

DSO Governance team  
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10<sup>th</sup> May 2023

Dear Fiona,

### **Future of local energy institutions and governance**

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore, offshore wind and solar generation, and energy storage. With around six million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

We welcome the opportunity to respond to the 'Future of local energy institutions and governance' consultation.

We agree with Ofgem's intent to put in place a single market facilitation function to support in a coordinated manner the growth of flexibility across the system. We support Ofgem's proposal to introduce Regional System Planners (RSPs) who would be accountable for regional energy system planning activities and that DNOs should continue to retain responsibility for real time operations. We would also like to highlight the following key points:

#### **Governance**

We note Ofgem consider the Future System Operator (FSO) to be the lead option to take on the proposed RSP role and market facilitation role. The FSO is a new body yet to be created which will take on a number of key activities across the energy sector including whole energy system approach planning. The FSO will take an increasingly significant role in shaping the energy system and driving forward competition. This consultation proposes additional elements to the FSO role. So, while we do not disagree with Ofgem's assessment that the FSO is a lead option, given the nascent state of the FSO it will be important for visible progress to be made in delivering the FSO in 2024 alongside a regulatory framework to give stakeholders confidence that it will have the bandwidth and capability to take on further roles.

#### **Regional System Planner**

We support Ofgem's proposal to introduce RSPs who would be accountable for regional energy system planning activities. We believe that expanding the FSO's national planning remit for gas and electricity to regional level makes sense however, at this stage the FSO does not have the capability or the resources to undertake this activity. We would welcome clarity from Ofgem on how and when it would expect the FSO to undertake this activity.

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**Market Facilitator Role**

Ofgem has identified the FSO as a potential candidate for the new market facilitator role. The regulatory framework landscape within which the FSO will operate needs to be set out clearly in order for us to assess whether the FSO would have the ambition and strategic vision and close synergies with its proposed role. At this stage it is difficult to assess whether there could be impartiality issues if the proposed FSO, as a flexibility buyer within the market itself, takes on this role. Whichever entity takes on the Market Facilitator role should ensure that competition and innovation continue to be supported.

**Implement current programmes**

We support the proposal of a single market facilitator to bring consistency, reduce friction and drive outcomes. But as noted above there are risks to delivering this reform and we encourage that the work from the Open Network initiative is deployed as soon as possible rather than wait for new Market Facilitator to be in place to drive through changes. There are number activities that are already in train with the Energy Networks Association's Open Networks Programme which should be completed. A key priority for the programme is to deliver open, transparent, accessible, and efficient markets for local flexibility, in coordination with the ESO and accounting for impacts across transmission and distribution systems. This includes developing standardised products and contracts, stacking rules and primacy rules.

**Impact Assessment**

Ofgem believes that its proposed package of reform would contribute to achieving significant benefits associated with better coordination and delivery of energy system planning at the sub-national level and more accessible flexibility markets. It also proposes measuring impacts of reaching the proposed end state vs the counterfactual; however, it is not clear what the proposed end state will look like in the context of a changing energy regulatory framework.

It is proposed that the counterfactual would be the implementation of existing policies, including those required within RIIO ED2 and references the Open Networks Programme. We would welcome clarity on whether it would also include the implementation of the FSO, we are particularly keen to understand the FSO's remit within the counterfactual.

Ofgem needs to reach a decision on the Market Facilitator role as well as demonstrate visible progress made in delivering the FSO in 2024 alongside a regulatory framework to give stakeholders confidence that it will have the bandwidth and capability to take on further roles.

Should you have any queries or wish to discuss our response, please contact me or Natasha Ranatunga at [Natasha.Ranatunga@edfenergy.com](mailto:Natasha.Ranatunga@edfenergy.com).

Yours sincerely,



Mark Cox  
Head of Nuclear & Wholesale Policy and Regulation