

via email: flexibility@ofgem.gov.uk

Ofgem FDI SUC exercise: EPEX SPOT reply

Date: 19 January 2024

Note: EPEX SPOT and GridImp are currently working on the Flex Unlocked innovation project in a project called e-gate. This project speaks to some of the challenges in this SUC exercise. However, the report is not finalised, and interim findings are not public. Due to the prioritisation of the Flex Unlocked project over this exercise we have not been able to provide a joint response to these SUCs. Whilst we reference e-gate, this response is by EPEX SPOT and does not constitute a joint response.

Introduction

We welcome Ofgem's work to facilitate the development of flexibility markets in this FDI exercise. It is particularly useful to make explicit some of the terms and processes used in the energy and flexibility trading.

We agree that several BUCs can be streamlined and standardised to facilitate the development of flexibility, however, only a small part of it can be achieved by a digital infrastructure. Some of the BUCs are already addressed by the industry (i.e. ENA) and some others need to be addressed by rules and regulations (i.e. the coordination between SOs, especially ESO and DNOs).

At this stage, we believe it is premature for EPEX SPOT to offer a comprehensive System Use Case, but we can contribute to this important work. After some explanations and generalities on this topic we would like to explain how we believe common user and asset registration (BUC 2 and 4) can complement the investments already made by market operators and aggregators to develop flexibility.

Explanations and General statements

EPEX SPOT operates a GB wholesale day-ahead and intraday markets and is in the process of delivering a trading platform and market operations to UKPN for reservation and activation of flexibility resources.

Some FSPs are already offering their assets in the wholesale market and to the balancing market with the ESO. These markets have different characteristics:

- In the wholesale market the resources are offered country-wide (at bidding zone level) in a portfolio-based manner. This means that market participants can benefit from netting across the country by aggregating their assets within a given portfolio.
- When offering their flexibility to DNOs, assets need to be located to solve local congestions on the distribution grid. This means FSPs can be required to disaggregate a part of their portfolio.

EPEX SPOT recognises the value to offer an end-to-end service to DNOs but also to facilitate multi-market participation and revenue stacking (where possible) for asset owners.

To that end, EPEX SPOT is engaged in the Flex Unlocked competition run by DESNZ. The report is being prepared and speaks to several questions that are raised by OFGEM in this exercise. The ability

to decrease barriers to the entry of energy and flexibility markets and the multi-market access for FSPs. The premise of the study is that EPEX SPOT and its partner GridImp believe that many of the building blocks already exist to streamline the process to foster the growth in flexibility.

There has been progress in the past few years to foster the participation of DER:

- ENA work on the standardisation of local flexibility markets (e.g. products, registrations, contracts etc) reduces the burden for FSPs and DNOs
- AAR, Digital Spine and this FDI addresses some of standardisation/visibility of these assets. We note the (possible) overlap of these initiatives and that the expected outcomes are not readily apparent
- Private companies have facilitated access to markets for assets that might be too small to access the market or where owners do not necessarily have the skills or time to navigate all the markets.

Building on those blocks, barriers still exist in the middle of the value chain, especially to link all pieces together. Indeed, owners of small-scale assets still face the complexity and variety of power markets, from wholesale to local, through national. All those markets have a given purpose, given characteristics and requirements. Small-scale flexibility might be able to participate directly or through aggregation to those markets depending on their size and characteristics, and participating to one market might preclude the participation in others, making asset management even more complex. We are attempting to address these barriers via the e-gate project in a decentralised way rather than via a common layer.

SUC Template for BUC.4 – Registration of Users

Please use this template (based on [IEC standards](#)) to set out your SUC proposals which deliver the BUC narrative and KPIs, and address the scenario provided above. You may find the [PlantUML website](#) tool useful for making sequence diagrams (tutorial seen [here](#)), but diagrams created in Word/PowerPoint (or equivalent) are entirely acceptable.

Narrative of the System Use Case
Short description
<p>As a general comment, in wholesale markets, customers (i.e Balance responsible parties) receive codes that allow their identification. For example, the Energy Identification Code (EIC) is standardised and issued by a Central Issuing Office. It provides a unique identification of the market participants and other entities active within the energy market.</p> <p>Within GB, NGESO performs this task and EPEX SPOT uses this code both in the onboarding of new users. We cannot complete our KYC process and thus onboard the customer without it. As such, the sign-up is a minimum requirement for the exchange. The ability to search whether a company has a relevant ID is helpful for the onboarding team to understand the readiness of the customer.</p> <p>As a final stage of the onboarding, the customer will also sign a triparty agreement between EPEX SPOT and Elexon to allow contract nominations.</p> <p>Common Registration of Users</p> <p>As described in the wholesale market example, a third-party such as Elexon, could prove to be useful to help onboard FSPs.</p> <p>A Common Registration of Users should focus on the minimum required information for all markets. Where each type of market could then have its own further requirement which would be defined in a subsequent step. Any common registration of users should not be expected to include all information requirements from all markets.</p> <p>Therefore, we see a use case that links the gathering of the common information to each market, publication of registration and a status update of each user.</p> <p>Process</p> <p>We'd expect the process to be relatively straightforward and static.</p> <ul style="list-style-type: none">(i) FSP registers with the central database(ii) FSP's information is verified (potentially at Elexon)(iii) FSP is issued with its unique ID which is published centrally(iv) FSP registers with the market operator. Options:<ul style="list-style-type: none">○ Registering without any connection to the central database○ The relevant information can be pulled by the MO or pushed by the FSP to the MO from the central database(v) FSP onboarding is completed bilaterally with the MO/SO

The verification in step (ii) can be monitored and if it becomes invalid then a notice can be published informing relevant parties.

Diagram(s) of the Use Case

Please include sequence diagram(s) working through the scenario steps to show how they are implemented in the SUC proposed.

[not used – use case is straightforward]

[illegible]

SUC Template for BUC.2 – Registration of Assets

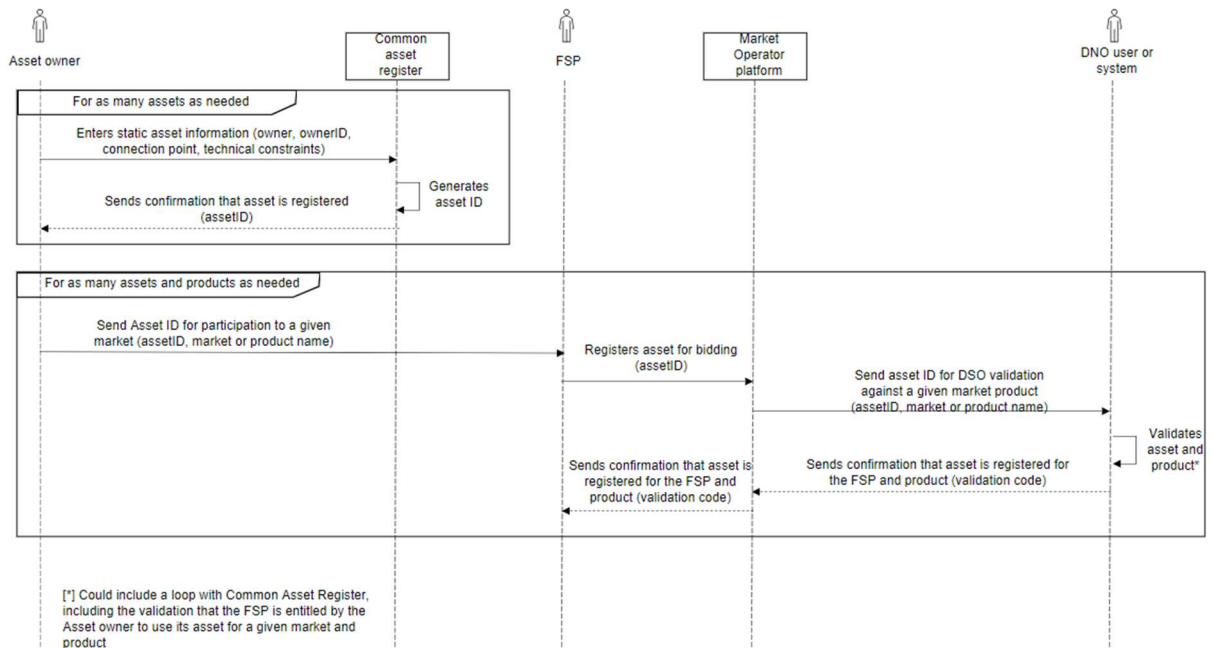
Please use this template (based on [IEC standards](#)) to set out your SUC proposals which deliver the BUC narrative and KPIs, and address the scenario provided above. You may find the [PlantUML website](#) tool useful for making sequence diagrams (tutorial seen [here](#)), but diagrams created in Word/PowerPoint (or equivalent) are entirely acceptable.

Narrative of the System Use Case
Short description
<p>Currently, assets are registered to a FSP who sends the information to the MO. There is already standardised ENA asset registration document that can be used to streamline the information requirements. Once the submission is done, the asset owner must wait for the approval of the assets by the SO.</p> <p>Streamlining the asset registration process has already made progress. There is standardisation of asset information which could be enhanced through adherence to common standards around data transfer.</p> <p>System Use Case</p> <p>A common registration of assets could be useful for the prequalification process. It could help the FSP push relevant asset information to the MO. The responsibility for providing the information and making sure that the asset is available to the market would remain at the FSP.</p> <p>We have assumed minimal information is stored in the asset register and that any specific market information (such as the validation of asset and product) is stored locally.</p> <p>The onboarding of the assets in the central asset registration takes place by the FSP prior to engaging with the market.</p> <p>The FSP is sends the asset information to the MO as part of the onboarding to the market. However, the validation of the asset remains at the SO for each market. We do not expect that the SO would populate the relevant validation at a common registry. Nor do we expect real time updates to the availability of the asset (either physical status or based on market commitments) at the asset register. We expect that the availability of the asset to be assured by the FSP.</p> <p>Our vision empowers the FSP as it keeps them central within the market. They can pursue differentiated commercial strategies allowing greater commercial freedom to maximise their flexibility.</p>

[illegible][illegible]

Diagram(s) of the Use Case

Please include sequence diagram(s) working through the scenario steps to show how they are implemented in the SUC proposed.



[illegible]