
ADE Draft Response

Market Facilitator Policy Framework Consultation

11TH FEBRUARY 2025

Context

On behalf of our mission Empowering Energy Demand, the ADE welcomes the opportunity to respond to Ofgem's Market Facilitator Policy Framework Consultation.

Our mission is to embrace the value of a decarbonised, demand-led energy system, creating a future where households, businesses and industry are properly rewarded. The current electricity system is creaking under the demands of a rapidly changing system. We must harness the millions of EVs, heat pumps and the immense industrial demand we have right now to lower bills and keep our electricity system operable. Instead, we're fighting against them. Even more than that, industrial energy is decarbonising with long-term consequences for our energy system – creating new infrastructure and unlocking even greater sources of flexibility. The Government, Ofgem, the CCC and others all recognise that households, businesses and industry should play an active role in a decarbonised electricity system. Now is the time to make this a reality.

Summary

The ADE supports the proposals that have been set out by Ofgem in this consultation yet ask for more ambition on Elexon's responsibilities towards their market coordination role throughout the transition period. The Market Facilitator must be given the opportunity to participate in strategic decision making throughout 2025, alongside the implementation of administrative processes if we are going to meet Clean Power by 2030 timelines. Alignment between DNO and NESO flexibility services will play a significant role in helping industry to reach this ambition, providing more revenue certainty and participation opportunities for consumers. We agree with Ofgem's proposal that the Market Facilitator becomes involved in the design of flexibility services and the DNO and NESO's performance assessment and that this will lead to greater transparency and delivery of outputs. Elexon should take leadership on ensuring that Demand Turn Up flexibility is given equal consideration within service design for the significant extra value that this would be able to provide to consumers if service providers could make viable DTU offers. Additionally, aligning this work with the BSC objectives should be another significant role for Elexon, given their current position in the industry.

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

We support Ofgem's ambition to have the Market Facilitator fully established by the end of 2025. Yet, given Government's ambitions to achieve Clean Power by 2030, Elexon should be granted the mandate to participate in strategic decision making now. The roles and responsibilities that Ofgem propose for the Market Facilitator to carry out are vital for industry to achieve the 10-12GW goal, which means we cannot restrict the timeline for progress to only 4 years instead of 5.

Additionally, it is positive that Elexon has become the chair of the Open Networks Challenge Group for the transition of Open Networks (ON) workstreams to the Market Facilitator. We agree with Ofgem that the acceleration of this work will be key to unlocking the full value of flexibility, so this work, alongside the work of the NESO in addressing flexibility barriers and Strategic Energy Planning will be vital to achieve Ofgem's vision for local consumer-led flexibility. Industry does require a clear timeline for this transition, such as the current state of existing workstreams and how both ON and Elexon anticipate development. This needs to be set out clearly within the transition and handover plan in the Spring. The ADE supports decisions regarding the Stakeholder Advisory

Group (SAG) also being discussed in the challenge group, prior to the SAG's establishment and will continue to engage in industry workshops being run by Elexon throughout the Winter.

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 agree that most DNO and NESO flexibility markets should be included within the scope of the Market Facilitator. Without a cross industry perspective, effective coordination and streamlining of processes will not be able to happen. It is positive that the Balancing Mechanism (BM) is included as a priority service within Elexon's scope. Current timelines and decisions around BM reform that have been undertaken by the NESO will not facilitate their commitment to "unlocking the benefits of increased participation and competition" set out at the beginning of the price control period. From Elexon's participation in the BM governance process, we would hope that additional consideration is given to market entry requirements that are focused on reducing barriers to participation and making decisions that align with CP30 objectives.

Despite agreeing that the Market Facilitator should have an understanding of Active Network Management (ANM), we do not agree that this should be the extent of their involvement. Currently, ANM zones have a dampening effect on the ability for flexibility participation on a local level, so must be under consideration by the Market Facilitator. We support the Capacity Market and Wholesale Market not being introduced into the scope until 2028, however Elexon must remain informed on these markets up until this point.

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?

We agree with the proposed enduring roles and responsibilities set out by Ofgem. As above, it is positive that Elexon will begin having involvement in NESO service design at an early stage and the market design framework across NESO and DSO flexibility services. We also support the role of the Market Facilitator in the establishment of the Flexible Market Asset Registration (FMAR) solution, given their role in coordinating the industry. Digital solutions must be implemented as soon as possible, of which coordination across the vast number of industry, Ofgem and Government solutions will be vital.

The Market Facilitator should have involvement in the NESO and DNO performance assessment to ensure that the objectives of their role are being put in place sufficiently and to ensure that requirements for the NESO and DNOs in their licence to work with Elexon are being met.

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. It is positive for there to be a mechanism that allows industry to appeal against decisions made in regards to the Market Facilitator outputs and budget.

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?

We agree with the timeframe set out in the consultation, providing that consideration is given to the price control periods and the deadlines for both NESO and the DNOs to publish annual plans. The two-year plans must also be adaptable in response to the consistently changing nature of the industry, particularly in order to meet Clean Power by 2030 and the soon to be published Low Carbon Flexibility Roadmap timelines.

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.

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

Yes. We consider the introduction of a tracker on the progress for the implementation of standardised market processes to be particularly valuable, along with the associated cause of any delays in implementation timelines.

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, yet this is dependent on what is included within the performance assessment.

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?

Yes. Quantification of the amount of flexibility dispatched, procured or tendered and/ or savings associated to flexibility would be valuable metrics to be recorded for industry, regardless of these being included in the 'metric performance' assessment.

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?

Full alignment of DNO and NESO ancillary services should be achieved prior to 2028. Despite agreeing with Ofgem that there is a significant volume of work to achieve in this timeframe, we would not want for this target to disincentivise earlier coordination of distribution and transmission network services, if we are to meet Clean Power by 2030 timelines. Although we agree with the priorities for 2025 that are set out in the consultation, it is important that Elexon begins to make immediate progress with their market coordination role, alongside implementation administration throughout the transition period. We look forward to the specific targets and milestones that will be set out in the delivery plan and schedule, along with the specific success measures to hold Elexon accountable to progress at pace.

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