

Ofgem
10 S Colonnade
London
E14 4PU

NODES AS
17 Strandveien
1366 Lysaker
Norway

Email: flexibility@ofgem.gov.uk

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NODES response to the Call for Input - Future of local energy institutions and governance

Introduction

NODES is a provider, facilitator, and operator of independent marketplaces for a sustainable energy future where grid owners, producers and consumers of energy can trade decentralised flexibility and energy. NODES has established a proven flexibility trading platform in several countries and has developed its capabilities to meet the evolving market requirements. NODES have been part of successful trials with NGED (formerly WPD) where we showed how a close to real-time marketplace can be used to procure active power from CER and DSF in a competitive framework, where all asset types compete on a level playing field.

<https://nodesmarket.com/>

We welcome the opportunity to respond to this consultation – the NODES platform is a fully tested and functional system and capable of stimulating the market to access greater flexibility. We would be pleased to organise a demonstration to allow an appreciation of the system capabilities.

1. Do you agree with our proposal to introduce Regional System Planners as described, who would be accountable for regional energy system planning activities? If not, why not?

NODES believes there needs to be greater coordination between the Distribution grid areas on how the markets should be accessed and how they function, without this we risk, creating higher barriers to entry which in turn will stifle liquidity. The creation of Regional System Planners is one way to address this issue.

2. What are your views on the detailed design choice considerations described?

In principle NODES supports the detailed design choice as it is important to the development of flexibility markets and the wider utilisation of flexibility, that there is a common approach towards the coordination of transmission and distribution planning.

3. Do you have views on the appropriate regional boundaries for the RSPs?

NODES agrees with Ofgem in that any boundaries should be defined once the FSP rules have been agreed.

4. Do you agree that the FSO has the characteristics to deliver the RSPs role? If not, what alternative entities would be suitable?

NODES supports the view that the FSO is best situated to administer the role of market facilitator. In our opinion the FSO would provide the right balance of neutrality between parties as well as having a clear and coordinated understanding of the local and national needs, enabling it to work with stakeholders on the development of market rules, products and services.

5. Do you agree with our proposal for a single, neutral expert entity to take on a central market facilitation role? If not, why not?

NODES agrees with this recommendation. However, we would like to stress the need for consultation and transparent processes. The entity must be open for testing and integrating new products and market rules, as these markets are nascent.

6. Do you agree with the allocation of roles and responsibilities set out in Table 2? If not, why not?

NODES generally agrees with the basic structure and allocation of roles and responsibilities.

However, we would like to stress that the market rules and products should not be too rigid in the start. Exemptions should be given in order to allow for experimenting with new features.

Also, the processes for changing and adapting rules and products must be dynamic and transparent, not leaving the market facilitator the monopoly for new initiatives. In addition, Some thoughts around secondary trading of flexibility may be also useful at this stage.

Last, we would recommend expressing DNO “requirements” as DNO needs.

7. Are there other activities that are not listed in Table 2 that should be allocated to the market facilitator or other actors?

The responsibility for the description of the grid and congestion (i.e. the model, not the use of it which should be at the DNOs’ hands) remains unclear. NODES market platform allows for describing congestions and flexibility needs on different voltage levels as well as their interaction.

It is also unclear how the distributed flexibility markets shall interact with other markets, such as wholesale, balancing, re-dispatching (which is more or less the same as congestion management through flexibility purchase), other ancillary services. At medium term (at least!), such coordination is important to maximise liquidity (i.e. in the interest of system operators/DNOS) and allow value stacking (in the interest of FSPs, however their bankability is necessary for the flexibility to be made available so also in the interest of system operators / DNOs).

8. What are your views on our options for allocating the market facilitator role?

NODES supports the view that the FSO is best situated to administer the role of market facilitator. In our opinion the FSO would provide the right balance of neutrality between parties as well as having a clear and coordinated understanding of the local and national

needs, enabling it to work with stakeholders on the development of market rules, products and services.

9. Are there other options for allocating the market facilitator role you think we should consider? If so, what advantages do they offer relative the options presented?

No comment

10. Do you agree that DNOs should retain responsibility for real time operations? If not, why not?

Yes, provided there is the ability to ensure full transparency is maintained. Also, it is important to ensure that the DNOs receive the right incentives to make use of market-based flexibility when this is more efficient than investing in new assets and receive help and guidance to use this new tool.

11. What is your view on our proposed approach to the undertaking of an impact assessment as outlined in Appendix 1?

NODES agrees with the approach suggested. The undertaking of an impact assessment would enable further refinement of the allocation of activities between stakeholders as well as understand the impact to policy interactions, if any, as described in section 6.4 of the consultation.

12. What is your view on the most appropriate measure of benefits against the counterfactual?

No comment

13. How should we attribute these benefits between the governance changes in the proposed option, and other changes required to achieve the benefits? We particularly welcome analysis from bodies that have undertaken an assessment of benefits, specifically how those benefits might be attributed to different policy reforms that are required to achieve those benefits.

14. What additional costs might arise from our governance proposals? We welcome views both on the activities that may arise and cause additional costs to be incurred, as well as the best way to estimate the size of the costs associated with those activities.

At this stage NODES does not have a view on the possible additional costs arising from the governance proposal

15. What additional costs may arise from sharing functions with several interacting organisations? We welcome views on set up cost, lost synergies, and implementation barriers.

One area which may generate additional costs from sharing functions is that of liability, particularly where there are several interacting organisations. Excessive liability costs as a

result of several organisations interacting with each other, may create additional barriers and impact synergies