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Sent via email:
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Consultation on the future of local energy institutions and governance

Thank you for the opportunity to provide our views regarding the future of local energy institutions and governance in Great Britain.

We do not have a strong opinion on the planning and operations roles as described in the consultation document. We have focussed our views on the market facilitation role, that will have the most direct impact on our business.

As a general remark, the facilitator should be a coordination instance, submitting rules or guidelines to be approved by Ofgem. This coordination should follow a clear process, involving stakeholders throughout the industry. Relevant stakeholders should then comply with the rules and monitoring should be made by (i) the facilitator to follow-up the implementation of rules and (ii) Ofgem to ensure fair competition based on data provided by stakeholders. The facilitator should not make decisions on its own, especially if they participate directly on the markets, due to the conflict of interest.

About EPEX SPOT

EPEX SPOT operates a power exchange in Great Britain, Central Western Europe, the Nordic countries and Poland, providing a market place for companies to trade electricity. We facilitate trading in a transparent manner, according to public rules and publicises prices which serve as a benchmark for the wholesale and retail markets, as well as for the OTC market. In GB, EPEX SPOT has been active since 2000 and currently operates 4 daily auctions and a continuously traded market. There are over 100 companies actively trading across these markets to optimise their portfolios and manage their imbalance positions.

EPEX SPOT has carried out the design, specification, IT development, implementation and operation (including rulebook) of a local flexibility market and related post-trading activities for market-based congestion-management actions carried out by one German TSO (Tennet Germany) and two German DSOs (Avacon Netz and EWE Netz). The market was fully operational and operated by EPEX SPOT between February 2019 and June 2020.

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EPEX SPOT's Localflex platform was originally developed as part of a project part-funded by the European Regional Development Fund in the UK. The flexibility market in Cornwall co-ordinated transmission and distribution flexibility procurement through grid-secure contracting. This end-to-end solution includes grid model import, DER registration and visibility, bid/offer/contract management, closed-gate auctions for flexible capacity and utilisation, multiple dashboards, and a settlement function. The flexibility market went live in summer 2019 with Western Power Distribution (WPD) and National Grid ESO (NGESO) procuring in a coordinated fashion.

EPEX SPOT is also connecting its continuous market system to the GOPACS platform in Netherlands, providing higher liquidity to the Dutch Grid Operators to manage congestion needs and an alternative marketplace for participants willing to send flexibility offers. For the Dutch Grid Operators it allows enhanced and more cost-efficient redispatch through access to a larger pool of liquidity

Since 2019, EPEX SPOT has built NGESO's frequency response auctions and currently operates those daily auctions enabling the ESO to procure dynamic Containment, Dynamic Regulation & Dynamic Moderation as part of their ancillary services products.

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?

We do not have a strong view on the planning role. We broadly agree with the approach proposed.

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

Creating an independent body to achieve this appears to be a way of breaking free of the existing frameworks that exist today. However, whilst it creates the responsibility on one asset it does not obligate the contributing organisations.

Those obligations would need to also change to ensure that the inputs are delivered. For example, what is the obligation of the local authorities to provide timely and appropriate inputs? How will the FSO ensure that these are delivered and what is the FSO's authority to proceed without the input?

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

Hard to say. Presumably, local authorities will only provide details on a best-efforts basis. What is the realistic engagement expected? The paper lacks details. We would think that there should be a focus on the electricity network (the most obvious common vector) at the distribution level.

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

Maybe. The FSO does not exist, so it is hard to comment on its competencies.

Given the access to transparent data, Ofgem (supported by consultants where necessary) could deliver this plan. Ofgem have the cross-vector competency, the ability to focus regionally and access to single-vector network plans. Where there is a lack of coherency, Ofgem could identify these points and insist that the network companies address them ahead of any approval.

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?

No. Rather than simplifying the arrangements we think that this will make it more complicated, and the overlap of the responsibilities will lead to conflict. We would expect to see a fair and transparent consultation process that is run by an independent body. This would allow stakeholders to be assured that their viewpoints are considered.

There are some examples where the central facilitation is helpful, for example around the topic of standardisation. In the EU, the CIM format was lead by ENTSO-E.

A more robust, accountable Open Networks project could deliver many of these activities.

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

As a general remark, the Facilitator should be limited to a coordination instance, submitting rules or guidelines to be approved by Ofgem. This coordination should follow a clear process, involving stakeholders throughout the industry. Relevant stakeholders should then comply with the rules, and monitoring should be made by the Facilitator (if necessary) and Ofgem.

We do not think that the Facilitator should make decisions on its own, especially if this role is fulfilled by FSO, because of its role within the marketplaces create a conflict of interests.

Below is a table where we provide some comments on the proposed activity and provide our thoughts about the allocation.

Activities	EPEX SPOT Comment	Market facilitator	Market enabling infrastructure & platforms	DNO
Product development & standardisation	Facilitator (which in that respect would be like Entso-e) in coordination with DNOs, flex providers and platform operators.	X		
Managing market rules (primacy & revenue stacking rules, contracts, processes, etc)	High level market principles to be agreed upon (e.g. Usage of reservation and utilisation, auction-based etc.), but detailed rules could vary depending on areas (e.g. Maybe in some areas only flex utilisation auctions are needed). The role of Facilitator should be limited to coordination, not setting rules.	X		
Engaging with market participants	Engaging with market participants (including DNO and “ESO-role”) means gathering inputs for products standardisation and managing market rules; then proposing a consolidated view of those elements for validation. This should be the core role of the Facilitator	X		
Customer registration and management			X	
Pre-qualification	Would expect this task to be shared with DNO: - technical pre-qualification: DNO - market prequalification: Platforms		X	→ and x
Identify and specify requirements				X
Submit requirements on platform				X
Hosting flexibility tenders			X	
Issue flexibility tenders			X	
Match trades			X	
Evaluating and selecting options	What action is expected here? In the previous line we would expect the		→ x	X?

	matching (with firmness applied) to determine the selection.			
Inform successful participants			X	
Publish tender results			X	
Platform analytics			X	
Recording and publishing market data			x	X
Settlement, credit and clearing			X	
Market Oversight	<p>Ultimately, market surveillance activities should stop at Ofgem. The facilitator may have obligations to publish reports on flex markets but no direct market surveillance activities. As a market operator, we would expect to provide market operational support and surveillance functions based on the market rules. We would provide reporting to the necessary authority.</p> <p>We would see the FSO as a participant and overseeing entity as a conflict of interest</p>	X?	→x	

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

No, we would like to see the facilitator role limited to a coordination role and report publication. The decision-making processes and rules to engage with the market to be clarified ahead.

We would see that there is value in coordination with the EU especially where participation of / using of the interconnectors is considered valuable.

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

We would like to see the Facilitator role as a body that does not participate directly in the markets.

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?

The Open Networks project already has voluntary commitment. Using Open Networks is beneficial as the structure is already established. We would argue that Ofgem should consider ways to make the commitments of those participating more binding.

The risk of appointing responsibility to one organisation, particularly where it relies on the inputs of others, is that in the absence of agreement – or timely inputs - it could ask for more unilateral responsibility to break the deadlock.

We would argue that the issue is not who is doing this facilitation role, but the engagement of stakeholders to participate in a process.

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

Yes.

The remainder of the document we did not feel that we had very much useful input to contribute so the answers have been left blank.

11. What is your view on our proposed approach to the undertaking of an impact assessment as outlined in Appendix 1?
12. What is your view on the most appropriate measure of benefits against the counterfactual?
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.
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.