

Interested parties

Email: flexibility@ofgem.gov.uk

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Response letter to Ofgem's Call for Input on The Future of Distributed Flexibility

Dear colleagues,

We would like to express our sincere thanks for your responses to our Call for Input on The Future of Distributed Flexibility, published in March 2023.¹ We received a total of **90 responses from a wide array of stakeholders**, including from energy suppliers, system and network operators, flexibility service providers, technology companies, thinktanks, consumer advocates, and other stakeholders from across the energy sector.

We are grateful for the time you took to engage, and the level of detail provided in your responses. Many stakeholders responded not only to the specific questions posed, but also provided feedback on technical annexes and presented their own analysis. Your responses are genuinely appreciated, and we have now published all non-confidential responses.¹ These responses and your ongoing engagement will be invaluable in every aspect of our work unlocking the value of distributed flexibility.

The key views we received from respondents were as follows:

1. A significant majority (93%) of respondents agreed that there is a **strong case for change** in the policy and industry design and delivery, to address the market failures outlined and to support distributed flexibility at scale. A majority also agreed with the need for industry to coalesce around a **common vision to accelerate the delivery of enablers and unlock the value of distributed flexibility**.

¹ <https://www.ofgem.gov.uk/publications/call-input-future-distributed-flexibility>

2. Most respondents were supportive of creating a **common digital energy infrastructure (CDEI)** for flexibility markets which provides transparency, coordination, and trust, enabling distributed flexibility to be procured at scale alongside other forms of flexibility. Of the four archetypes presented, a majority (63%) of respondents supported the iterative development of some form of **medium archetype**, including a thin-medium or thick-medium design.
3. We received near universal consensus from respondents that it is essential to deliver the **enablers** needed to facilitate the CDEI as well as to facilitate the participation of consumer energy resources (CER), and by extension distributed energy resources (DER), in multiple flexibility markets. It was emphasised that being unable to stack revenues across multiple flexibility markets would be a significant entry barrier and impede the commercial uptake of CER and DER.

As we progress this work, we will host stakeholder workshops to delve deeper into these areas and inform a future consultation. We will consider the priority functionalities for a CDEI and its potential governance arrangements, as well as the key enablers needed and being delivered across the sector. Forward work will be aligned with Ofgem’s proposals on a Market Facilitator Role as part of Local Governance Reforms and overall digital architecture vision planned for publication in Spring 2024 drawing on EDiT and Digital Spine recommendations. We are aware of multiple initiatives in this space across the sector and will be actively aligning with them and working with industry and government to develop a common vision.

In due course, we will reach out to stakeholders to communicate specific engagement plans, including stakeholder workshops.² Therefore, we look forward to your further engagement in our forward work to progress our understanding on key issues together. In parallel, we fully expect industry to keep progressing their work at the pace the sector wants and needs, which we have emphasised in an open letter to the ENA Open Networks Project.³

Thank you for your engagement to date and your continued support to drive progress and unlock the value of distributed flexibility.

Yours faithfully,

Marzia Zafar

Deputy Director – Digitalisation and Decentralisation

² If you did not already receive this letter by email, you can join our mailing list by emailing flexibility@ofgem.gov.uk

³ <https://www.ofgem.gov.uk/publications/open-letter-open-networks-project>