

Decision

Market facilitator delivery body

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This document sets out our decision on the market facilitator delivery body, following on from the consultation we issued on 13 December 2023.

We explain our decision-making process and the rationale for our decision to appoint Elexon as the market facilitator. We also summarise our previous consultation position and summarise consultation responses.

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Foreword

Making sure we have the right governance and institutional arrangements in place is vital for ensuring we can take decisive action to decarbonise at pace. Never has this been more important, as we consider how to accelerate progress towards a clean power system by 2030. To successfully make the shift away from fossil fuels we will need to ensure we can meet demand when the sun is not shining and/or the wind is not blowing. Flexibility is going to be a key part of that, enabling us to make best use of our generation, network and consumer assets to keep costs down for us all while maintaining a secure and stable energy supply.

The falling cost of batteries, the increasing uptake of electric vehicles, and the spread of smart technologies provide the means to be more flexible in how and when we consume energy. But we also need the right institutions, governance and market and regulatory framework to capitalise on these new technologies.

Getting those different components right will enable us to reap the full benefits of a renewables-dominated energy system, and is a key focus of our multiyear strategy as we work to establish an efficient, fair and flexible energy system.

At the national level, establishing NESO as GB's independent system operator is a key reform that will transform the energy landscape. Flexible resources are going to be an increasingly important tool for NESO to operate the electricity system, giving it an essential role to play in supporting the growth of flexibility.

Ensuring the right governance and institutions are in place means we must look beyond just the role of NESO, to whether we have the right arrangements in place to deliver all critical functions. Elexon delivering the market facilitator function will help support having a strong institutional landscape. The market facilitator will work hand-in-hand with NESO and together they will deliver more accessible, coordinated and transparent flexibility markets at all levels which play a core role in efficiently running our decarbonised power system.

There's still lots to do before the market facilitator is up and running. And there's even more to do to deliver a smart, flexible energy system. But today's decision represents an important next step for both, putting in place another essential piece of the puzzle. With this decision made, the priority now needs to be implementing it at pace. The sooner the market facilitator is up and running, the sooner it can start delivering benefits for consumers and the system.

Eleanor Warburton, Director, Energy Systems Management and Security

Executive summary

Ofgem has an important role to play in removing barriers that are preventing the full value of flexibility being realised, to unlock smarter, flexible and digitally enabled local energy systems.

As we set out in our recently published Multiyear Strategy,¹ ensuring the right governance and institutions are in place is an essential part of establishing an efficient, fair and flexible energy system.

At the national level, National Energy System Operator (NESO) is being created in response to this challenge. It will perform a critical role at the centre of the energy system, taking on new roles in strategic planning and gas, in addition to its existing role as the electricity system operator and across connections.

At a sub-national level effective governance requires the successful delivery of three critical energy system functions: energy system planning, market facilitation of flexible resources, and real time operations.

This decision document relates to the market facilitation of flexible resources. It is part of our review of governance and institutional arrangements at a local level, which began in April 2022 with a call for input,² followed by a consultation³ in March 2023 (hereafter referred to as our 'March Consultation') in which we proposed creating a new market facilitator role – a single, expert entity, with a mandate to grow and develop local flexibility markets and align local and national flexibility market arrangements.

In our subsequent Decision⁴ in November 2023 we confirmed the creation of the market facilitator followed by a consultation⁵ in December 2023 (hereafter referred to as our 'December Consultation'), seeking views on which entity should take on the role, Elexon or NESO.⁶

This document sets out our decision to appoint Elexon to the market facilitator role.

We believe that both Elexon and NESO could deliver the market facilitator role effectively. Each possess unique strengths that they would bring to the role. Elexon has extensive experience and expertise facilitating discussions and managing change on

¹ <https://www.ofgem.gov.uk/press-release/multiyear-strategy-sets-out-ofgems-vision-delivering-clean-affordable-and-secure-energy-system>

² <https://www.ofgem.gov.uk/call-for-input/call-input-future-local-energy-institutions-and-governance>

³ <https://www.ofgem.gov.uk/consultation/consultation-future-local-energy-institutions-and-governance>

⁴ <https://www.ofgem.gov.uk/decision/decision-future-local-energy-institutions-and-governance>

⁵ <https://www.ofgem.gov.uk/consultation/consultation-market-facilitator-delivery-body>

⁶ At the time of publishing the December Consultation, NESO was previously denoted as the Future System Operator (or FSO). The name for the FSO has now been announced as NESO. As a result we refer to NESO, rather than FSO, throughout this document.

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complex technical issues. NESO has extensive expertise and experience in flexibility market design and there are synergies with its other roles, and it is also well positioned to take a leadership role on flexibility within the energy sector.

Our decision is therefore based on which entity we believe is better placed to meet the market facilitator role requirements and design principles. We have also considered the impact the market facilitator role might have on the overall institutional landscape, including the impact on NESO's and Elexon's ability to deliver their existing and planned functions.

Elexon has a strong track record of delivering technically complex projects and has demonstrated an ability to upskill and take on new roles. It is well placed to take on the market facilitator role given its existing capabilities, expertise and experience.

NESO's success is of paramount importance to reaching net zero. Assigning the market facilitator role to Elexon enables NESO to dedicate itself fully to building up its capabilities across its new roles while continuing to deliver its existing functions to a high standard. This decision delivers effective governance for both local and national flexibility markets, while strengthening the overall institutional landscape.

While Elexon will take on the market facilitator role, tasked with reducing friction by facilitating alignment between Electricity System Operator (ESO) and Distribution System Operation (DSO) market arrangements, we expect NESO in its role as the system planner and regional energy strategic planner to also provide strategic direction on maximising distributed flexibility. Moreover, while Elexon is the market facilitator we do not expect Elexon to design ESO products but rather work with NESO to ensure that as they design their products DSO and NESO arrangements are aligned to ensure the flexibility journey is frictionless.

Following this decision, we will carry out further work to develop and establish the market facilitator by late 2025 or early 2026, or sooner, if possible, through three workstreams:

- Detailed design – this will build on the work we've already undertaken to further shape and refine the roles and functions of the market facilitator.
 - Implementation – this workstream will include the Balancing and Settlement Code (BSC) modifications required to enable Elexon to take on the market facilitator role. It will include developing the governance, funding and operation of the market facilitator, and embed this in the BSC. It also includes making changes to the Distribution Licence and NESO's Electricity System
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Operator Licence⁷ to ensure compliance with the outputs of the market facilitator.

- Transition – this workstream will maintain momentum in the growth of local flexibility markets and ensure a smooth handover to the market facilitator. We intend to work with the Open Networks project⁸ to do so.

We will engage with Elexon, the Energy Networks Association (ENA), Open Networks members, NESO and wider industry through these workstreams, which we intend to progress in parallel and which will have a range of interactions and interdependencies.

⁷ <https://www.ofgem.gov.uk/consultation/national-energy-system-operator-neso-licences-and-other-impacted-licences-statutory-consultation>

⁸ <https://www.energynetworks.org/work/open-networks/>

1. Background and consultation position

Section summary

In this section, we set out the context for our review of local governance arrangements, the case for change and creation of the market facilitator and the decision-making process to date.

Context

- 1.1 Greater flexibility is needed to make the most of an electricity system with ever increasing amounts of renewable generation. Whilst flexibility is growing, there are still significant barriers preventing its full value being realised. Ofgem has an important role to play, working alongside the Department for Energy Security and Net Zero (DESNZ) and industry, to remove these barriers and unlock smarter, flexible, and digitally enabled local energy systems.
- 1.2 Ensuring the right governance and institutions are in place is one of the objectives in our Multi Year Strategy and is an essential part of establishing an efficient, fair and flexible energy system.
- 1.3 At the national level, NESO is being created in response to this institutional challenge. At the sub-national level, governance reform is underway to support strategic planning for the rapid decentralisation and decarbonisation of supply and demand. This began in April 2022 when we launched a review of local energy institutions and governance arrangements⁹ focussing on three critical energy system functions: market facilitation of flexible resources, energy system planning, and real-time operations.
- 1.4 In relation to the market facilitation of flexible resources, our review highlighted the inconsistent approaches between Distribution Network Operators (DNOs), unequal access to information and limited coordination between local and national levels, hindering the development of transparent markets for flexibility services. It also revealed institutional gaps and a lack of clear accountability.
- 1.5 To address these issues, in our March Consultation¹⁰, we proposed creating a new market facilitator role tasked with reducing friction across DSO markets and aligning ESO-DSO market arrangements. Consultation respondents supported the

⁹ <https://www.ofgem.gov.uk/publications/call-input-future-local-energy-institutions-and-governance>

¹⁰ <https://www.ofgem.gov.uk/publications/consultation-future-local-energy-institutions-and-governance>

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creation of the market facilitator role and suggested that Elexon be considered alongside NESO to deliver the role.

- 1.6 In November 2023, we published our decision¹¹, confirming the creation of the market facilitator. Shortly after, we published a consultation¹² to gather views on the two proposed delivery body options, Elexon and NESO.

The case for change

Under current arrangements, there is lack of single accountability for developing accessible, transparent and joined-up markets for flexibility services.

There is also a lack of alignment between transmission and distribution flexibility market arrangements. This causes friction, making it difficult for flexibility service providers to participate across markets and therefore risks less flexibility being incorporated into the system. Addressing these issues is crucial to keeping overall system costs down and delivering a cost-effective transition to net zero.

We believe creating a new market facilitator role and assigning it to a single expert entity is important in addressing the current issues with flexibility markets. The market facilitator will have a mandate to reduce friction across DSO markets, align transmission and distribution market arrangements and develop local flexibility markets.

The market facilitator should be an independent expert body, accountable for decision-making and driving technical discussions forward through open, transparent, and participatory engagement.

Our decision-making process

- 1.7 This section details our decision-making process regarding governance and institutional arrangements at the local level which included the following key stages:

- April 2022 Call for input - we published a call for input to review institutional arrangements at a local level.

¹¹ <https://www.ofgem.gov.uk/publications/decision-future-local-energy-institutions-and-governance>

¹² <https://www.ofgem.gov.uk/consultation/consultation-market-facilitator-delivery-body>

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- March 2023 Consultation - we issued a consultation on a proposed package of reforms, which received strong support for creating regional energy strategic planners and a market facilitator.
- November 2023 Local governance reform decision - we confirmed our intention to create a market facilitator.
- December 2023 Market facilitator delivery body consultation - we issued a consultation, gathering views on the two proposed options, Elexon and NESO.
- July 2024 Market facilitator delivery body decision - this document confirms our decision to appoint Elexon to the market facilitator role.

Consultation position

- 1.8 In our December Consultation¹³, we set out the two options for the market facilitator role: Elexon and NESO.
- 1.9 To inform the decision, we defined key design principles to ensure our vision for market facilitation is delivered. These principles represent the attributes and behaviours the market facilitator should have and have informed our assessment of the delivery body options. The proposed design principles cover being accountable, agile, able to deliver at pace, expert and strategic, impartial, inclusive and collaborative, and transparent.
- 1.10 Alongside the design principles we also proposed two broader considerations. Firstly, the ability to drive alignment between transmission and distribution market arrangements, which we believe is essential to unlocking the full value of flexibility. Secondly, a smooth and prompt transition to the new market facilitator role is necessary to avoid a hiatus and ensure the benefits of the reform are unlocked as soon as possible.
- 1.11 We assessed Elexon’s suitability against the market facilitator design principles and wider considerations. We set out that Elexon has a strong track record of delivery across several industry programmes and in relation to stakeholder engagement.
- 1.12 We explained, however, that we also envisaged potential challenges, such as the need to develop subject matter expertise in local flexibility and in aligning transmission and distribution arrangements. We also highlighted that appointing Elexon to the market facilitator role depends on a third-party raising a BSC

¹³ <https://www.ofgem.gov.uk/publications/consultation-market-facilitator-delivery-body>

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modification proposal on our behalf. As a result, the implementation timeline could be impacted. Finally, we suggested that holding Elexon to account could be more challenging as a result of its regulatory and legal status.

- 1.13 We also assessed how well NESO satisfies the market facilitator design principles and wider considerations. We explained that NESO will be an independent, accountable and expert entity with a whole-system remit that could take a strategic approach to delivering market facilitation activities. We also highlighted NESO's statutory duties on net zero and to consider consumer impacts. However, we stated that stakeholder concerns on impartiality, inclusivity and collaboration, would need to be addressed.
- 1.14 We sought views from stakeholders to inform our assessment of Elexon and NESO and to understand which characteristics and attributes were the most important for the market facilitator delivery body to possess.
- 1.15 The responses fed into our decision-making process to determine which entity possessed the necessary expertise, competence, and capability to create more accessible, transparent, and coordinated flexibility markets.

Structure of decision

- 1.16 This decision document is structured as follows:
- Chapter 2 – sets out a summary of consultation responses received following our December Consultation.
 - Chapter 3 – sets out the reasons for our decision to assign the market facilitator role to Elexon.
 - Chapter 4 – sets out the next steps following this decision.
 - Appendix 1 – provides links to related publications.
 - Appendix 2 – is a glossary of commonly used terms and concepts.

General feedback

- 1.17 We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We'd also like to get your answers to these questions:
- Do you have any comments about the overall quality of this document?
 - Do you have any comments about its tone and content?
 - Was it easy to read and understand? Or could it have been better written?
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- Are its conclusions balanced?
- Did it make reasoned decisions?
- Any further comments?

1.18 Please send any general feedback comments to stakeholders@ofgem.gov.uk

2. Summary of consultation responses

Section summary

In this section, we provide a summary of consultation responses, including in relation to the proposed market facilitator design principles and our wider considerations. We also summarise our assessment of Elexon and NESO along with stakeholder views on delivery body preferences.

- 2.1 We asked seven questions about the market facilitator delivery body. We sought views on the proposed design principles, as well as on the importance of aligning transmission and distribution flexibility market arrangements and on the significance of ease of implementation and enabling a smooth transition. Finally, we asked stakeholders if they agreed with our assessment of the suitability of the two delivery bodies proposed for the market facilitator role and for their preference.
- 2.2 We received 27 responses representing a broad range of stakeholder groups, including DNOs, flexibility service providers, generators, suppliers, trade associations, software platforms, consultancies, Citizens Advice and other industry participants. All non-confidential responses have been published on our website.¹⁴

The proposed design principles for the market facilitator

- 2.3 We suggested seven key design principles for the market facilitator, as set out in paragraph 1.9. We asked stakeholders which design principles were most important and if any additional principles should be added.
- 2.4 Stakeholders expressed support for the proposed design principles and no respondent disagreed with any of the design principles.
- 2.5 When asked which design principles were most important, impartiality and transparency were cited most frequently, followed by inclusivity and collaboration, and accountability. Delivery at pace, agility, and expert and strategic were mentioned the least in responses.
- 2.6 Impartiality was cited as a crucial design principle. Respondents emphasised the importance of the market facilitator maintaining an unbiased view that is not associated with any market participants. Stakeholders suggested that it is vital

¹⁴ <https://www.ofgem.gov.uk/consultation/consultation-market-facilitator-delivery-body>

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for the market facilitator to remain free from any conflicts of interest when determining market rules. They mentioned that decisions made by the market facilitator must be based on the most efficient outcome and be objective, fair, and equitable.

- 2.7 Transparency was also identified as an essential design principle for the market facilitator. Respondents suggested that the market facilitator's decisions should be published openly and clearly justified, which would both help smaller market players engage and enable the market facilitator to build and maintain industry trust. They also suggested that the market facilitator should demonstrate how decisions prioritise consumer interests.
- 2.8 With regard to the accountability design principle, respondents suggested that Ofgem should hold the market facilitator delivery body accountable as it is important both to drive high performance and to boost industry confidence. Some respondents suggested that market participants, NESO and DNOs should also be accountable to the market facilitator.
- 2.9 For the inclusive and collaborative design principle, stakeholders emphasised its importance for a successful market facilitator. Stakeholders thought this should mean involving all industry players, building strong relationships with diverse stakeholder groups to leverage their expertise and working together to remove barriers and create a competitive, decentralised landscape that empowers all parties involved.
- 2.10 One stakeholder suggested adding trust as a design principle to ensure transparency, neutrality, and inclusivity. Another suggested merging delivery at pace and agility as these principles are relatively similar. Finally, a stakeholder suggested separating expert and strategic, arguing that an organisation can be an expert in a particular area of the market without being strategic.
- 2.11 We have taken these suggestions into consideration however we believe that the existing set of design principles offers a good coverage of the key market facilitator attributes and characteristics. Adding trust as a design principle and / or separating strategic and expert would increase the number of design principles, which we do not think is proportionate. In contrast we believe that agility and delivery at pace are distinct and that it is helpful to keep them separate.

Wider considerations

- 2.12 In addition to the design principles, we asked for views on two wider considerations for the market facilitator: the ability to drive alignment between
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transmission and distribution market arrangements and the ease of implementation and enabling a smooth transition. We explained that we thought they were both important to maximise the benefits the market facilitator can deliver.

- 2.13 There was strong support for coordinating and aligning the market arrangements for flexibility across transmission and distribution. Respondents believe this will help unlock revenue stacking, increasing participation and liquidity.
- 2.14 Standardisation across distribution flexibility markets was also recognised as an important outcome, however some respondents suggested it should not stifle innovation.
- 2.15 Some stakeholders suggested priority areas for the market facilitator, including alignment and coordination of products and services across distribution markets, peer-to-peer trading, and addressing concerns over exclusions and exclusivity requirements for the Demand Flexibility Service.
- 2.16 One respondent suggested that the market facilitator should mandate the collaboration of transmission and distribution operators while a few stakeholders called for us to codify the DSO flexibility market rules through the BSC or a new code.
- 2.17 While respondents did not consider ease and speed of implementation to be a primary criterion for selecting the delivery body, many recognised that faster implementation would mean unlocking the benefits sooner.
- 2.18 Stakeholders acknowledged the need to ensure that the Open Networks project continues at pace in the interim with a clear transition plan to avoid a hiatus. They pointed out that prolonged uncertainty and inaction would jeopardise investor confidence.

Stakeholder view on our assessment of Elexon

- 2.19 We asked for views on our assessment of Elexon for the market facilitator role.
 - 2.20 Some respondents considered that Elexon possesses unique transferrable skills from performing the BSC activities and other roles. Stakeholders emphasised Elexon's impartiality, strong track record of delivery, transparency, and inclusivity.
 - 2.21 Elexon's stakeholder engagement in the code modification process was also highlighted as a strength that the market facilitator requires to gain the trust of market participants and industry.
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- 2.22 Respondents recognise that Elexon would need to upskill and is required to discharge its functions and responsibilities with a view to achieving the BSC objectives, which do not explicitly cover flexibility or net zero. Others expressed concerns over Elexon’s inexperience in delivering this type of role, citing its lack of market design experience and limited expertise in flexibility markets.
- 2.23 A few stakeholders raised potential concerns on Elexon's impartiality, given that its ownership is changing with the creation of NESO, while some respondents suggested that the code manager licence¹⁵ could be an option to hold Elexon to account as market facilitator.

Stakeholder views on our assessment of NESO

- 2.24 Respondents agreed with many of the strengths and relative weaknesses we outlined for NESO. Stakeholders acknowledged NESO's expertise in market design and recognised its statutory duties in promoting net zero and considering the consumer impact of its activities. NESO's unique position to progress transmission and distribution alignment was highlighted, as was NESO’s ability to take a whole-system view.
- 2.25 However, many respondents raised concerns over NESO's impartiality as a buyer of flexibility. This was the most frequently cited concern. Stakeholders suggested that a clear remit, governance, rules, and transparency would be essential to overcome potential conflicts of interest if we were to appoint NESO as market facilitator.
- 2.26 Other concerns raised in consultation responses include current resource constraints faced by the ESO as well as concerns over the ESO’s track record of delivery.
- 2.27 Finally, some concerns were raised on the potential for NESO to have competing priorities and the need for NESO to develop more capability in distribution markets to ensure that speed of delivery is not affected.

¹⁵ A new licensing regime for code managers is being introduced as part of energy code reform: <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/energy-code-reform>

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Delivery body preferences

- 2.28 Stakeholders had mixed views about which body is best suited to take on the market facilitator role between Elexon and NESO, considering the design principles and broader considerations.
- 2.29 Just over half of respondents expressed a delivery body preference. Within those that expressed a preference, Elexon received more support than NESO. Of those that did not express a preference, the majority said that either body could perform the role, while a few either provided no response or stated that they needed more information. A small number of respondents suggested a hybrid model, whereby Elexon and NESO could jointly deliver the market facilitator role.
- 2.30 Respondents favouring NESO argued that it is better equipped to oversee the system by applying a whole-system approach and fulfilling its statutory duty to undertake its functions in the way that it considers is best calculated to promote the net zero objective, to the benefit of consumers.
- 2.31 They also believed that NESO possesses more technical expertise to develop flexibility markets, since there are close synergies with its proposed role in the energy system and relevant expertise by virtue of its current role as the ESO. There was also recognition that NESO being a licensed body would make it easier for Ofgem to hold it to account.
- 2.32 Stakeholders who believed that Elexon is best suited to take on the role highlight its track record of engaging with stakeholders and experience managing complex projects spanning multiple years. Additionally, Elexon is seen as a neutral party that market participants trust.
- 2.33 Respondents also said that Elexon is already established, unlike NESO, which is yet to become operational. They argue it is likely to have fewer resource constraints than NESO, fewer conflicts of interest and has demonstrated its ability to deliver projects quickly. Proponents of Elexon also suggest that it has an inclusive and collaborative approach ingrained in its culture.
- 2.34 A small number of respondents suggested that we leverage the resources and expertise from both organisations as part of a hybrid model, where Elexon and NESO share responsibility for the market facilitator role. Respondents that favoured this approach suggested it would allow both organisations to bring their unique skills and capabilities to the role and minimise the potential risks associated with either organisation, arguing that Elexon could act as a "critical friend" to NESO.
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3. Reasons for our decision

Section summary

In this section we provide the rationale for our decision to appoint Elexon as the delivery body for the market facilitator role.

Our decision

- 3.1 We have decided to appoint Elexon to the market facilitator role. While we believe that both Elexon and NESO could deliver the market facilitator role effectively, each bringing unique strengths to the role, assigning the market facilitator role to Elexon enables NESO to dedicate itself fully to building up its capabilities across its new roles while continuing to deliver its existing functions to a high standard.
- 3.2 Elexon is well placed to deliver on our vision for market facilitation of flexible resources, its capabilities of managing change in an inclusive, collaborative and transparent way are well aligned to what will be required of the market facilitator. Elexon also has a strong track record of delivering technically complex projects and has demonstrated an ability to upskill and take on new roles.
- 3.3 In reaching our decision, we have considered both delivery body options against the design principles and wider considerations, and have taken into account consultation responses and further engagement with both Elexon and the ESO.

Our updated assessment of Elexon and NESO

- 3.4 We have updated our assessment of the two delivery bodies: while many of the relative strengths and weaknesses associated with each option are unchanged from our December Consultation, respondents challenged us on some areas, which we have reflected below.

Our updated assessment of Elexon

- 3.5 In our December Consultation we noted strengths for Elexon in relation to the 'impartial', 'transparent' and 'inclusive and collaborative' design principles but relative weaknesses in relation to the 'accountable', 'implementation and transition' and 'aligning transmission and distribution market arrangements'.
 - 3.6 Our assessment of Elexon is largely unchanged, however we have reflected on stakeholder input in relation to importance of a quick implementation and Elexon's ability to align transmission and distribution flexibility market arrangements.
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- 3.7 In our December Consultation we suggested that Elexon may find it more difficult to coordinate and drive alignment between transmission and distribution market arrangements given the split of responsibilities between Elexon and NESO. Stakeholders challenged this position. While there is considerable work to be done to set up appropriate processes for collaboration between NESO and Elexon we recognise the value of having an additional source of expertise and resource working on aligning ESO and DSO arrangements.
- 3.8 Similarly, while we continue to believe that the implementation process and transition will be more challenging for Elexon, respondents were clear that selecting the entity that is best suited for the role should be prioritised over a fast implementation. We have taken this into consideration. We have also explored options with Elexon to help ensure a smooth implementation and transition, which we outline in paragraph 3.26.
- 3.9 With regards to stakeholder concerns on Elexon's impartiality given the changes to its ownership, as we set out in the consultation¹⁶, Elexon will remain fully operationally independent and therefore we do not have any concerns on its independence or impartiality.
- 3.10 Finally, in relation to respondents' suggestion that the code manager licence could be used to hold Elexon to account in the market facilitator role, we remain of the view that this is not an option. Energy Code Reform does not impact our implementation options for the market facilitator role for either Elexon or NESO.

Our updated assessment of NESO

- 3.11 For NESO we suggested strengths in relation to 'expert and strategic', 'accountable', 'aligning transmission and distribution arrangements' and 'implementation and transition' but relative weaknesses in relation to 'impartial' 'inclusive and collaborative' and to a lesser extent, 'agile'. As with Elexon, our assessment of NESO is largely unchanged.
- 3.12 The ESO is currently a transmission focussed organisation and a buyer of flexibility. Stakeholders have suggested this could impact NESO's ability to act impartially, which they flag as a key concern. NESO is being established as an independent expert body that is free from commercial interests. It will have a statutory duty, when carrying out its functions, to have regard to the whole-system impact of a relevant activity (as defined in the Energy Act 2023).¹⁷ In

¹⁶ <https://www.ofgem.gov.uk/consultation/consultation-market-facilitator-delivery-body>

¹⁷ <https://www.legislation.gov.uk/ukpga/2023/52/contents/enacted>

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addition, following discussions with the ESO on potential approaches to governing the market facilitator role, we believe the risks relating to NESO being a buyer of flexibility can be effectively mitigated.¹⁸ As such, we have updated our assessment accordingly. We acknowledge however that as NESO will remain a buyer of flexibility a perception of bias could persist in the short term, which could undermine trust in the market facilitator.

- 3.13 We recognise that stakeholders were less concerned about a longer implementation process if it meant the most appropriate body is appointed, so we have also taken this on board in our decision-making.
- 3.14 Finally, while not a design principle, some stakeholders had reservations about NESO's organisational capacity to deliver the market facilitator role effectively. Making efficient use of the NESO's capacity is an important consideration and we feel it is appropriate to consider alternative delivery bodies, if they exist. We have also reflected on whether it is necessary for NESO to deliver the market facilitator role for it to perform its other roles effectively. While there are synergies, we do not consider NESO becoming the market facilitator is a prerequisite for successful delivery of its other roles. That said, effective coordination and clearly defined roles and responsibilities will be essential, which we will consider as part of our detailed design workstream.

Our rationale

- 3.15 We agree with many respondents that both Elexon and NESO could deliver the market facilitator role effectively. We remain of the view - as set out in our consultation document - that each possess unique strengths that they would bring to the role. Our decision is therefore based on which institution we believe is better placed to meet the market facilitator role requirements and design principles, as well as deliver our vision for market facilitation.
- 3.16 As part of that, we considered stakeholder priorities on the design principles and wider considerations. As discussed in Chapter 2, impartiality, transparency, being inclusive and collaborative, and accountable are the most important design principles for respondents. In contrast, while stakeholders emphasised that a smooth transition and fast implementation was important, there was a clear message that selecting the entity that is best suited for the role should be

¹⁸ For instance: internal separation measures; consulting on and agreeing robust processes for key activities (e.g. change management, stakeholder engagement, communicating decisions, information sharing, etc); effective performance incentives; and setting up an independent advisory board.

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prioritised. While we continue to believe that fast implementation remains important, we have factored this into our decision-making.

- 3.17 We do not believe that Elexon and NESO sharing responsibility for the market facilitator role - a "hybrid" delivery model - is viable. A key reason for creating the market facilitator role, as a single expert entity, is to address a lack of clear accountability under current arrangements for how DSO level markets are facilitated. We believe that splitting responsibilities between Elexon and NESO would compound this issue and we have therefore ruled it out as an option. That said, both Elexon and NESO will continue to play a critical role in the energy system and work closely together, including in making a success of the market facilitator.
- 3.18 As such, while Elexon will take on the market facilitator role, tasked with reducing friction by facilitating alignment between ESO and DSO market arrangements, we expect NESO in its role as the system planner and regional energy strategic planner to also provide strategic direction on maximising distributed flexibility. Moreover, while Elexon is the market facilitator we do not expect Elexon to design ESO products but rather work with NESO to ensure that as they design their products DSO and NESO arrangements are aligned to ensure the flexibility journey is frictionless.
- 3.19 With regards to suggestions that NESO and DNOs should be accountable to the market facilitator, we do not intend for the market facilitator to have any powers over NESO, DNOs or market participants. We will however be placing licence obligations on DNOs and NESO to adopt the outputs specified by the market facilitator.
- 3.20 While we have decided to appoint Elexon to the market facilitator role we are of the view that NESO could also deliver the role effectively. We continue to believe that NESO is well suited. It has considerable existing expertise and experience relevant to the role and there are synergies with its other roles. NESO is also well positioned to take a leadership role on flexibility within the energy sector. It meets many of the design principles and wider considerations, as explained above.
- 3.21 On balance however we have decided to appoint Elexon to the market facilitator role. NESO's success is of paramount importance to reaching net zero. Assigning the market facilitator role to Elexon enables NESO to dedicate itself fully to building up its capabilities across its new roles while continuing to deliver its
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existing functions to a high standard. This will ensure that we have effective governance arrangements in place for both local and national flexibility markets.

3.22 We believe Elexon is well placed to deliver the market facilitator role effectively for the following reasons:

- Elexon has considerable expertise and experience managing a change process for a complex, technical area, facilitating discussions and balancing stakeholder views. One of the central functions of the market facilitator - its market coordination role - is developing effective solutions that have strong buy-in from across industry. Elexon's proven capabilities administering and overseeing the day-to-day management of the BSC and its central systems mean it is well placed to be able to do so.
- The design principles which respondents highlighted as most important are well-aligned with Elexon's strengths, meaning it is well-placed to embody the attributes needed from the market facilitator. These include 'impartiality', 'transparency' and 'collaborative and inclusive'.
- It has a good track record of delivery and has demonstrated an ability to upskill and take on new roles in the past¹⁹, which will be important for successful delivery of the market facilitator role.
- While there are some areas that Elexon has a relative weakness in, namely in relation to accountability and smooth implementation and transition, we believe it is possible to mitigate any major risks through close working with Elexon and industry, as set out in paragraph 3.26. We have also taken stakeholder views into consideration on the relative importance of setting up the market facilitator quickly.
- We recognise that a significant amount of Elexon's resources and attention will rightly be focussed on successfully delivering the Market-wide Half Hourly Settlement programme. Given the programme is already underway this is fully accounted for in Elexon's business planning. Elexon should therefore have the capacity to resource the market facilitator role and make it a key priority, at a working and senior level.

¹⁹ For instance, providing settlement services in respect of Contracts for Difference and the Capacity Market, the implementation manager for Market wide Half Hourly Settlement, administering the Energy Price Guarantee Scheme and the Energy Bill Discount Scheme and providing secretariat services for the Capacity Market Advisory Group.

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- 3.23 In our consultation document we explained that the market facilitator needed to be an independent expert body that can be held accountable for its decision-making and deliver at pace through open, transparent, and participatory engagement with DNOs, the NESO, and market participants. We believe Elexon is well-placed to meet these requirements.
- 3.24 Elexon is also well-placed to deliver on our vision for market facilitation. This includes delivering open and transparent markets that are not biased by the commercial interests of buyers; fair and transparent rules and processes for procuring flexibility services, that enable service providers to participate easily in open, transparent, and coordinated markets; and enhanced simplicity for market participation which supports opportunities to easily stack revenue, leading to increased participation and liquidity.
- 3.25 That said, appointing Elexon is not without risks. The process of appointing Elexon is through changes to the BSC, as outlined in Chapter 4 below. As an industry-led process there are advantages to this approach: it is a clearly governed and transparent process that is well understood by industry. However, it also raises the following key risks:
- While consultation respondents suggested we should not prioritise establishing the market facilitator quickly over selecting the most appropriate body we believe it is important to get the market facilitator set up as soon as possible so it can start unlocking benefits. As an industry-led process we have no direct tools to expedite the implementation process, this could lead to delays to the market facilitator being established.
 - As set out in our December Consultation, it is important that we can hold the market facilitator to account, which was validated in consultation responses. Appropriate incentives and regulatory levers to drive high performance are important. The legal and regulatory status of Elexon means we have fewer tools at our disposal, which is a risk that will need to be managed.
 - We will be collaborating with industry to propose the required BSC modifications (see footnote 26 for further information), which will follow the normal BSC modification process. This means we will have to work closely with the proposer, the working group and Elexon to develop robust proposals
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that meet the objectives of our reform package and meet Ofgem's principal objective to protect the interests of existing and future consumers.²⁰

- 3.26 We will work with industry and Elexon to manage these risks. For instance, by making use of reputational incentives²¹ to support high performance from Elexon and working closely with Elexon and the proposer to develop clear, practical proposals - clarifying our policy intent where required and coordinating across Ofgem and DESNZ to ensure alignment.
- 3.27 Each year, we intend to set out any key priorities for the market facilitator which Elexon would then be responsible for incorporating into its market coordination delivery plan. We will consider the extent to which there may be interactions with the Strategic Direction Statement being introduced under energy code reform.²²
- 3.28 In addition to setting out our key priorities for the market facilitator we will also provide an annual assessment of Elexon's performance as market facilitator over the previous year. We believe this is an important reputational tool, as per paragraph 3.26. We will also periodically review Elexon's ongoing suitability as market facilitator, if there are serious and persistent concerns we will reopen our decision on the delivery body.
- 3.29 As such, we believe that Elexon's market facilitator governance arrangements, must, at a minimum:
- Include powers for Ofgem to remove Elexon from the role, if required. This matches the MHHS governance framework document²³ and we believe is an important backstop.
 - Include powers for Ofgem to designate and re-designate the market facilitator governance framework ourselves (again, similar to MHHS).
 - Be portable, so that if the market facilitator role needs to be reallocated in future, there is minimal disruption.
- 3.30 Whilst we see these as the core component conditions that must be met to make a success of the market facilitator role, we are also open to considering other points which may be raised through the BSC modification process. However, if these core component conditions are not met, we will have to reconsider whether

²⁰ This includes protecting consumer's interest in the Secretary of State's compliance with the duties in sections 1 and 4(1)(b) of the Climate Change Act 2008 (net zero target for 2050 and five-year carbon budgets).

²¹ For instance through publicly available stakeholder surveys results or performance reviews.

²² Energy Act 2023 - section 190

²³ <https://www.ofgem.gov.uk/decision/decision-designation-market-wide-half-hourly-settlement-governance-framework>

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Elexon is a viable option to become the market facilitator, this could include considering alternative code modifications, associated licence modifications as well as reopening our decision on the delivery body.

- 3.31 In addition, we think it's important that the market facilitator's roles and responsibilities are clearly defined and consistent with those of other industry actors. This will be important to avoid duplication which could cause confusion and undermine clear accountability. The market facilitator role should be clearly bounded, while containing a transparent mechanism that enables both the role itself and the governance framework to be modified if required in future. This decision would ultimately need to sit with Ofgem.

4. Next steps

Section summary

This section summarises next steps as we progress to the market facilitator detailed design phase and transition from Open Networks.

- 4.1 We will carry out further work to develop and establish the market facilitator following the publication of this decision document, as we set out in the December Consultation.
- 4.2 We will work with Elexon and wider stakeholders on the detailed design of the market facilitator's role and implement a transition plan.
- 4.3 We will progress this through three workstreams:
 1. Detailed design – we will further shape and refine the detail of the roles and responsibilities of the market facilitator, building on what we set out in the December Consultation.
 2. Implementation – this workstream will focus on putting in place the regulatory and legal framework to formally appoint Elexon as the market facilitator and also to require the DNOs and NESO to comply with its outputs.
 3. Transition from Open Networks – we will work with Elexon, the ENA, Open Networks members²⁴ and wider industry to prevent any loss of momentum and ensure a smooth transition from the current arrangements so that the market facilitator can start to deliver as soon as it's established.
- 4.4 There will be some overlap and dependencies between the three workstreams.

Detailed design

- 4.5 The market facilitator's governance, operation and funding arrangements will need to be developed, as will its outputs and processes. We will further shape and define the roles and responsibilities of the market facilitator, including further developing its functions and activities, building on what we set out in the December Consultation, to produce a robust blueprint that will allow work to progress at pace.
- 4.6 We propose to follow a similar process to the stakeholder engagement that we are currently undertaking for the RESP workstream by holding workshops over

²⁴ Open Networks members include the nine electricity grid operators in the UK and Ireland, this includes the ESO and the six DNOs operating in Great Britain.

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the course of summer and autumn 2024 to progress our policy development for the market facilitator. The findings of these workshops will then feed into a BSC modification (as part of "phase 2" of the implementation workstream) that will seek to embed the detailed design into the BSC.

Implementation

- 4.7 This work will progress in three phases and will be subject to the modification proposals completing the BSC modification process and receiving Ofgem approval:
- Phase 1 – an "enabling" modification to the BSC is required to extend Elexon's vires to take on the market facilitator role before further design and development work is undertaken.
 - Phase 2 – a second modification will be required to set out in the BSC the market facilitator's ongoing governance, operation and funding arrangements.
 - Phase 3 - we will work with the relevant licensees to make changes to the Distribution Licence and NESO's Electricity System Operator Licence to ensure their active participation in creating and then complying with the outputs of the market facilitator.
- 4.8 The activities that Elexon is permitted to undertake are outlined in the BSC.²⁵ Therefore, to take on the market facilitator role the BSC needs to be modified, extending Elexon's remit to take on the market facilitator role, before further design and development work is undertaken.
- 4.9 As we set out in the December Consultation, the circumstances in which Ofgem can raise modification proposals are not applicable here.²⁶
- 4.10 Therefore we will engage with Elexon and BSC parties to seek to find an entitled party that is willing to propose the modifications on our behalf. Elexon indicated in their consultation response and subsequent engagement that several parties able to raise modifications under the BSC have already expressed their willingness to support Elexon as market facilitator and to raise the required

²⁵ Section C 'BSCCo and its Subsidiaries': <https://bscdocs.elexon.co.uk/bsc/bsc-section-c-bscco-and-its-subsidiaries>

²⁶ Ofgem can only raise a modification proposal in two situations: (i) where it reasonably considers the modifications are necessary to comply with or implement the Electricity Regulation and/or any relevant legally binding decisions of the European Commission and/or the Agency; and/or (ii) the modification proposal is in respect of a Significant Code Review (SCR). However, neither of these situations are applicable here. We do not consider the modifications to meet the requirements of (i) as they do not relate to compliance with the matters mentioned. In respect of (ii), our local governance policy reforms are not being developed under a SCR, so this is also not applicable.

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modification proposals. As to the question of whether or not these modification proposals are approved, this will of course be subject to both of the modification proposals being raised and completing the BSC modification process. Following this, the proposals would be sent to Ofgem for decision where we would consider whether the proposals (i) are in line with our principal objectives and statutory duties; (ii) better facilitate the Applicable BSC Objectives²⁷ when compared to the current BSC baseline; and (iii) meet the four criteria against which we assess whether an activity would be appropriate for Elexon to pursue.²⁸

- 4.11 However, if an entitled party cannot be found to raise these modification proposals, we would need to consider further steps including alternative code modifications, associated licence modifications as well as reopening our decision on the delivery body.
- 4.12 The enabling-modification to extend Elexon’s vires to take on the market facilitator role, raised in phase 1, is expected to take approximately two to three months to fully implement. This timescale is based on past experience of implementing similar enabling modifications for Elexon (where Elexon has taken on additional roles and as a result has required an extension of its vires).
- 4.13 There would then need to be a second modification raised in phase 2 that would set out the market facilitator's ongoing governance, operation and funding arrangements. Ofgem will sit on the modification workgroups as an observer. We will offer advice and input to Elexon and the workgroup to support the modifications progressing at pace and help to ensure that the market facilitator is set up as quickly as possible. The second modification is expected to take approximately 12 to 15 months. This is an indicative timescale, and it could take more or less time depending on the number of workgroups required and modification progression.
- 4.14 Subject to both of the modification proposals being raised and completing the BSC modification process, they will be sent to Ofgem for decision where we will consider the proposals in line with the requirements set out in paragraph 4.10 above.

²⁷

<https://www.elexon.co.uk/glossary/applicable-bsc-objectives/>

²⁸ For previous modifications where we have approved an extension to Elexon’s vires (see for example [P330](#) and [P365](#)), we listed four criteria to assess whether such an activity would be appropriate for Elexon to pursue. The criteria were: i) BSC Parties should benefit from any diversification, ii) the arrangements should not place disproportionate risk on BSC Parties, iii) standards of service under the BSC should be maintained, and iv) Elexon’s BSC role should not give it any undue competitive advantage in a contestable activity.

Transition

- 4.15 We want to ensure a smooth transition and handover of market facilitation activities from Open Networks to Elexon as market facilitator. To avoid the risk of a hiatus in the interim, Open Networks will need to continue delivering its work ahead of the market facilitator go-live. Having a clear forward workplan with tangible deliverables will be an important part of maintaining this progress.
- 4.16 To ensure this, we intend to remain actively involved in Open Networks, as we set out in our open letter²⁹ on 14 July 2023. We will continue to sit on the Steering Group and support Open Networks to help maintain progress and provide input where we can, to support delivery. Since we engaged with the Steering Group last summer, we have seen a positive response and an improved delivery of market facilitation activities from Open Networks. We are keen that this momentum is maintained.
- 4.17 We have been also encouraged by the response from the ENA and Open Networks members to date regarding the creation of the market facilitator role. The ENA, DNOs and the ESO have committed to ensuring a smooth transition and have expressed a willingness to work collaboratively with the market facilitator, regardless of which entity is appointed.
- 4.18 We will work with Elexon, the ENA and Open Networks members to develop a clear transition plan. We will look to ensure that roles and responsibilities are clearly set out to avoid any duplication of effort or loss of accountability. Elexon currently sits on the Open Networks Challenge Group and has been invited to some Technical Working Groups but is not a member of the Steering Group. Therefore, we will work with Elexon, the ENA and Open Networks members to enable Elexon to become more involved prior to the market facilitator's formal launch.
- 4.19 We will ensure there is a clear handover process for when activities are moved over from Open Networks. There are a number of current workstreams at different stages of development that would need to be handed over to the market facilitator in a considered and proportionate way to not interrupt momentum. This will be accounted for in our transition plan.
- 4.20 We will seek feedback on the transition plan from key stakeholders, which will also include key delivery milestones.

²⁹ <https://www.ofgem.gov.uk/publications/open-letter-open-networks-project>

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Timeline with key milestones

- 4.21 We want the market facilitator to be fully operational by the end of 2025 or early 2026 at the latest. Therefore, the three workstreams will need to progress in parallel.
- 4.22 The exact sequencing and timings of these workstreams will likely evolve and be further refined as we work with the market facilitator, but our indicative activities and timescales are:

Stage 1 (summer 2024)

- Hold Ofgem-led stakeholder workshops to progress policy development and detailed design of the market facilitator.
- Identify an entitled BSC party to collaborate with on BSC modification proposals (for implementation phase 1 and 2).
- Introduce the enabling BSC modification proposal to extend Elexon's vires to take on the market facilitator role (implementation phase 1).

Stage 2 (autumn 2024 – winter 2024/25)

- Ofgem decision on enabling BSC modification proposal to extend Elexon's vires to take on the market facilitator role (implementation phase 1).
- Subject to the enabling BSC modification meeting the various criteria set out at paragraph 4.10 such that it is approved, initiate BSC modification working group for second BSC modification proposal on governance, operation and funding of the market facilitator (implementation phase 2).
- Engage with Open Networks and wider industry on the transition plan.

Stage 3 (early 2025 – go-live)

- Ensure there is a clear plan in place for Open Networks to hand over market facilitation activities to Elexon.
 - Ofgem decision on the second BSC modification on the market facilitator's ongoing governance, funding and operation and funding arrangements (implementation phase 2).
 - Subject to the enabling BSC modification being approved and the second BSC modification meeting the various criteria set out at paragraph 4.10 such that it is also approved, we will work with the relevant licensees on modifications to amend NESO's ESO Licence and the Distribution Licence, including a
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statutory consultation. The licences need to be amended to ensure compliance with the outputs of the market facilitator (implementation phase 3).

- Subject to all of the above taking place, Elexon would then formally become the market facilitator delivery body.

Appendix 1 – Related publications

- Consultation: Market facilitator delivery body (December 2023)
<https://www.ofgem.gov.uk/publications/consultation-market-facilitator-delivery-body>
 - Decision: Future of local energy institutions and governance (November 2023)
<https://www.ofgem.gov.uk/publications/decision-future-local-energy-institutions-and-governance>
 - Consultation: Future of local energy institutions and governance (March 2023)
<https://www.ofgem.gov.uk/publications/consultation-future-local-energy-institutions-and-governance>
 - Call for Input – Future of local energy institutions and governance. (April 2022) <https://www.ofgem.gov.uk/publications/call-input-future-local-energy-institutions-and-governance>
 - Proposal for a Future System Operator role – Decision (April 2022)
<https://www.ofgem.gov.uk/publications/proposal-future-system-operator-role-decision>
 - Elexon Ownership Government and Ofgem’s response to consultation (March 2023) <https://www.ofgem.gov.uk/publications/elexon-ownership-government-and-ofgems-response-consultation>
 - The future ownership of Elexon (July 2022)
<https://www.gov.uk/government/consultations/the-future-ownership-of-elexon>
 - Call for Input: The Future of Distributed Flexibility (March 2023)
<https://www.ofgem.gov.uk/publications/call-input-future-distributed-flexibility>
 - Consultation on proposals for a Future System Operator role (July 2021)
<https://www.ofgem.gov.uk/publications/consultation-proposals-future-system-operator-role>
 - Review of GB energy system operation (January 2021)
<https://www.ofgem.gov.uk/publications/review-gb-energy-system-operation>
 - Full chain flexibility (2022) <https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/full-chain-flexibility>
 - Net Zero Strategy: Build Back Greener (October 2021)
<https://www.gov.uk/government/publications/net-zero-strategy>
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- The Climate Change Act 2008 (2050 Target Amendment) Order 2019 (June 2019) <https://www.legislation.gov.uk/uksi/2019/1056/contents/made>
 - Energy Act 2023 (October 2023) <https://www.legislation.gov.uk/ukpga/2023/52/enacted>
 - Smart Systems and Flexibility Plan 2021 <https://www.gov.uk/government/publications/transitioning-to-a-net-zero-energy-system-smart-systems-and-flexibility-plan-2021>
 - Ofgem's Future Insights Paper 6 - Flexibility Platforms in electricity markets (September 2019) <https://www.ofgem.gov.uk/publications/ofgems-future-insights-paper-6-flexibility-platforms-electricity-markets>
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Appendix 2 – Glossary

Term	Definition
Balancing and Settlement Code (BSC)	The Balancing and Settlement Code contains the rules and governance arrangements for electricity balancing and settlement in Great Britain. This code is administered by Elexon.
Delivery body	An entity responsible for overseeing, managing, and driving forward initiatives to meet the expectations of the role.
Department for Energy Security and Net Zero (DESNZ)	The ministerial department focused on delivering the energy portfolio.
Distribution Network Operator (DNO)	A DNO is a company that operates the electricity distribution network, which includes all parts of the network from 132kV down to 230V in England and Wales. In Scotland 132kV is a part of transmission rather than distribution so their operation is not included in the DNOs' activities. There are 14 DNO licensees that are subject to RIIO price controls. These are owned by six different groups.
Distribution System Operation (DSO)	DNOs have been building capabilities in planning, operating and market facilitation of flexible resources to drive more efficient development and use of the decarbonising electricity system. This differs from the more traditional responsibility of a DNO, which is to take power from the transmission network and deliver it at safe, lower voltages to homes and businesses.
Electricity System Operator (ESO)	National Grid Electricity System Operator is the electricity transmission system operator in Great Britain. The entity responsible for operating the electricity transmission system and for entering contracts with those who want to connect to and/or use the electricity transmission system.
Energy Networks Association (ENA)	The Energy Networks Association is a not-for-profit industry body representing the companies which operate the electricity wires, gas pipes and energy system in the UK and Ireland.
Flexibility	Modifying generation and/or consumption patterns in reaction to an external signal (such as a change in price) to provide a service within the energy system.
Flexibility markets	Flexibility market refers to the arena of flexibility service procurement processes across various market operators within GB. This includes DSO local flexibility markets, ESO Frequency and Ancillary services, Balancing Mechanism, Wholesale Market, Capacity Market, P2P services (ie Power Purchase Agreements (PPAs)) etc.

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Flexibility services	Using on-network or customer owned equipment to control power and energy flows across network infrastructure, leading to more efficient and cost-effective outcomes.
Licensed entity	An organisation obliged to comply with licence conditions for their type of licence from the day the licence is granted.
Market facilitation	Creating accessible and coordinated markets which enable the full value of flexibility to be realised.
Market facilitator	A new role tasked with reducing friction across distribution markets and aligning distribution and transmission market arrangements, to help unlock the full value of flexibility.
Market participants	Actors in the markets who are involved in the trade, generation, and supply of energy.
Market-wide Half Hourly Settlement (MHHS) Programme	MHHS is a vital enabler of flexibility. It builds on changes already made requiring half-hourly settlement (HHS) for medium to large non-domestic consumers, and elective HHS for domestic and smaller non-domestic consumers
National Energy System Operator (NESO)	NESO will be the publicly owned body that will take on all the main existing roles and responsibilities of National Grid ESO and the longer-term planning, forecasting and market strategy functions in respect of gas. The NESO is due to be established in 2024.
Open Networks programme	The Open Networks programme is led by the ENA and supported by DNOs and the ESO to support the development of local flexibility markets. It was launched in 2017 in response to the Smart System and Flexibility Plan.
Peer-to-peer trading	Peer-to-Peer (P2P) energy trading describes flexible energy trades between peers, where the excess energy from many small-scale Distributed Energy Resources (DERs) is traded among local customers.
Regional Energy Strategic Planner (RESP)	A new role responsible for the development of strategic energy plans at the regional level and providing critical planning assumptions to inform system and network needs. The NESO will be the RESP delivery body.
Renewables-dominated	A renewables-dominated energy system is a system that is primarily powered predominantly by renewable energy sources such as solar, wind, geothermal, and hydroelectric power.
Revenue stacking	The ability to earn revenue simultaneously from multiple sources using the same capacity.
Whole System	An approach that considers the gas, electricity (transmission and distribution) networks as well as the impact the heat and transport sectors have on the entire energy system.
