

ELEXON

10 February 2025

By e-mail to: FWP@Ofgem.gov.uk

Dear Enterprise Portfolio Management Office,

Re: Forward Work Programme – 2025/26

Thank you for the opportunity to respond to your consultation on Ofgem’s “Forward Work Programme” for 2025 and 2026.

Elexon is an independent, not-for-profit organisation that has been operating for 25 years, playing a critical role as an expert delivery body, supporting the transition to a net zero energy system.

We provide governance, settlement and data platforms (Elexon Kinnect), and manage the Balancing and Settlement Code (BSC). This enables the smooth and effective operation of the electricity market, which includes energy suppliers, generators, flexibility service providers and network companies across Great Britain.

Over the past year, we have helped around 50 new companies enter the market, enabling a more flexible and innovative energy system. Our end-to-end expertise in governance, assurance, technology platform development and electricity market data, are available to support the industry, Government and Ofgem, as the energy sector transitions to clean power and net zero.

Building on our purpose of serving the industry, the electricity market data we hold is open, and available for anyone to access, analyse and distribute. As a trusted, independent and reliable market expert, we continuously look to evolve and innovate for the benefit of our customers and consumers.

Elexon is also the Implementation Manager for the Market-wide Half Hourly Settlement (MHHS) Programme, a key enabler of the flexibility required for the transition to net zero. Once MHHS is fully implemented, Elexon will be managing 500-billion-meter readings per year, and we have built a smart meter data messaging service – the Data Integration Platform (DIP).

We also calculate, collect and distribute payments that incentivise investment in low carbon generation and energy security for the Capacity Market, Contracts for Difference (CfD) and Nuclear RAB schemes, on behalf of the Low Carbon Contracts Company (LCCC).

In July 2024, Ofgem appointed Elexon as the market facilitator for distributed flexibility. The market facilitator will provide governance to the growing distributed flexibility markets,

supporting to remove barriers and simplify the process for flexibility service providers to access and navigate local flexibility markets. This will support an increase in participation and liquidity in these markets, leading to lower system costs and reduced consumer bills.

We have limited our response to areas where we feel we can add value. If you would like to discuss any areas of our response, please contact **Marta Milan**, Senior Advisor (marta.milan@elexon.co.uk).

Yours sincerely,



Peter Stanley
Chief Executive
Elexon

Our response

We welcome Ofgem's 2025/26 Forward Work Programme and agree with the priorities identified and we have built on these priorities to call out specific observations. Elexon is committed to working and collaborating with Ofgem and all stakeholders to enable the Clean Power ambition and we welcome Ofgem's initiative to develop an integrated programme of work, bringing together all regulatory interventions required to meet the government's Clean Power 2030 objective. Given the significant number of outcomes to achieve across the sector to reach this important goal, we also welcome the prioritisation of initiatives.

2025 is the first year of the ambition Clean Power 2030 Action Plan, and it is essential that this is a foundational year, that sets up success and progress for the following years of the 2030 target.

As Ofgem assumes new responsibilities with more direct oversight over codes and other central bodies, with the publication of an annual Strategic Direction Statement, we believe it will be increasingly important to work together and have overview of Ofgem's key priorities going forward. To this end, it could also be useful for Ofgem to consider including an 'update section' in the future Forward Work Programmes to track Ofgem's progress against their previous year's proposals.

Please find below our thoughts on Ofgem's key areas of focus within each priority.

Strategic Priority 1: Shaping a retail market that works for consumers

We note that Ofgem is focusing on two main areas: pricing protection and regulation, and affordability for vulnerable consumers. We recognise that these areas are both important priorities. At the same time, we believe that a reform of the retail markets is also necessary - to better stimulate innovation and consumer engagement, as we have outlined in our

[response](#) to Ofgem's consultation on innovation in the retail markets¹.

In the last few years, we have witnessed an increase in the offer of innovative services in the retail markets, such as energy as a service, advisory and energy management services, load control activities and demand side response, and the operators who provide them. This is certainly a positive and encouraging sign, which also demonstrates the need for a general review of the retail market, which is becoming increasingly complex. We therefore believe that this should be an additional priority for Ofgem.

More specifically Elexon believes that the new regulatory framework resulting from a review of the retail markets should pursue the following primary objectives:

- Reducing administrative and financial barriers to innovation and domestic and small-scale flexibility. Given the significant growth targets in the required flexibility outlined in Clean Power 2030, we welcome the introduction of this workstream in the priorities of the initiatives that Ofgem intends to develop during the year connected to Clean Power, and we are keen to contribute to this workstream.
- Stimulating consumer awareness and trust about the new opportunities offered by the evolution of the system, and how they as a consumer, play a vital role in the net zero transition.
- Unlocking the value of half-hourly data in a secure and trusted way, encouraging and working with suppliers to develop innovative time of use tariffs to support household flexibility.
- Ensuring that consumers receive adequate protection and incentives for the uptake of new products and services.
- Improving energy management services, particularly comparison websites.

We believe that unlocking the value of data is a key innovation for the retail markets, which will bring further opportunities and changes to the system. At Elexon we are proud to play a pivotal role in enabling this transition and are committed to supporting the sector on improving the accessibility, discoverability, and interoperability of half-hourly data.

We also believe that the new ambition to achieve Clean Power requires an important shift in terms of consumer engagement and behaviour and we support all the initiatives and trials aimed at protecting consumers and improving customer service and trust. For instance, we are supportive of the Consumer Confidence [programme](#)² to enhance customer experience and protection. We also believe that that the consumer journey needs to be simplified and that processes and platforms for data management need to be developed in a secure, transparent and trusted way for consumers. We particularly welcome the Consumer Consent initiative, which plays a vital role in unlocking the benefits of half-hourly settlement. We think this should be another priority for Ofgem and fully support the need for a digital solution allowing consumers to share their data in a trusted and secure way⁽⁰⁰¹⁾.

Strategic Priority 2: Enabling infrastructure for net zero at pace

We are very supportive of Ofgem's plans "to ensure the necessary investment in energy networks is secured at lowest cost to consumers" and strongly recommend that in regulating price control for RIIO ED3, Ofgem should continue to maintain emphasis on

¹ [Elexon's response to Ofgem's consultation on innovation in the energy retail market - Elexon](#)

² [Consumer confidence: a step up in standards | Ofgem](#)

flexibility as a viable alternative to network reinforcement. We stated in our [response](#) to the ED3 framework consultation, that we agree with the logic that unnecessarily deferring reinforcement to the future could lead to higher costs, we believe that neither underinvestment nor overinvestment delivers efficient or optimal outcomes for consumers.³

The new ambition to achieve Clean Power by 2030 requires further effort from the whole society, an acceleration of investments in clean electricity generation and network infrastructure, and a five-fold increase in flexibility.

Given the substantial growth in distributed low-carbon technologies expected over the next five years,⁴ it is essential to build distribution networks that can accommodate this increase in demand and generation. Network development, both at the transmission and distribution levels, will play a crucial role in reducing system congestion and the need for balancing actions, which will help lower balancing costs for consumers.

However, flexibility should remain a fundamental tool in the toolkit throughout the RIIO-3 period.

With specific regards to the distribution networks, the first year of RIIO-ED2 saw significant progress in the flexibility space, with DSOs tendering and contracting record amounts of flexibility (6.4GW and 3.2GW respectively), deferring over £362 million⁵ worth of traditional network upgrades, delivering substantial savings to consumers. Additionally, many other initiatives have been progressed within local flexibility markets. Going forward, we believe that flexibility remains a critical tool for market operators and will only grow in importance as markets mature.

The introduction of the market facilitator role aims to support the growth of local flexibility markets and market liquidity, and we expect improvements in tendered and contracted flexibility volumes, further emphasising its role as a key market mechanism and an alternative to reinforcement.

The pathway to net zero is still 100% unclear, however there is not a single path for Clean Power without flexibility as a key driver. On the contrary, there are many elements of uncertainty which now do not allow us to have a complete picture of tomorrow's investment needs. In addition to this, it should be noted that the implementation of half-hourly settlement and consequent development of new business models and innovative products (e.g. vehicle to grid tariffs, smart use of tariff, energy management services) are likely to enhance consumer engagement and change the way in which consumers interact with flexibility markets. The outcome of this interaction and engagement could change the needs for investment in the networks in the future.

Considering all these uncertainties, to avoid the risk of sunk costs for the system and consumers, we strongly recommend that in regulating price control for RIIO3, Ofgem needs to maintain the emphasis on flexibility as a possible alternative to reinforcement.

Strategic Priority 3: Establishing an efficient, fair and flexible energy system

³ Elexon (2025), [Elexon's response to Ofgem's consultation on ED3 Framework - Elexon](https://www.elexon.com/2025/01/16/elexons-response-to-ofgems-consultation-on-ed3-framework/): <https://www.elexon.com/2025/01/16/elexons-response-to-ofgems-consultation-on-ed3-framework/>

⁴ DESNZ (2024), Clean Power 2030 Action Plan: A new era of clean electricity; <https://assets.publishing.service.gov.uk/media/677bc80399c93b7286a396d6/clean-power-2030-action-plan-main-report.pdf>

⁵ [Open Networks - 2024 Flexibility Figures – Energy Networks Association \(ENA\)](#)

We support Ofgem's plans to work with Elexon to harmonise market arrangements and we want to continue to work constructively with Ofgem and industry to drive current and future initiatives that will support the Flexibility Digital Infrastructure vision and Government's ambition in the Clean Power 2030 Action Plan for flexibility to play a greater role in minimising cost to consumers and maintaining security of supply at the lowest possible costs.

As the market facilitator for local energy flexibility, encompassing both local Distribution System Operator (DSO) and National Energy System Operator (NESO) markets - we will play a crucial role alongside NESO, Ofgem, DSOs, Flexibility Service Providers (FSPs), and the wider industry to develop flexibility markets that are open, fair, and coordinated to ensure beneficial use and growth of flexibility. We aim to lead in driving forward flexibility by setting the strategic direction as well as address key barriers in markets around alignment, transparency and stackability.

We recommend that Ofgem leverages the synergies between the market facilitator and other initiatives in the digital space aimed at removing barriers and standardising rules and technical arrangements. We believe it is crucial that there will be alignment and coordination between these initiatives that pursue the same goals. We therefore recommend and welcome an integrated approach regarding the development of new digital platforms, such as the Flexibility Market Asset Register (FMAR), which will provide a solution to one of the main barriers that prevents assets coming to market.