

DRAFT Market Facilitator Impact Assessment

Publication date:	18 September 2025
Response deadline:	16 October 2025
Contact:	Pui Wah Wong
Team:	System flexibility
Telephone:	020 7901 7000
Email:	flexibility@ofgem.gov.uk
Type of IA:	Qualified under section 5A UA 2000

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Executive summary

What is the problem under consideration? Why is Ofgem intervention necessary?

To achieve the UK government's ambition of achieving Clean Power by 2030 we need to increase energy generation from renewables and distributed energy resources (DER). This will result in more variable supply necessitating a much more flexible energy system. Meanwhile, the decarbonisation of heat and transport will result in accelerated uptake of distributed assets such as electric vehicles (EV) and heat pumps. Well-coordinated flexibility markets will unlock the value of distributed assets while realising a smart flexible energy system. However, flexibility markets are currently fragmented and uncoordinated, preventing development and full value realisation of flexibility. To overcome these market barriers and unlock the value of flexibility, policy intervention and the creation of a Market Facilitator role is necessary.

What are the policy objectives and intended effects?

The Market Facilitator has two policy objectives: a) Reduce friction across distribution markets by simplifying processes, reducing barriers to entry and ensuring consistency; and b) Align distribution and transmission market arrangements. Fulfilling these policy objectives will result in transparent, consistent, accessible and interoperable flexibility markets, crucial for the growth and development of flexibility in the energy system. The creation of the Market Facilitator is in line with Objective 13 of Ofgem's [Multiyear Strategy](#) to enable consumer-focused flexibility, and the UK government's [Clean Flexibility Roadmap](#) to enable Consumer-led flexibility (CLF).

What are the policy options that have been considered, including any alternatives to regulation?

Four options were considered under the review of the [Future of local energy institutions and governance](#), with a fifth do-nothing option. Following consultation and policy development, the preferred option was an option that included the creation of the Market Facilitator. In this impact assessment we consider the preferred option of creating the Market Facilitator role against the counterfactual do-nothing option of the Energy Network Association (ENA) Open Networks Programme continuing. According to our costs and benefits assessment, this preferred policy intervention could lead to net positive benefits in the range of £34-707 million under different scenarios within the first delivery plan period from FY26-FY28. In the long term, a smart and flexible energy system is expected to deliver benefits to consumers in the range of £1.4-16.7 billion a year by 2050. These are very large numbers and while the Market Facilitator will not directly deliver these benefits, it will make a material contribution to them being achieved.

Preferred option - monetised impacts

The Net Benefit of the preferred option was monetised based on the following considerations:

- The net costs to implement the Market Facilitator, considering resourcing, IT solution and overhead costs;
- The net benefits were savings achieved when a new product or service is introduced or when there is a reform to an existing product or service affected by the Market Facilitator, with an approximation of percentage attribution assigned to the Market Facilitator;
- The timeline of the analysis is the first delivery plan period of the Market Facilitator, from mobilisation (Q2-Q4 FY26) through to implementation (FY27 & FY28). The monetised base year of the analysis was 2025.

Preferred option - non-monetised impacts

There are also benefits of the Market Facilitator that are hard to monetise.

In the mid-term, these benefits include:

- Faster and targeted reforms to markets and products
- Resolution of market entry barriers for flexibility assets
- Greater market transparency and participation, and
- Contribution to realising Ofgem's Multiyear Strategy and UK's Clean Power 2030 targets

In the longer-term, these benefits include:

- Greater levels of flexibility utilised within energy markets
- Increased market operability, and
- Contribution to realising UK's net zero by 2050 ambition

Key assumptions, sensitivities and risks

The Market Facilitator forms part of the spectrum of policies and regulations necessary to achieve Clean Power by 2030 and net zero by 2050. It is challenging to attribute savings and benefits to a single policy decision. Therefore, this analysis does not attempt to identify specific benefits contributed by the Market Facilitator. Instead, we attempt to assess whether this policy decision and intervention leads to a net benefit for energy consumers of the UK.

1. Introduction

Section summary

This section provides the background and context for the draft impact assessment by setting out the problem under consideration, the policy objectives of the intervention, and key consultation questions that we would like feedback on.

Problem under consideration

- 1.1 To achieve the UK government's ambition of achieving [Clean Power by 2030](#) (CP2030) we need to continue our historic shift away from fossil fuels while generating more of our electricity from renewables, like wind and solar. Large volumes of renewables will make supply more variable, requiring a much more flexible system. On the demand side, decarbonisation of heat and transport will result in an accelerated uptake of distributed assets such as EVs and heat pumps.
- 1.2 Well-coordinated flexibility markets will help avoid billions of pounds of additional investment and unlock the value of these distributed assets.
- 1.3 Unlocking these savings will require us to address the currently fragmented flexibility markets, where there are issues of entry barriers, coordination challenges and overall complexity. Current inefficiencies in flexibility markets include complex procurement processes implemented in different ways by DNOs and NESO, coupled with a lack of coordination within and across flexibility markets. These issues are acting as a barrier to realising the true value of flexibility.
- 1.4 Overcoming these market barriers will require a range of interventions, including creating a new Market Facilitator role.
- 1.5 The Market Facilitator will be a single expert entity with a mandate to grow and develop local flexibility markets and align local and national flexibility market arrangements.

Policy objectives

- 1.6 Flexibility is identified as one of the crucial enablers for the UK to achieve CP2030 and net zero by 2050. The growth of energy generation from renewable sources and increasing uptake of distributed assets presents a huge opportunity for the growth of flexibility markets.
- 1.7 Currently, Flexibility Service Providers (FSP) face market entry barriers to providing crucial flexibility services to the energy system. These include fragmented and uncoordinated flexibility markets, complexity of operating via multiple trading platforms, the lack of standardisation of data, products, services and processes across flexibility markets and platforms, and limited visibility and transparency in where and when flexibility is needed. These barriers result in flexibility markets

operating with inefficiencies and increased costs, where opportunities for growth are constrained.

- 1.8 The objective of the Market Facilitator is to remove these entry barriers by aligning rules, processes, standards and services to reduce friction and increase liquidity in flexibility markets that are not operating at optimum efficiency. The Market Facilitator will produce the Flexibility Market Rules (that DNOs and NESO are required to adopt through licence conditions), which will drive more transparent, consistent, accessible and interoperable flexibility markets, crucial for the growth and development of flexibility.
- 1.9 The creation of the Market Facilitator is in line with [Ofgem's Multiyear Strategy 2024/25](#). In this strategy one of our four key priorities is to establish an efficient, fair and flexible energy system. Objective 13 outlines actions needed to enable consumer-focused flexibility which includes creating a new Market Facilitator role.

What are we consulting on

- 1.10 We are consulting on the draft impact assessment (IA) for the creation of the Market Facilitator, drafted in accordance to Ofgem's [guidance on impact assessment](#). The draft IA sets out the potential impacts of the Market Facilitator.
- 1.11 We consider that the implementation of the Market Facilitator will result in net positive benefits in the energy system, as the implementation costs are low compared to the potential monetised and non-monetised benefits to energy consumers.
- 1.12 We are consulting on the terms of the draft IA as we believe the matter to be “important” for the purposes of [Section 5A of the Utilities Act 2000](#).

Consultation questions

- 1.13 We are interested in hearing stakeholder views in response to the following questions:
 1. Do you agree that we have, to a reasonable extent, identified and understood the potential costs and benefits of implementing the Market Facilitator?
 2. Do you agree that we have, to a reasonable extent, identified and understood the potential impacts of the introduction of the Market Facilitator? Are there any unintended consequences of implementing the Market Facilitator that we have not identified?

Next steps

- 1.14 Once the consultation is closed, we will consider all responses and evidence provided. We aim to publish the final IA alongside a decision on the Market Facilitator Governance Framework Document and licence modifications by the end of 2025.

2. Approach to the impact assessment

Section summary

This chapter provides a summary of the chosen option and the counterfactual that we have assessed it against. We also provide a high-level analytical approach in assessing the impact of the chosen option in both monetised and non-monetised aspects.

Scope of impact assessment

- 2.1 The purpose of this IA is to evaluate the costs and benefits of the Market Facilitator in carrying out its roles to align local and national flexibility markets, reduce market entry barriers and enable the active participation of flexible assets in flexibility markets.
- 2.2 This IA does not include the cost and benefit assessment of the Flexibility Market Asset Registration (FMAR), one of the deliverables of the Market Facilitator. This is because we believe that FMAR does not require an impact assessment under section 5A Utilities Act 2000. Our reasoning is outlined in Appendix 1.
- 2.3 A non-quantitative assessment of FMAR is presented in Appendix 1. Although there are limitations in the assessment due to the lack of data and, therefore, quantitative analysis, we believe FMAR is a critical strategic foundation for a smart and flexible energy system (a view strongly supported by stakeholders through [responses](#) to our consultation) and will result in net positive benefits to energy consumers. We welcome stakeholder views on this.
- 2.4 We have undertaken quantitative (monetised) costs and benefits analysis wherever possible. Where quantitative analysis was not feasible, due to difficulty in assigning benefits to specific policy decisions, or a lack of certainty to inform policy decision and therefore costs, we present a qualitative (non-monetised) analysis.

Options considered

- 2.5 In our April 2022 [Call for Input](#), we began our review into the effectiveness of institutional and governance arrangements at a sub-national level to support delivery of net zero at least cost. We sought views on four framework models which represented potential archetypes that could enable the efficient delivery of key energy system functions and unlock significant benefits for consumers by facilitating a low-cost transition to net zero.
- 2.6 The first option considered was the internal separation of Distribution System Operator (DSO) roles within Distribution Network Operators (DNOs) to address conflicts of interest.
- 2.7 The second option considered was the establishment of new independent institutions to take on some (or all) DSO roles to create clear separation between

network ownership and system operation, thereby avoiding conflicts of interest and enhancing transparency and accountability.

- 2.8 The third option was establishing new regional institutions to take on wider cross-vector (electricity, gas, heat, hydrogen) planning, flexibility market facilitation and operational roles. This option focused on regional planning, ensuring that local contexts and needs are adequately addressed and aimed to integrate multiple energy vectors for a holistic approach.
- 2.9 The fourth option considered was dispersed roles clustered around existing core competencies and functional synergies. This model would leverage existing competencies and synergies by distributing roles among various organisations, ensuring effective coordination and delivery of energy system functions. This model emphasised collaboration and interaction between different entities to optimise the energy system.
- 2.10 In the business-as-usual scenario (a do-nothing option) flexibility markets would continue to operate in a fragmented and uncoordinated state, with the Open Networks Programme, an industry initiative led by the Energy Networks Association (ENA) undertaking work to align and improve market coordination.

Preferred option

- 2.11 A key message from stakeholders in response to our Call for Input was that any governance reform solution should go beyond within-organisation change (like the first and second options) and target cross-organisational change (the third and fourth options). As such, we discounted the first and second options.
- 2.12 Through analysing consultation responses and stakeholder engagement, we identified a need to implement a reform option that could realise benefits quickly and that avoided creating high levels of complexity or that diluted responsibilities for key activities, such as maintaining reliability and quality of supply.
- 2.13 We therefore proposed option four as the preferred approach: a package of reform that targeted the specific pain points within the current arrangements while maintaining existing synergies. In March 2023, we [consulted](#) on this approach, which included two key interventions:
- The first was to introduce the Regional Energy Strategic Plans (RESP) policy framework, introducing a new layer of regional energy strategic planning across Great Britain.
 - The second was to create and assign a new flexibility Market Facilitator role. We proposed that the Market Facilitator should be responsible for delivering more joined up flexibility markets, tasked with:
 - (1) Reducing friction across distribution markets by simplifying processes, reducing barriers to entry and ensuring consistency; and,
 - (2) Aligning distribution and transmission market arrangements.

- 2.14 In our [decision](#) published in November 2023, we confirmed our preference for creating a new Market Facilitator role. There was strong support for this approach in response to our consultation. The Market Facilitator will carry out its mandate through three core functions of a) Strategic leadership, b) Market coordination, and c) Implementation monitoring.
- 2.15 In the decision document we also set out our intention to undertake an IA once further design work had been undertaken and costs and benefits were better understood. We are now in a position to do so and accordingly [recently published](#) an IA for the RESP workstream. In turn, this draft Market Facilitator IA assess the expected benefits of creating a Market Facilitator.
- 2.16 The Market Facilitator will be a single, expert body that can be held accountable for its decision-making and driving forward technical discussions at pace through open, transparent and participatory engagement. NESO and DNOs will be required by their licences to adopt the outputs, moving from a voluntary to a mandated approach. The Market Facilitator will be able to track progress more effectively and ensure changes are implemented at the desired pace.
- 2.17 In December 2023 we [consulted](#) on a suitable body to deliver the Market Facilitator role and confirmed our [decision](#) in July 2024 to appoint Elexon to the role. We received strong support from stakeholders who recognised Elexon's unique transferrable skills from performing the Balancing and Settlement Code (BSC) company activities, its impartiality, strong track record of delivery, transparency and inclusivity, and existing trust from industry. These are characteristics crucial for carrying out the role of the Market Facilitator.

The counterfactual

- 2.18 The counterfactual to the preferred option of the Market Facilitator role, is the do-nothing option where the Energy Network Association (ENA) Open Networks Programme continues to deliver this work, coordinating inputs from NESO and DNOs across a range of working group topics.
- 2.19 We believe the counterfactual would deliver outcomes at a slower pace and with less effectiveness compared to the Market Facilitator due to:
- Limited strategic leadership – the lack of a central body with full authority to set strategic direction.
 - Slower delivery - decision-making is split across several different entities, requiring multiple approvals and reviews and with no single entity empowered to make a final decision.
 - Lack of formal accountability for outcomes – implementation of the decision depends on voluntary cooperation leading to inconsistent delivery or failure of implementation.

Our approach to assessing the costs and benefits

- 2.20 In this draft IA, we assess the implementation of the Market Facilitator by comparing the costs for the first delivery plan period (Q2-Q4 FY26 to FY28) against the expected benefits. The reason for only assessing the costs and benefits for the first delivery period is that it provides the highest certainty of costs due to higher certainty about the scope of work. Costs for the subsequent delivery periods in the longer-term will depend on an updated scope after each delivery plan period; therefore, it is harder to arrive at reasonable longer-term cost assumptions at this point.
- 2.21 We also present a non-monetised benefit analysis to outline the contribution of the Market Facilitator to a smart and flexible energy system in the UK by 2050.

Costs

- 2.22 For this analysis, policy costs consist of Elexon's cost to mobilise (Q2-Q4 FY26) and implement the Market Facilitator role in the first delivery period (FY27 and FY28). These costs include resourcing, IT related costs and overhead costs. Resourcing costs are split across the three main functions of the Market Facilitator: strategic leadership, market coordination and implementation monitoring. These cost estimates were provided by Elexon.

Benefits

- 2.23 Benefits are separated into monetised and non-monetised benefits. Monetised benefits include savings achieved and values generated when NESO and DNO flexibility markets are well aligned with reduced friction and greater participation in flexibility markets. An example of this being the development of new products and services or reforms to existing products and services. In this assessment, benefits are quantified based on proxies of benefits arising from existing products and services.
- 2.24 Non-monetised benefits are the benefits of unlocking the overarching smart and flexible system as part of the Net Zero transition, which could be attributed to multiple policies implemented within this policy landscape over this timeframe.

Costs benefits assessment

- 2.25 The assessment of monetised costs and benefits is conducted on a net basis, where net costs are compared against net benefits for the preferred option. Net costs of the policy intervention are obtained by: taking the costs of the policy intervention (preferred option) and deducting the costs of the counterfactual (do nothing option) that would be incurred under business as usual. Similarly, net benefits of the policy intervention are obtained by: taking the benefits of the policy intervention (preferred option) and only attributing a fixed percentage to the policy intervention, in order to deduct the portion of benefits likely to happen under the counterfactual (do nothing option).

3. The cost and benefit assessment

Section summary

This chapter provides an examination of the costs and benefits associated with the implementation of the Market Facilitator. The analysis is divided into two main sections: the monetised cost-benefit analysis and the non-monetised or qualitative assessment.

Monetised assessment

- 3.1 The preferred option for this IA is where the Market Facilitator role is delivered by Elexon as a single, expert entity with a mandate to align local and national flexibility market arrangements. In practice, the Market Facilitator will be responsible for aligning rules, processes, standards, and services to reduce friction and increase liquidity in flexibility markets. This will contribute to unlocking the full value and potential of flexibility critical to reach Clean Power by 2030 and Net Zero by 2050.

Costs - Preferred option

- 3.2 Cost information was provided by Elexon, covering first delivery period from Q2 FY26 to FY28. These have been provided in real 2025 prices. Costs for the mobilisation phase (Q2-Q4 FY26) are confirmed while costs for the implementation phase (FY27 and FY28) are indicative and may vary depending on activities confirmed within the Market Facilitator's first delivery plan.
- 3.3 Across the first delivery period from Q2 FY26 to FY28, Elexon's resourcing costs total £6.2 million. Elexon expect the Market Facilitator team over this period to include around 24 full time equivalent staff (FTE), spread across the three functions of strategic leadership, market coordination and implementation monitoring.
- 3.4 There is an increase in resources compared to the counterfactual option, due to increase in scope of work, specifically introduction of 2 new functions of strategic leadership and implementation monitoring to provide accountability and monitor outcomes, and the increased scope within the market coordination function including the establishment of Flexibility Market Rules, and Elexon experts undertaking work previously conducted by supporting NESO and DNO experts. More resources (16.5 FTE) are concentrated in the market coordination area, which is the main function of the Market Facilitator to facilitate change through increased coordination and alignment of flexibility markets.

- 3.5 Costs of the Market Facilitator for specific IT solutions, such as the Flexibility Markets Catalogue and the Flexibility Market Rules repository, and overheads are estimated at around £1.5 million across the first delivery period. Note that specific IT solutions here do not include the Flexibility Market Asset Registration (FMAR) digital infrastructure.
- 3.6 Total costs for first delivery period for this option are estimated at £7.7 million as presented in Table 1. We welcome views on these assumptions.

Table 1- Elexon costs across the first delivery plan period

	FY26	FY27	FY28	Total
Resource: Strategic leadership	£0.4m	£0.5m	£0.5m	£1.4m
Resource: Market coordination	£1.2m	£1.5m	£1.5m	£4.2m
Resource: Implementation monitoring	£0.2m	£0.2m	£0.2m	£0.6m
Total Resource	£1.8m	£2.2m	£2.2m	£6.2m
IT related & other overhead	£0.5m	£0.5m	£0.5m	£1.5m
Total costs	£2.3m	£2.7m	£2.7m	£7.7m

- 3.7 Other costs that would be incurred for both the preferred option and counterfactual cases include costs for the following stakeholders:
- Flexibility service providers (FSP)
 - NESO and DNOs
 - Other industry parties for example flexibility platform providers
- 3.8 We believe costs for these parties would not be materially different between the preferred option and counterfactual cases. In the preferred option, Elexon as Market Facilitator provides more experts requiring less engagement from the stakeholders above. However, due to the increased scope of the Market Facilitator compared to the counterfactual case, involvement of these stakeholders will be larger. We assume this results in a similar net engagement and resource costs for both cases. We therefore have excluded these costs from our assessment. We welcome views on this assumption.

Costs – Counterfactual

- 3.9 In the counterfactual case, the do-nothing option, flexibility markets continue to operate in their current state. The Open Networks Programme, led by the ENA and supported by industry, continues its work in aligning flexibility markets, albeit at a slower pace due to the reasons explained in the preceding section.
- 3.10 Costs incurred in the counterfactual case are lower, recognising a smaller ENA delivery team with a smaller scope, which draws upon the resources of NESO and DNOs to support delivery. We approximate resource costs for the ENA based on the team of 5 FTE who were delivering the programme.
- 3.11 This small team is supported by the NESO and the DNOs, estimated to be 2 FTE per organisation across various working groups. However, these resourcing costs of NESO and DNOs are excluded in this assessment as we assume that similar levels of engagement are required in both cases, as outlined in the preceding section.
- 3.12 In the absence of publicly available information, Elexon’s resourcing costs are used as a proxy for the ENA’s resourcing costs. For the analysis period, resource costs therefore total £1.5 million, while total costs inclusive of additional IT and overhead costs amount to £2.1 million, as presented in Table 2. We welcome views on these assumptions.

Table 2 ENA costs across the first delivery plan period

	FY26	FY27	FY28	Total
Resource	£0.5m	£0.6m	£0.4m	£1.5m
IT related & other overhead	£0.2m	£0.2m	£0.2m	£0.6m
Total costs	£0.7m	£0.8m	£0.6m	£2.1m

Benefits – Preferred option

- 3.13 This section presents the benefits of the Market Facilitator. Benefits are assessed on a net basis where benefits anticipated from the counterfactual case are netted from benefits accrued from the preferred option.
- 3.14 The Market Facilitator benefits in the short to medium term could be quantifiable through faster and targeted reforms to markets and products ahead of the counterfactual case. These could be achieved through:
- Delivery of new products and services
 - Reforms to existing products and services

Delivery of new products and services

- 3.15 The Market Facilitator, through its function of strategic leadership and market coordination, could result in the creation of new products and services in the flexibility markets.
- 3.16 To estimate this benefit, we take reference of the NESO's [Demand for Constraints](#) assessment. This assessment analysed the benefits associated with the introduction of a new turn up constraint service to resolve system constraints. It assessed the impacts on wholesale costs, balancing costs, and renewable obligation costs. While we acknowledge that a constraints market is a relatively expensive flexibility service, we believe it is an acceptable example of a possible new market and note that there is limited information available on the potential value of new services.
- 3.17 The NESO's assessment found that this new flexibility service could lead to savings in the range of £40-330 million a year across 5 scenarios.
- 3.18 While this benefit could possibly have materialised under the counterfactual case, we assume that it is more likely to materialise under the preferred option (the Market Facilitator) case. In assigning a percentage attribution of benefit to the Market Facilitator, considering other initiatives in the wider landscape and progress made by the Open Networks Programme, it is unlikely that the Market Facilitator will be the main contributor (with a 50% or greater majority attribution). We believe 25% would be a reasonable middle ground approximation taking into consideration inherent uncertainties in making the assumption. This would result in estimated benefit in the range of £10-83 million a year.
- 3.19 In the event that new products and services are delivered at least 1 year earlier than would have been in the counterfactual case, a 100% attribution is assigned because this could not have been realised without the intervention of the Market Facilitator. This would result in a one-off benefit of £40-330 million during the first year when the new product or service is introduced.

Reform of existing products and services

- 3.20 For reforms and improvements to existing products or services, we have used the savings achieved in 2024 in the flexibility markets reported by the ENA in [FY24/25 DNO Flexibility Markets](#) as a proxy. These savings are the result of market coordination and alignment work brought about by the Open Networks Programme since its inception in 2017.
- 3.21 In this scenario, a saving of up to £300 million a year could be achieved through multiple changes to existing products. The Market Facilitator is a key policy intervention which helps develop the smart and flexible system and deliver associated savings. With a clear mandate for the Market Facilitator and full accountability for delivery, we believe this to be a reasonable proxy for benefits that can be achieved by the Market Facilitator within the first delivery plan period .

3.22 Similarly, these benefits cannot be fully attributed to the Market Facilitator role as other factors will also play a role. We believe a 25% attribution to Market Facilitator is a reasonable assumption of the net benefits provided compared to the counterfactual, with the same reasons outlined in the preceding section. This would result in estimated benefits of £75 million.

3.23 In the event that a reform to existing product or service is delivered at least 1 year earlier than would have been in the counterfactual case, a 100% attribution is assigned because this could not be realised without the intervention of Market Facilitator. This would result in a one-off estimated benefit of £300 million. A summary of estimated benefits is presented in Table 3.

Table 3 Estimated benefits for faster and targeted reforms

Source/proxy	Estimated Benefit	Benefits attributed to Market Facilitator
a. Delivery of new products and services	£40-330m a year	£10-83m (25% attribution)
b. Accelerated delivery of new products and services by at least 1 year	£40-330m one-off	£40-330m (100% attribution)
c. Reform to existing products and services	£300m a year	£75m a year (25% attribution)
d. Accelerated reform to existing products and services by at least 1 year	£300m one-off	£300m (100% attribution)

3.24 We welcome views on any alternatives available for the proxies and assumptions on the percentage attributions.

Quantitative Assessment

3.25 In this section, we assess the net policy costs of the Market Facilitator by comparing the costs of the Market Facilitator with the benefits attributable to its role.

3.26 As it is challenging to undertake a direct Net Present Value analysis of the costs and benefits due to the relatively high level of uncertainty of the benefits and deliverables of the Market Facilitator, we use scenario analysis to illustrate the

cost effectiveness of the Market Facilitator in the cost period identified, comparing its net costs against net benefits.

3.27 Three scenarios were identified, described below:

- Low Benefit Scenario – a conservative approach to the success of the Market Facilitator’s role, assuming Market Facilitator brings forward by 1 year benefits that would have materialised under the counterfactual case.
- Medium Benefit Scenario – similar to the low benefit scenario it is assumed that the Market Facilitator helped in bringing forward by 1 year benefits that would have materialised under the counterfactual case; and in addition, the Market Facilitator also creates an additional new product or service within the same delivery period.
- High benefit realisation scenario – an ambitious assumption where the Market Facilitator, besides realising benefits in the Medium Benefit Scenario, also brings forward wider reforms to existing products 1 year earlier than in the counterfactual case.

3.28 For the first delivery period, net policy costs for the Market Facilitator amount to £5.6mn. This is obtained by deducting the counterfactual costs (business as usual costs of ENA) of £2.1 million from the preferred option costs of £7.7 million (policy costs of setting up the Market Facilitator), as presented in Table 4. In order to achieve net benefits or at least break even, the benefits or savings resulted from the first delivery period of the Market Facilitator should therefore be at least £5.6 million.

Table 4 Policy costs of the counterfactual and preferred option cases

	FY 26	FY 27	FY28	Total
Counterfactual – ENA, A	£0.7m	£0.8m	£0.6m	£2.1m
Factual – Market Facilitator, B	£2.3m	£2.7m	£2.7m	£7.7m
Net policy costs, B-A	£1.6m	£1.9m	£2.1m	£5.6m

Low Benefit Scenario

3.29 In the conservative Low Benefit Scenario, assuming the Market Facilitator brings forward by 1 year the introduction of a new product or service (Product A) that would have materialised under the counterfactual case, 100% of the benefits are attributable to the Market Facilitator for that year.

3.30 This results in total benefits in the range of £40-330 million, as presented in Table 5. Compared to the net policy cost of £5.6 million, this scenario results in net positive benefits in the range of £34-324 million.

Table 5 Low Benefit Scenario – total benefit £40-330 million

	FY 26	FY 27	FY 28
a. Introduction of new products/services			
b. New product/services delivered 1 year earlier			£40-330m (Product A)
c. Reform to existing products			
d. Reform delivered 1 year earlier			

Medium Benefit Scenario

3.31 In the Medium Benefit Scenario, it is assumed that in addition to bringing forward by 1 year the development of new a product (Product B) that would have materialised under the counterfactual, the Market Facilitator also creates an additional new product or service (Product C) within the same delivery period.

3.32 Under this scenario, benefits consist of savings achieved when a new product is delivered 1 year earlier, in the range of £40-330 million (100% of £40-330 million attributable to Market Facilitator), and savings resulted by the delivery of a new product, in the range of £10-83 million (25% of £40-330 million attributable to Market Facilitator).

3.33 This results in total benefits in the range of £50-413 million as presented in Table 6. Compared to the net policy cost of £5.6 million, this scenario results in net positive benefit in the range of £44-407 million.

Table 6 Medium Benefit Scenario – total benefit £50-413 million

	FY 26	FY 27	FY 28
a. Introduction of new products/services			£10-83m (Product C)
b. New product/services delivered 1 year earlier		£40-330m (Product B)	

	FY 26	FY 27	FY 28
c. Reform to existing products			
d. Reform delivered 1 year earlier			

High Benefit Scenario

3.34 In the High benefit scenario, in addition to realising benefits in the Medium Benefit Scenario, the Market Facilitator also brings forward wider reforms to existing products (Reform A) by 1 year earlier than the counterfactual case. This results in an additional £300 million savings (100% of £300 million attributable to Market Facilitator) compared to the Medium Benefit Scenario, leading to total benefits in the range of £350-713 million, as presented in Table 7.

3.35 Compared to the net policy cost of £5.6 million, this scenario results in net positive benefits in the range of £344-707 million.

Table 7 High Benefit Scenario - total benefit £350-713 million

	FY 26	FY 27	FY 28
a. Introduction of new products/services			£10-83m (Product C)
b. New product/services delivered 1 year earlier		£40-330m (Product B)	
c. Reform to existing products			
d. Reform delivered 1 year earlier			£300m (Reform A)

Monetised assessment conclusion

3.36 Under all three scenarios, the Market Facilitator is assessed to result in net positive benefit in the range of £34-707 million compared to the counterfactual case.

3.37 Considering the relatively modest net policy costs of £5.6 million and the more than an order of magnitude higher net benefits, in the range of £34-707 million under different scenarios; even under a more conservative Low Benefit Scenario,

we could expect a net positive benefit from the Market Facilitator policy intervention.

- 3.38 Therefore, it is reasonable to conclude, taking into account reasonable risks and uncertainties, that the policy intervention of Market Facilitator will likely result in net monetised benefits to UK energy system consumers.

Non-monetised assessment

- 3.39 In this section, we present our non-monetised analysis. This includes the overarching benefits of a smart and flexible energy system which the Market Facilitator helps contribute to, a qualitative assessment of the Market Facilitator benefits using the benefits table and a risk analysis and assessment of other impacts. We welcome views on these various assessments.

Overarching smart and flexible system benefits in Great Britain

- 3.40 Several sources have noted that a smart and flexible energy system is expected to deliver benefits to consumers in the range of £1.4-16.7 billion a year by 2050 based on various scenarios, compared to a system that is not smart and flexible, presented in Table 8.
- 3.41 Although the Market Facilitator will only partially contribute to some of these benefits, they are still very large when compared to the assessed costs of the Market Facilitator of £5.6 million for the first delivery period in earlier sections. Therefore, the overall benefits the Market Facilitator can play a role in contributing to are likely to be far larger than the specific costs of the Market Facilitator.

Table 8 Overarching smart and flexible system benefits in Great Britain

Study	Estimated Benefits
Smart Systems and Flexibility Plan, DESNZ & Ofgem, 2021	£10b a year by 2050
Flexibility in Great Britain, Carbon Trust & Imperial College London, 2021	£9.6-16.7b a year by 2050
Project Leo, SSEN and others, 2023	£4.6-5b a year by 2050
Electricity Networks Strategic Framework, DESNZ & Ofgem, 2022	£40-50b total system cost reduction to 2050
Commander Project, NIA, 2024	£1.4–2.3b a year

- 3.42 These benefits are achieved through the utilisation of flexibility assets, reduced network reinforcement costs, reduced generation infrastructure costs, reduced

curtailment costs, among others, which can be unlocked through interoperable and efficient flexibility markets. These markets will be developed and continuously improved through the Market Facilitator role, which is responsible for reducing friction and removing barriers. Therefore, the Market Facilitator role helps to unlock the full value of a smart and flexibility energy system. However, many additional activities beyond the Market Facilitator role will also contribute to these benefits, for example actions outlined in the Clean Flexibility Roadmap and other government and industry initiatives.

- 3.43 So, whilst the Market Facilitator will not alone achieve these benefits, and we cannot define exactly the distinct Market Facilitator contribution to these benefits; the Market Facilitator role does make a material contribution to them being realised. Without the Market Facilitator role these benefits and overall value of flexibility are less likely to be fully achieved.

Benefits table

- 3.44 The Market Facilitator, through its three functions of strategic leadership, market coordination and implementation monitoring will deliver Market Facilitator specific outputs that contribute to market outcomes, realising benefits that contribute to the overarching smart and flexible energy system benefits. Tables 9-11 show the benefits of the Market Facilitator from each of its core function.

Table 9 Strategic leadership benefits realisation

Market Facilitator Output	Market outcome	Benefits realisation
Delivery Plan/Schedule	Provides clear market reforms roadmap for aligning flexibility market arrangements across local and national markets	Faster and targeted reforms to markets and products ahead of counterfactual
Identification of market barriers	Implementation of mitigation measures to overcome market barriers	Removal of barriers at a pace faster than counterfactual

Table 10 Market coordination benefits realisation

Market Facilitator Output	Market outcome	Benefits realisation
Flexibility Market Rules (FMR)	Coordinate and streamline products and services to reduce friction and increase participation	Greater market transparency and participation than counterfactual

Market Facilitator Output	Market outcome	Benefits realisation
Change management process	Enables transparent decision making and ensures diverse inputs and engagement with stakeholders are captured	Faster and targeted reforms to markets and products ahead of counterfactual

Table 11 Implementation monitoring benefits realisation

Market Facilitator Output	Market outcome	Benefits realisation
Flexibility Market Catalogue	Builds trust in the ecosystem through transparent market design	Faster and targeted reforms to markets and products ahead of counterfactual
Implementation monitoring framework	Ensures approved changes are implemented	Faster and targeted reforms to markets and products ahead of counterfactual

3.45 Therefore, the Market Facilitator, delivers market outcomes that realise benefits, which contribute to a smart and flexible energy system with the following wider benefits:

- Greater levels of flexibility utilised within the market
- Enabling future reforms and maximises the value of flexibility for system consumers
- Reduced system costs through greater use of DERs
- Greater market transparency and participation
- Increase in market operability

3.46 Although these cannot be specifically quantified and attributed solely to the Market Facilitator, they are key contributors to unlocking the full value of the smart flexible energy system for all consumers.

4. Risks, other impacts, and potential negative outcomes

Section summary

This section provides a risk assessment, outlines other impacts and potential negative outcomes.

Risk analysis

4.1 There are a range of risks to the benefits and costs that will be achieved through the factual case. These risks are presented in tables 12-14 with potential mitigation measures.

Table 12 Design and implementation risks

Risk	Impact	Mitigation
Lack of sufficient vision, feedback and engagement from Ofgem and stakeholders	Development of low-quality deliverables	Maintain close engagement with Ofgem, Stakeholder Advisory Board (SAB) and key stakeholders
Lack of agility in delivery approach	Stifling of innovation and/or missed opportunities implementing flexibility reforms in different ways	Ensure sufficient benchmarking and horizon scanning to stay abreast of innovation in policy, technology etc. in national and international arena

Table 13 Operational Risks

Risk	Impact	Mitigation
Insufficient Elexon resources	Delayed implementation and delivery	Proactive resource planning and monitoring
Unclear business governance process	Delayed implementation and delivery	Ensure robust governance framework is in place
Insufficient levers for change	Delayed implementation and delivery	Constant monitoring of deliverables to identify implementation issues
Delayed approval of deliverables	Delayed implementation and delivery	Ensure clear approval stage gates is in place

Table 14 Stakeholder engagement risks

Risk	Impact	Mitigation
Conflicting/challenging views from stakeholders	Design of low-quality deliverables, delayed implementation and delivery	Ensure effective communication and engagement with stakeholders

Other impacts

- 4.2 Ofgem is under a statutory duty to conduct an Impact Assessment when an important change is proposed according to Section 5A of the Utilities Act 2000. This includes, but is not limited to, changes that have a significant impact on persons engaged in the generation, transmission, distribution or supply of electricity.
- 4.3 We consider this IA complies with these obligations. Although the impact of the Market Facilitator may be hard to quantify at this stage, our preliminary analysis presented in previous sections indicates potential positive impact towards the UK energy system and UK's Clean Power 2030 and Net Zero target by 2050.

Impact on consumers

- 4.4 In the long term, consumers would benefit from lower energy bills as a result of a more aligned local and national flexibility markets through reduced peak demand, efficient operation of the energy system, and lower system and infrastructure upgrade costs.

Impact on the environment and Net Zero

- 4.5 A smart and flexible energy system would better accommodate and integrate renewable energy and low carbon technologies, reduce the need for generation and infrastructure upgrades, contributing to reduced carbon emissions and UK's target of achieving Net Zero.

Impact on growth

- 4.6 A robust flexibility market could result in the growth of the sector in areas including knowledge base, supply chain of clean energy and flexibility technology and talent pool. These will contribute to economic growth when talent and technologies developed in the UK are exported to and operate in international energy markets.

Potential negative outcomes

- 4.7 Possibility of negative outcome will be an overestimation of benefits or failure to deliver anticipated outcomes. This means increased resources used to align rules, standards and procedures did not result in expected market alignment and increased flexibility market participation. On the contrary, delayed delivery and design of low-quality deliverables results in increased costs and resources required to participate in the flexibility market. All these could lead to increased barriers to market entry, higher costs to operate and maintain a less flexible energy system, and eventually high consumer bills.

5. Monitoring and evaluation

Section summary

The monitoring and evaluation of the Market Facilitator should assess whether it has achieved the objectives proposed by the policy and governance framework. Some key considerations for the evaluation are set out below.

Objectives and success criteria for the evaluation

- 5.1 The key objective of the Market Facilitator will be to reduce friction in the national and local flexibility markets. This will help remove entry barriers for flexibility service providers providing essential flexibility services to the energy system.
- 5.2 Success would be measured by clarity and comprehensiveness of the Flexibility Market Catalogue and quality of Flexibility Market Rules, both developed by Elexon. The Flexibility Market Catalogue and Flexibility Market Rules will provide information, guidance and rules for stakeholders to operate effectively and efficiently in flexibility markets.
- 5.3 Success could also be measured in the level of increased standardisation in the end-to-end flexibility market process across NESO and DNOs.
- 5.4 Over time, we would expect improved liquidity in flexibility markets, more flexibility procured and more participants actively providing flexibility services to the energy system. However, due to a number of policies operating within the space, it is not straightforward to attribute these successes directly to the Market Facilitator.
- 5.5 We would be in a better position to develop an evaluation plan once the Market Facilitator completes its first delivery period in March 2028.

Timeline for monitoring and evaluation

- 5.6 The review of this intervention could occur upon completion of the first delivery period by March 2028. At that stage, a post implementation review may be conducted, and the need for an evaluation potentially assessed.

Mechanism of monitoring and evaluation

- 5.7 A monitoring and reporting mechanism has been built into Ofgem's assessment of Elexon's performance, outlined in the draft Governance Framework Document (Annex A), published alongside this document. Elexon is required to submit a self-assessment to Ofgem after every regulatory year, prior to Ofgem's assessment. As part of this self-assessment report, Elexon will report on what they have delivered against the Delivery Schedule at the end of each regulatory year.
- 5.8 At the end of the first delivery period, we propose conducting an assessment based on information submitted by Elexon, and potentially information collected

in ‘Collection of evidence’ in the following section. This would inform our decision on whether an evaluation is necessary.

Collection of evidence

5.9 In the event that an evaluation is necessary, it will be conducted using information collected by Elexon for implementation monitoring and by Ofgem for evaluative assessment as set out in the Governance Framework Document. An evaluation could be considered necessary for a number of reasons, for instance if the monitoring and reporting outlined in the section above suggests the intervention is not working as intended, a more detailed assessment may be required. Other reasons for undertaking evaluation are set out in Section 3 of [Ofgem’s Evaluation Strategy](#).

5.10 Information used for evaluation could include:

- Process evaluation
 - (1) Clarity and coherence of delivery plan
 - (2) Extent to which objectives in the delivery plan have been achieved
 - (3) What has worked well in its initial implementation
 - (4) What has worked less well and could be improved
- Value-for-money evaluation
 - (1) Is the budget economical, efficient, and not wasteful
 - (2) What is the actual cost incurred against budget for the implementation of the Market Facilitator role
- Impact evaluation, through impacts linked to benefits outlined in benefits table in Table 9-11, including
 - (1) Cost reductions from increased flexibility services
 - (2) Extent of new flex services and products created
 - (3) Reduced barriers of entry into flexibility markets
 - (4) Improved liquidity
 - (5) Improved coordination and competition

Key stakeholder engagement

5.11 Stakeholders will be engaged through the Stakeholder Advisory Board (SAB) and stakeholder survey that forms part of the governance framework evaluative assessment of the Market Facilitator.

6. Conclusions and next steps

Section summary

In this section we present conclusions of our assessment and next steps.

- 6.1 We have proposed the creation of the Market Facilitator as a policy intervention to help realise a smart and flexible energy system. This has received strong support from stakeholders, who recognise it as a crucial enabler to unlock the full value of flexibility.
- 6.2 This is achieved through the Market Facilitator being a single decision maker, empowered to drive through changes with full accountability. NESO and DNOs will be required by their licences to adopt the outputs, moving from a voluntary to a mandated approach.
- 6.3 In the monetised costs and benefits assessment, we have demonstrated through scenario analysis that even in a conservative Low Benefit Scenario, the Market Facilitator is able to generate net positive benefits. This is because the net policy costs are relatively modest at £5.6 million, while the net benefits are more than an order of magnitude higher in the range of £34-707 million. Therefore, net benefits are very likely to outweigh the net policy costs, even if there is additional uncertainty beyond that addressed by our Low Benefit Scenario.
- 6.4 In the non-monetised assessment, we have set out the overall possible value of a smart and flexible energy system from various sources and demonstrated through benefit tables that the Market Facilitator can contribute to these overall benefits, although direct and specific attribution to only the Market Facilitator is not possible. The Market Facilitator contributes to these wider benefits through greater levels of flexibility utilised, enabling future reforms, reduced system costs through greater use of DERs, greater market transparency and participation and increase in market operability.
- 6.5 The various analyses we have undertaken - the monetised, non-monetised, risk and impact analyses - lead to our overall conclusion that the Market Facilitator policy intervention will result in a positive outcome without unacceptable risks and impacts, even taking into account reasonable levels of uncertainty.
- 6.6 We have also built in a monitoring and evaluation mechanism, tied to the performance assessment framework within the Governance Framework Document to ensure the Market Facilitator performs as per expectation, and hold it to account when it does not. This will ensure the policy intervention leads to intended results.
- 6.7 Once the consultation is closed, we will consider all responses and evidence provided. We aim to publish the final IA alongside a decision on the Market Facilitator Governance Framework Document and licence modification by the end of 2025.

Appendix 1. Flexibility Market Asset Registration (FMAR)

Introduction

- A1.1 The Market Facilitator is responsible for delivering the Flexibility Market Asset Registration (FMAR) digital infrastructure as the first step in achieving the overall Flexibility Digital Infrastructure vision, based on Ofgem's [consultation in 2024](#) and [decision in 2025](#).
- A1.2 The FMAR is a common digital infrastructure that will enable the collection, storage and access of asset registration data for local and national flexibility markets, covering technical asset data and flexibility service data. It will be a single source of truth for asset data which can be ported across flexibility markets, allowing assets to register 'just once'. This will remove market entry barriers for Flexibility Service Providers (FSPs) by removing the need to register the same assets multiple times in multiple flexibility markets.
- A1.3 We have considered the requirements in section 5A of Utilities Act 2000, and we judge that the FMAR does not meet the threshold that requires a section 5A impact analysis. This is because we believe that while it will materially benefit a small but significant number of stakeholders, FMAR will not cause substantial sector wide impacts as the scale of intervention is relatively focused within the flexibility sector.
- A1.4 Hence, instead of a formal section 5A IA, this section provides a qualitative benefit assessment of FMAR.

Qualitative benefits – preferred option with FMAR

- A1.5 The establishment of FMAR could contribute to direct benefits compared to a counterfactual case (without FMAR) for the following stakeholders:
- FSPs – providers are currently required to enter asset and company information every time they enter into a new market. Through FMAR, FSPs will only be required to provide this information once resulting in time and cost savings, and removing any complexity associated with collection, storage, and alignment related to their asset information. This leads to a reduction in administrative burden and supports aggregation of large number of low-value domestic assets, especially crucial for small or new FSPs.
 - NESO/DNOs – reduced administrative costs through increased efficiency in planning, utilisation of flexibility and operations achieved through better visibility of the type, capacity and location of flexibility assets. Standardisation of asset data supports simplification of pre-qualification and evaluation processes, reducing internal administrative burden, and supports reduction in service conflict risks by providing the necessary data to establish and support clear primacy rules.

- Market Facilitator - FMAR will drive wider benefits as it can empower data-driven market coordination and rule-making, provide necessary data in a definitive, unambiguous, and comprehensive manner to inform Market Facilitator activities such as horizon scanning and flexibility market indicators. It could also streamline implementation monitoring and compliance, ensuring the proactive identification of barriers and opportunities.

A1.6 Indirect benefits of FMAR include the following:

- Greater number of flexibility assets entering the market leading to more liquidity and competition. Through the direct benefits of removing entry barrier into markets, a higher number of flexibility assets can participate leading to more liquidity and competition, and eventually lowering costs to consumers by driving down the costs of providing flexibility, and reducing the need for new generation and grid infrastructure.
- NESO and DNOs having greater visibility of the flexible assets connected to their system. This will improve efficiency and use of flexibility over other system management solutions. This also provides overall improvement in day-to-day operations of NESO and DNOs.

Qualitative benefits – counterfactual case without FMAR

A1.7 In this counterfactual, there will not be central registration of assets that could be ported across different flexibility markets. Separate asset registers on different platforms will not be interoperable, requiring registration every time a flexibility asset enters a new market. Besides being a market entry barrier, this will also create risks associated with data quality, integrity and security.

A1.8 Potential benefits associated with the counterfactual (without FMAR) include:

- No disruption to the status quo could mean less delays in delivery of functionality in the short term, which would increase participation of flexibility assets in the market sooner
- Resource and cost savings, as there is no need for the design, building, and testing of FMAR; this could also avoid delays in delivery elsewhere as the saved resource and costs could contribute to other priorities
- Increased innovation and competition as multiple entities can compete to offer solution

A1.9 Whilst there are benefits in the counterfactual case without FMAR, the benefits of FMAR listed in the preferred option case would not be achieved in the counterfactual case.

Qualitative benefits assessment

- A1.10 Comparing the direct and indirect benefits of preferred option with FMAR against the counterfactual case without FMAR, although the counterfactual case could lead to some benefits, the benefits with FMAR are likely more substantial and more enduring. Therefore, we believe FMAR is likely to bring more benefits by being a strategic foundation for entry into the flexibility markets. This conclusion is reinforced by the strong stakeholder support for creating FMAR that we received during consultation.

Conclusions and next steps

- A1.11 As outlined in the preceding sections, whilst there are benefits for both options, overall it is likely that the preferred option of FMAR would result in greater benefits than counterfactual. However, without quantitative data on both costs and benefits, it is challenging to robustly assess the impact of FMAR.
- A1.12 To ensure FMAR results in positive impact, Ofgem will work closely with Elexon to incorporate appropriate quality control, monitoring and assessment mechanisms within the Market Facilitator Governance Framework Document (Please refer to Appendix 1 - Performance Assessment for FMAR within Annex A in this consultation package) to ensure FMAR delivers positive net benefits to energy consumers.