

Hi,

Please find below RAP's response to the consultation on the future of distributed flexibility.

1. Unlocking consumer flexibility is essential – it is more than an individual customer right; it's a vital, cost-effective power system resource that allows decarbonisation to be achieved at a much lower cost than otherwise. We therefore welcome Ofgem's efforts to unlock this value. RAP outlines in the [Joy of Flex](#) five recommendations for unlocking household demand side flexibility: i) create robust tools for measuring and valuing customer flexibility, ii) incentivise flexibility through energy market price signals, iii) ensure a level playing field for demand-side resources, iv) accelerate installation of flexible assets in homes, and v) make flexible actions easy and safe for customers. Ofgem's proposals for a common energy infrastructure will support delivery on a number of these recommendations.
2. Locational marginal pricing (LMP) is an ideal building block. It is therefore very positive that GB is one of the jurisdictions in Europe making the most positive noises on the future of LMP in the system. LMP provides a coherent framework for formation of price signals that reflect energy costs and physical grid bottlenecks. The more granular in location (and time) these prices can be expressed the more accurate will be the signals for consumer flexibility. This will reduce the need for complex complementary markets. LMP also reduces the role for residual balancing and thus allows for gate closure much closer to real time (5 minutes in much of the USA) and for greater time granularity in price signals, all of which will help consumer flexibility to support rather than hinder system efficiency. While change to LMP will inevitably invite industry or political pushback, the more ambitious Government can be here, the more effective it will be in delivering in its mission of unlocking consumer flexibility value.
3. Limiting pushback can be served by ensuring inclusive and equitable household flexibility opportunities. RAP will shortly publish a paper on "Fair Flex" outlining how vulnerable consumers can be protected while unlocking the value of their flexibility.
4. Finally, (and linking to point iii) above) institutional practices that discriminate against flexible demand need to be addressed, that artificially depress energy prices by pre-emptively committing consumers to pay for uneconomic investments through for example forward capacity mechanisms. Unlocking the value of consumer flexibility requires progressively assessing and integrating responsive demand into forward resource planning and procurement processes. See [Tapping the motherlode](#), by our colleague Mike Hogan.

Please also see our regulatory [blueprint](#) towards a decarbonised electricity system, here, and especially the factsheets on locational marginal pricing, equitable social outcomes, and system supporting DERs.

Kind regards

RAP EU Power team