

Recommendations for regulators and government

Flexibility (supply, demand, trading) is a key part of the future energy system as demonstrated by industry net zero pathways.

Future decisions made around the UK's transmission network will be significant in influencing development of new renewable generation, balancing, flexibility and trading. Regulatory barriers currently present a significant challenge to local trading platforms.

Uncertain regulatory futures for networked hydrogen (which could affect future hydrogen demand) and heat networks could present a regulatory barrier.

Mitigation strategies include avoiding networked hydrogen transportation, informal outreach to Ofgem in the short term, and potentially application to use the Regulatory Sandbox - to demonstrate innovation and value to consumers - in the longer term.

Recent and ongoing regulatory changes have removed some embedded benefits and increased network charges for decentralised generators but have opened up new value streams to smaller market users. A trend of increasing support for local systems is part of Ofgem's ongoing work to increase system flexibility during the energy transition.

Wholesale market access can be expensive for small generators and a PPA will likely not be attractive to a third party for exporting surplus generation.

Using an aggregator, now with access to the balancing mechanism, as an intermediary is a potential route to access flexibility value streams.

Licensing and asset ownership regulatory constraints should be taken into account when selecting and developing the commercial model.

Monitor and influence developing regulatory frameworks, take advantage of changes and create a Market Access Strategy.

Regulators should provide regulatory relief to set up demonstrator flexibility platforms by 2030 to support flexible energy trading by 2040.

The government has a role to play:

- Needs to provide a strategic direction for the evolution of the energy system. Several programmes, such as the supplier hub review model, the Open Networks Project, Charging Futures, and Smart Meter Rollout, have progressed without being coordinated under a strategic umbrella.
- Coordinate the structure, operations and functionality of a national asset register and digital systems map.
- Coordinate definitive standards around data quality, format, granularity and update schedules.