

## Consultation Response: Market Facilitator Policy Framework

Dear Decentralised Energy Systems team,

We at [Electron](#) appreciate the opportunity to contribute to Ofgem's Market Facilitator Policy Framework Consultation. As a leading provider of digital platforms for energy flexibility markets, we strongly support the role of the MF in standardising and integrating flexibility markets across all levels of the energy system, ensuring value stacking across DNO, NESO, and wholesale markets. Our response emphasises the importance of:

**Prioritising Whole-System Value and Value Stacking:** The Market Facilitator (MF) should prioritise embedding whole-system value considerations into its role, ensuring that flexibility markets are designed to allow value stacking across multiple markets. This means enabling Distributed Energy Resources (DERs) to access the full system value of their flexibility, whether through DNO, NESO, wholesale markets or other markets such as local energy markets, curtailment avoidance, connection capacity expansion, etc. The MF should focus on creating interoperability between these market time windows to enable the confirmation or release of options on MWs, thus ensuring that assets can seamlessly participate in multiple markets without unnecessary fragmentation or friction.

**Establishing and Evolving Common Standards and Shared Tools:** The MF should focus on industry enablement and reducing friction in flexibility markets. This includes developing standardised processes, governance of shared APIs, and developing or adoption shared industry tools (that can be used across multiple competing platforms instead of mandating a single platform) that allow for rapid deployment and interoperability. The MF should avoid over-prescribing solutions, instead allowing the market to devise innovative approaches to flexibility provision. By focusing on enablement rather than control, the MF can foster a more dynamic and competitive flexibility market.

**Accelerating Market Coordination & Knowledge Sharing:** The MF should be a centre for industry collaboration, innovation and adoption. The MF could help the sector learn from best practices, iterate on standard processes, and ensure that regulatory and technical advancements are implemented at pace.

This merged approach ensures that the MF's role is both strategic (embedding whole-system value and enabling value stacking) and practical (strengthening accountability, setting standards, and building tools), while leaving room for market innovation.

Electron is committed to being a constructive and collaborative participant in the energy ecosystem, working alongside Ofgem and other stakeholders to achieve our shared goals. We look forward to continued engagement and are available for further discussions to elaborate on our response.

Thank you for considering our input.

Sincerely,

**Jo-Jo Hubbard**

*CEO, Electron*

## **Recommendations**

### ***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 strongly support including DNO flexibility services, NESO ancillary services, and Balancing Mechanism procurement & reporting within the MF's scope. The inclusion of the BM is a non-negotiable, without this much of the stackable liquidity is eroded.

However, versions of a Capacity Market and Wholesale Market integration could and should also fast-tracked before 2028 to fully realise whole-system value stacking.

DSOs need to be able to consider more (whole system) value to bring greater flexibility volume into the market. DSOs are also well placed to secure far-ahead options on distributed MWs in their region. We would urge that these MWs be considered for playing a role in securing sufficient generation capacity, as well as network capacity. As posited in our Value-Volume [blog](#), more value equates to more volume. Expanding access to capacity markets will increase participation in flexibility markets, strengthening network and system-level optimisation.

Should DSOs not need to utilise the options on MWs that they have secured through availability payments, the MF can play a key role in seeing these options released-say day ahead- into other markets such as those of NESO or the wholesale market. This would all necessitate the sharing of additional information such as dynamic head room limit for the provision of those MWs, the coordination of which information could also be secured by the MF.

Reference our answer to Question 49 of the RIIO-ED3 consultation (See Appendix), for a proposal of this model to enable flexibility service providers to access whole system value regardless of product names or market operator. Delaying integration of capacity or wholesale market handovers until post-2028 risks fragmentation, making it harder for flexibility service providers (FSPs) to operate across markets and reducing overall market liquidity.

We also do not agree with the proposed decision to exclude ANM from the MF's scope. ANM coordination is a prime example of how the MF could enable information transfer from DNOs to NESO, ensuring maximum liquidity across all markets. This is not a complex addition but rather a necessary enabler of market efficiency, and we would welcome further discussion on how this could be achieved. We elaborate more on this in our response to Question 10.

Finally, we believe that the MF's scope should explicitly include enabling local energy markets, energy districts, peer-to-peer capacity avoidance markets, and secondary trading markets. These mechanisms support more efficient grid utilisation, allowing communities, developers, and businesses to actively participate in flexibility markets while maximizing whole-system benefits. One of the criticisms of the Open Networks work programs was that it was network-only focussed and the MF was seen as a solution. As such, MF should not be set up to fall into the same narrow-focus trap.

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

While the MF has a critical role in setting technical standards, its influence over DNO accountability and performance must be secured through the design of its reporting standards, wherein by creating clearer benchmarks and visibility around how flexibility is (or isn't) being used, the MF can ensure that cost-effective flexibility options are embedded in network decision-making. Consider:

**Aligning flexibility service definitions and procurement timings:** this element of market design allows FSPs to evaluate and access maximum system value at the right time and location in the grid. Elexon should not be responsible for designing flexibility products—this must be defined by the procuring entity (NESO/DSO). Instead, Elexon may:

- Challenge inconsistencies and align processes for user experience,
- Standardise interoperability where appropriate,
- But leave specific service design to market participants, as product differentiation is necessary to reflect market-specific requirements.

**Strengthening the MF's Role in Performance Assessments:** the MF could have a formal role (with weightage) in NESO and DNO performance panel assessments to ensure that behavioural and value data from flexibility markets are consistently applied across all network investment decisions. By shaping what flexibility-related performance metrics are reported on, the MF can indirectly drive regulatory action—if poor flexibility utilisation is consistently exposed, Ofgem may take enforcement measures (e.g., financial penalties). The MF should define minimum transparency and reporting standards that DNOs must follow, ensuring that flexibility procurement decisions are scrutinised in a structured, comparable way. Reporting should be publicly accessible and benchmarked, allowing market participants to challenge inefficient procurement decisions.

***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?***

Yes, we agree with the two-year timeframe and the inclusion of an annual delivery schedule. However, the MF's delivery plan should:

- Prioritise early integration of key market coordination functions, ensuring DNO flexibility procurement is aligned with system-level market structures from the outset.
- Actively share best practices and consult on non-reductive workflows, helping industry participants accelerate standardisation.
- Ensure that FMAR deployment milestones are enforced, reducing unnecessary fragmentation in flexibility markets.
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***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?***

We agree but suggest that, insofar as the budgets remain modest, an accelerated approval mechanism should be considered. The MF has the potential to unlock outside system value through a faster, more secure expansion of team capabilities, allowing for early-stage innovation and iterative market improvements.

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

Electron fully supports the MF's focus on standardisation and interoperability, particularly through its role in developing and deploying the Flexibility Market Asset Registration (FMAR). However, to ensure rapid implementation and integration, the MF must:

- 1. Drive Faster Deployment of FMAR and Market Integration:** The MF should set a clear industry timeline for full integration of FMAR across all DNOs, NESO services, AND capacity and wholesale markets, ensuring early adoption. As such, the MF must take an active role in overseeing deployment, ensuring all stakeholders align on interoperability requirements from the outset.
- 2. Establish a Clear Value Stacking Model Across All Markets:** The MF should define a single standardised framework that allows flexibility assets to provide services across multiple market layers without duplicative requirements (See Appendix– Answer 49). This aligns with Electron's work in the Flexibility Markets Unlocked (FMU) initiative, where interoperability will be a key enabler of market efficiency.
- 3. Focus on Industry Enablement, Not Prescriptive Market Design:** The MF should build/promote shared tools and standardised data models and definitions but not dictate market solutions—allowing the industry to innovate within a structured, interoperable framework. Market participants should be given the freedom to develop solutions that best leverage whole-system flexibility value, rather than conforming to rigid processes.

***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?***

Picking up from Question 2, we believe the MF's role should go further in enabling whole-system coordination, particularly regarding Active Network Management (ANM), flexibility market integration, and innovative market structures.

Early work on coordinating DSO and NESO markets—such as Electron's Project TraDER and the LCM (Local Constraint Market)—has already demonstrated the need for DSOs to share headroom and operating envelope availability with NESO. This requirement will only grow as flexibility markets scale, especially as demand turn-up services become as critical as demand turn-down services in certain regions.

ANM coordination must be integrated into the MF's role to establish a standardized approach to directional headroom data sharing between DNOs and NESO. Excluding these elements from the MF's scope misses an opportunity to establish a reusable market structure that can expand the adoption of innovative trading mechanisms while capturing whole-system value. Whole-system value is not limited to DSO and NESO markets—it includes:

- Developers connecting assets faster,
- Communities making better use of local energy,
- Local flexibility being integrated into system-level markets.

If the MF does not design for these capabilities from the outset, they risk being sidelined indefinitely, delaying the realization of fully integrated flexibility markets. The MF should be explicitly mandated to coordinate ANM, local flexibility integration, and market liquidity across system levels, ensuring value stacking is embedded across all future market developments.

## **Appendix**

### ***Ofgem RIIO-ED3 Framework Consultation Question 49: What should the role of the DSOs be in identifying and delivering whole system benefits?***

DSOs are well placed to have a primary interaction with distribution connected assets, as well as a view of the headroom of their local network delivering distribution-connected flex to national/ system-level markets. One of their main challenges in bringing this flexible volume to market at scale is the way in which they are allowed to attribute value to the flexibility they procure (i.e. only distribution-network value which is estimated by the DSOs with whom we speak at 10-30% of potential system wide value in all but the most constrained regions).

One, fairly simplistic and deliverable version of how this could work is as follows:

- DSOs are released to pay FSPs 100% of the whole system value for availability up until e.g. day ahead or nearer real time dependent on market maturity or liquidity. This essentially secures the option on those MWs by location that the DSO needs ahead of time but will have a much better view on day ahead. DSOs are freed to use a slightly less precise approach to then retrospectively verify and settle that value through alternative mechanisms.
- Nearer real time, the DSO will know whether this secured head room is required in this location and could release excess capacity to system level markets within a headroom envelope- sort of a more sophisticated version of the existing LCM market process. This could service market concepts such as generation capacity, short term operating reserve, transmission constraint avoidance and balancing. At this point, this regionally secured flexibility would be competing with assets that haven't sold long term options as well as transmission connected assets.
- Local flexibility markets, working alongside Elexon as market facilitator, could emerge as a solution to coordinate and value flexibility and procured capacity across regional, national, and wholesale markets.
- More dynamic trading mechanisms could be incrementally introduced (such a BiTraDER) to enable FSPs to economically optimise flexibility obligations between themselves, in real time, allowing more efficient resource allocation and optimisation without undermining secured capacity. I.e. working within the capacity envelope that has been communicated to the wider system.

It would be eminently possible to come up with a credible way to perform a cost benefit analysis on this model: as to whether coordinated NESO and DSO flex value could outperform wholesale market only trading strategies for FSPs while delivering more system value. A version of this is being explored within the Flexibility Markets Unlocked project that we are taking part in along with Arup, ESC and the University of Edinburgh. We would welcome the opportunity to discuss it.