

Decentralised Energy Systems Team

The Office of Gas and Electricity Markets

10 South Colonnade

Canary Wharf

London

E14 4PU

By email to: flexibility@ofgem.gov.uk

Date

10th February 2025

Dear Joseph Cosier

SP Energy Networks response to Ofgem's Market Facilitator Policy Framework consultation

This letter is from SP Energy Networks (SPEN), representing SP Distribution (SPD), SP Manweb (SPM) and SP Transmission (SPT). We own and operate the electricity distribution networks in the Central Belt and South of Scotland (SPD) which serves two million customers, and Merseyside and North Wales (SPM) which serves one and a half million customers. We are also the Transmission Owner (SPT) for Central and South Scotland.

We welcome the introduction of the Market Facilitator and broadly support the transitional and enduring activities and roles and responsibilities set out in the consultation. It is essential appropriate transitional arrangements between the Open Networks project governed by the Energy Networks Association (ENA) and the commencement of the Market Facilitator are implemented. This will ensure that as an industry we do not lose progress or traction on key initiatives that will help to unlock flexibility. It should also be a priority for Elexon, in their role as Market Facilitator Clear to define the resourcing requirements and support required from industry to continue to develop initiatives like Primacy, common Baselining and Dispatch interoperability.

As highlighted in the consultation the pace of removing market barriers will also be essential if we are to enable the scale of demand side response to meet the CP2030 scenarios outlined by the National Electricity System Operator (NESO) and by the Department for Energy Security and Net Zero (DESNZ). To this end it is our view that the implementation timescales for the establishment of the Market Facilitator should be accelerated where possible, provided that this does not have a negative impact on the deployment of improvements to market access or the removal of barriers to market participation.

With a broad support for the scope set out, we seek additional clarity on the specifics of including the Balancing Mechanism and excluding innovation from the market facilitator's

scope; the responsibility for educating stakeholders; and clear success metrics and definitions for implementation monitoring.

Whilst we believe that stakeholder engagement will be essential throughout the detailed design and delivery phases, it should also be considered and co-ordinated with wider DSO engagement on Flexibility to avoid duplicated efforts and stakeholder fatigue. It is also our view that there are sufficient existing stakeholder channels that allow Elexon to influence and feedback on DSO performance assessment without implementing a more direct link into the assessment of DSO or DNO performance.

We do not have strong views on the financial incentives that will govern the Market Facilitator, however any incentives should be based on metrics that are within the ability of the Market Facilitator to directly impact. This could exclude the direct use of flexibility market scale as this will ultimately be linked to the collective scale of network requirements that DSOs tender for. This could also create incentivisation that acts against the best interests of customers, particularly if the approach to flexibility outlined within Ofgem's RIIO-ED3 consultation comes into effect.

We have provided no detailed response to the questions set out within the consultation, with our views being reflected in the combined response submitted by the ENA.

Please do not hesitate to contact me if you wish to further discuss our views on the policy framework outlined within the consultation.

Yours faithfully

Gerard Boyd

Head of Flexibility