

Decision

Coordinating flexibility: the Market Facilitator blueprint

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Contact:	Paul Wheeler
Team:	System Flexibility
Email:	flexibility@ofgem.gov.uk

This is our decision on the Market Facilitator blueprint <u>consultation</u>. This decision is part of a package of documents, which includes:

- A final version of the Market Facilitator Governance Framework Document 2026-2028 (Annex A)
- A final Impact Assessment (Annex B)
- A decision on new licence conditions to be added to the Electricity
 Distribution Licence and Electricity System Operator Licence (Annex C) and a notice to modify the licences (Annex D)

This decision document also contains our direction to Elexon as Market Facilitator to go-live on 12 December 2025, set out in Chapter 3.



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Executive summary

Background

This is our decision on the 'Market Facilitator Blueprint Consultation'. This document sets out our decision and final versions of key Ofgem documents required for the operation of the Market Facilitator.

Elexon as Market Facilitator is a single expert entity tasked with reducing friction in flexibility markets by aligning local and national arrangements. It will also develop and deliver the Flexibility Market Asset Registration (FMAR) digital infrastructure.

This decision is part of a package of documents, which also includes:

- The Final Market Facilitator Governance Framework Document 2026-2028 (Annex A);
- The Final Impact Assessment (Annex B);
- Our decision to introduce new licence conditions to the Standard Conditions of the Electricity Distribution Licence and the Electricity System Operator Licence to support the operation of the Market Facilitator (Annex C).

We consulted on these documents from 18 September to 16 October 2025. We received 18 responses in total from a range of stakeholders, including all Distribution Network Operators (DNOs), National Energy System Operator (NESO), Elexon, a number of suppliers and a trade association.

Our decision

We have decided to introduce the new licence conditions as consulted on. However, in response to stakeholder feedback, we have strengthened the Governance Framework Document to require Elexon to follow robust data safeguarding procedures and comply with Data Best Practice Guidance.

We have also made other, small changes to the Governance Framework Document, including:

- Introducing a requirement for Elexon to include reporting requirements for each Flexibility Market Rule;
- Aligning the appeal windows with Energy Code Reform proposals;
- Changing the FMAR delivery date from 1 July 2027 to 30 September 2027 and therefore updating the FMAR performance arrangements in Appendix 1;
- Minor changes to improve readability, for clarity and consistency.

In the final Impact Assessment, in response to stakeholder feedback, we have included increased costs for DNOs and NESO compared to the counterfactual and revised our analysis to consider benefits only from reforming of existing products. These changes increase costs and reduce benefits, but our analysis still indicates net positive benefits of £65-442 million, suggesting the policy is likely to achieve a positive outcome.

Next steps

This decision also contains (in Chapter 3) our direction to Elexon to move from Market Facilitator Implementation Services to Operational Services. We are satisfied that everything is in place to formally establish the Market Facilitator role.

In practice this means that the Market Facilitator will go-live on 12 December 2025, the day after publication of this decision.

1. Introduction

Section summary

In this section we explain the background and context to our decision.

Decision

- 1.1 Our Market Facilitator blueprint consultation was published on 18 September 2025 and closed on 16 October 2025.
- 1.2 We received 18 responses in total from a range of stakeholders, including all DNOs, NESO, Elexon, a number of suppliers and a trade association.
- 1.3 Non-confidential consultation responses have been published alongside this decision.
- 1.4 This is our decision on:
 - A draft Market Facilitator Governance Framework Document which sets out the key parameters of the Market Facilitator role, including how Elexon is held to account;
 - A draft Impact Assessment which assesses the impacts of the Market Facilitator role;
 - A statutory consultation on new NESO and DNO licence conditions which set out proposed licence changes to implement the Market Facilitator role.
- 1.5 Whilst the consultation was open we held a stakeholder workshop on 9 October 2025. It focused on the proposed licence changes and the draft Governance Framework Document, primarily the proposed appeals process and performance arrangements.
- 1.6 This workshop provided an opportunity for stakeholders to ask questions on the proposals and provide initial views.
- 1.7 We recognise the demands that have been placed on stakeholders by issuing a number of consultations relating to the Market Facilitator this year, in addition to stakeholder engagement run by Elexon and consultations they published relating to governance arrangements and Flexibility Market Rules.
- 1.8 We thank stakeholders for their time and input during the Market Facilitator policy journey.
- 1.9 As the Market Facilitator is a critical role for delivering the flexibility elements of the Clean Power 2030 Action Plan, we have been working at pace to ensure that the Market Facilitator goes live by the end of 2025, so that benefits can be realised as soon as possible.
- 1.10 This decision also contains our direction to Elexon for the Market Facilitator role to go-live on 12 December 2025.

Context

- 1.11 Flexibility is critical to reaching a clean power system in 2030 and meeting net zero in 2050. Currently there are barriers that make it difficult for flexibility service providers to participate in flexibility markets.
- 1.12 Flexibility will help us avoid billions of pounds of additional investment and will help us unlock the value of distributed assets like electric vehicles and heat pumps.
- 1.13 Unlocking these savings will require us to address fragmented flexibility markets, a lack of clear accountability and information gaps. As set out in <u>our Multiyear Strategy</u>, this will require a range of interventions, including creating a new Market Facilitator role.
- 1.14 The Market Facilitator is a single expert entity with a mandate to grow and develop local flexibility markets and align local and national flexibility market arrangements.
- 1.15 In practice the Market Facilitator will be responsible for aligning rules, processes, standards and services to reduce friction and increase liquidity in flexibility markets. These rules, processes, standards and services will be defined in Flexibility Market Rules (FMRs) which the Market Facilitator will publish and which DNOs and NESO will be required to comply with through their licences. FMRs will be developed through open, transparent and participatory engagement.

Related publications

April 2022: Call for Input: Future of local energy institutions and governance | Ofgem

March 2023: Consultation: Future of local energy institutions and governance | Ofgem

November 2023: <u>Decision on future of local energy institutions and governance | Ofgem</u>

December 2023: Consultation: Market facilitator delivery body | Ofgem

July 2024: Decision: Market facilitator delivery body | Ofgem

July 2024 Consultation: Flexibility Market Asset Registration | Ofgem

November 2024: Decision to approve BSC Modification P481 | Ofgem

December 2024: Market facilitator policy framework consultation | Ofgem

March 2025: Decision: flexibility market asset registration | Ofgem

June 2025: Decision: market facilitator policy framework | Ofgem

July 2025: Proposed licence conditions to support the operation of the market

facilitator | Ofgem

September 2025: Coordinating flexibility: the market facilitator blueprint | Ofgem

November 2025: P500 Balancing and Settlement Code (BSC) changes | Ofgem

Decision-making stages

Stage 1 Consultation opened: 18 September 2025

Stage 2 Consultation closed: 16 October 2025

Stage 3 Responses reviewed: 17 October 2025 to 11 December 2025

Stage 4 Consultation responses and decision published: 11 December 2025

2. What is our decision

Section summary

In this section we set out our decision on the Market Facilitator blueprint.

Context

- 2.1 In the blueprint consultation we asked questions on the Draft Governance Framework Document, Draft Impact Assessment and proposed licence changes.
- 2.2 These questions are set out below:

Questions

Draft Governance Framework Document

- Q1. Do you agree that the Draft Governance Framework Document clearly defines the scope, roles & responsibilities and deliverables of the Market Facilitator? If not, what would you change and why?
- Q2. Do you agree with the appeals process and the proposed performance arrangements for Elexon as the Market Facilitator? If not, what would you change and why?
- Q3. Do you have any other comments on the Draft Market Facilitator Governance Framework Document?

Draft impact assessment

- Q1. Do you agree that we have, to a reasonable extent, identified and understood the potential costs and benefits of implementing the Market Facilitator?
- Q2. 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?

Licence changes

- Q1. Do you agree with the updated proposed Definitions to be added to the Standard Conditions of the Electricity Distribution Licence and the ESO Licence? Are any changes required?
- Q2. Do you agree with the updated proposed licence condition clauses for Flexibility Market Rules to be added to both licences? Does the current drafting deliver the policy intent? Do you have any suggested changes?

- Q3. Do you agree with the updated proposed licence condition clauses for implementation monitoring to be added to both Licences? Does the current drafting deliver the policy intent? Do you have any suggested changes?
- Q4. Do you agree with the updated proposed licence condition clauses for Market Facilitator input into NESO service design to be added to the ESO Licence? Does the current drafting deliver the policy intent? Do you have any suggested changes?
- Q5. Do you have any additional comments or suggestions?
- 2.3 In this decision document, for the Governance Framework Document we set out our consultation position, stakeholder views and our decision relating to each of the questions we asked.
- 2.4 For the Impact Assessment and licence changes, this detail is contained within Annex B and C, and summarised here for reference.

Governance Framework Document

- 2.5 We consulted on the 'Draft Market Facilitator Governance Framework Document 2026-2028'.
- 2.6 The Governance Framework Document sets out the key requirements that Elexon must carry out in delivering the Market Facilitator role, implementing the policy framework we previously confirmed in our Market Facilitator Policy Framework Decision referred to hereafter as the "Policy Framework Decision", published in June 2025. This includes requirements in relation to:
 - The Market Facilitator function, covering the scope and roles & responsibilities;
 - Key deliverables and associated requirements;
 - The appeals process; and,
 - The Market Facilitator performance arrangements, including how we will evaluate Elexon's performance as Market Facilitator.
- 2.7 We sought views on whether the Governance Framework Document effectively implements the policy intent of our Policy Framework Decision, as well as feedback on new content.
- 2.8 The new content included proposals for performance arrangements for Elexon as Market Facilitator and an appeals process for the Market Facilitator budget and for FMRs / Elexon's Market Facilitator governance documents.

Key deliverables

Consultation position

- 2.9 The Governance Framework Document sets out the key deliverables for the Market Facilitator, which includes FMRs, a two-year delivery plan, an annual delivery schedule, an implementation tracker, strategic advice and an annual budget.
- 2.10 The requirements for these deliverables were developed in the policy framework consultation and confirmed in the policy framework decision.
- 2.11 Therefore we were seeking views on whether these deliverables were clearly defined in the Governance Framework Document, or whether any changes were required for clarity.
- 2.12 We have taken stakeholder views into consideration and incorporated these into a final version of the Market Facilitator Governance Framework Document 2026-2028, which has been published as Guidance on the Ofgem website, at the same time as this decision.
- 2.13 Alongside the Guidance we are also publishing Microsoft Word versions of each of the Appeal Forms, which appellants must use when submitting an appeal.

Stakeholder views

2.14 A number of stakeholders asked for any references to Elexon's Market Facilitator documents, including FMRs and governance documents, to be hyperlinked to make them easier to access and to show the interlinkages with the Governance Framework Document.

Changes

- 2.15 We have amended language in the document from "will" to "must" to make it clearer that a deliverable is a requirement for the Market Facilitator, which must be delivered. The time frame for this Governance Framework Document is 1 January 2026 to 31 March 2028 and therefore it's clearer that these are deliverables which must be delivered in this period.
- 2.16 We have added hyperlinks to <u>Flexibility Market Rules</u> and Elexon's <u>Market Facilitator governance documents</u>, which have now been published on Elexon's website. This was always our intent but was not possible when the draft document was issued for consultation, as Elexon had yet to publish its consultation decision and live documents. These documents were published in December 2025.
- 2.17 We have also made some minor changes to Section 3 of the Governance Framework Document, for example clarifying that any requests by Ofgem and DESNZ for strategic advice from the Market Facilitator will be triaged through a single point of contact at Ofgem.

Appeals process

Consultation position

- 2.18 In the policy framework decision we confirmed that we would develop an appeals process for both the Market Facilitator budget and also for FMRs / Elexon's Market Facilitator governance documents.
- 2.19 We have sought to align our proposals with those being developed under Energy Code Reform where appropriate.
- 2.20 In our Policy Framework Decision we confirmed that we would develop an appeals process, however, we did not set out what this would look like.
- 2.21 We have developed an appeals process and therefore in the blueprint consultation we were seeking views on this.
- 2.22 We set clear grounds for appeal and an ability for Ofgem to dismiss vexatious or trivial appeals, as we recognise that we wanted there to be a robust appeals process but not impact delivery at pace.
- 2.23 We proposed that for the annual budget, the Market Facilitator would be able to continue spending on a Market Facilitator Cost Item pending the appeal outcome.
- 2.24 We also proposed timescales for appeal, including the appeal window and set out that Ofgem would make a decision in a timely manner.

Stakeholder views

- 2.25 A number of stakeholders raised concerns about the proposed appeal window of 14 days, particularly for FMRs, as they felt it should be longer to allow time for stakeholders to raise an appeal. Suggestions for longer appeal windows ranged from 10 working days to 30 calendar days.
- 2.26 Stakeholders also raised concerns about the timeliness of Ofgem making a decision.
- 2.27 One stakeholder was concerned that continuing to allow spending pending an appeal would risk funds being wasted if the appeal is then upheld, which would lead to additional costs for parties funding the Market Facilitator which would ultimately be passed on to consumers.

Our decision

- 2.28 For the budget we have decided to introduce an appeal window of 10 working days which aligns with the proposal for Code Manager budgets being developed under Energy Code Reform. Their proposal is 14 days which is effectively 10 working days.
- 2.29 We have used working days throughout the appeals process for consistency and also for operational reasons.

- 2.30 For FMRs and changes to Elexon's governance documents, we recognise that a longer appeal window is required, for a stakeholder to consider whether they will raise an appeal and then to prepare and submit their appeal.
- 2.31 We have therefore decided to introduce an appeal window of 15 working days. This is consistent with the appeal window for code modifications.
- 2.32 We note the concerns about continuing to allow spending pending an appeal, particularly as this diverges from the proposals for code managers. However, as we set out in the consultation, we are concerned on the impact to Market Facilitator delivery.
- 2.33 Elexon will be consulting on the budget which gives stakeholders an opportunity to provide feedback and any concerns they have on the Market Facilitator budget, which Elexon must consider prior to finalising the budget.
- 2.34 Also, we will aim to make a decision as soon as possible on budget appeals and therefore this will help mitigate the risk of there being an extended period of spending on a Market Facilitator Cost Item which is appealed against and then the appeal is upheld.
- 2.35 We have now stated in the Market Facilitator Governance Framework Document that we will set out the date on which we expect to make a decision when we confirm that the appeal is valid.
- 2.36 To align with Energy Code Reform we are amending one of the budget grounds for appeal to be that a Market Facilitator Cost item is an inappropriate provision for the activity in question, rather than manifestly inappropriate.

Performance arrangements

Consultation position

- 2.37 In our Policy Framework Decision we confirmed that we would set out the arrangements for assessing Elexon's performance as Market Facilitator.
- 2.38 We had already confirmed that as Elexon is a not-for-profit entity then reputational incentives would be appropriate and proportionate.
- 2.39 We set out that 'plan delivery and ambition' and 'stakeholder evidence' would be the performance criteria.
- 2.40 'Metric performance' which was previously considered as a potential criterion has not been included as we did not identify suitable metrics for inclusion in the performance assessment framework.
- 2.41 In the blueprint consultation we proposed a timeline to assess Elexon's performance as Market Facilitator for each regulatory / performance year.

- 2.42 In addition to proposed dates, we set out the activities and also who would be involved in each activity.
- 2.43 We also set out a performance assessment plan for FMAR, to be used for delivery tracking and performance monitoring.

Stakeholder views

- 2.44 Stakeholders did not provide significant views on the proposed performance arrangements.
- 2.45 One stakeholder commented that we should ensure that the risk of bias is mitigated by ensuring that the stakeholder survey is promoted to all stakeholders and that no incentives should be offered to complete the survey.
- 2.46 A few stakeholders asked for clarity that the performance assessment would take place each year. They also asked whether Elexon's performance would be assessed to the same extent for the short period from 1 January 2026 to 31 March 2026 and also for the period since Elexon were selected as the Market Facilitator in July 2024.
- 2.47 Stakeholders did not provide comments on the proposed performance assessment criteria and milestones for FMAR.

Our decision

FMAR delivery date

- 2.48 In the draft Governance Framework Document we proposed in Objective 2 that by 1 July 2027, Elexon should deliver the FMAR digital infrastructure.
- 2.49 However, following discussions with Elexon this deadline has been amended to 30 September 2027, to ensure delivery of a fit for purpose solution.
- 2.50 This new deadline is still aligned with Market-wide Half Hourly Settlement (MHHS) and is still within the timeline for deployment which was originally proposed in the FMAR consultation, between 2025 and 2028.

Performance assessment process

- 2.51 We have updated the stakeholder survey section to make it clear that it should be promoted to all stakeholders by the Market Facilitator, to mitigate the risk of bias.
- 2.52 However, the Market Facilitator stakeholder survey is being administered and published by Ofgem, and responses will be submitted to Ofgem for review and analysis.
- 2.53 We are only asking Elexon to promote it in addition to Ofgem, to ensure that all stakeholders that Elexon as Market Facilitator has engaged with are aware that the survey has been published and they have the opportunity to provide feedback.

- 2.54 Therefore we feel this is a lower risk to mitigate compared to other stakeholder surveys, for example the DSO incentive, for which the list of stakeholders to contact is provided solely by the DNOs to the third party organisation running the survey.
- 2.55 We have also made it clear that only one response per organisation will be accepted.
- 2.56 We propose to perform a 'light touch' performance assessment at the end of the period from 1 January 2026 to 31 March 2028, noting that we set out in the Governance Framework Document that we will hold check-ins with the Market Facilitator to assess progress against the delivery plan on at least a quarterly basis.
- 2.57 We already set out in the Policy Framework Decision (paragraph 5.14) that we will undertake an assessment of Elexon's performance during the transition period (up until the end of 2025).

Impact Assessment

2.58 A total of 15 responses were received for the Draft Impact Assessment. A majority of respondents agreed that we have, to a reasonable extent, identified and understood the potential costs and benefits, as well as the potential impacts and unintended consequences, of implementing the Market Facilitator.

Costs and benefits

- 2.59 In the Draft Impact Assessment (IA), we initially assumed that the costs for NESO and DNOs would not differ materially between the preferred option and the counterfactual, and therefore excluded these costs from the analysis. While most respondents supported this approach, four respondents disagreed and requested that these costs be included. In response, we obtained cost information from NESO and most DNOs and subsequently updated our analysis.
- 2.60 We initially expected the Market Facilitator to deliver benefits from both new products and the reform of existing ones. However, after respondents highlighted that new product delivery is not part of the Market Facilitator's objectives and that our proxy was not directly relevant, we revised our analysis to focus only on reforming existing products.
- 2.61 These changes increased costs and reduced benefits, but our analysis still indicates net positive benefits of £65–442 million, suggesting the policy is likely to achieve a positive outcome.

Potential impacts and unintended consequences

2.62 Some respondents expressed concerns about Elexon's ability to deliver the Market Facilitator role to the expected standard and the lack of clarity around consequences if expectations are not met. Ofgem consulted on performance

- arrangements and received stakeholder support. We consider these arrangements appropriate to ensure Elexon's effective performance.
- 2.63 Additional concerns were raised regarding the need for agile governance, data collection requirements, practical limitations of standardisation, and the potential resource burden on smaller stakeholders. These issues have been carefully considered and are addressed in the current arrangements outlined in the Final Impact Assessment.

Licence changes

- 2.64 The Market Facilitator blueprint consultation included the statutory consultation on the proposed changes to the Standard Conditions of the Electricity Distribution Licence and the Electricity System Operator Licence.
- 2.65 These proposed changes introduce new licence conditions to support the operation of the Market Facilitator. This includes requiring DNOs and NESO to comply with the FMRs and to provide information to the Market Facilitator for the purposes of implementation monitoring.
- 2.66 For NESO only, clauses were proposed relating to how the Market Facilitator can input into NESO service design and how Elexon and NESO should work together.
- 2.67 The statutory consultation followed a non-statutory consultation published in June 2025. We received 16 responses to the statutory consultation.
- 2.68 We have decided to introduce the new licence conditions as consulted on, with only minor changes to address formatting issues and typos. We have however strengthened the Governance Framework Document to require Elexon to follow robust data safeguarding procedures and comply with Data Best Practice Guidance. In addition, we have introduced a requirement for Elexon to include reporting requirements for each FMR.
- 2.69 In Annex C we set out our decision and our rationale in full.

3. Market Facilitator go-live

Section summary

In this section we set out our direction to Elexon to move from Market Facilitator Implementation Services to Operational Services, enabling it to go-live on 12 December 2025, the day after the publication of this decision.

- 3.1 We published our <u>decision</u> to appoint Elexon as Market Facilitator on 29 July 2024.
- 3.2 An enabling modification was required for Elexon to take on this additional role.
- 3.3 P481 'Enable Elexon to be the Market Facilitator Delivery Body' added a new Market Facilitator sub-section to Section C of the BSC and provided a distinction between Market Facilitator Implementation Services and Market Facilitator Operational Services.
- 3.4 Implementation Services included:
 - Developing the Market Facilitator governance and funding arrangements
 - Developing a design and implementation plan and approach
 - Engaging with stakeholders
 - Any other additional services reasonably requested by Ofgem
- 3.5 Elexon developed the governance and funding arrangements through stakeholder workshops and consultation.
- 3.6 We confirmed our decision to sign off the governance arrangements in an open letter published alongside the blueprint consultation package (Annex F).
- 3.7 Elexon then consulted on their draft governance documents.
- 3.8 Live versions of these documents were published in December 2025.
- 3.9 The second BSC modification, <u>P500 'Enduring Market Facilitator Budget and Funding Arrangements'</u> embeds the budget and funding arrangements into the BSC. This was implemented on 1 December 2025.
- 3.10 We are therefore satisfied that Market Facilitator Implementation Services have been completed and Elexon can begin Market Facilitator Operational Services.
- 3.11 These services to be provided are set out in the Market Facilitator Governance Framework Document as key deliverables.
- 3.12 Therefore, in accordance with <u>BSC Section C17.4</u> we are directing Elexon as Market Facilitator to start Market Facilitator Operational Services on **12 December 2025.**

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.