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Ofgem  
10 South Colonnade  
Canary Wharf  
London  
E14 4PU

By email only to [flexibility@ofgem.gov.uk](mailto:flexibility@ofgem.gov.uk)

### **Call for Evidence Response: The Future of Distributed Flexibility**

BUUK Infrastructure operates a diverse portfolio of companies providing utility services for customers throughout the country. This includes our Levelise and Passiv businesses that deliver innovative consumer focused solutions, including flexibility response services for residential and small business customers.

We would therefore be sellers of services into the future market mechanism envisaged by this Call for Input. Our concern from this perspective is ensuring that any solution enables the market to evolve and expand and doesn't inadvertently end up undermining its attractiveness. A competitive market for different service providers will deliver innovation, enhanced customer service and ultimately lower costs for consumers.

We also operate licenced electricity distribution networks. These are all relatively new and have been built to serve the needs of the customers currently in those properties. These networks are therefore built to accommodate many of the low carbon technologies that being installed today (e.g. EV chargers). As a consequence, we have not needed to reinforce or seek alternative flexibility solutions for our electricity networks.

We do however appreciate that the transition to a net zero economy might require us to use flexibility services in the future on these networks. The existing fragmented approach to locational flexibility markets would make this development challenging and therefore for our electricity networks business, who would be buyers of services, we are supportive of the general approach outlined in the Call for Input to improve access to the flexibility market.

Yours faithfully

Alex Travell  
Head of Regulation

**Response to consultation questions:****Section 1****1. *What do you think distributed flexibility could contribute to the energy system?***

Our Levelise business already provides distributed flexibility services. We see this a market with significant potential for growth. The electrification of heating and transport, together with the ever greater deployment of energy storage and distributed generation, offer significant opportunities for more customers in the future to engage with the energy market in a more dynamic way. This will provide value to themselves and more generally help the energy system be more efficient.

**2. *Will a focus on CER flexibility also help enable other forms of flexibility, especially distributed flexibility?***

Increased residential customer flexibility will undoubtedly raise the awareness of the opportunities that exist from this market. We would however expect the market for business customer provided flexibility to expand on its own accord. There is already a market in this space and as technology matures this market will grow as more businesses recognise the value that can be achieved.

**Section 2****3. *Is there a 'case for change' and a need for a common vision for distributed flexibility?***

We do recognise some of the issues articulated by Ofgem in the Call for Evidence. We believe that navigating these challenges is part of the value that flexibility service provider to customers and should provide solutions.

Competition in this market space helps to drive innovation and delivers a better service to customers. The scope and remit of the common digital energy infrastructure should not restrict or distort this competitive market and should instead aspire to complement it and enable it to deliver greater value to customers.

We also operate independent licenced electricity networks and therefore can understand the perspective of a buyer of flexibility services. Our electricity networks are all relatively new and built to the requirements of the customers they currently serve.

We do recognise that changes brought by the transition to a net zero economy may require changes to our network, including the potential for grid reinforcement. Having options to use flexibility from CER or DER would be of potential future commercial interest. The current markets, operated by DNO and the ESO, would not be something that we would be able to easily replicate. Therefore, a common market mechanism would be useful in unlocking potential future resources for our networks business.

The vision articulated by Ofgem has some merit, but our view is that it could be simplified from:

*"CER should be actively engaged in all GB energy markets via a common digital energy infrastructure, assisted by a wide variety of enabling market changes and standards that*

*would enable their active participation. This would represent a sea change for many of the existing rules and frameworks.”*

To a shorter and clearer statement:

*“CER should be actively engaged in all GB energy markets, assisted by enabling market standards, rules and frameworks that enable their active participation.”*

This highlights the emphasis should be on market based solution aimed at engaging as many customers as possible.

**4. *What is your vision for how to accelerate the delivery of accessible, coordinated and trusted markets for distributed flexibility?***

Our vision for the future distributed flexibility market as a service provider would be one where competition flourishes and consumers are offered a choice of services that allow them to maximise the value they receive.

As a buyer of services we would like to see a market that it easy to engage with and provides a high level of certainty of the delivery of products.

**5. *Will certainty of an end vision help accelerate enabling work and make it cohesive?***

An end vision in a market that evolves as technology changes is difficult to envisage. The delivery of specific aspects of market facilitation, be that common interface standards, aligned products, a central source of information should each have a clear vision of what needs to be delivered and by when. Inevitably these will not end up being static solutions but will need to evolve over time to meet the changing needs of the market and its customers.

**6. *When should a common digital energy infrastructure be in place? And therefore, when should development begin?***

Scoping for what a common digital energy infrastructure might look like can start as soon as the FSO is established and has resource ready to commit to the project.

**Section 3**

**7. *What should a common energy digital infrastructure look like, and why? Please consider the archetypes or develop your own proposition.***

We do not have strong views on what the digital infrastructure should look like. We would add to the three critical functions that are suggested should be used to judge success and include an assessment as to whether it will facilitate a well-functioning competitive market for services.

**8. *What is your view on the desirability and feasibility of the archetypes or your own alternative proposition?***

The ‘Archetype 4: thick’ would appear to be excessive with regards to the functions that have been centralised and would risk undermining the competitive market for flexibility services.

The differences between the 'Archetype 2: Thin' and 'Archetype 3: Medium' may be less pronounced than described in the assessment depending on the technological solution deployed. Further analysis of what is required from the exchange and how this can best be delivered would allow for a better articulation of what the eventual solution might be.

At this point in time it is more important to determine who will undertake the activity and providing them with the relevant remit and resource to deliver the outcome.

#### **Section 4**

##### ***9. Should a common digital energy infrastructure be new-build, or should it build-out from existing infrastructure?***

There would appear to be logic from using the existing services as a starting point if this can be proven to be an efficient outcome. The role of the FSO should be to determine what is the optimal solution to be developed, taking into account functionality, costs and time to delivery.

##### ***10. What are the important areas for consideration when designing institutional delivery models for a common digital energy infrastructure?***

The risks identified within the Call for Evidence with the FSO undertaking this activity are accurate although they more broadly apply to all the activities that they are intended to do in the future. These will need to be addressed by the management of the new entity when it is established over the course of the next few years.

##### ***11. What are the important areas for consideration when designing financial delivery models for a common digital energy infrastructure?***

Financial delivery models for the infrastructure will need to ensure that transactional costs for service users and consumers are kept as low as possible. Excessive costs will undermine the proposed market from being used, reduce liquidity and ultimately drive consumers to provide services via alternative routes.