

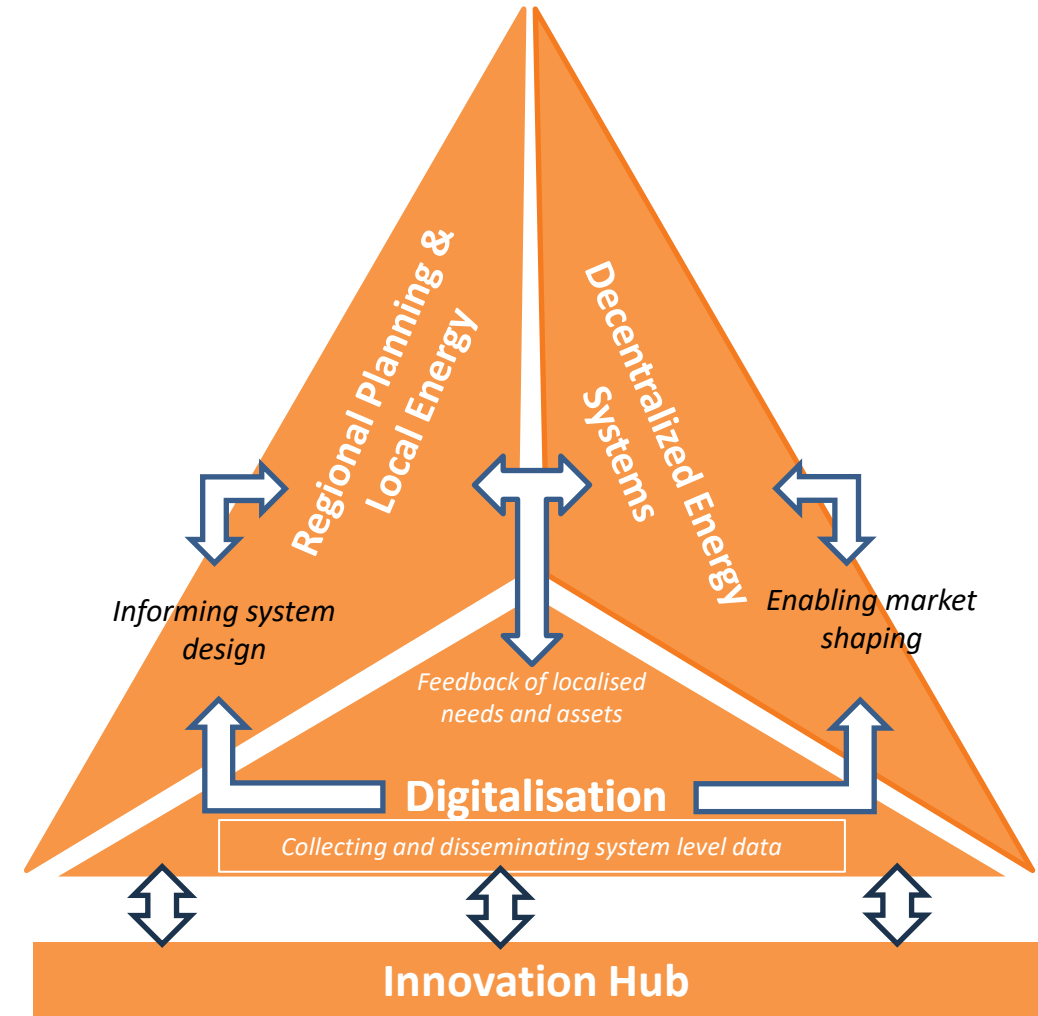


**REA Conference – Decentralised  
Energy Systems**

3 December 2024

# How are we enabling a decentralised energy system?

1. **We are building a digital foundation** to enable the collection and measurement of data from across the energy system - and to make that data available throughout the system.
2. **We are enabling local solutions to local problems**, empowering communities to inform and shape system planning.
3. **We are enabling a more flexible, adaptable and resilient energy system**, by enabling a ‘bottom up’ – decentralized resources to respond to ‘top down’ – system needs.
4. **We are finding and funding and trialling innovations**, encouraging the market to create solutions to meet 2035 clean power target at pace and at cost.



# Strategic energy planning landscape

Scale, complexity and long lead times of new infrastructure build requires **strategic planning** at **local, regional** and **national levels** to ensure effective co-ordination and optimisation

Strategic planning will help enhance confidence in and **accelerate network investments** and **speed up connections** to the grid

Ofgem will oversee the National Energy System Operator's (NESO) production of a new national **Strategic Spatial Energy Plan (SSEP)** which will inform a new transmission network plan – the **Centralised Strategic Network Plan (CSNP)**

**Regional Energy Strategic Plan (RESP)** to optimise energy systems at the distribution level and maximise opportunities for decarbonisation at pace



RESPs will be delivered by National Energy System Operator (NESO) in their role as Strategic Planner

A strategic plan in each region, that takes a cross- vector view, is reflective of the regional context and provides a blueprint for development



Delivered through hub and spoke model, with 11 regional spokes

Regional governance boards will embed local actors in the process and steer RESP creation



- Current processes not fit-for-purpose to deliver efficient, coordinated, whole-system investment for net zero.
- RESPs will set the direction for infrastructure investments, particularly for network capacity
- This should ensure network investment is made when and where it is needed, driving forward decarbonisation at pace and enabling the opportunities of decentralisation to be harnessed
- Policy decision on detailed design due early 2024
- Transition RESP output due late 2025/early 2026

# Enabling a more flexible, adaptable and resilient energy system

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A new Market Facilitator role to deliver more accessible, coordinated and transparent flexibility markets at all levels which play a core role in efficiently running our decarbonised power system.

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Flexibility Digital Infrastructure (FDI) to maximise the participation of distributed assets in flexibility markets, by addressing market barriers through coordinated digital infrastructure across markets

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A new regulatory regime 'Smart Secure Electricity Systems' - for load controllers and energy smart appliances to ensure there is consumer confidence and appropriate management of cyber security and grid stability risks of demand side response (DSR) from "load control" of Energy Smart Appliances (ESA) e.g. EVs, heat pumps, and batteries

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A **new market facilitator role**, governed by Ofgem, delivered by Elexon

The market facilitator will be responsible for **standardising DSO markets** and driving **alignment between DSO and ESO** flexibility markets



**DNOs and NESO** will be required to **adopt the outputs** specified by the market facilitator

We will introduce a **governance mechanism** for the market facilitator to embed accountability within the process



- In Q4 2024:
  - We intend to publish a **policy framework consultation**, detailing the role and governance, and a decision letter on the **BSC modification** that enables Elexon to take on the market facilitator role
- In 2025:
  - The **market facilitator governance arrangements** will be set out across a 2<sup>nd</sup> BSC modification and a governance framework document
  - We will consult on **NESO and DNO licence changes** in H2 2025, requiring NESO and DNOs to adopt the market facilitator's outputs
- We want the market facilitator to be fully up and running by **end of 2025**, with Elexon **delivering aspects sooner as part of a smooth transition** from Open Networks, and all relevant code and licence changes implemented in full