



VIA Email ONLY

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

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E. ON UK

Westwood Way
Westwood Business Park
Coventry
CV4 8LG
eonenergy.com

Charlotte Goodman
Energy Policy Manager
charlotte.goodman@eonenergy.com

Ref : Market Facilitator Policy Framework Consultation

Thank you for the opportunity to respond to Ofgem's Market Facilitator Policy Framework Consultation.

Please find below E.ON's response.

Summary

E.ON is supportive of Ofgem's proposed Market Facilitator (MF) as a means of unlocking the potential of flexible energy – a resource which will become increasingly relevant as the UK decarbonises.

As we will expand upon within our responses below, we are broadly supportive of Ofgem's proposed governance mechanisms on the basis that they show an encouraging commitment to ensure the MF is held accountable for progress against its targets.

We also welcome the initiative for the MF to have a credible level of legislative capacity via the introduction of licence conditions (for DNOs and NESO to adopt its recommendations (where reasonable)).

We do, though, have serious concerns in relation to the proposed scope of markets which we believe is : (a) incomplete and (b) too restrictive.

In order to address issue (a), we would urge Ofgem to include wholesale markets and the Capacity Mechanism within the scope of the MF from inception - i.e. not just from Second Delivery Plan (since that this not be will in place until 2028-9). Our rationale is that many of the fundamental failures which have created a need for the MF lie within these two markets, and are also relevant across multiple flexibility revenue streams. It would therefore be more efficient to tackle these common barriers collectively.

Registered Office:
Westwood Way
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To manage the risks associated with point (b), we would ask that Ofgem embed the ability for the MF to adopt a more agile approach to the scope of its markets as a point of principle. This would allow for it to intervene/support in a scenario where there are unforeseen developments in an “out of scope” market affecting its overarching objectives.

Responses to Consultation Questions:

Q1. Do you agree with the proposed forward workplan and roles and responsibilities for setting up the market facilitator?

E.ON agrees with the proposed forward workplan and roles and responsibilities for setting up the market facilitator function.

Whilst Government’s ambitious Clean Power 2030 target creates an imperative for the MF to be delivering results as soon as is possible, we acknowledge that it is unfeasible for it to be fully operational before the start of 2026.

In this intermediary period, we believe there would be merit in Ofgem granting the MF some degree of transitional decision making in a similar vein to the mechanism proposed under Regional Energy Strategic Plan (RESPs) – i.e. the transitional RESPs (tRESPs). We note that this is being delivered to an extent since Elexon has taken over chairing of the Open Networks Challenge Group.

Q2. Do you agree with proposed scope of the market facilitator, in particular in relation to the Balancing Mechanism? If not, what would you change and why?

E.ON does not agree with the proposed scope of the MF in terms of the exclusion of the Capacity Market (CM) and wholesale markets until Plan 2 (i.e. 2028-29). Per our commentary in the introductory summary section, many of the barriers to access/flexibility market issues pertaining to these two markets (wholesale and the CM) are prevalent across other flexibility markets. It therefore seems counter-intuitive not to tackle these issues simultaneously, and across all markets, where possible.

It should also be noted that, with the expected uptake of flexibility platforms (both those instigated by industry, and those via Ofgem programmes such as the Flexibility Market Asset Register), there will be a greater need to ensure market access barriers are unlocked across all flex revenue streams. Therefore again, excluding wholesale and CM from the initial scope of the MF could be a significant missed opportunity to stimulate a liquid flexibility market place.

We also have concerns over the proposed exclusion of Active Network Management (ANM) from the scope on the basis that not addressing this risks jeopardising the MF’s endeavours to address stacking.

This is not to say that we are not supportive of the proposed focus on unlocking DNO flex, NESO ancillary markets and the Balancing Mechanism (BM) in the first delivery plan.

Q3. Do you agree with 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?

E.ON agrees with the proposed enduring roles and responsibilities for Elexon as MF, notwithstanding our earlier commentary on the markets in scope.

We are also of the view that the proactive approach Ofgem are envisaging – for example “proactively identify barriers to flexibility to either address or raise with relevant party” – further supports our stance that the Market Facilitator’s remit should be less narrow than the current proposals allow.

Assuming that the wording in relation to the MF proactively identifying barriers translates into identifying, and therefore preventing, new flexibility market barriers from arising, we are also strongly in favour of this approach. This is on the basis that the MF ensuring new flex markets are designed to be as accessible as possible for all should remove the need for retrospective adjustments to be made – an outcome which would reduce administrative burdens and increase the uptake of flexible energy resource.

In relation to the proposals around the BM specifically, whilst we appreciate that NESO will need to retain overall control/responsibility for its service design, if the MF is – indeed - to be able to input into NESO’s market design framework and the [service] design at an early stage (prior to consultation), it is imperative that it is allowed sufficient visibility into NESO’s decision making processes and rationale in order to be able to act as a valid “critical friend”.

Q4. 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?

E.ON supports Ofgem’s proposed roles and responsibilities for key actors, and on stakeholder and external scrutiny. We believe the role of the stakeholder advisory board has the potential to be pivotal and, as such, it would be useful to have greater clarity as to how this function is envisaged to work.

As an over-riding principle, we would like to see the widest level of representation across all industry parties on the stakeholder advisory panel where possible, including consideration being given as to whether input from other sectors with overlap may add value.

Q5. 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?

E.ON are broadly supportive of Ofgem’s proposals on the “market facilitator delivery plan”, including the two-year timeframe (with an annual schedule embedded within this).

We are keen to emphasise, however, the need for there to be continued informal industry engagement alongside formal updates (such as the published schedules).

It should also be noted that some initiatives may extend beyond the 2 year timeframe and – as such – an indicative view as to where this may be applicable, including the envisaged distribution of sub-milestones across more than one delivery plan period, would be useful.

Q6. 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?

E.ON has no comment.

Q7. Do you agree with our proposals on the other key market facilitator deliverables? If not, what would you change and why?

E.ON are supportive of Ofgem's proposals on the other key MF deliverables, in particular those relating to technical outputs such as new common rules, standards and input into the design/delivery of digital infrastructure.

We are particularly supportive of input into digitalisation programmes on the basis that some form of wider oversight is needed within this space to avoid the risk of duplication and/or measures which may inadvertently contradict with one another.

E.ON welcomes the proposed implementation report/tracker as an essential means of ensuring there is a landscape of accountability, and in order to deliver transparency in relation to progress.

As an over-arching principle, we would like to see as much visibility into the MF's actions and recommendations as possible – for example, where strategic advice has been given, and also into the decision making process relating to requests to address a policy/regulatory barrier (and why it may be deemed to be outside of the MF's remit).

Q8. Do you agree with proposal not to include financial incentives and instead require Elexon to link its senior management performance related remuneration policy with performance assessment? If not, what would you change and why?

E.ON has no comment.

Q9. Do you agree with proposals on performance assessment, in particular do you have views on quantitative metrics? If not, what would you change and why?

Overall, E.ON agrees with Ofgem's proposed performance assessments.

In terms of quantitative metrics, we are of the view that reporting on the technology and/or resource participating in a given market would also be valuable taking, for example, learnings on skip rates under the BM and how these may be have been able to have been identified earlier if such a metric was in place.

Q10. Do you agree with proposals on performance expectations, in particular in relation to proposed 2028 objective? If not, what would you change and why?

E.ON is supportive of the intent behind Ofgem's proposals on performance expectations, and welcome the efforts which have been put into setting out the provisional view within this consultation.

However, it is our view that many of these are subject to interpretation which – in turn - risks undermining their value as a performance measure.

Therefore, we believe that all stakeholders collaborating in order to reach a commonly agreed, and more detailed, understanding as to what these would translate to in practice is needed.

It is our view that is an issue which is particularly relevant when considering the metrics "unlocking revenue stacking" and "streamlining and standardising flexibility market arrangements".

In order to avoid any ambiguity more broadly, we would advocate - wherever possible - for performance expectations to be set out against a SMART framework.