

Joseph Cosier
Decentralised Energy Systems
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

11 February 2025

Dear Joseph,

MARKET FACILITATOR POLICY FRAMEWORK

We welcome the opportunity to respond to Ofgem's consultation on the Market Facilitator (MF) policy framework. This response is on behalf of ScottishPower and reflects the views of our renewable generation and retail supply businesses. Our network business, ScottishPower Energy Networks (SPEN), is responding separately from its perspective as an electricity transmission and distribution network operator.

We appreciate Ofgem's responsiveness to sector feedback from previous MF consultations and industry engagement. Ofgem has made a concerted effort to incorporate stakeholder views, clarifying previous ambiguities regarding the role, its definition, and the governance framework crucial to its success.

While we recognise the challenging nature of the MF role and Ofgem's efforts to avoid overburdening Elexon, we believe there is room for adjustments to the timeframe and scope, as detailed in our responses to the consultation questions in Annex 1. In particular:

- Implementing a transitional role would allow Elexon to commence operations sooner and address unforeseen issues.
- Establishing clearer timelines for publishing delivery plans and Elexon's draft budget would help alleviate stakeholder pressures, enabling effective planning and timely responses.
- Including the Capacity Market (CM) and wholesale markets in the initial scope as part of a strategic review would prevent their development from occurring in isolation and ensure alignment as flexibility markets mature.

Yours sincerely,

A handwritten signature in blue ink that reads "Richard Sweet". The signature is written in a cursive, flowing style.

Richard Sweet
Director of Regulatory Policy

MARKET FACILITATOR POLICY FRAMEWORK – SCOTTISHPower RESPONSE

Question 1: Do you agree with the proposed forward workplan and roles and responsibilities for setting up the market facilitator?

We broadly agree with the proposed forward workplan and the roles and responsibilities for establishing the Market Facilitator (MF). However, we suggest that Ofgem considers implementing a transitional role for the MF. This would allow Elexon to commence operations sooner and identify any unforeseen issues. Maintaining stakeholder interaction and transparency during this period would facilitate a smoother transition to the enduring MF role.

Furthermore, we encourage greater clarity and specificity regarding the dates for each forward workplan publication. This would help stakeholders distinguish between publications occurring in the same season and enable better planning and response to each.

Question 2: Do you agree with the proposed scope of the market facilitator, in particular in relation to the Balancing Mechanism? If not, what would you change and why?

We understand the need to prioritise and stagger the inclusion of different market areas within the MF's scope. Focusing on the Balancing Mechanism (BM) and aligning DNO and NESO services in the early stages is a sensible approach, given the immediate need to unlock flexibility and the importance of delivering tangible outcomes without overloading Elexon.

While we recognise the rationale for deferring the inclusion of the Capacity Market (CM) and wholesale markets until a later stage, we believe these areas should not be entirely excluded from the initial scope. Given the rapid evolution of smart technologies, consumers would suffer without some level of inclusion or futureproofing. Without market integration, the ability to stack services is limited, making offers less appealing and reducing consumer incentives. Including these markets in the early stages as part of a strategic review would ensure their development does not occur in isolation. Early consideration would help identify key interactions and dependencies, laying the groundwork for their integration in the medium term and reducing the risk of misalignment as flexibility markets mature. Furthermore, maintaining transparency throughout this process, regarding current and potential changes to the scope of operations, would reduce the risk of overloading Elexon while enabling markets to progress in parallel.

Question 3: Do you agree with the proposed enduring roles and responsibilities for Elexon as market facilitator, in particular on working with NESO and inputting in NESO and DNO performance assessment? If not, what would you change and why?

We acknowledge and support the proposed enduring roles and responsibilities. The outlined structure is robust, with a clear focus on fostering alignment and transparency across flexibility markets.

However, we recognise the difficulty of achieving a balanced and effective relationship between the NESO and DNOs, given their differing structures, regulatory requirements and operational frameworks. To support Elexon in achieving this synergy, we urge that the monitoring and reporting functions, including assessments of implementation and effectiveness, are made public. Transparency in these processes will foster greater trust in Elexon's role and enable industry stakeholders to engage constructively in identifying and resolving issues.

Question 4: Do you agree with our proposed roles and responsibilities for key actors and on stakeholder and external scrutiny, in particular in relation to including a stakeholder survey, a stakeholder advisory board and an appeals process? If not, what would you change and why?

We believe that stakeholder input and external scrutiny will be crucial in helping Elexon identify and resolve issues in its role as MF. In line with the proposed forms of stakeholder input, we suggest that the stakeholder advisory board would greatly benefit from the leadership or inclusion of trade bodies, such as EnergyUK. These bodies have key contacts and extensive experience in market engagement and the establishment of forums to address critical issues, thereby effectively representing the market's interests.

Regarding the appeals process, we suggest alignment with the energy code modification appeal process. Specifically, we propose allowing 15 working days after the publication of the relevant technical output for submitting appeals, followed by 10 working days for Ofgem to decide whether to grant permission to appeal. Additionally, Elexon should have a defined timeframe to respond to the appeal, and Ofgem should also have a set timeframe to determine the appeal. This structured approach ensures that appeals are handled efficiently and effectively, providing all parties with clear deadlines and sufficient time to address any issues raised.

Question 5: Do you agree with our proposals on the market facilitator delivery plan, in particular in relation to the two-year timeframe, adding an annual delivery schedule and Ofgem's role? If not, what would you change and why?

We agree that the proposals made on the MF delivery plan are reasonable, however, we encourage Elexon to search for opportunities to speed up delivery.

Question 6: Do you agree with our proposals on the market facilitator budget, in particular in relation to Ofgem's role and the proposed requirements? If not, what would you change and why?

When setting the draft budget, we recommend establishing a more precise timeframe. This would provide stakeholders with adequate time to respond and allow for the implementation of potential changes. It would also prevent the process from being rushed due to the draft budget being published later than anticipated.

Question 7: Do you agree with our proposals on the other key market facilitator deliverables? If not, what would you change and why?

Again, we would stress the importance of transparency when reporting and monitoring, to allow Elexon and stakeholders to track the progress of standardised market processes, rules, standards and services across NESO and the DNOs.

Question 8: Do you agree with our proposal not to include financial incentives and instead require Elexon to link its senior management performance related remuneration policy with our performance assessment? If not, what would you change and why?

We agree with this proposal and do not have any further comments.

Question 9: Do you agree with our proposals on performance assessment, in particular do you have views on the quantitative metrics we should consider? If not, what would you change and why?

We agree with this proposal and do not have any further comments.

Question 10: Do you agree with our proposals on performance expectations, in particular in relation to our proposed 2028 objective? If not, what would you change and why?

We believe the current performance expectations are reasonable for the market. However, we encourage Elexon to remain agile and adaptable to change. By staying attuned to market dynamics and maintaining flexibility, Elexon may find opportunities to accelerate plans and achieve objectives ahead of schedule.

ScottishPower
February 2025