

The designation of local market operators for local flexibility markets

- The **designation of a local market operator** (LMO) significantly impacts the efficiency of local flexibility markets, thus affecting the development and activation of flexibility resources in these and other markets (wholesale) as a complement to wired-solutions as well as the benefits for end-consumers.
- Third party LMOs ensure **neutrality and transparency** by being independent from all other procuring parties (system operators, flexibility service providers, etc.).
- Third party LMOs can offer **technical expertise** for the development of local flexibility markets, the design of products which are tailored to market participants' needs and the efficient and secure operation of these platforms in line with local requirements.
- Designation and appointment procedure should not be overly lengthy and imposing a **regulatory burden** for market parties and operators.

When developing local flexibility markets, third parties remain the most efficient option to act as local market operators.

General requirements to local market operators (Article 55)

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1. Operators of local markets shall comply with the following requirements:
 - (a) it owns or has contracted **adequate resources** (human resources, financial resources, information technology, technical infrastructure) to fulfil the local market operator nationally assigned tasks;
 - (b) it shall have an **adequate level of business separation from market participants**, including service providers, in line with the national implementation of Article 35 of Directive 2019/944 on unbundling;
 - (c) it shall **treat market participants in a non-discriminatory way**, and have appropriate transparency and confidentiality agreements in place with service providers and the relevant systems operators, including a proper access to information regarding the local market operator tasks in accordance with article 52 (Publication of information); and
 - (d) it shall be **neutral towards all service providers and technologies**;
 - (e) it shall **accept regulatory oversight** of the national regulatory authority and shall fulfill all data requests by law or on ad-hoc national regulatory authority request.

Acting already as electricity market operators, **third parties retain the exact requirements** which are specified in Article 55:

- **Adequate resources**, in terms of expertise, IT competence, technical infrastructure, experience in exchanging operational information with TSOs, etc;
- A **clear distinction** from market participants;
- High-level of **non-discrimination**, and **transparency** guaranteed to market participants;
- **Neutrality** towards all products, technologies and parties willing to engage in competitive wholesale markets;
- Well-established rules to guarantee **regulatory oversight**.

High-level principles for the appointment procedure of local market operators (Article 56)

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 - The appointment process should ensure that the local market operator meets the **general requirements stated in Article 55** and should consist of a **transparent, public procedure** based on fair and equal competition among alternative providers.
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 - While **existing flexibility initiatives** may be taken into consideration during the appointment procedure a **level playing field** must be guaranteed.
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 - A **swift designation and appointment procedure** should be ensured to facilitate the development of local flexibility markets.