

Market Facilitator Governance Consultation Response Form

Publication date: 18 September 2025

Please use this response form to respond to the Market Facilitator Governance Consultation which was published on Thursday 18 September 2025.

Please submit your response to flexibility@ofgem.gov.uk by 5pm on Thursday 16 October 2025.

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Confidentiality

We will publish non-confidential responses on our website. However, You can ask us to keep your response, or parts of your response, confidential.

Do you want all or part of your response treated as confidential? If yes, please confirm if all or part of the response should be treated as confidential and if so, which part

No.

Questions

Annex A – 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?

E.ON agrees that the Draft Governance Framework Document goes some way to defining the scope, roles & responsibilities and deliverables of the Market Facilitator. However, as we have previously relayed, many of the deliverables are subjective.

For example – “will look for alignment where it is appropriate” and “simplifying access”.

Building upon our commentary in the Executive Summary (which we have sent through separately by email), if we have interpreted the document correctly, it appears that setting a performance objective will only take place prior to the start of the second delivery plan period (1 April 2028 to 31 March 2030) which we do not believe is sufficient, especially given the broader Clean Power Mission. Whilst we understand some of the rationale stated – i.e. that the scope will, by then, include the wholesale market – we do not believe that this is reason in and of itself to delay the inclusion of a performance ambition until this point in time.

As we have also outlined within the Executive Summary, since the objectives of the MF lend themselves to measurable deliverables - such as volumes of flexibility procured and at what £/unit - we believe these should be in place from the onset of the MF. If Ofgem do not feel comfortable that such metrics should be explicitly linked to the performance assessment of the MF, they can nonetheless be used as a baseline and non-performance related KPI.

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?

We agree with the appeals process and the proposed performance arrangements for Elexon as the Market Facilitator, notwithstanding our earlier comments around the absence of performance metrics.

Q3. Do you have any other comments on the Draft Market Facilitator Governance Framework Document?

E.ON supports the inclusion of the FMAR, and key FMAR deliverables, within the Draft Market Facilitator Governance Framework Document.

Annex B – Draft Market Facilitator 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?

We agree that Ofgem have, to a reasonable extent, identified and understood the potential costs and benefits of implementing the Market Facilitator based on all available data/research at the time.

However, due to the absence of flexibility metrics under DSO's RRE requirements until Apr 25, this hampers the ability of the Impact Assessment to accurately and fully appraise both the value of flex, and the corresponding impact of any flexibility not materialising.

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?

E.ON agrees that Ofgem have largely identified and understood the potential impacts of the introduction of the Market Facilitator.

The key unintended consequence we see at risk of materialising is the possibility there will be a "failure to deliver anticipated outcomes" which we believe is relatively high risk so long as there are not sufficient performance metrics in place.

This, in turn, also increases the likelihood that there will be "low-quality deliverables".

We also have concerns that many of the stated risk mitigations such as those relating to "stifling of innovation and/or missed opportunities" include activities such as "constant monitoring of deliverables to identify implementation issues" and "ensuring sufficient benchmarking and horizon

scanning", both of which are also undermined by the fact that the deliverables are subjective and/or unquantifiable due to the lack of fit for purpose metrics.

Annex C – 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?

No comment.

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?

We agree with the updated proposed licence condition clauses regarding Flexibility Market Rules with the exception of the change of wording from "engage and comply with the Market Facilitator in its role to align and standardise flexibility markets" to solely "engage".

Whilst we appreciate that the assumption is that compliance is presumed to follow based on the subsequent clause that "The licensee must comply with the Flexibility Market Rules, subject to 55.4", this relies on the FMRs being 100% effective at delivering the aforementioned objective (aligning and standardising). As the FMRs are likely to be imperfect, and will need frequent updating as flex markets evolve, we believe this weakness should be addressed through reinstating the original wording that licensees comply with the Market Facilitator.

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?

Instead of "the licensee must, within a reasonable timeframe, provide Market Facilitator Information to the Market Facilitator, as and when reasonably requested by the Market Facilitator", E.ON is of the opinion that it would be more meaningful to provide indicative timeframes according to a level of urgency – for example: for urgent requests, the timeframe could be no later than 3 weeks, with a timeframe of no later than e.g. 3 months being applied to non-urgent requests.

In view of the difficulties Ofgem seem to have encountered in their endeavours to gain DSO flexibility data with which they are comfortable under the RRE/ED2 framework (until Apr 25), having as SMART as possible implementation monitoring clauses is essential.

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?

We have proposed one modification to this updated clause.

Instead of:

"The licensee must fully engage and consult with the Market Facilitator in the service design for new and existing NESO Services prior to implementation decisions being made and prior to formal consultation (required under Condition C9 of this licence and Article 18 of the Electricity Balancing Regulation) by the licensee, for NESO Services"

we would suggest Ofgem add in supplementary wording per the bold underlining below:

*"The licensee must fully engage and consult with the Market Facilitator in the service design for new and existing NESO Services, **and ensure alignment with the Market Facilitator's objectives as set out in their Governance Framework Document**, prior to implementation decisions being made and prior to formal consultation (required under Condition C9 of this licence and Article 18 of the Electricity Balancing Regulation) by the licensee, for NESO Services. **In instances of disagreement between NESO and the Market Facilitator, this should be escalated to Ofgem to mediate**"*

Q5. Do you have any additional comments or suggestions?

As we have elaborated upon above, E.ON has an over-arching concern that the Market Facilitator's objectives are not sufficiently measurable and/or SMART meaning they are open to interpretation and risk not delivering Ofgem's intent. We note that the MF workplan is shortly due for publication, and so will review this for any assurances in relation these concerns.

As we have also relayed in our responses to prior consultations, we have significant concerns around the Market Facilitator's ability to efficiently and effectively unlock CLF without all flexibility markets being in scope from Day 1, and so would reiterate our view that Ofgem should look to rectify this as soon as possible.

It is also worth emphasising that there is a need for Elexon/Ofgem to ensure that the MF's "Strategic Leadership" function can be used to ensure traction on wider actions to deliver flexibility which may not be directly within its scope. This is essential on two levels: 1) it ensures that any gaps in its scope/formal objectives can be mitigated – for example, where key flexibility markets such as the Capacity Mechanism have been omitted and 2) it will ensure the second part of the equation required to unlock flexibility – namely sufficient price incentives – is more likely to materialise alongside the MF's stated goal of improving market access.

We are of the opinion that, without addressing the economics of taking part in flexibility at the same time as widening market accessibility, the 12GWs of CLF required to meet the UK's CP2030 target will not be delivered.

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