

By email only: [Flexibility@ofgem.gov.uk](mailto:Flexibility@ofgem.gov.uk)

23 September 2024

Dear Euan,

## Consultation on Flexibility Market Asset Registration

Thank you for inviting input into your plans for common Flexibility Market Asset Registration (FMAR) in ESO and DSO markets. This letter should be treated as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc ('EPN'), London Power Networks plc ('LPN'), and South Eastern Power Networks plc ('SPN').

UK Power Networks, and its Distribution System Operator (DSO), is a strong supporter of Ofgem's ambition for more joined-up digital infrastructure and systems to encourage greater liquidity in flexibility markets. The key to this is to empower consumers and other suppliers of flexibility services to be able to maximise the benefits available from the various market opportunities.

All will gain if markets have increased participation, including consumers, as competition should drive down the cost of flexibility interventions and increase the opportunities for cost-effective alternatives to traditional network reinforcement.

In the year to April 2024, our DSO saved customers an estimated £91 million through the use of flexibility services to avoid or defer distribution network reinforcements. We anticipate that this opportunity will grow rapidly in the coming years if the required flexibility markets can cater for the increased demand we believe will exist at local and national levels.

FMAR is an important enabler of more liquid flexibility markets and better ESO/DSO coordination and is therefore something we fully support. Given the substantial standardisation of DSO asset data that has already occurred, and the urgency of boosting flexibility markets to reduce the cost of the Net Zero transition, we have a number of further suggestions:

- **Bring forward the timing of asset registration** – Whilst we agree that the new Market Facilitator would be well placed to coordinate the design process, we do not believe waiting until the Market Facilitator is expected to be fully operational (late 2025) is required. We believe a target for full delivery during 2026 at the latest should be possible, drawing on the work which has already been completed in Open Networks. This will improve efficiency and avoid the likely hundreds of thousands (possibly even millions) of flexibility assets being registered in the 2026-2028 period having to be re-registered with the FMAR at a later date. Plans would also benefit from setting out the whole customer journey, i.e. when data will be captured and when it will be fed into the FMAR;



- **Improve alignment of projects and systems** – For example the Automatic Asset Registration programme. Further overarching governance would create greater confidence in the coherence of these plans and support increased meaningful stakeholder engagement;
- **Utilise strong incentives and policy to increase demand for asset registration** – Currently the registration of flexibility assets is geographically uneven and modest. The Energy Digitalisation Strategy was clear that technical solutions for integration of markets must be coupled with policy solutions to drive greater demand. Incentives for DSOs specifically to drive up the rate of registrations should be considered. Furthermore, retail reform to encourage suppliers to develop longer-term partnerships with consumers to invest in and make use of flexibility assets and possibly wholesale market reform for greater temporal variation in consumer prices should also be considered.

We hope you find our response useful. UK Power Networks has substantial experience of registering small-scale flexibility assets including more than 30,000 assets operational in our markets today. We would be happy to share our learnings with Ofgem and the Market Facilitator as well as continuing to make it available through the Open Networks project for as long as that continues.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Georgiopoulos', followed by a period.

Sotiris Georgiopoulos  
Director of DSO  
UK Power Networks

## Appendix: Response to questions

Q1. Do you agree that policy intervention is needed to deliver common Flexibility Market Asset Registration?

Yes. It is unlikely that a common solution will emerge organically. We welcome the clear direction of travel presented by the consultation and would suggest that the earlier a solution is implemented the better.

Q2. Do you agree that for other Flexible Digital Infrastructure (FDI) outcomes policy intervention is not needed at this stage? Are there any risks to consider with this approach to FDI delivery?

Yes, we believe that asset registration represents the clearest need for intervention, and as a foundational capability it would inform any subsequent intervention. We note that Ofgem's proposed intervention for Data System Infrastructure already covers some other foundational elements of the FDI.

We believe it will be important to track and encourage developments in other areas – particularly ESO-DSO coordination – ensuring that coordination is not just for the willing. UK Power Networks is leading the way in terms of data exchange with the ESO and we would welcome similar ambition across the industry. Ofgem may need to review incentives and obligations to make sure that rapid progress is made across the board and at pace.

Q3. Are there any other policy alignments or industry developments, in the UK or internationally, which should be considered as part of ongoing FDI policy development?

The consultation document references many connected initiatives. While we do not have additional developments to add – we would welcome a clearer articulation of how these initiatives are intended to fit together and will be managed as a coherent programme to deliver the overall policy objectives. We believe it is important for Ofgem to build and maintain a broad understanding of how these measures should support one another.

Q4. Do you agree with the scope proposed for markets, assets, and data? Should anything else be considered?

We believe that Ofgem should consider the prioritisation of Wholesale Markets, particularly in light of increased market access for small assets and aggregators through P415 and related BSC modifications. Simplifying wholesale market access is likely to provide a significant benefit to <1MW assets – far more, for example, than ESO Response services.

We agree with the assets within scope.

By adopting a standard set of data fields, we would caution that we should not make registration harder for market participants – for example, requiring a consumer to locate the serial number on their heat pump could be an unnecessary burden for some services. Similarly, we would caution against service-specific requirements being included as mandatory data. We would expect the core set of data fields to support entry into all DSO markets, and the majority of ESO markets.

There is significant ambiguity in a number of the proposed data fields. For example, 'flexibility capacity' could be interpreted as the ability to turn up or down and will depend on the baseline applied for a particular service. Similarly export/import may be interpreted at the asset or site level. It will be important to give clear and consistent guidance to ensure that data can be used with confidence for its intended purpose. Connection constraints are unlikely to affect residential assets directly but may be active within the same area of the network (this may also change over time). Such constraints

may be better captured separately and linked through the MPAN. For some asset types, 'maximum duration of operation' may be better expressed in energy (kWh) rather than time (h).

We would be happy to share more detailed learnings with Ofgem from our experience of registering tens of thousands of assets for UK Power Networks' flexibility markets.

Q5. Do you agree with the functional outcomes? Should anything else be considered?

Within 'Appropriate collection points' we believe that more thought is required to consider an appropriate set of customer touchpoints (not just 'market entry') – for example:

- connection to the network
- asset change of ownership
- change of flexibility service provider

Q6. Do you agree with the design principles? Should anything else be considered?

We agree with almost all of the design principles.

We do not believe that 'support the latest technology developments' is an appropriate design principle in isolation. The benefits of the latest technological developments should of course be considered, not least to avoid lock-in to legacy technologies, but their value must be balanced against the cost and their suitability for meeting other functional objectives. For example, it is particularly important that common infrastructure of this type should remain accessible to a range of parties.

Q7. Do you agree with the enablers and design activities needed and for the Market Facilitator to coordinate Working Groups for them? If not, what other activities and governance arrangements should be considered?

We believe that the required enablers are already largely in place. In particular, alignment of the data required for DSO flexibility market registration and pre-qualification has largely been completed through Open Networks.

We agree that the Market Facilitator would be well placed to coordinate the design process, however we note that this is likely to lead to a significant delay in any operational capability and associated benefits since the Market Facilitator is not expected to be fully operational itself until late 2025.

We would like to see a plan to align other projects and systems, such as the Automatic Asset Registration programme. More overarching governance would create greater confidence in the coherence of these plans and support more meaningful stakeholder engagement.

Q8. What are the advantages and disadvantages of the proposed delivery body options for the Flexibility Market Asset Registration digital infrastructure? Are there any additional options that should be considered? Do you agree with the justification for discounting approaches?

We believe that Options 4 or 5 have best chance of delivering the functional outcomes and design principles. We agree the rationale for discounting Option 1. We are not proposing any alternative options.

Q9. Do you agree with the timelines proposed? Should anything else be considered?

We believe the proposed timeline of deployment between 2025 and 2028 is too uncertain and that deployment in 2028 would be unnecessarily and undesirably slow.

We would like to see an operational system significantly ahead of 2028, preferably by 2026 at the latest. Across the industry we have significant experience of asset registration, which could quickly be brought to bear to deliver a working technical solution. We are concerned that the number of pre-FMAR assets which need to be migrated will number in the millions by 2028, hence our desire for a more accelerated timeline.

Q10. What existing or new policy levers could be used to improve asset visibility?

There appears to be significantly more focus on technical solutions rather than on addressing the awareness and incentives to improve asset visibility as highlighted by the Energy Digitalisation Strategy. We believe that Ofgem should consider how existing or new financial and other incentives can be deployed to support this programme. Maximising asset registration could be a specific objective for the NESO and an issue which forms part of its reporting obligations. At DSO level there could also be specific reporting of asset registrations built into the DSO incentive mechanism.

Q11. What use cases for asset visibility should be considered as priorities and why? UK Power Networks supports the use of flexibility assets across a wide range of markets, allowing stacking wherever possible in order to maximise the potential rewards available for providers of flexibility. Maximising rewards will increase liquidity and drive down the cost whilst increasing the ubiquity of flexibility services.

We therefore support asset visibility across all potential use cases. As noted above, we consider that Ofgem should look at the prioritisation of wholesale market access for smaller flexibility assets registered elsewhere, given the size of this opportunity.

Q12. What costs, benefits or factors should be considered in a Cost-Benefit Analysis for asset registration solutions? Consideration should be given to:

- the time (in minutes) and resources required to complete current EREC G98, EREC G99 and MCS asset registrations (accounting for any recent process improvements, including ENA's Connect Direct)
- the current rate of duplicative registration processes for assets (e.g. networks and MCS)
- whether any additional asset data (beyond that of the current registration processes) needs to be registered to enable the benefit cases to be realised
- the costs to establish and maintain a register of assets
- the process required to assess suitability in accessing asset data
- what the essential asset registration requirements are to enable the benefit cases to be realised

We generally consider the factors identified to be appropriate to inform the development of a Cost-Benefit Analysis for asset registration solutions. We would additionally suggest Ofgem consider the potential benefits of increased liquidity and competitive DSO Flexibility Markets, if all assets known to the ESO were visible to the DSOs and available within their markets.