

*Sent by email to: [flexibility@ofgem.gov.uk](mailto:flexibility@ofgem.gov.uk)*

7th February 2025

## **Market Facilitator - Policy Framework Consultation Octopus Energy Response**

### **About Octopus**

*The Octopus Energy Group is the UK's largest domestic electricity supplier and a global leader in innovative smart tariffs and products that harness and reward consumer demand flexibility. With over half a million customers on smart tariffs and exponential growth, we are pioneering the future of energy. As the owner of Kraken, a platform that connects all parts of the energy system—from customer billing to the flexible management of renewable generation, energy storage, and consumer devices such as EVs, home batteries, and heat pumps—we are at the forefront of energy technology. [Kraken](#) currently has 42.43GW of assets contracted. As a key player in renewable investments, Octopus Energy manages over £6.7bn in assets globally, including more than 2GW of offshore and onshore renewables in the UK.*

### **Introduction**

Octopus Energy welcomes the opportunity to respond to this consultation and appreciates Ofgem's intention to accelerate the introduction of the Market Facilitator (MF). However, we strongly urge Ofgem to go further in its ambition. It is essential that progress is not delayed until the MF is fully operational, particularly on the critical workstreams required to meet the Clean Power 2030 targets.

In particular, we call for immediate leadership and action on the role of demand flexibility in GB energy markets, including a clear focus on demand turn-up. With at least 10-12 GW of demand-side flexibility needed by 2030, as targeted under our Clean Power 2030 ambitions, we cannot afford a restricted timeline that risks compressing progress into four years instead of five.

Furthermore, if the introduction of the MF means that crucial reforms—such as opening up the Wholesale Market (WM) and Capacity Market (CM) to flexibility—

are delayed for another 3-4 years (which, in practice, could mean 6-7 years), then there is a real risk that the MF becomes a distraction and a misallocation of resources. Given the scale of improvements needed to enhance market access, it is vital that the MF is structured to deliver meaningful change rather than introduce further delays.

We also urge Ofgem to set out how it will ensure the MF delivers tangible progress, learning from past experiences such as Elexon's failure to deliver Market-Wide Half-Hourly Settlement (MHHS) on time. While financial incentives may not be the only mechanism required, there must be a clear framework for accountability, ensuring that the MF is outcome-driven and avoids repeating historical delays.

To provide clarity and confidence, we recommend that Ofgem introduces high-level targets or milestones on consumer and other low-carbon flexibility participation, with regular reporting against these objectives. This transparency will be key to ensuring the MF delivers the transformation needed in a timely manner.

## **Questions**

### **Q1. Do you agree with the proposed forward work plan and roles and responsibilities for setting up the market facilitator?**

We strongly support the decision to bring forward the introduction of the Market Facilitator to the end of 2025. Ensuring effective stakeholder engagement and maintaining agility in decision-making will be critical to meeting this timeline and ensuring overall success.

We welcome the plan to begin delivering Market Facilitator activities during 2025, including assuming responsibility for Open Networks workstreams as part of the handover. However, we would like to see Elexon to engage with decision making now on critical areas, such as Balancing Mechanism (BM) and NESO ancillary service market access. This is particularly vital in the context of achieving the Clean Power 2030 goal, which requires at least 10-12 GW of demand-side response (DSR). The MF must think holistically to ensure that the value of flexibility in GB is realised and routes to market brought forward.

We also have concerns around the current slow governance processes and would like to see cultural change from Elexon to drive changes through their working groups at a much faster pace.

**Q2. 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 fully support the inclusion of entry requirements and registration processes within the Market Facilitator's scope, particularly with the aim of aligning DNO flexibility services and NESO ancillary services.

Balancing Mechanism (BM) entry requirements have been a longstanding topic of discussion within industry working groups, most notably the Power Responsive Working Group, which has been active for nearly a decade. Addressing these requirements should be a top priority, given the Clean Power 2030 ambitions and the urgent need to unlock 10–12 GW of flexibility within the next five years.

To incentivise the deployment of this flexibility, it is essential to open up markets and remove barriers to participation. This further underscores the importance of not waiting until the Market Facilitator is fully established. Instead, industry initiatives such as the DESNZ Low Carbon Flexibility Roadmap and NESO Routes to Market review should be accelerated to lay the groundwork. Alongside these pieces of work we should be setting clear timelines and associated KPIs to ensure progress and accountability.

**Q3. 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?**

Yes, Elexon's role in working with NESO and providing input on performance assessments is appropriate and necessary for ensuring alignment and transparency.

We also support the Market Facilitator's role in establishing the Flexible Market Asset Registration (FMAR) solution, given their responsibility for industry coordination. We would like to stress that the swift implementation of digital solutions is essential.

**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?**

Yes, the inclusion of a stakeholder survey, advisory board, and appeals process is a welcome step to ensure transparency and accountability. However, the appeals

process must be clearly defined, including timelines, scope of appeals, and mechanisms to prevent delays in implementation while appeals are being resolved.

**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?**

Overall, we agree with the proposed delivery plan, including the two-year timeframe and the inclusion of an annual delivery schedule. Ofgem's role in reviewing plans iteratively rather than waiting until completion is a positive approach, as it allows for adjustments and ensures the delivery plan remains on track.

We also support the inclusion of regular consultations and the establishment of a stakeholder advisory board. Although additional clarity on how the advisory board would function in practice would be helpful. For example, will it be similar to the NESO performance panel, where the Market Facilitator is scored across key performance areas and held accountable by industry representatives and Ofgem?

To strengthen the process, explicit mechanisms for industry feedback on the delivery schedule during consultations should be included. This feedback would help ensure the plan is robust and reflective of stakeholder needs. Additionally, a clear tracking mechanism for progress and the introduction of KPIs is essential to promote transparency and accountability.

**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?**

Yes. We welcome the intention for a transparent, cost-reflective budget with stakeholder consultation and an appeals process. Ofgem's oversight should ensure that the budget remains proportional to the MF's responsibilities and avoids excessive costs. Regular budget reviews tied to performance metrics would also be beneficial to ensure that the budget is being adhered to.

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

Yes, we strongly support implementing a tracker to help monitor progress on the implementation of standardised market processes,

The proposal should clarify how the MF will manage interdependencies with existing market structures, such as the Capacity Market and Wholesale Market, to prevent duplication of effort or misalignment. We are disappointed to see that work will not start on this until the second delivery plan. We hope that this does not deter positive changes needed for the CM in order to align with our Clean Power 2030 Goals. We urge Ofgem to reconsider the timelines in this respect.

**Q8. 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?**

Yes, however, the criteria for assessing performance must be robust, measurable, and reflective of the MF's objectives to ensure alignment with industry expectations. There must also be an accountability mechanism of some form to ensure that targets are not missed.

**Q9. 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 that within the performance assessment it should consider the amount of flexibility dispatched, procured or tendered, this should be tracked alongside our CP30 targets. We also agree that the savings associated with flexibility procurement should be published and considered - both direct and indirect customer savings.

Other quantitative metrics should include:

- The amount of low carbon flexible technology available in the country (for example, the number of EVs on the road in GB) and a comparison of how many low carbon flexible technologies we see participating in markets.
- The number of flexibility services coordinated and the technology breakdown within those services.
- Tracker and timeline of market entry changes to allow more DSR into certain markets.
- Percentage alignment of DNO and NESO services key elements (Auction timings, auction platforms, baselining etc.)
- Stakeholder satisfaction scores.

**Q10. 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?**

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DNO and NESO ancillary services should align by 2028 at the very latest, we believe this could be done faster, ideally by 2026. While we support the 2025 priorities, Elexon must start acting now on market coordination and implementation. Clear targets, milestones, and success measures should also be set out now by Ofgem as they are critical to ensuring progress and enable at least 10-12GW of demand side response to be unlocked.

Thank you again for the opportunity to respond to this consultation and if you have any questions or would like to discuss our response further, please do not hesitate to contact me using the details below.

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