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Dear Joseph

**RE: Market facilitator delivery body consultation**

We welcome the opportunity to contribute to the important discussion on choosing the independent, expert body for developing and facilitating local flexibility markets going forwards, as the market facilitator is a critical role for supporting the transition to Net Zero at the local level.

We make the following comments, responding generally to the questions raised in your consultation.

The foundation task for the market facilitator must be to develop the specific rules, processes and standards that bring together the distribution and transmission flexibility market arrangements. Having aligned, accessible and coordinated flexibility markets across transmission and distribution will increase flexibility provider participation and thereby market liquidity. Local alignment across DSOs is not enough; only by devising standard products and common processes (primarily for stacking and primacy) that deliver market alignment can [whole chain] flexibility be unlocked for the Net Zero transition.

We accept the need for proportionate new obligations to be placed on licensees [and others] to adopt any new requirements specified by the market facilitator and would welcome further discussions on the form and detail of how the new obligations are enacted in the licence. We should explore implementation via a code instead of direct amendment to the distribution licence to ensure consistency across all parties bound by the new obligations determined by the market facilitator. As the extent of any new obligation is uncertain Ofgem could point to the use of the digitalisation reopener mechanism for licensees to access additional funds for implementing and adhering to any new processes, rules or standards set by the market facilitator.

We agree that it is important to avoid a hiatus and move forward with the implementation of the market facilitator role as soon as practicable. But as it is such an important industry change programme it is vital that the market facilitator delivery body has a clearly defined vision which it has translated into a practical and transparent implementation plan, supported by the industry and stakeholders; it must also be well resourced, focussed on delivery and be accountable for setting up and getting the market facilitator operational. This is not an easy ask and finding the right balance across speed and ease is important as any delays to a fully operational market facilitator slows the transition pace to Net Zero.



We raised in our response to the Future of Local Energy Institutions and Governance consultation in May 2023 the inherent risks with a market participant acting as the market facilitator. Ofgem has again highlighted this risk in this consultation, but we remain concerned and reiterate that any perception that the market facilitator is not truly neutral could damage confidence in the flexibility market. From a distribution network operator perspective there is also a potential for unintended bias by the ESO/FSO as it currently is a very transmission focussed organisation. We see there is value in Ofgem considering the relative strengths of the ESO/FSO and Elexon with regard to each of the activities of the market facilitator role and actually consider if there is a combination and/or collaboration between these organisations that delivers a superior market facilitator compared with choosing one potential actor over another. However, if Ofgem choose to move forward and appoint the ESO/FSO into the role of market facilitator it is important that detailed design discussions on the governance arrangements determine a conflicts of interest framework that negate these perceived risks.

This response is submitted alongside that of the ENA of which we are a member. We look forward to further discussions with Ofgem following its decision on the entity to perform the market facilitator role and are ready to support the next steps in this process. Should you have any questions regarding our detailed response please don't hesitate to contact me or Simon Brooke (DSO Oversight & Reporting Manager, [Simon.Brooke@enwl.co.uk](mailto:Simon.Brooke@enwl.co.uk)) in the first instance.

Yours sincerely



**Cara Blockley**  
**Head of Distribution System Operation**