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Decentralised Energy Systems Team  
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By email only

23 September 2024

Dear Euan Kirkmorris and Decentralised Energy Systems Team,

**OVO response to Ofgem's Flexibility Market Asset Registration Consultation.**

Thank you for the opportunity to respond to this consultation. Domestic flexibility emerging at scale is a key enabler of an efficient, lowest cost net zero transition. Entering domestic assets into a range of flexibility and balancing markets, and stacking revenues across these, will be required to maximise the value domestic consumers can capture for their flexibility and ultimately maximise levels of participation.

The administrative and technical burden of registering aggregated assets in multiple different flexibility markets will become an increasing problem as smart tech adoption and the number of assets FSPs control increases. We therefore support the introduction of a flexibility market asset registration solution in principle, but would highlight that there are a number of key processes and issues the Market Facilitator must address before the design and requirements of an FMAR can be decided. These include: dispute resolution between FSPs claiming the same assets, primacy between markets, alignment of registration processes, and how nested and co-optimised assets are considered.

Our detailed responses to the consultation questions are provided in the below Appendix. We would be happy to discuss our response further, and should you have any questions please contact [energy.strategy@ovo.com](mailto:energy.strategy@ovo.com).

Kind regards,

**Bailey Richards**

Strategic Market Design Analyst, OVO Energy

## Section 2

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

The administrative and technical burden of registering aggregated assets in multiple different flexibility markets will become an increasing problem as smart tech adoption and the number of assets FSPs control increases. A solution to such an issue is not likely to be delivered effectively by industry alone and we therefore believe that direct policy action is the only way to address this issue and support the introduction of a common Flexibility Market Asset Registration solution.

We welcome the introduction of the new market facilitator role, and believe that it is best placed to lead the development of this solution, however it is important that this work does not distract from the Market Facilitators main role to align flexibility market arrangements. While we agree with the introduction of an FMAR, the priority first should be to agree the processes and policies that the FMAR will support so that the FMAR design can be fit for the requirements identified. There are also a number of issues/complexities that must first be addressed before the design for the FMAR can be decided on, these include:

- Dispute resolution - what happens in the case that two separate FSPs claim/register the same asset?
- Primacy - which markets take priority for flex assets
- Alignment of registration processes - key for decisions on what data should be included in the FMAR solution.
- The approach to consider nested and co-optimised assets from the same and different FSPs

### **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?**

Yes, we generally agree.

### **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 believe Ofgem has identified the relevant policy alignments and industry developments.

## Section 3

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

Yes, we agree with the prioritisation approach set out in the consultation. One thing that may need to be considered is the treatment of manual demand shifting, i.e. consumers shifting

their demand without automation in response to an instruction from their flexibility service provider (FSP). Would the treatment of manual shifting vary between manual shifting of a smart assets usage versus shifting of general home electricity usage.

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

Yes, we agree.

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

Yes, we agree. We would also highlight how overarching all these design principles must be the principle that the design is problem-statement-led. Further work is needed up front to define exactly the problems that will be solved by the FMAR. This approach will enable design principles 1,2 and 3 to be met - it is better to solve one problem well than to try to do everything and so not actually solve anything.

## **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, we agree that alignment of ESO and DSO flex markets processes and data requirements must be aligned before the FMAR solution can be delivered. There are also a number of other complexities that must be addressed to enable the FMAR to be delivered, these include: dispute resolution between FSPs claiming the same assets, primacy between markets, alignment of registration processes, and how nested and co-optimised assets are considered.

We agree that the Market Facilitator is best placed to coordinate the working groups, but this work must not distract with the MF's main task to align DNO and ESO market arrangements.

**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 believe that the role of delivering the Flexibility Market Asset Registration digital infrastructure fits within the newly appointed Market Facilitators mandate. The introduction of an FMAR solution is crucial to facilitate as painless as possible participation of domestic assets across the ESO/DNO flexibility and balancing market landscape.

**Q9. Do you agree with the timelines proposed? Should anything else be considered?**  
**Section 5**

While uptake of smart assets by consumers (e.g. EVs and heat pump) are still relatively low currently, this is expected to drastically increase over the next few years. ESO's recent FES report forecasts that battery electric vehicles on the road (BEVs) will reach almost 2 million by 2025 and will approach 6 million by 2028, while total heat pumps are forecast to exceed 500,000 by 2025 and 1.2 million by 2028. Without an FMAR solution in place, facilitating entry of these assets into a range of flexibility and balancing markets (essential to maximise the value of flexible consumption behaviour and therefore drive participation) will be administratively burdensome for FSPs, hindering participation levels. It is therefore essential that the solution is delivered within the proposed time frame, ideally as soon as feasibly possible - although not at the expense of not resolving key problems/complexities we have outlined.

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

No comment.

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

The main priority should be to support flexibility market access, and making the user experience for consumers navigating the flexibility market (signing up for a flexibility proposition, changing FSP, registering/unregistering an asset) as simple and seamless as possible. Accessible routes for revenue stacking will maximise the value consumer can capture for their flexibility and therefore drive participation levels - the ability to do so is a key enabler of domestic flexibility emerging at scale. A quick and easy experience for consumers engaging with flexibility will give consumers the confidence and drive to participate and continue to participate in flexibility propositions.

**Q12. 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**

No comment.