's proposal to implement a FMAR platform as part of its Flexibility Digital Infrastructure (FDI) policy aimed at improving access to the flexibility markets for millions of small-scale energy assets and enable consumers to obtain the maximum value from their Energy Smart Appliance (ESA) assets.

Owners and operators of small-scale ESA assets such as such as heat pumps, electric vehicle chargers, and home battery energy storage systems must currently register the same data, multiple times, in different ways, to access different flexibility markets. We consider that the timely implementation of the FMAR will form an important first step to overcoming this barrier to participation in those markets.

However, we would like to highlight that for the FMAR to deliver its aims of unlocking the value of small-scale Demand Side Response (DSR) for the energy system, markets, and consumers, both the direct and indirect 'enablers' referenced in the consultation document will need to be fully addressed ahead of the implementation of the FMAR. We note that the work being done under the Energy Network's Association's (ENA's) Open Networks (ON) programme has been very slow to deliver the desired outcomes of aligning product and User registration, qualification, and system operations (such as the development of primacy rules). We anticipate an acceleration of this work when the ON's responsibilities transfer to the forthcoming Market Facilitator (MF) during 2025, and we encourage Ofgem to ensure that this work is completed in a timely manner so that the flexibility markets are fully accessible by 2028.

We also consider there to be dependencies between the FMAR and the Data Sharing Infrastructure (DSI) that Ofgem is consulting on alongside the FMAR, and we encourage Ofgem to develop the use cases needed to utilise both elements of the Flexibility Digital

Infrastructure together in a single workstream, and to prioritise development and implementation of flexibility use cases for the DSI.

We would like to highlight the following overarching points in our response to this consultation:

- **Delivery body:** Centrica considers the MF to be the most appropriate body to deliver the FMAR as this work is well aligned with its existing remit of coordinating the flexibility markets. Furthermore, the MF is not a market participant and is therefore neutral, and there will be appropriate governance mechanisms in place to hold it to account and ensure delivery.
- **Broader barriers to market entry:** Progress on improving some of the core FDI outcomes, including common registration of products, asset pre-qualification, and coordination between the Electricity System Operator (ESO) and the Distribution System Operators (DSOs), has been slow to date. The successful achievement of these core FDI objectives is critical to improving market access and coordination, including removing barriers to revenue stacking and the development of primacy rules. We encourage Ofgem to take a more direct role across these areas to ensure that work to progress them is accelerated.
- **Improve coordination and transparency across FDI workstreams:** We acknowledge that work toward achieving each of the FDI outcomes may be progressed using several different workstreams, but we consider that coordination and transparency across those workstreams needs to be improved, and that a coordinated view of all the work being done under the FDI should be developed and made available to market participants to support their planning activities.

We respond to the individual consultation questions below. If you would like to discuss any aspect of our response in more detail, please contact [robin.healey@britishgas.co.uk](mailto:robin.healey@britishgas.co.uk).

## **Appendix 1 – Consultation questions**

### **Section 2**

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

Yes. We recognise that market solutions are developing that may provide appropriate technical solutions for the FMAR, but we consider the need for governance around the implementation and operation of a common technical solution to be essential if the objective of providing a market-wide solution with appropriate enduring governance structures is to be achieved.

We also agree with the timescales set out in the consultation which would see the FMAR delivered between 2025 and 2028 and suggest the implementation of flexibility use cases under the DSI is accelerated to align with this.

Finally, we ask that Ofgem engages with market participants early during development to ensure that the full range of flexibility use cases are captured and accommodated by the FMAR when it is implemented.

#### **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?**

No. Some of the supporting FDI outcomes are already being considered for intervention by Ofgem, such as the DSI, which should help to deliver the policy outcomes around data standardisation, sharing, and wider architecture.

However, for consumers to consent to making their ESA assets available to participate in the flexibility markets, they need to be presented with a compelling proposition which provides them with significant value. This requires Flexibility service Providers (FSPs) to be able to access multiple revenue streams across several markets, which is not currently possible and will not be resolved by the implementation of the FMAR and DSI alone.

Progress on improving some of the core FDI outcomes, including common registration of products, asset pre-qualification, and coordination between the ESO and the DSOs, has been slow to date. The successful achievement of these core FDI objectives will be critical to improving market access and market coordination, including removing barriers to revenue stacking and the development of primacy rules. We encourage Ofgem to consider taking a more direct role to ensure that work to address these issues is accelerated.

Work toward achieving each of the FDI outcomes is being progressed across several different workstreams. We consider that coordination between workstreams needs to be improved, and that a coordinated view of all the work being done under the FDI is made available to market participants to allow them to plan the activities they will need to undertake to be technically, operationally, and commercially ready for when all the FDI outcomes are delivered.

#### **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?**

Centrica regards the work being done to develop accessible, efficient, and competitive flexibility infrastructure and markets as currently fragmented across work being done by the Government under its Smart and Secure Electricity System (SSES) programme, Ofgem's

FDI programme, the forthcoming Market Facilitator, and by industry participants such as the ENA and the ESO.

Whilst we agree that it is not appropriate for all these workstreams to be subject to direct Ofgem governance, we ask that Ofgem maintains strong links with the bodies overseeing each workstream, develops and maintains a coordinated roadmap setting out all the work being done to develop the flexibility markets, and makes this roadmap available to market participants to allow them to plan for the future flexibility markets.

Along with providing valuable information to market participants, producing and maintaining such a roadmap will help to ensure that each workstream is progressed in coordination with the others, reducing the risk that there will be gaps or overlaps between them, and helping to ensure timely delivery of accessible, efficient, and competitive flexibility markets.

### **Section 3**

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

Centrica supports the proposal to include all ESO balancing and ancillary markets, along with the five core DSO products. We also agree that the wholesale market is a substantially different market type, with distinct governance and complex existing digital infrastructure.

However, we do not support the exclusion of the Capacity Market (CM) and consider that it should be included within the scope of the design to mitigate the risk that the FMAR undermines participation in the CM by small-scale DSR by rendering it an outlying market which is more difficult to access than other flexibility markets.

We agree that the proposed split between static and dynamic data is appropriate. The types of dynamic data identified in the consultation are best stored, monitored, and managed by market participants to support their participation in the flexibility markets.

Furthermore, incorporating dynamic data risks replicating parameters from current market operation that may already constitute market barriers for aggregated assets, such as collecting state of charge data at asset rather than aggregated level. The current requirement to provide a view of each individual asset's state of charge is necessary and appropriate for larger assets, but for smaller, aggregated ESAs, such data is more relevant at portfolio level. However, it may become appropriate to consider moving some dynamic data parameters into scope in the future if a benefit to doing so becomes apparent.

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

We agree with the functional outcomes set out in the consultation document, but we note that they are very high-level and that the solutions for delivering them need to be defined in more detail before we can provide a definitive view.

For example, the use of a common back-end Application Programming Interface (API) is desirable, but several different APIs are currently in use or under development across industry. Consideration of alignment with other existing or forthcoming APIs and protocols may help to reduce the burden of adopting the FMAR API on market participants.

Similarly, integration with wider systems is an essential objective, but the way this is done, along with the interfaces used will be critical to success. The FMAR will need to integrate with wider systems delivering other FDI outcomes, ESO and DSO procurement systems, consumer consent solutions, external data sources, and the DSI.

This will create a complex ecosystem of separate but interdependent systems, and it is not clear from the proposals set out in this consultation, or the DSI consultation published alongside it, how this integration will be managed, or what level of systems integration or end-to-end user testing will be conducted to ensure that the suite of technical solutions needed work together and provide the desired outcomes. We urge Ofgem to put appropriate coordination and testing mechanisms in place to ensure that the 'integration with wider systems' objective will be realised.

If Ofgem's remit does not extend to include all the systems in the overall ecosystem, it may be necessary to allocate the responsibility for wider systems integration testing and end-to-end testing to DESNZ, which is moving to take increased responsibility for the overall flexibility business and technical architecture under its SSES programme.

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

We agree with the design principles set out in the consultation document, but as with the functional outcomes, we note that they are very high-level and the solutions for delivering them need to be defined in more detail before we can provide a definitive view.

## **Section 4**

**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?**

Yes. The consultation correctly identifies that the ESO and DSOs need to align their flexibility market processes to and achieve a common approach before the FMAR can be developed. We consider it essential that this work is completed as soon as possible, and we support the transition of the ON led working groups currently looking at this being transferred to the MF at the earliest opportunity.

We would also highlight that it will be important to ensure that the same working groups are used across all elements of the FDI programme to reduce resource demands on participants, avoid fragmentation, and ensure a coordinated approach to development and implementation.

**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?**

The 'business as usual' approach which would see the market deliver commercial solutions is not viable on the basis that it cannot provide the necessary oversight and governance, and would be unlikely to deliver a single, universally adoptable solution within the required timescales. We agree that this option should be discounted.

Appointing either the ESO or the DSOs as the FMAR delivery body is not appropriate on the basis that they act as participants in the flexibility markets when purchasing flexibility services, and therefore cannot be regarded as neutral entities in the flexibility markets. We consider it critical that the chosen FMAR delivery body is neutral in the market to ensure that the requirements of all market participants are considered equally, and that implementation of a technical solution balances the needs of flexibility providers and the system operators that purchase flexibility services.

We note that the ESO is currently working to update its market platform and control room systems to remove barriers to the participation and dispatch of small scale, aggregated DSR

which are a legacy of those systems being designed to facilitate efficient system operation, rather than support a well-functioning flexibility market. Ensuring that future systems to support market operation and avoid creating similar barriers will be key to the success of the flexibility market reform, and this will be best achieved by ensuring that the delivery body is neutral in the market. Because of this we consider that the system operators are not suitable candidates to be the FMAR delivery body, and that these options should be discounted.

We consider the MF to be the most appropriate delivery body on the basis that this work is well aligned with its existing remit of coordinating the flexibility markets, that it is not a market participant and is therefore neutral, and that there should be appropriate mechanisms to hold it to account and ensure successful and timely delivery.

Although Elexon is not currently a subject matter expert in ESO and DSO flexibility markets, it has demonstrated its ability to upskill to provide new services in recent years. Furthermore, Elexon has a proven track record of taking a cooperative and thorough approach to stakeholder engagement with relevant industry participants, which is an attribute we consider to be essential for the FMAR delivery body.

We agree with Ofgem that creating a new delivery body to be responsible for the FMAR would duplicate the role of the recently created MF and should therefore be discounted.

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

We agree with the proposed timeline but would highlight that alignment with key enabling and dependent infrastructure, including the DSI, will be essential to ensuring that the end-to-end solution delivers the desired outcomes. Careful alignment and sequencing will be needed to enable sufficient systems integration or interface testing, and appropriate end-to-end and user testing.

We understand from the DSI consultation that promotion of the DSI beyond core network use cases to the broader energy sector will take place from 2028, with full launch from 2030. Aligning the opening of the DSI to the wider market with the implementation of the FMAR by 2028 instead of early 2030 would be preferable. However, we would also highlight the need for the DSI to be built to accommodate the amount of data associated with the FMAR, SSES, and broader flexibility use cases, which we would expect to be of a different order of magnitude to the DSI pilot and Minimum Viable Product (MVP). This needs to be considered early during the development of the DSI solution.

## **Section 5**

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

We agree with the policy levers set out by Ofgem in the consultation. We note that flex market entry provides the most appropriate point of registration, and that this could be included in the forthcoming DSR Service Provider and Load Controller licences, or in the appropriate industry code.

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

The key overarching outcome for the FMAR is to unlock the flexibility provided by small scale DSR assets to the system. We therefore consider that a significant proportion of the benefits should be expected to be realised by increasing the participation of aggregated DSR in the flex markets, increasing liquidity, and reducing the costs of system reinforcement and balancing.

The FMAR is only part of the overall solution to unlocking this capacity, so it will be unable to deliver all the benefits in isolation. Our view is that this strengthens the argument for Ofgem taking a more integrated approach to the disparate range of initiatives aimed at opening the flexibility markets to small-scale, aggregated assets, along with considering the costs and benefits more holistically. This would avoid partial assessments from presenting an incomplete view of the total costs or failing to capture the full benefit to the market and consumers.

If Ofgem's remit does not extend to include all the initiatives that will work together to deliver the overall outcome of delivering effective, efficient, and competitive flexibility markets, it may be necessary to allocate the responsibility for the development of a wider business case to DESNZ, which is moving to take increased responsibility for the overall flexibility business and technical architecture under its SSES programme.