

# ELEXON

03 December 2025

By e-mail to: [ED3@ofgem.gov.uk](mailto:ED3@ofgem.gov.uk)

**Dear ED3 Network Price Controls Team**

**Re:** Consultation on ED3 Sector Specific Methodology

Thank you for the opportunity to respond to your consultation on the ED3 Sector Specific Methodology.

Elexon is an independent, not-for-profit delivery body that has been operating for 25 years, playing a critical role opening up markets and supporting the transition to a net zero energy system. We provide governance, settlement and data platforms (Elexon Kinnect), and specifically manage the Balancing and Settlement Code (BSC). This enables the smooth and effective operation of the electricity market, which includes energy suppliers, generators, flexibility service providers and network companies across Great Britain. Over the past year, we have helped around 50 new companies enter the market, enabling a more flexible and innovative energy system.

Our end-to-end expertise in governance, assurance, technology platform development and electricity market data is available to support the industry, Government and Ofgem, as the energy sector transitions to net zero. Building on our purpose of serving the industry, the electricity market data we hold is open, and available for anyone to access, analyse and distribute. As a trusted, independent and reliable market expert, we continuously look to evolve and innovate for the benefit of our customers and consumers.

Ofgem has appointed us as the market facilitator for flexibility markets across both local and national markets. The market facilitator will focus on reducing friction for all parties, aligning system, transmission and distribution arrangements, and developing these markets, ensuring better coordination and alignment. Elexon will go-live in December, with formal operations and the delivery plan kicking off in January 2026. We will also be responsible for delivering the Flexibility Market Asset Registration (FMAR) by 2027. FMAR will serve as a common asset registration platform and the 'single source of truth' for recording details of registered assets. This vital digital infrastructure will enhance visibility of flexibility assets and unlock their full value for service providers. It will also support the growth of consumer-led flexibility, which must scale from 2.5GW today to 12GW by 2030.

Ofgem has also appointed us as the Implementation Manager for implementing the Market-wide Half Hourly Settlement (MHHS) Programme, a key enabler of the flexibility required for the transition to net zero. Once MHHS is live, Elexon will manage up to 500-billion-meter readings every year. Half-hourly data is an important enabler for demand side response, and used effectively, can encourage more flexible use of energy – reducing household bills and rewarding customers. Ofgem estimates half hourly settlement will deliver up to £4.5bn of net benefits to consumers by 2045.

In November, the Government confirmed that Elexon will deliver the enduring governance for the Smart Secure Electricity Systems (SSES) Programme from mid-2026. Elexon will oversee and maintain the technical standards that enable interoperability of energy smart appliances, as well as the security requirements for both those appliances and flexibility service providers. The SSES Programme is a key enabler of the transition to a smarter, more flexible and cleaner energy system. It is a core part of the Government's Clean Flexibility Roadmap, which aims to unlock greater levels of consumer-led flexibility.

We have limited our response to areas where we feel we can add value. If you would like to discuss any areas of our response, please contact Steven Gough, Head of Flexibility ([steven.gough@elexon.co.uk](mailto:steven.gough@elexon.co.uk)) or Hussein Osman, Market Advisor ([hussein.osman@elexon.co.uk](mailto:hussein.osman@elexon.co.uk)).

Yours sincerely,

Steven Gough  
Head of Flexibility

# Ellexon's high-level consultation response

## **Digitalisation and Data**

We are supportive of Ofgem's proposals and the intent to build on the foundations set in ED2. The developments through ED2, including the publication of DSAPs, embedding Data Best Practice, investment in network visibility and wider improvements across digitalisation and data activities, have delivered a clear step change. As the consultation recognises, effective use of digital technologies and capabilities is fundamental to becoming a DSO, and ED2 represented important progress in realising that vision.

We support the additional outcomes proposed by Ofgem, particularly where they promote greater use, accessibility and visibility of data. The focus on ensuring that digital and data activities deliver strategic value is welcome. We also support the proposal to make participation in the DSI a licence requirement, as this is an important lever to ensure that all network operators, who hold critical network data, engage consistently in DSI workstreams and contribute to the development of a secure, standardised and system wide approach to data sharing.

## **Interoperability and Coordination**

It is important to highlight that the consultation does not reflect, by the time ED3 goes live, many of the challenges in both flexibility markets coordination and data space will already have been resolved and/or moved forward by the Market Facilitator and other actors. It will therefore be essential to ensure that the framework is aligned with wider developments taking place, including Market Facilitator developments.

While we support the intent behind the additional outcomes, further clarity is required regarding interoperability and coordination. We strongly agree with the objective of ensuring consistent data standards and formats across network operators, particularly for high priority datasets. Although progress has been made since ED2, it has not gone far enough. The creation of an independent expert panel in an advisory capacity is a positive signal, but its effectiveness will depend entirely on the strength of its mandate. If participation remains voluntary, experience suggests that progress could be slow or sub optimal. For the panel to be effective, it must have sufficient authority or influence to drive alignment across network operators.

In the context of interoperability and coordination, Ellexon, as the Market Facilitator for flexibility markets, will be responsible for delivering data standards and promoting a unified approach to flexibility market data. Although the consultation focuses mainly on network data, we believe the Market Facilitator should have an advisory role in ensuring interoperability and coordination where datasets relate to flexibility markets, so that consistency and wider alignment are maintained. We are also supportive of Ofgem's approach to including a wider set of stakeholders and ensuring a balanced membership.

## **Asset Visibility**

We welcome the alignment between Ofgem's proposals on asset visibility and the DESNZ work on asset visibility. Ensuring consistency across both organisations, in relation to the development of baseline static asset data and dynamic asset data where required, will help drive coherence and reduce duplication for market participants. There is also a clear dependency between this workstream, and the issues highlighted in the Distribution System Operator subsection. Effective operational data sharing relies on high levels of asset visibility, as accurate and timely asset data underpins the ability

to determine primacy. As such, asset visibility serves as a key enabler for overcoming these challenges, supporting coordinated decision-making, facilitating faster connections, enabling effective use of flexibility, and reducing duplication and uncertainty across the network.

It is worth noting that, through the Market Facilitator role, Elexon is due to deliver the Flexibility Market Asset Registration (FMAR) ahead of ED3. FMAR will significantly enhance network operators' visibility of static asset data for assets participating in flexibility markets. To maximise this benefit, it is important that DNOs align with agreed data standards at the point of collection, making integration into FMAR seamless if and when assets register for flexibility. We are keen to support DNOs (and NESO) in this process to ensure consistency and interoperability. Combined with DESNZ's work on wider asset visibility, this provides a strong opportunity and foundation for a more coordinated and integrated approach to static asset registration and, where valuable, operational asset data.

By the start of ED3, this coordinated approach should enable a substantial step change in Distribution Network Operators' ability to record and access these critical datasets. We consider that DESNZ's recent call for evidence has clearly articulated the challenges currently limiting wider asset visibility, and we will support DESNZ in addressing these barriers.

### Strategic Outcomes

We agree with Ofgem that there is a need for clearer articulation of how digitalisation activities contribute to strategic outcomes. Although progress has been made, more can be done to strengthen these links. We recommend that Ofgem sets out high level strategic outcomes across key areas of DNO operations without being overly prescriptive. DNOs should then demonstrate in their DSAPs and updates how their digitalisation activities deliver against those outcomes. We do not believe that DSAPs need to be aligned/standardised, provided each one communicates progress and outcomes clearly, transparently and in a way that remains accessible to stakeholders.

## **Distribution System Operator**

### Flexibility

We welcome Ofgem clarity that flexibility will be an important tool used alongside network build to optimise networks. Flexibility is an and, not or, to network build. We believe this is a strong signal that reinforces the importance of flexibility and aligns with our response to the draft determinations for the RIIO-ED3 consultation. However, this message alone will not ensure that flexibility is prioritised, DNOs/DSOs will need to be more strongly incentivised to use flexibility where it is appropriate.

As Market Facilitator, Elexon will play a key role in ensuring that the markets underpinning flexibility operate efficiently, transparently and in a coordinated manner. This will allow DSOs to procure the flexibility services they need for the use cases highlighted in the consultation more readily, because the markets will function simply and seamlessly. While the consultation highlights current challenges within the flexibility space, again it does not reflect that by the time ED3 begins the Market Facilitator will have completed its first delivery cycle. As a result, many of the issues referenced are likely to have progressed significantly, and several of the barriers identified today may already have been addressed.

We noted earlier that asset visibility is a key enabler for NESO and DSO coordination and for the sharing of operational data. In our role as Market Facilitator, we have committed to improving the approach to information sharing between network

operators, particularly through our work on Risk of Conflict Reporting and our vision for market coordination during the first delivery cycle from 2026 to 2028. This work, alongside other workstreams being progressed by network operators, will help address the barriers highlighted in the consultation that currently limit the scaling of flexibility. The activities Elexon will deliver in its first delivery cycle may require additional spend by DSOs, and this needs to be considered.

While outside the Market Facilitator's core scope, we welcome the proposal for DSOs to update their Common Evaluation Methodology to reflect the ED3 approach. We also believe that the Market Facilitator should be involved in and provide input to this process to support effective coordination and to ensure that flexibility and network build are assessed and compared consistently in decision making.

### *DSO Incentive Framework*

We welcome Ofgem's recognition that the DSO incentive needs to evolve to reflect the changing role of DSOs in ED3, and we support the inclusion of flexibility as one of the outputs. However, we believe there should be a stronger incentive beyond simply supporting the maturation of flexibility markets. We would welcome stronger incentives focused on flexibility, as this would send the right signals for DSOs to develop and use flexibility alongside traditional network build throughout ED3.

As part of the development of the Market Facilitator, Elexon will have a direct role in informing the DSO performance assessment process through the DSO incentive framework. Given the central role of the Market Facilitator, alongside DSOs, in delivering the flexibility outcomes that Ofgem is seeking to incentivise, it is important that this contribution is recognised within the framework. We recommend that outputs from the Market Facilitator workstream and the associated governance documents are aligned with developments within the ED3 workstream to ensure consistency.