



UNLOCKING SUCCESS THROUGH POLICY

ELEXON

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What is your biggest policy challenge right now?

① Start presenting to display the poll results on this slide.

The background of the slide features a blurred image of a financial market data screen. It displays various numerical values, such as '18424(6)', '18476(1)', and '18437(1)', along with percentage changes like '-0.36%' and '-0.50%'. There are also candlestick charts and a pen pointing at the data, suggesting a focus on financial analysis and trading.

ELEXON

- Independent, not-for-profit delivery body, funded by industry for industry
- Our purpose is to serve the industry to support the transition to net zero
- Manage the Balancing and Settlement (BSC) Code for the electricity wholesale market and currently implementing MHHS
- Deliver governance, data, schemes, payment and settlement services - enabling the market to operate effectively
- Appointed the market facilitator in July 2024 to open up flexibility markets.

What does a future secure electricity system look like?



Generation - Large plants (100+MW):

- Gas
- Nuclear
- Hydropower
- Offshore wind
- Onshore wind

Generation – Small/medium (1+MW):

- Onshore wind
- Solar
- Biomass
- Other renewables

Distributed Flexibility



Turning large generation up & down

Access to / Turning most small/medium generation up & down



Access to / Turning most consumption up & down (large ind.; C&I loads)

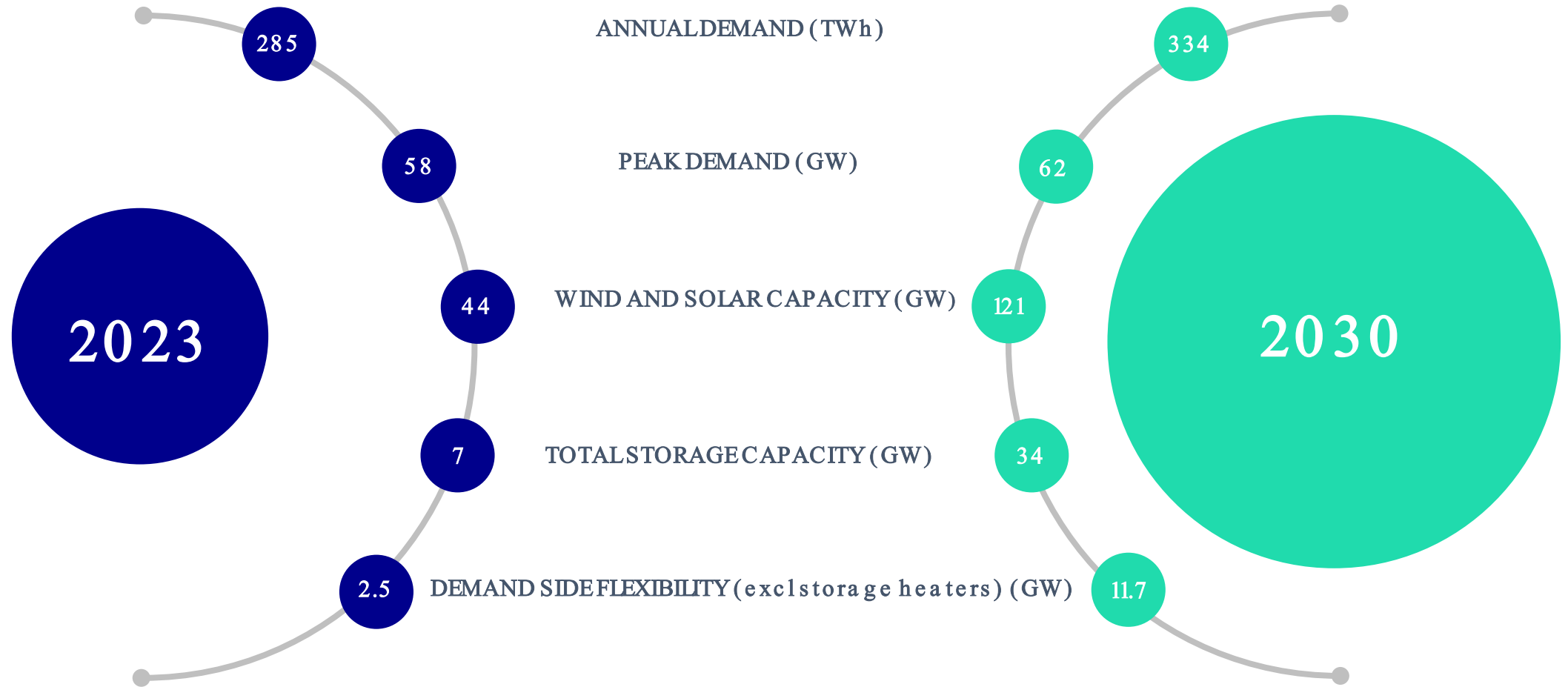


Access to / Turning some/most residential consumption up & down

Consumption:

- Large industrial
- Commercial & industrial
- Residential

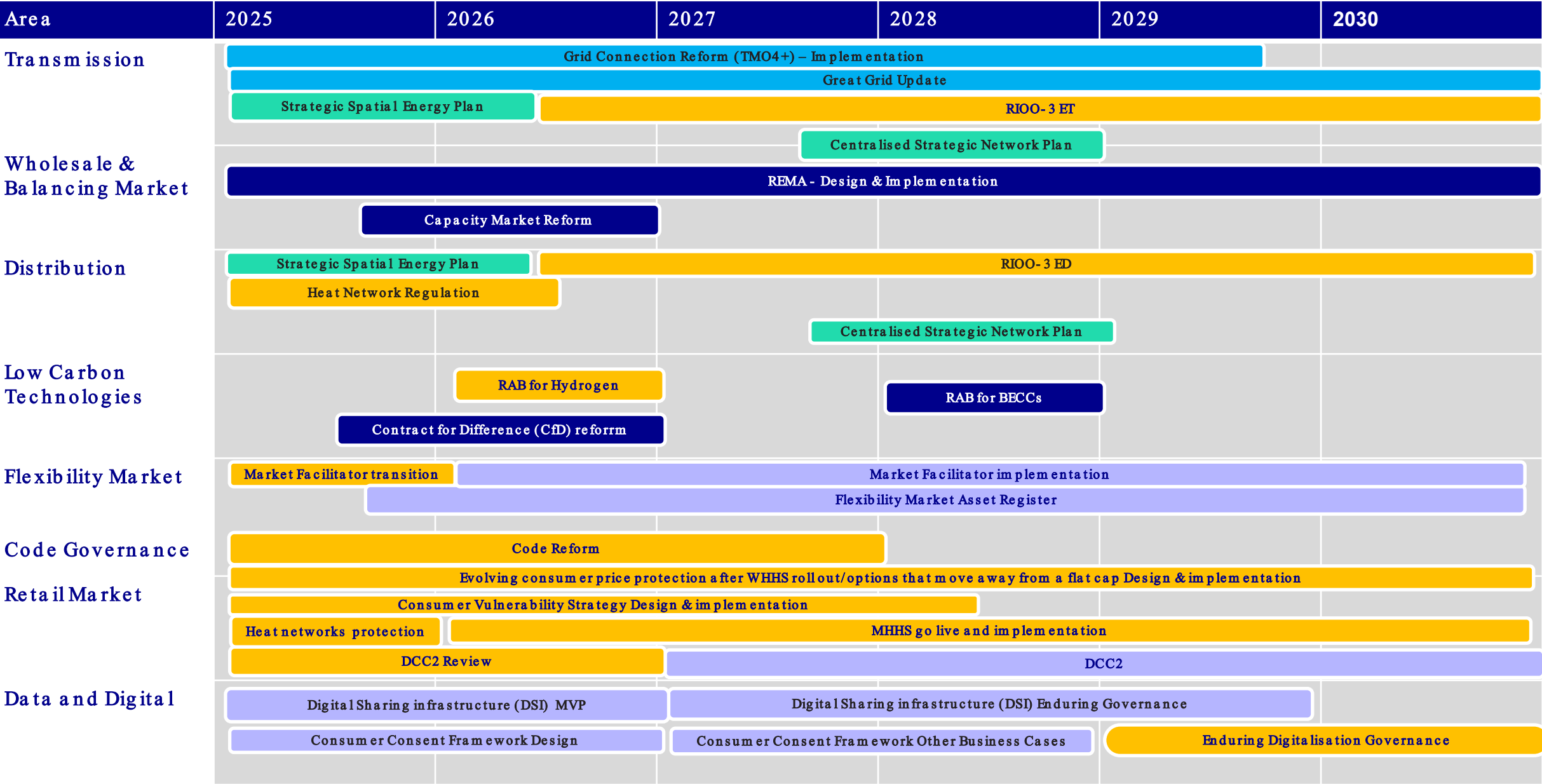
Electricity transition in figures



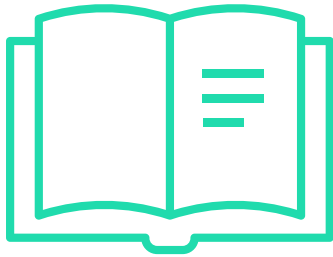
All figures, except the last, are from NESO's FES 2024 report, specifically the Holistic Transition pathway. We expect the CP30 delivery report to be more ambitious, as the FES 2024 report predates the CP30 commitment.

How the Energy Landscape is evolving to meet 2030 Clean Power ambition

- NGET led
- NESO led
- OFGEM led
- GOV led
- New delivery body

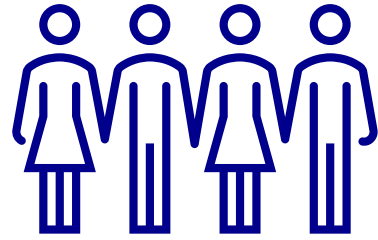


Key enablers of successful policy



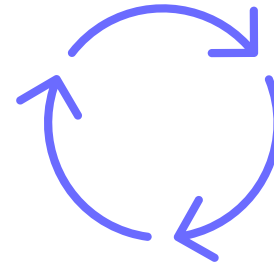
✓ Be clear on the problem statement

✓ Leveraging existing resources



✓ Multi-stakeholder collaboration

✓ System-wide participation



✓ Reduce misalignment between markets

✓ Common market arrangements and interoperable systems

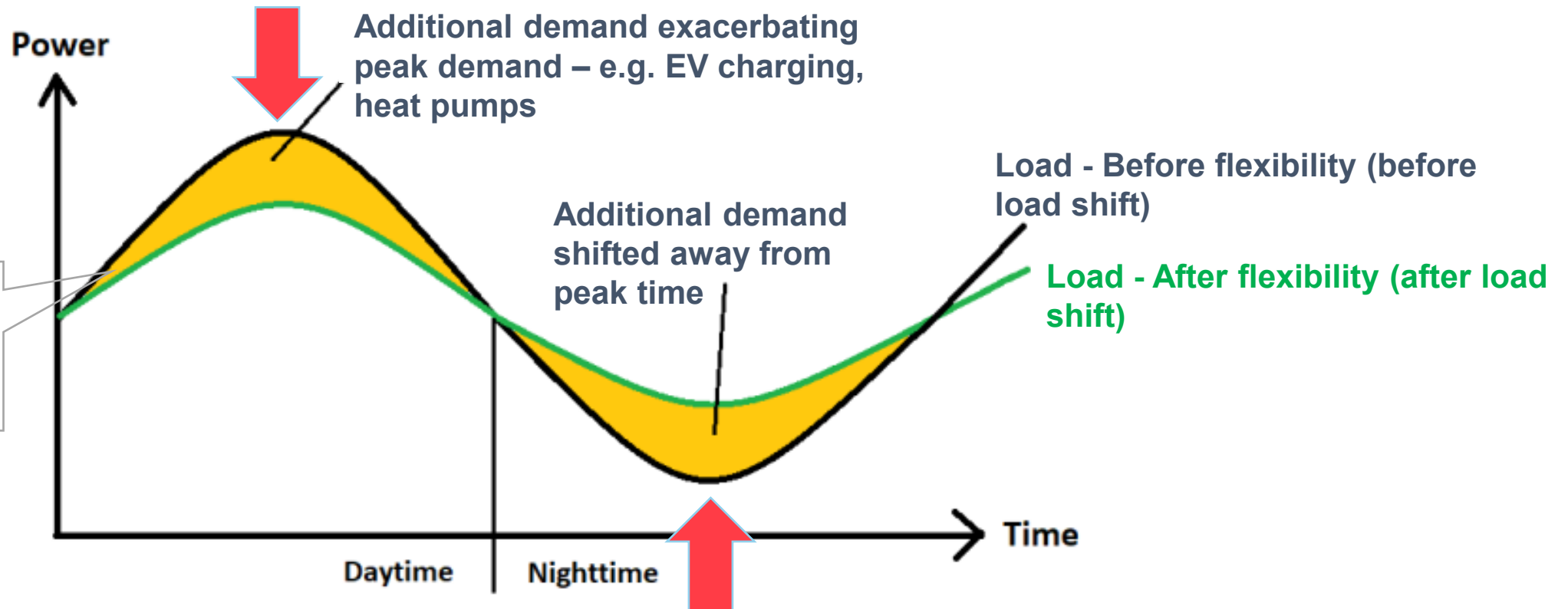


✓ Delivering at pace

✓ Coordination and prioritisation

Key success for policy: Unlocking flexibility

As well as installing cleaner forms of generation, the energy sector must also take steps to make the UK's electricity system more flexible, using surplus electricity more efficiently when it is available, and smooth out peaks in demand.



The market facilitator role

What is the role?

- A **new role** governed by Ofgem and delivered by Elexon
- Responsible for **standardising DSO markets** and **driving alignment between DSO and ESO flexibility markets**
- **DNOs and ESO** will be required to **adopt the outputs** specified by the market facilitator

Progress so far

We are currently working through 3 key areas:

1. **Detailed design** – key parameters of the market facilitator function and governance
2. **Implementation** – establishing the legal and regulatory framework to deliver the role
3. **Transition** – smooth transition from Open Networks

Looking forward

- Dec 2024 – Ofgem will publish a **policy framework consultation** – detailing role and governance
- In 2025 – the market facilitator **governance arrangements** will be set out. Ofgem will consult on NESO and DNO licence changes
- Ofgem will introduce a **governance mechanism** for the market facilitator to embed **accountability**

Overview of the market facilitator

Objectives

The Market Facilitator will make it easier for flexibility service providers to access local markets, while aligning transmission and distribution. This will increase participation, improve market liquidity, reduce system costs, and lower consumer bills.

Functions

Market Coordination

Implementation Monitoring

Strategic Leadership

Proposed Deliverables (12-month transition)

Change management process

Process for market coordination delivery plan

Implementation monitoring process

Understanding market needs

Dispute resolution framework / process

Centralise existing rules and processes

Some new /updated outputs for adoption

Knowledge sharing

Proposed Deliverables (at go live - 2025)

Annual market coordination delivery plan

New/updated common outputs for adoption by DSOs and NESO

Implementation monitoring reports or updated tracker/dashboard

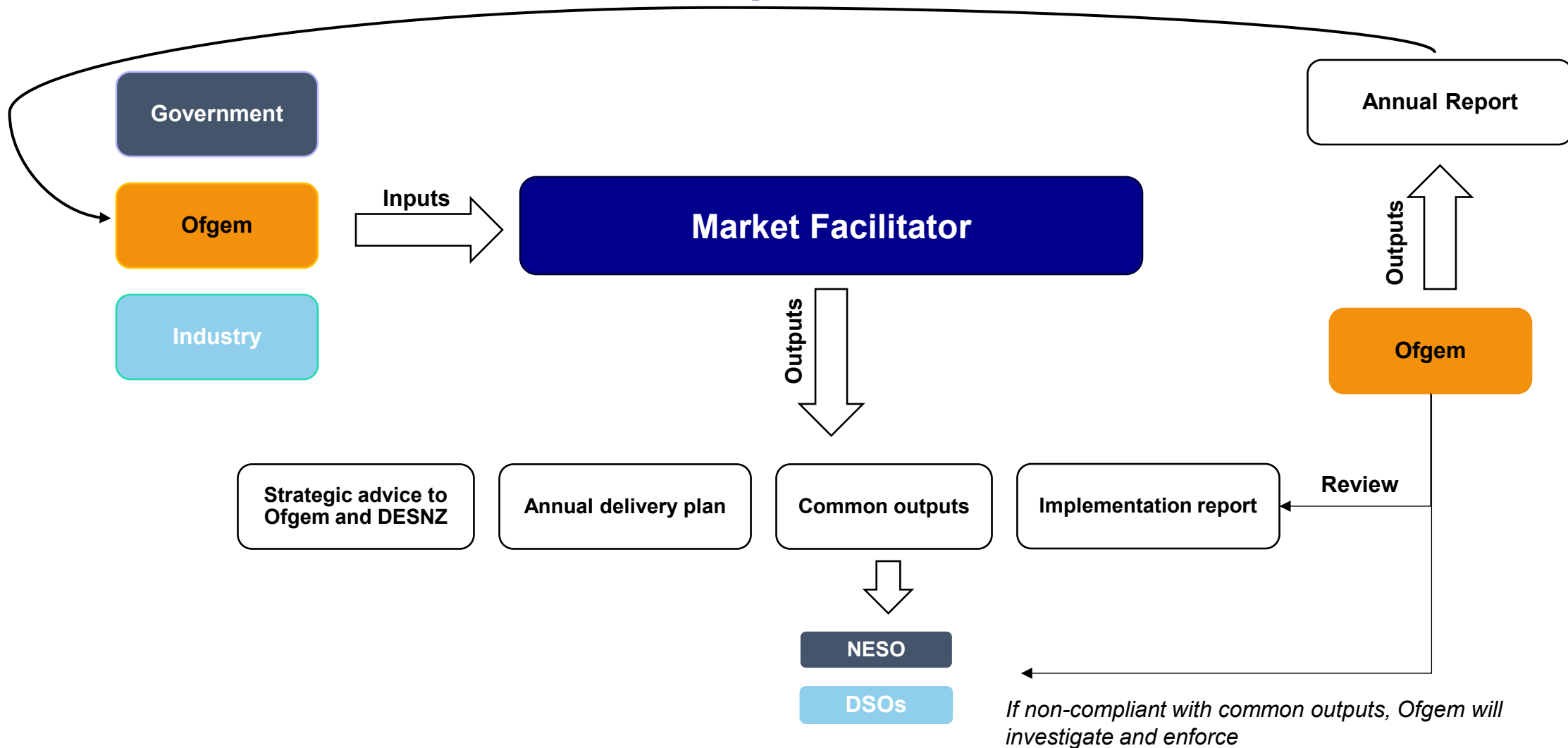
Strategic advice to Ofgem and DESNZ

Strategic updates to Ofgem on MF role

Timelines for NESO and DSOs to adopt common outputs

Dispute management

Note: The proposed deliverables are provisional and not final, as Ofgem is set to consult on the Market Facilitator policy framework in December.



Our goals for the market facilitator based on market needs

**Deliver change at
pace**

**Develop a clear plan
that sets out SMART
objectives and clear
accountability**

**Support growth of
flexible assets and
asset owner
participation**

**Tightly couple the Market
Facilitator with the
enabling Flexibility Digital
Infrastructure**

**Reduce barriers to
entry for market
participants**

**Inclusive engagement
approach and
coordination and
development of DSO
and NESO markets**

Key outcomes for 2025 and beyond



1. Achieve **go-live by the end of 2025**.
2. Facilitate a **smooth and timely transition** with ENA ON.
3. Engage with flexibility **stakeholders to understand their needs** and challenges through established channels.
4. Collaborate with wider stakeholders, including Ofgem, DESNZ, and NESO, to **ensure a coordinated approach that prioritises and aligns digitalisation and flexibility workstreams**.
5. Establish **robust governance** for the Market Facilitator to effectively meet its objectives.
6. Prioritise key areas such as **primacy rules, stackability and baselining** – its key to unlock revenue stacking and create a level playing field.
7. **Maximise the participation of Distributed Assets** in Flexibility Markets.
8. Ensure **visibility and transparency** for flexible assets in markets.



THANKYOU

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