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Dear Joseph

## **Flexibility Market Facilitator Consultation**

BUUK Infrastructure (BUUK) welcomes the opportunity to respond to this consultation regarding the implementation of the new flexibility Market Facilitator.

### **Overview of our business**

BUUK Infrastructure (BUUK) is the leading UK multi-utility infrastructure investor, working across Great Britain and competing against incumbent utility companies. Our initial interest in utilities began with ownership of regulated gas networks and we have gradually expanded our portfolio into other utility sectors including electricity, fibre, water, wastewater, and heat.

Our IDNO electricity distribution networks business supplies over 900,000 domestic customers. In the load control and Demand Side Response (DSR) service provider market BUUK's Levelise and Passiv businesses aim to be major future players and are at the forefront of developments in the market. An overview of their current activities:

#### Levelise

Levelise was founded in 2017 in Oxford and purchased by BUUK in 2023. Levelise provides a fully managed service for onboarding and orchestrating Energy Smart Appliances (ESA) and offers a full route to market asset optimisation service.

In October 2019 Levelise became the first provider of Firm Frequency Response services solely from residential behind the meter assets to the Electricity System Operator (ESO), and since has continuously provided ancillary services. Levelise is the UK's largest optimiser of residential assets and has over 5,000 assets connected to our virtual power plant (VPP), including solar PV connected battery storage systems and hot water tanks.

Levelise enables domestic residential owners of ESA assets to be paid to participate in valuable flexibility markets, reducing the payback period for their investments and extending the operating life and efficiency of their solar battery storage systems.

#### Passiv

Passiv is part of BUUK and has experience in over 50 innovation projects over the past three years including exploring the DSR potential of the electrification of heat. These projects included the implementation of domestic DSR solutions with heat pumps, utilising both the thermal fabric of the home as well as batteries and thermal stores.

Passiv is a leading provider of smart heat pump control solutions. For over a decade, Passiv has developed cutting edge optimisation algorithms that maximise the efficiency of domestic heat pumps and hybrid systems. Passiv develop predictive control, energy aggregation and flexibility services at the intersection of consumers' homes with the energy system. Their vision is 'to be the home decarbonisation technology leader.'

## **Summary of BUUK views**

We support the implementation of a new Market Facilitator role to help develop and grow the electricity flexibility market. This market is central to our demand-side control businesses success and in the future is likely to be a useful service to help support our electricity distribution networks operate efficiently. Growing the flexibility market amongst domestic and small business customers is aligned to our business objectives. The development of an independent organisation specifically tasked with encouraging its expansion is an initiative that we support.

We agree that the market coordination functions of the new role will provide value to the sector if successfully implemented. Providing independent monitoring and reporting on the success of the market will also be a helpful activity.

We have been pleased to date with level of engagement from Elexon in developing the new role and the plans they have developed with the ENA to transition the work that has been undertaken over the past years by the Open Networks project.

The proposed timescales for developing the first Delivery Plan and technical outputs are challenging but achievable. The content of the initial Delivery Plan seems comprehensive, especially the explanations of services that will be provided, their intended outcomes and key performance indicators that the Market Facilitator will report upon.

The initial proposals for engagement with flexibility providers seems appropriate. The role of the new Market Framework Advisory Board should be given time to evolve as it takes on its new oversight role for the Market Facilitators activities. Limiting its initial membership, remit and for how it operates risks undermining the value it could provide with market engagement.

We support the suggested scope of the Market Facilitator for the initial delivery plan period and the focus on distribution network flexibility and NESO ancillary services. After this time the success of the Market Facilitator role can be assessed and the value of incorporating the capacity and wholesale markets can be better understood.

Alex Travell  
Head of Regulation

## **Responses to consultation questions:**

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

Yes, the workplan for this year seems achievable and should ensure that Elexon as the Market Facilitator will be making a meaningful contribution to helping facilitate the growth of the flexibility market in 2026.

### ***Q2. Do you agree with the proposed scope of the market facilitator, in particular in relation to the Balancing Mechanism?***

We support the scope of the Market Facilitator for the initial delivery plan period to include distribution network flexibility and NESO ancillary services. After this time the success of the role can be assessed and the value of incorporating the capacity and wholesale markets can be better understood.

### ***Q3. 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?***

Yes, it is sensible to involve them in assessing how well the market is functioning considering their remit, access to information and their independence from the NESO and DNO.

### ***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?***

It is important to develop a robust governance framework for the new role. It would not be appropriate to use the existing BSC governance and therefore new arrangements will be needed. The proposals seem aligned with those being developed for the Energy Code Reforms and a role for a Stakeholder Advisory Board/Forum is important to ensure that there is a robust link between the Market Facilitator and the organisations active in the market.

### ***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?***

The proposed timescales for developing the first Delivery Plan and technical outputs are challenging but achievable. The content of the initial Delivery Plan seems comprehensive, especially the explanations of services that will be provided, their intended outcomes and key performance indicators.

### ***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?***

The proposal from Elexon for Market Facilitator costs to be funded by NESO BSUoS charges seems an efficient way to recover costs. We assume that these costs will be included in the same financial scrutiny mechanism that will be applied to all Elexon costs once it becomes a licenced code manager.

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

Yes. A decision on whether Elexon will provide the Flexibility Market Asset Registration database later this year will have an impact on the scope of their deliverables and potentially when and how these are achieved.

***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. Elexon is a not-for-profit organisation and therefore financial incentives would not create the same drivers as they would for a commercial entity. The performance of individuals leading Elexon will be key and therefore targeting incentives at them is logical. Clearer performance metrics for the Market Facilitator role will need to be developed by Ofgem as the role becomes clearer. These will need to be included in the new Code Manager licencing arrangements that are being developed for Elexon.

***Q9. Do you agree with our proposals on performance assessment, in particular do you have views on the quantitative metrics we should consider?***

These will need to evolve over time and should be included within Elexon's broader licenced code manager performance arrangements that will be introduced from 2026.

***Q10. Do you agree with our proposals on performance expectations, in particular in relation to our proposed 2028 objective?***

Having a significant longer-term objective for the Market Facilitator is sensible and should ensure that it aligns its planned activities with an eventual goal. It provides flexibility in the initial years for deliverables to alter but still ensure that the objectives for the organization to support the flexibility market are met within a reasonable timeframe.

It will be necessary to monitor performance over the course of the next few years against the target of achieving the 2028 objective. Requiring Elexon to report upon how it believes it is on course to meet the objective on an annual basis should provide transparency to stakeholders and focus management attention on the resilience of its own planning. Independent assessment of these plans might also be helpful in providing confidence that the objective will be met.