



Distribution Flexibility Service

Procurement Statement for SP Distribution PLC and SP Manweb PLC

April 2025

Executive Summary

We are SP Energy Networks, operating distribution networks in Southern and Central Scotland, Merseyside, Cheshire, Shropshire, and North Wales. As the only network operator serving communities across the UK, Scottish, and Welsh governments, we support their bold sustainability and Net Zero targets. Recognising each region's unique opportunities and challenges, we enable communities to meet their goals through industry-leading planning tools, processes, and policies that embrace and encourage flexibility solutions and market participation.

Our strategic vision is to maintain a safe, secure, and reliable network by efficiently delivering the capacity needed for decarbonisation. Our RIIO-ED2 plan, launched in April 2023, combines flexible, smart, innovative, and conventional reinforcement interventions. During 2020 and 2021, we tendered flexibility services for all locations requiring intervention due to load growth, amounting to 1.5GW at 1,557 locations. In 2023, we tendered for two 18-month periods, accepting bids for over 700MW to date, demonstrating our commitment to flexibility services procurement.

In the 24/25 period, we successfully launched our month-ahead market and tendered for a total of 151.4MWs across eight monthly tender rounds. We contracted and dispatched 24.7MWs across both our licence areas within an eight-month period¹. The feedback has been positive, with an increased level of dispatched flexibility demonstrating that shorter-term markets are a significant step forward for the procurement of flexibility. We also contracted for a further 25MWs of Flexibility through our Operational Flexibility Service to support outage planning. This year, our focus will be on closely monitoring our month-ahead procurement model and developing automation for the tender process. These efforts will enhance our efficiency and support the further development of shorter-term markets in the near future. We will also focus on increasing the number of Operational Flexibility contracts and further review our tender process for ad-hoc procurement of flexibility. This will streamline the process of procuring for both planned outages and unplanned outages, such as those needed for storm response.

Looking ahead, we aim to enhance the flexibility market by exploring week-ahead and day-ahead procurement models. These initiatives respond to stakeholder feedback favoring shorter-term tenders, which could increase market liquidity and provide more tender opportunities for new and existing FSPs. Additionally, nearer-to-real-time tenders are expected to lower market barriers and reduce forecasting risks, creating a more dynamic and responsive market environment for effective provider participation.

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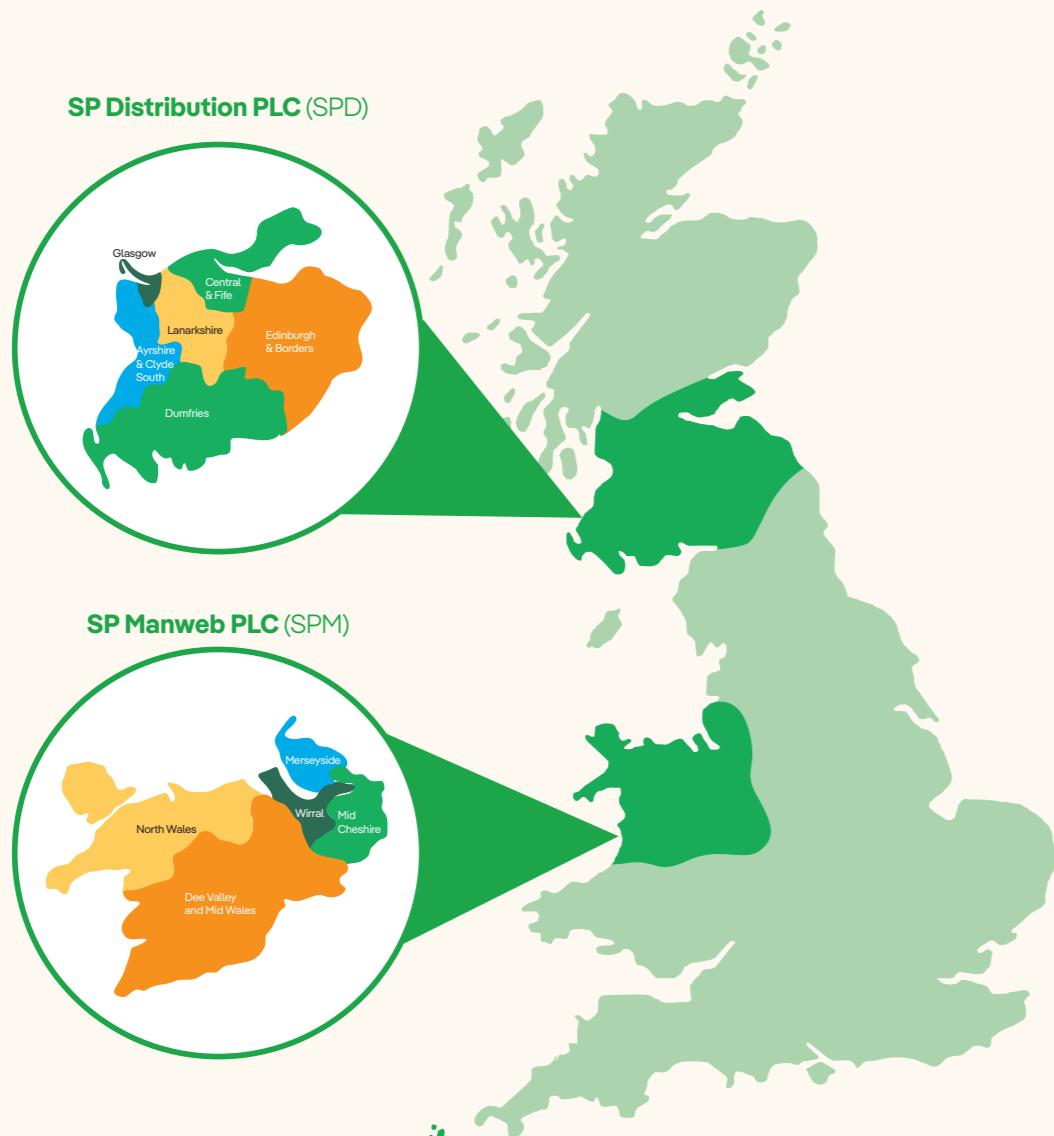
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¹ These figures represent the cumulative total tendered over an eight-month period. Note that the actual peak annual capacity tendered amounts to 56 MWs of flexibility, with 13.84MWs contracted.

1. Introduction

1.1. Who we are

We are SP Energy Networks (SPEN). We own and operate the electricity distribution network in Central and Southern Scotland (our SP Distribution network, SPD), and in North Wales, Merseyside, Cheshire and North Shropshire (our SP Manweb network, SPM). It is through these two networks of underground cables, overhead lines and substations that we provide 3.5 million homes, businesses and public services with a safe, economical and reliable supply of electricity.



This document is our opportunity to publicise our forward-looking approach to procuring flexibility services to manage network requirements going forward. It has been prepared by us in accordance with the requirements of our Licence issued under the Electricity Act 1989 (as amended) ('the Act'), specifically Condition 31E. It sets out what Flexibility Services² SPEN intends to procure in the next regulatory year, as well as describing how we are complying with

the licence condition that requires each licensee to set out the rules and technical requirements governing the procurement of Flexibility Services, the actions taken to ensure active participation of prospective FSPs, and the actions to be carried out to coordinate with other distribution licence holders and the ESO in the procurement and use of Flexibility Services.

² Ability to modify energy generation and/or consumption patterns in reaction to an external signal (such as a change in price, or an instruction).



1.2. Our Approach

Our strategic vision is to “maintain a safe, secure and reliable network by efficiently delivering the capacity our customers need to decarbonise, in the timescales they need it – so that they can use LCTs immediately and at full capacity”.

We will deliver this vision through flexible, smart, innovative, and conventional reinforcement interventions. We will depend on the new tools and capabilities that our DSO Strategy³ will provide, not least higher flexibility utilisation from more efficient, co-ordinated, and competitive flexibility markets.

We began tendering for flexibility services in 2019, but the level of services required increased significantly in 2020, when we tendered for all locations with manageable constraints arising from forecast load growth during the RIIO-ED2 period (2023 to 2028). We sought a total of 1.5GW of flexibility services at 1,557 locations across our two licence areas and covering all voltage levels.

The year-on-year increase in flexibility service requirements over the next few years are significant both in the number of locations and volume of capacity required as shown in Figure1.

We re-assess these requirements on an annual basis to inform our flexibility tenders for the forthcoming year.

Over the past couple of years, we developed the structure, policies, and procedures required to maximize future flexibility market participation and the benefits of flexibility procurement and operation by tendering in two tender cycles in the Spring and Autumn of 2023. We accepted 36MW of bidden capacity to support our network up until November 2025. However, we did not manage to fulfill our total required flexibility capacity through our longer term tendering activity.

Following stakeholder feedback, we identified some factors that affected potential FSPs' participation in the longer term tender rounds including but not limited to:

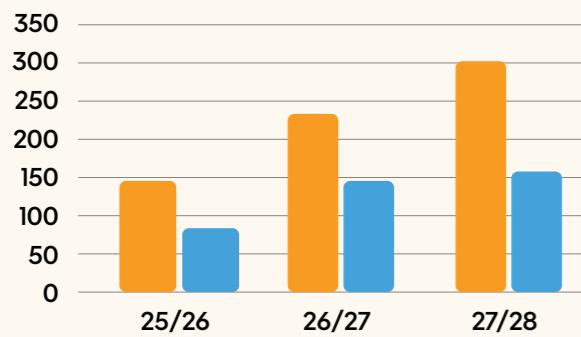
- Participation in other flexibility markets such as the ESO's Demand Flexibility Service, which have contractual exclusivity clauses that cause contract restrictions on stackability with other markets such as DNO flexibility markets.
- Preference for shorter-term tenders and commitments.
- Aggregators or smaller generators unable to meet the minimum MW threshold capacity of 0.5MW.

Over the past year, we developed our new month-ahead operating model, which was launched in June 2024. We ensured that the above feedback was incorporated into our process by:

- Reducing the minimum threshold capacity to 0MW to allow smaller generators and aggregators to participate.
- Working with NESO to ensure fairer contract conditions, creating an even playing field for providers to participate in DSO flexibility markets.
- Ensuring the delivery of the new Framework Agreement, developed in collaboration with the ENA Open Networks Project, to ensure that our Month Ahead Market was launched efficiently with appropriate processes in place by June 2024.

The monthly tender process has allowed for agile, closer to real-time tendering activity. The month-by-month tender windows provides more opportunities for new and existing FSPs to tender within a more suitable timeframe for their specific needs.

Capacity MW



Number of Locations

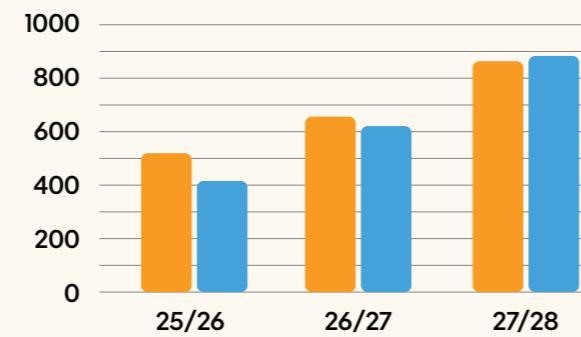
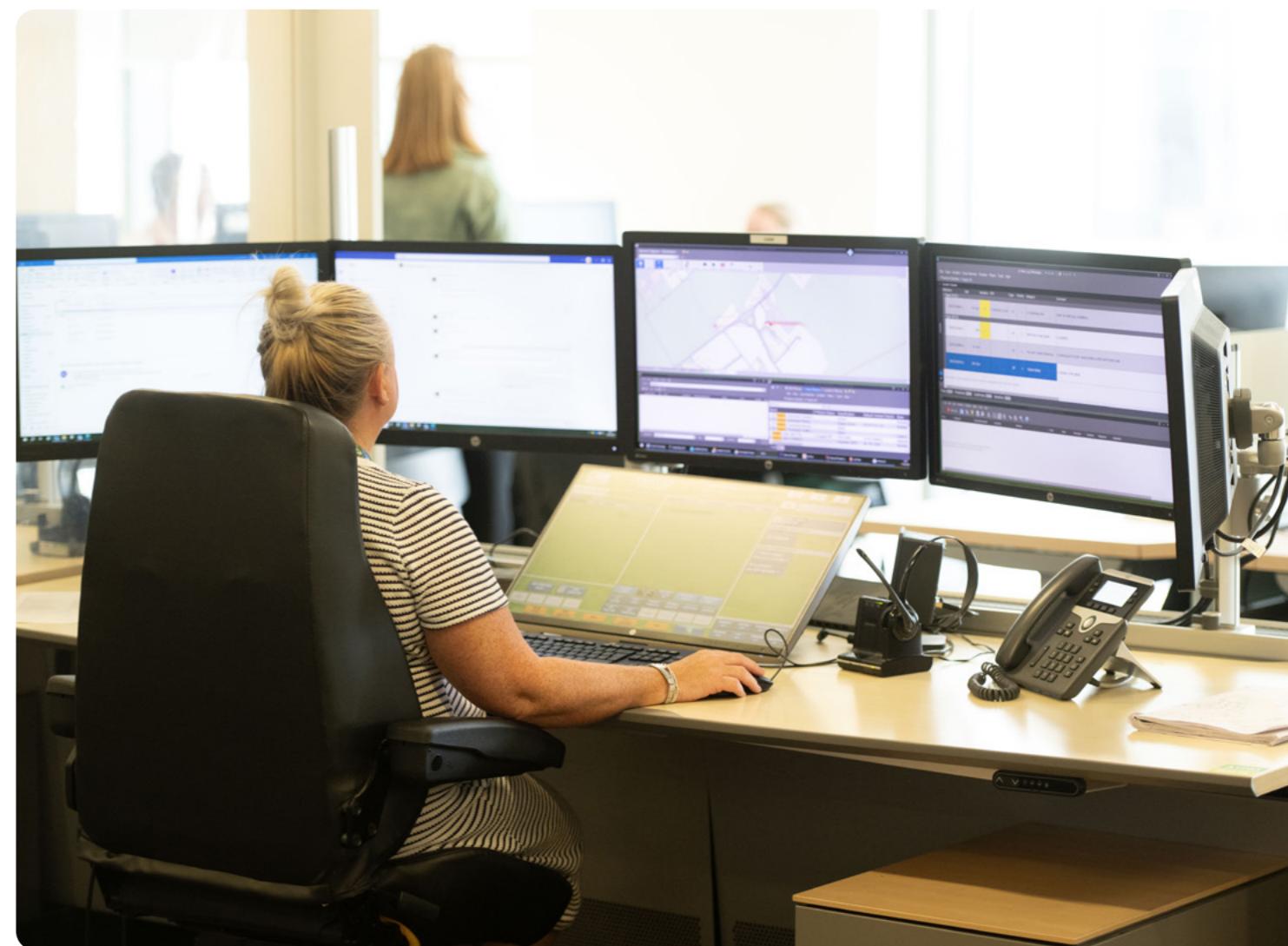


Figure 1 shows the increasing scale of flexibility capacity required and constraint locations year on year.

³ Annex 4A.3 - DSO Strategy.pdf (spenergynetworks.co.uk)



To date, we have found that providers are more engaged with shorter-term tenders. We have achieved a 85% dispatch vs. contracted rate through month-ahead flexibility tenders, which is a significant improvement over the longer-term tenders. However, some issues still exist in tendering for the shortfall of flexibility. Additional feedback indicates that providers will not participate if the market conditions are not economically viable for their specific assets.

Alongside our tenders, we will continue to publish our full longer-term RIIO-ED2 flexibility requirements to allow FSPs visibility of future tender opportunities and enable them to plan without the burden of submitting tenders many years in advance of the expected dispatch of flexibility. We acknowledge that it is essential to provide both short and long-term insights to stakeholders, offering a view of how our market is developing and how much flexibility we envisage needing in the upcoming months and years. Due to this, we published our first Market Prospectus in 2024 to support our move to a shorter-term month-ahead market, provide more market confidence, and offer insights into the potential revenue that providers could make per constraint zone

location.

Following stakeholder feedback on the transparency of Flexibility Data, the Market Prospectus aims to summarise our requirements in a clearer format. We have sought feedback on our Market Prospectus document and will be publishing an updated version in autumn 2025, incorporating improvements based on the feedback received for the 24/25 version. We hope that the Market Prospectus will improve transparency relating to our flexibility requirements for our stakeholders and increase the visibility of our flexibility requirements, signaling the potential revenue opportunity to the market.

We will continue to follow our impartial and fair processes when identifying our flexibility requirements, following the same assessment process and using the same tools we used to produce our RIIO-ED2 Investment Plan. Our unbiased approach when assessing types of interventions was endorsed by Ofgem as we were the DNO with the highest number of approved EJPs⁴ submitted as part of the RIIO-ED2 Business Plan.

⁴Engineering Justification Papers. For each major intervention, these capture the intervention options considered and the justification for our proposed solution.

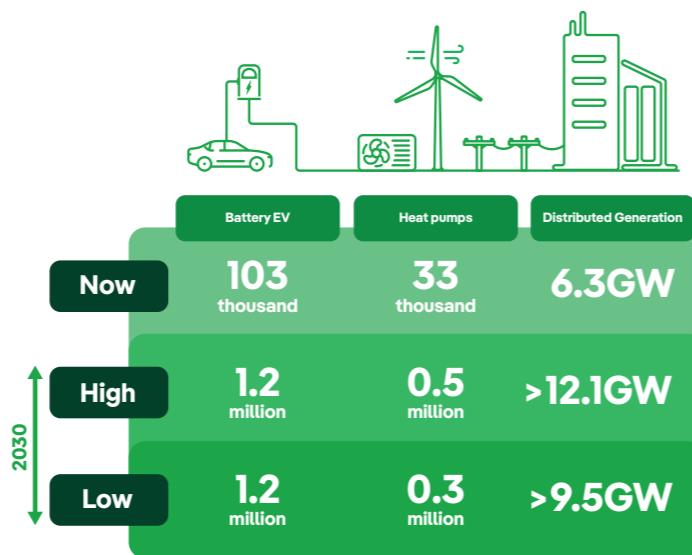
2. Flexibility Services Requirements

2.1. Our Evolving Network

We are currently experiencing a rise in renewable generation to power our communities' transition to Net Zero. Our customers are increasingly turning to LCTs such as electric vehicles and heat pumps to reduce their carbon footprint.

The increase in LCTs, distributed generation and other Net Zero energy demand and generation changes are increasing network power flows stressing the network harder than ever before, and in turn requiring additional capacity.

To support our customers' transition to Net Zero, we have developed systems and processes to better understand and forecast our customers' requirements, assessing the impact on our network and identifying a range of intervention options to provide the additional capacity. We have implemented an impartial decision-making process to ensure that selected investment options are the best solution to meet our customers' and stakeholder's priorities and deliver net benefits for existing and future consumers. Flexibility services are one of our key types of intervention, which can be used on their own or in combination with other solutions to efficiently provide the necessary capacity on the network, that will aid to defer or avoid expensive traditional reinforcement.



2.2. Why we need Flexibility Services

There are a number of examples of when we will explore the option of flexibility services and the benefits that it can provide for our evolving network:

1. Defer Major Network Reinforcements

If appropriate to do so, we will use flexibility services to defer network reinforcement if sufficient availability of flexibility services are available. In this scenario flexibility services will often be combined with network monitoring and automation to defer certain conventional reinforcement schemes.

2. Reduce Constraint Hours of Risk

Flexibility solutions may be able to manage constraints for a few years. Eventually, the growing number of hours the network is at risk of a constraint will be at a magnitude where an alternative intervention will be inevitable. In these scenarios, we will consider the timing of the intervention and the flexibility services available to optimally intervene. Additionally, in locations where insufficient flexibility has been obtained to fully manage the constraint, we will consider whether the level of flexibility received may help reduce the network's risk of a constraint or whether we need to deliver earlier reinforcement. The flexibility obtained in these scenarios will help us manage the constraint whilst we deliver the reinforcement required.

3. Manage Uncertainty

We will use flexibility to manage areas of the network where the forecast loading is approaching its upper limits and flexibility can reduce the risk of network constraints – particularly under higher uptake scenarios. These are the network areas where demand forecasts are high with marginal exceedances over the network firm capacity. The network constraints in these areas depend on the forecasted demand/ generation being fully realised. Capacity exceedances are minimal and are predicted to occur for a few hours in a year. Flexibility service can manage these high loadings, deferring potential investments associated with high uptake scenarios.

4. Manage Network Events

We will use flexibility to support the network when planned outages could put the network at increased risk, especially if a fault should occur at the time. In areas of the network that could be at risk should a network event such as a fault occur, we will contract with FSPs to be available and ready for dispatch when required.

5. Accommodate New Connections

If appropriate, we may use flexibility services to provide wider network capacity to manage curtailment limits for larger curtailable connections. Flexibility may be used as an enduring solution or as an interim solution whilst reinforcement is delivered which could enable quicker connections to facilitate a timely transition to Net Zero.

2.3. Decision Making Framework

We recognise the importance of transparently communicating how we decide whether we contract and dispatch flexibility services instead of other interventions. This transparency helps give customers and stakeholders confidence that we are implementing the most appropriate interventions. It also provides FSPs confidence that we are a neutral market facilitator, and address any residual perceived conflict of interest concerns. Given the system-wide benefit of flexibility services, it's important we co-ordinate their use with other industry parties. The Decision-Making Framework is one measure we use to provide that transparency and co-ordination.

Our full Decision Making Framework is available on our [SPEN website](#).

2.4. Network Planning and Development Documents

We are committed to transparent data sharing relating to our flexibility procurement strategy. Data sharing enables our customers and stakeholders to assess market opportunities and participate in flexibility markets as well as encourage collaboration between network companies and key stakeholders to facilitate efficient whole system planning and operation. This will be key to the efficiency of the energy system as we decarbonise to Net Zero.

We publish a number of documents to increase the transparency of how we plan and operate our distribution network. From these publications, stakeholders can access information relating to the specific locations we look to procure flexibility services and the data behind these decisions.

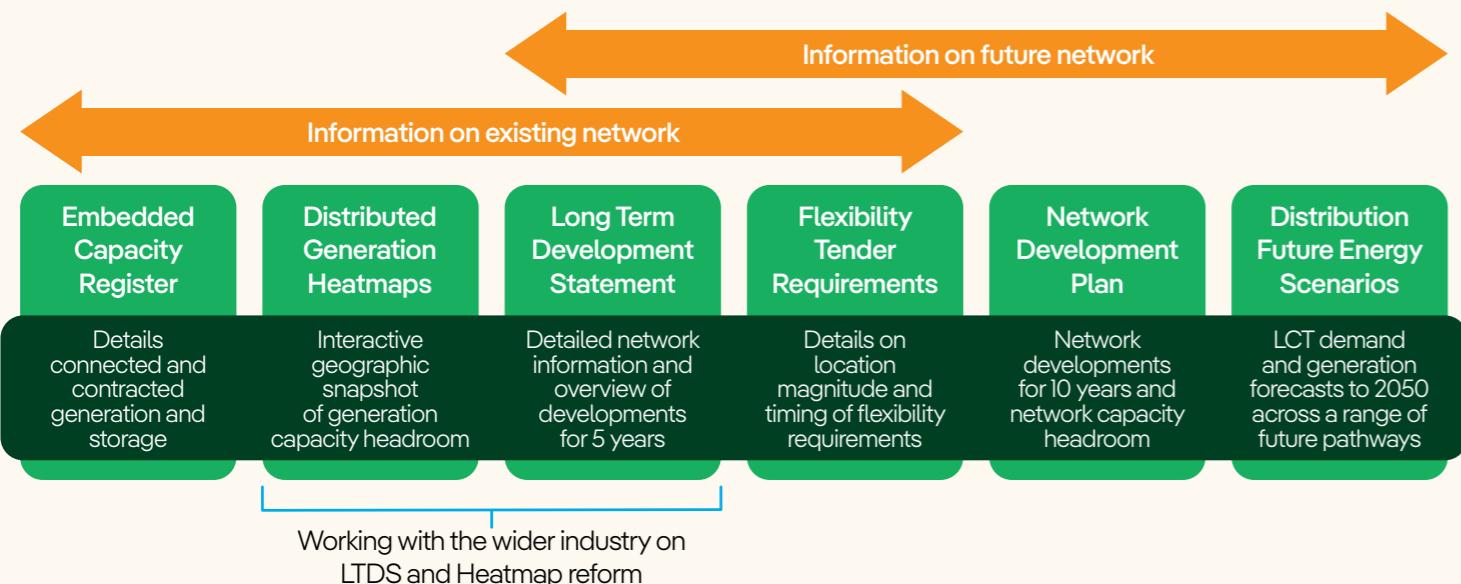


Figure 2 – Publications providing information on our existing and future networks



Key publications to inform and/or report on our flexibility requirements include:

Long Term Development Statement (LTDS): LTDS provides information on the operation and development of our 132kV, 33kV, and 11kV distribution network across both our licence areas (SP Distribution and SP MANWEB). This includes a range of information such as network asset technical data, network configuration, geographic plans, fault level information, demand and generation levels, and planned works. A main update is published every November with a minor update every May. [Long Term Development Statement](#)

Distribution Future Energy Scenarios (DFES): these documents are forecasts for key customer demand and generation metrics up until 2050. We develop these considering a range of sources, including UK and devolved government targets and other industry forecasts. Given the uncertainties out to 2050, we create forecasts for four main energy scenarios. These scenarios represent differing levels of customer ambition, government and policy support, economic growth, and technological development. [Distribution Future Energy Scenarios - SP Energy Networks](#).

Network Development Plan (NDP): the primary objective of the NDP is to provide information on available network capacity to accommodate demand and generation growth, and interventions the DNO plans which will increase network capacity (such as flexibility use and reinforcement). The NDP is a medium-term outlook and is designed to sit between shorter-term LTDSs and long-term DFES forecasts. [Network Development Plans](#).

ED2 Period Flexibility Visibility Data: During our 2023 tender procurement round we published our flexibility requirements for the full RIIO-ED2 period to provide market visibility for FSPs up to 2028. This document is a clear demonstration of our commitment to utilising flexibility services to support our network in the long term future. As we seek to procure additional flexibility services in the future, we hope that the publication of ongoing flexibility visibility data will aid future flexibility market development and inform potential developers of new LTC projects of revenue potential from additional ancillary services markets. Our requirements data is published on the [Piclo Flex Platform](#)⁵, our [Open Data Portal](#) and our SPEN Flexibility [website](#).

Market Prospectus: We will be publishing a further update to our Market Prospectus this year which will be published on SPEN's Flexibility Services [website](#) and [Open Data Portal](#). Following stakeholder feedback on transparency of Flexibility Data, the Market Prospectus aims to summarise our requirements in a clearer format. Additionally, the Prospectus will demonstrate the potential opportunity for flexibility MWs in a given area as well as the overall market value of the required flexibility in each area. We hope that the Market Prospectus will improve transparency relating to our flexibility requirements for our stakeholders and increase the readability of our visibility data for new market participants.

Open Data Portal: This is our centralised repository for data that we will be sharing openly with our Customers and Stakeholders, allowing users to easily search our open data catalogue, along with detailed metadata and the ability to consume data via an API. All flexibility requirements data that we publish on this portal is processed through our Data Triage process, enabling thorough assessment of all potential sensitivities and identification, and implementation, of any required controls. [Open Data Portal](#). This year, we will publish our updated requirements and the visibility of flexibility asset locations across both our licence areas. Additionally, we will share our Flexibility Competition History on the Open Data Portal. This initiative will streamline the data required for potential providers to assess various competition areas, making the information more accessible and centralised.

⁵ Piclo is our third-party platform provider. The platform facilitates the end-to-end process of procuring Flexibility Services from FSPs as well as the dispatch and settlement process.

2.5. Procurement Activities to Date

2.5.1. Legacy Contracts (old operating model)

Building on our tenders issued between 2019 for requirements during the latter years of ED1 (2020- 2023), we issued flexibility tenders for each network constraint identified during the RIIO-ED2 period (2023 – 2028), looking to procure a total of 1.5GW across 1,557 locations.

Tenders	Spring 2019	Autumn 2019	Autumn 2020	Spring 2021	Autumn 2021	Spring 2023	Autumn 2023
No. of sites	3	10	1138	1554	97	571	575
Price Control Period	ED1	ED1	ED2	ED2	ED1/ED2	ED2	ED2
MWs Tendered	116	250	960	1420	110.9	273.1	297.7
MWs Awarded	0	53.3	139.6	555	0	13.5	15.4

To date, we have contracted with FSPs on a bilateral basis following the acceptance of bids, with most FSPs offering services from planned assets. We have experienced a reduction in contracted capacity compared to accepted bids as FSPs confirm what they are confident to deliver:

Capacity	2023/24	2024/25	2025/26	2026/27	2027/28
Accepted Bids (MW)	55	109	147	199	221
Contracted (MW)	22	52*	105*	145	164

Through our tenders, we aim to increase the contracted capacity by expanding the number of tender rounds we conduct annually via our monthly tender operating model. Additionally, we plan to introduce shorter-term markets, such as Week Ahead and Day Ahead markets, to further contract and dispatch additional capacity that we haven't managed to procure on a month-ahead basis. However, should assets not be available or there is insufficient capacity offered to manage individual locational constraints, we may need to revert alternative solutions such as conventional reinforcement.

2.5.2. Month Ahead Tenders (new operating model)

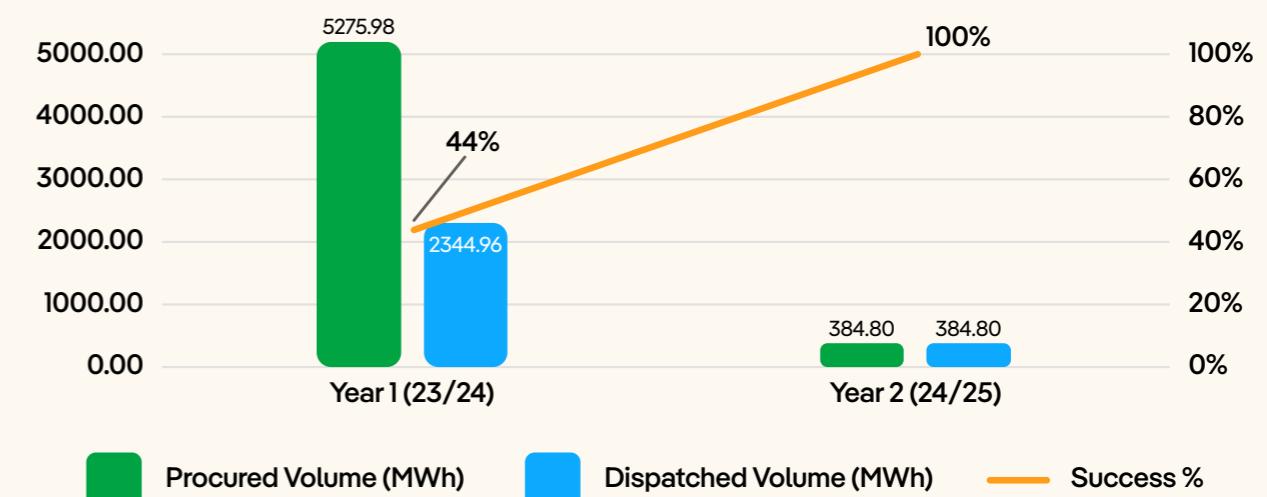
Over the past year we have introduced a new month ahead model. We contracted a total of 24.2MWs (384.8MWs) in 24/25 across 8 monthly tender cycles. We have currently contracted 384.8 MWh, which represents 100% of our procured volume (i.e., the tender bids we have accepted through the tender process). This is a significant improvement on our previous tendering model and we were able to build a more resilient and reliable tendering model that fitted in with our network need. The table below summarises our procurement activity each month during the 24/25 period.

Tender Month	MW Tendered	MW Contracted	MW Dispatched	MWh Tendered	MWh Contracted	MWh Dispatched
Jul-24	3.04	0.00	0	776.75	0.00	0.00
Aug -24	3.04	0.00	0.00	776.75	0.02	0.00
Sep-24	10.20	0.14	0.20	464.90	6.68	10.97
Oct-24	30.63	4.83	5.83	1107.87	76.22	82.17
Nov-24	37.20	7.63	7.07	1916.10	100.20	100.58
Dec-24	35.30	4.75	4.24	1802.15	88.71	61.96
Jan-25	17.00	4.38	3.95	1483.25	92.69	83.42
Feb-25	13.00	0.87	TBC	291.90	20.27	TBC

Although we still require improvement in overall participation in our tendering activity, we have found that the month-ahead market has significantly improved our operations and made the flexibility procured more reliable. The procured vs. contracted volume has seen a significant percentage increase compared to the procured vs. contracted volume in longer-term tenders. This demonstrates that the shorter-term markets are more reliable than our previous operating model.

The tables and graphs below illustrate this significant improvement in our procured vs. contracted volumes between the month-ahead model and the previous legacy longer-term contract model. The first table and graph represent the MWh volume improvements, while the second graph illustrates the number of FSPs contracted versus the number of FSPs that followed through to dispatch the contracted service.

ED2 Year 1 and ED2 Year 2 Procured vs. Contracted Performance

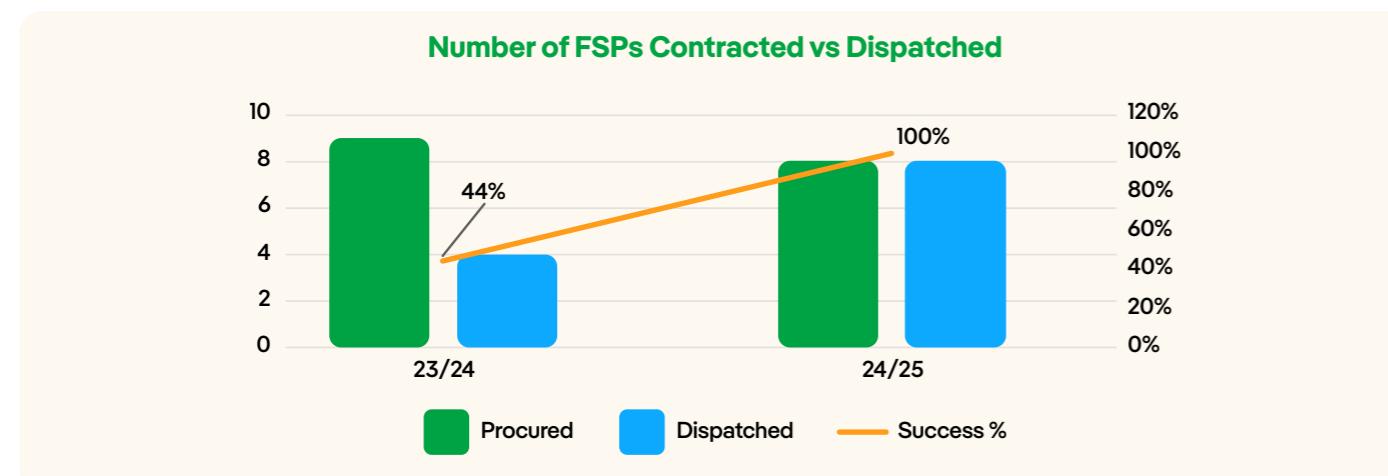


Procured vs. Contracted Performance			
ED2 Year	Procured Volume (MWh)	Contracted Volume (MWh)	Success%
Year 1* (23/24)	5275.98	2344.96	44%
Year 2 (24/25)	384.8	384.8	100%

* Note: Year 1 of ED2 (23/24) figures include the total tendered amounts from Autumn 2020 to Spring 2023, intended for delivery in the 2023/24 period.

Year 2 of ED2 figures include all procured and contracted volumes for delivery in the 2024/25 period.

The graph below compares the number of providers contracted to deliver flexibility services with the number of providers who successfully delivered the contracted capacity. The data shows an improvement in the 24/25 delivery year with the new month-ahead tendering model compared to the 23/24 delivery year.



In 23/24, 9 providers were contracted to provide flexibility services, but less than half were able to deliver the initially promised capacity. In contrast, 100% of the providers were able to deliver in the 24/25 delivery year. This indicates an improvement in provider participation and highlights the number of stakeholders who have been able to follow through and deliver on their commitments.

Number of FSPs Contracted vs Dispatched			
All FSPs	Procured	Contracted and Dispatched	Success %
23/24	9	4	44%
24/25	8	8	100%

In addition to the Procured vs Contracted improvement in figures between the longer term and shorter term tenders. We have also so far experienced a further improvement in the Contracted vs. Delivered Volumes. In Year 1 of ED2, the delivered volume was 250.17 MWh, which was only 5% of the contracted volume of 2344.96 MWh. In contrast, for Year 2 of ED2 up to January 2025, the contracted volume was 183.12 MWh, and the delivered volume was 156.30 MWh, representing 85% of the contracted volume. This shows a significant improvement in the contracted vs. delivered ratio for shorter-term tenders. Currently, we only have dispatched and settled volume data up to January 2025 and will have settled all dispatch volumes with providers by early April in which will be available to view in our Procurement Report.



2.6. 2025/26 Procurement Strategy

2.6.1. Tenders

From April 2025 onwards, we will be continuing to tender in monthly cycles in which we will procure month-ahead flexibility services.

The table below includes site locations at all voltage levels. A list of specific site's requirements and associated voltage levels is available on our [Flexibility Website](#).

2025-2026 Delivery Year	SP Distribution	SP MANWEB
Scheduled Utilisation	81MW (440 Locations)	122MW (518 Locations)
Operational Utilisation and Variable Availability	20MW (1 Location)	202 MW (12 Locations)
Total	101MW (441 locations)	324MW (530 Locations)

Over the past few months, we have collaborated with our control room to identify planned outages where flexibility can be utilised as a viable solution for planned network maintenance. This initiative has expanded, and we will be advertising more opportunities this year to provide greater options for the market and for our control room to rely on during planned outages. The ENA Product Operational Utilisation and Variable Availability are used to procure this solution. This figure may be subject to change as the control room finalises their plans for maintenance across the delivery year. More details on the process of our operational flexibility solution are available in section 3.3.2.

Any updates on our tender requirements for the Delivery Year will be issued on our [Open Data Portal](#) and our [Flexibility Services](#) website. We include estimated utilisation hours as part of our tender supporting information to inform potential FSPs of the likely usage which allows them to estimate the revenue they might receive. We monitor our tendering activity on a monthly basis and will only tender and dispatch these hours if the forecast network constraint emerges.

A full list of our tender requirements for 2024-2025 as well as our longer term tender requirements is included in Appendix 3. Once tenders are issued, our month to month requirements can be viewed on [Pico Flex](#).

2.6.2. Products

We will procure products developed by the ENA Open Networks Project namely:

Product name	Payment structure	SPEN Flexibility Service Type	SPEN Response Time
Scheduled Utilisation	Utilisation payment only	Month Ahead Market	Specific Periods. Providers must accept dispatch notification within 48 hours of bid acceptance. Notification covers the full month ahead.
Operational Utilisation	Utilisation payment only	Operational Flexibility	Our Control Room provides regular updates on required product type and response times, which vary by location. Fixed times are avoided to ensure inclusivity of various asset types within technical limits. Response times vary from Week Ahead to 15-30 minutes.
Operational Utilisation + Variable Availability	Availability and utilisation payment		
Operational Utilisation + Variable Availability	Availability and utilisation payment		

In previous years, we procured the ENA products under Sustain, Secure, Restore and Dynamic. These products have now been updated under the 2023 Products alignment Programme. Here are some definitions of how the new aligned products will be utilised:

Scheduled Utilisation

In this product, the time that flexibility is delivered has been pre-agreed in advance with the provider. This product will primarily benefit FSPs that cannot respond in real-time or near to real-time. This service is used to manage seasonal peak demands and defer network reinforcement.

Operational Utilisation

This product allows for the use case where the amount of flexibility delivered is agreed nearer to real time. This can be utilised to facilitate a change in demand profile from FSPs based on network conditions close to real-time. The assets will be dispatched for the required level of service that is required based upon actual network measurement data thus managing the cost.

We utilise this product in order to restore network supplies following an unplanned outage/fault where the regulatory funding does not allow for availability payments e.g. customer interruptions (CI).

Operational Utilisation + Scheduled Availability

This product procures, ahead of time, the ability of an FSP to deliver an agreed change following a network abnormality. The availability will be defined at the point of procurement and cannot be modified once the contract has been agreed. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DNO/ESO is only paying utilisation payments based upon the actual needs of the network.

An example use case for this product is when a DNO is planning for sufficiency of flexible services contracts based upon long range forecasting of network constraints.

Operational Utilisation + Variable Availability

This product allows for DNOs to procure a level of contracted capacity, but then refine the requirements in terms of availability closer to the event. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DNO is only paying utilisation payments based upon the actual needs of the network.

An example use case for this product is when a DNO is planning for sufficiency of flexible services contracts based upon short-medium range forecasting of network constraints.

More information on the new aligned products developed by the ENA Working Group is available on the ON Flexibility Products Review and Alignment page on the ENA website.

2.6.3. Pricing Strategy

We request that FSPs offer their best price, and we will pay as bid. We do not set fixed prices for any service. We calculate the ceiling price for each tendered constrained location to identify the most economic and quality outcome for our customers, which will be used to continue providing pricing signals.

We use the CEM model to inform our economic assessment of each constrained location. We also assess against other counterfactual solutions to ensure that we are providing the most suitable and economic reinforcement solution possible in a specific constrained location.

We have introduced a second filter this year with the aim of bringing competitive sites to market and ensuring reliable participation in our DSO Flexibility Market. If the ceiling price calculated is below £80-100/MW/h, we will now exclude it from the tender to avoid non-viable opportunities. This threshold, developed with stakeholder input, prevents wasting FSPs' time and maintains confidence in our market. We regularly monitor and adjust to provide the best value to both our customers and participating FSPs. More information on this ceiling price and optioneering process is available in our Decision Making Framework.

Stakeholder Working Group: SPEN is represented in the ENA Open Networks technical working group, which is currently investigating required updates and improvements to the current CEM model. It was identified in 2023 that the CEM model needs updating to ensure it remains fit for purpose

for current and future market development. In 2024, the working group amended the current CEM tool to simplify it and address any existing bugs. SPEN will continue to use the current CEM model when appropriate to identify ceiling prices, along with support from other methodologies, until an updated model is available. Any updates to the CEM tool development will be available on the ENA website.

Where we provide guide prices, these will be for individual constrained locations. We will provide a long-term view of requirements and a per-location breakdown of potential estimated revenue to give FSPs an understanding of the potential level of revenue available per location and per year. This breakdown information is available on our Open Data Portal. These ranges are based on the net present value of the alternative solution and will differ for each constrained location, as they are based on the individual scheme cost, the capacity required, and the estimated utilisation. For LV constrained locations, we will aim to provide a single range guide price. Such guides are indicative only; when bids are received, they will be fully assessed based on the budget for individual constrained locations, likely utilisation, offered capacity, and product.

Further details on our pricing strategy, structure, and application can be found within our [Decision Making Framework](#) document.

We will consider all bids that meet the technical and operational requirements, regardless of whether they are within a pricing signal range.



2.6.4. Service Windows

In the next reporting year we will run a total of 11 Service Windows beginning from May 2025 to April 2026. See the below table for a summary timeline of all service windows:

Tender	Service Window Open	Service Window Close
April 2025	May 1st 2025	May 30th 2025
May 2025	June 1st 2025	June 30th 2025
June 2025	July 1st 2025	July 31st 2025
July 2025	August 1st 2025	August 31st 2025
August 2025	September 1st 2024	September 30th 2025
September 2025	October 1st 2024	October 31st 2025
October 2025	November 1st 2025	November 30th 2025
November 2025	December 1st 2026	December 31st 2025
December 2025	January 1st 2026	January 31st 2026
January 2026	February 1st 2026	February 28th 2026
February 2026	March 1st 2026	March 31st 2026
March 2026	April 1st 2026	April 30th 2026

We will continue to re-tender for all our requirements until we have sufficient services available, or the reinforcement is delivered, as appropriate.

2.6.5. Visibility of Requirements

Although we are conducting shorter term month ahead tenders during the reporting year, we will publish all our identified constraint requirements for the full RIIO-ED2 period (up to March 2028). This is to provide potential FSPs and stakeholders with visibility of all requirements and demonstrate our commitment to using flexibility services where it is appropriate to do so. These requirements are reviewed annually, and any new requirements will be added.

These requirements are publicly accessible through our Open Data Portal, ensuring transparency and ease of access for all interested stakeholders. Furthermore, for more convenient offline analysis, the data is available in an excel format. To provide a comprehensive overview, we will also publish an updated Market Prospectus in early Autumn before the Winter 25/26 period. This prospectus will synthesize the data set, presenting site-by-site information including MW capacity, estimated hours of availability, and potential estimated revenue for each location, facilitating informed decision-making for potential participants and other stakeholders.

2.6.6. Operational Flexibility Tenders

Going forward we are committed to tender on a month ahead basis which will be based on both long and shorter term network need which will increase our agility in managing network stresses and events. However, should network need require services to be procured outside of these monthly tender windows we will issue further tenders as required. These events will include planned outages that may have additional requirements such as longer service windows than the month ahead tendering model. These tenders will follow a similar pre-qualification and bidding process as described in Section 3, albeit with a longer tender window depending on requirements.

In these instances, we will undertake location specific, targeted engagement to encourage FSPs within the relevant network area to participate. As part of our engagement planning we are developing an internal database to identify potential flexibility providers in each CMZ location that are connected to our network. This database will also assist us in our month ahead tenders as we aim to identify the precise MW flexibility opportunity in each location to plan and improve our market engagement strategies.



2.7. 2025/26 Procurement Strategy

We will operate the dispatch of Flexibility Services in a fair and transparent manner, all the time ensuring that we meet our obligation to maintain a secure and efficient network. As the Flexibility Services market develops, and services are available from multiple FSPs to meet the requirements in individual constraint locations, we will follow the dispatch decision guiding principles published by the ENA Open Networks project, namely:

Principle	Description	Implementation
Security	The needs of the system will be met using flexibility in such a way that security is maintained	Confirm with applicable standards with an appropriate management of risk.
Cost	Flexibility will be operated to meet system need at the minimum level of cost	The use of flexibility services should be cost effective and expenditure proportional to the benefits it brings to the network
Operability	DSOs will seek to dispatch services that offer compatible levels of operability	Operability is a measure of how well an offer of a flexibility service meets actual or potential system needs. We will seek to develop an objective and transparent method for assessing operability of offers of flexibility services.
Competitions	DSOs will provide transparency of their dispatch and activities	We will procure flexibility using simple, fair, and transparent rules and processes. Services should be developed such that flexibility service providers can participate easily in different markets
Fairness	DSOs will operate a fair dispatch methodology and provide equal opportunities to participate.	Flexibility Services shall be assessed and selected impartially purely on their technical and commercial merits. Where multiple technically sufficient Flexibility Services are available at a comparable cost, we will share the dispatch of services across these providers

Since Autumn 2023, we are utilising the Piclo platform throughout the participant's tendering journey, from the first stages of our procurement process to the end stages of dispatch and settlement. Once assets are uploaded on to the Piclo platform they are then able to fully participate in our end-to-end end flex process of procurement, schedule, dispatch and settlement which negates the need to onboard FSPs onto multiple platforms.

Further details on our monthly tender process details and guidance relating to the Piclo platform can be accessed on the Piclo website along with a copy of our Dispatch Principles which are located on the SPEN profile on the Piclo website.

3. Tendering Process

3.1. Our approach

We are committed to procuring Flexibility Services in a fair and transparent manner and have developed processes to ensure all FSPs are treated equally. Where it is possible to do so, we will procure Flexibility Services via competitive tender and will run additional longer-term tenders when appropriate.

STAKEHOLDER FEEDBACK:

Following stakeholder feedback and our own monitoring of participation in longer-term tenders, we have been operating on the month-ahead model since June 2024. So far, it has been observed that providers prefer shorter-term tenders, as these align more closely with existing routes to market and offer increased opportunities for participation in our DSO flexibility market. To date, this approach has resulted in improved

delivery performance in comparison to previous years's performance on the old longer term tenders operating model. We will continue to monitor the month-ahead model throughout 2025 and conduct further reviews during the year to evaluate whether shorter-term markets such as week ahead and day ahead would be more advantageous for FSPs and further reduce barriers for FSPs to enter the DSO flexibility market.

3.2. Tender Platform

Our contract with Piclo is coming to an end, and we are currently in the process of procuring a new platform provider, which we expect to finalise in April. To ensure minimal impact on our customers, we will extend our contract with Piclo until a new process is defined and ready to implement efficiently and with the least disruption.

We use the Piclo Flex platform to facilitate our tenders. Piclo Flex is an independent marketplace for trading energy flexibility, with more than 300 FSPs registered on its platform. It is well recognized within the industry. Our continued relationship with Piclo has provided a consistent and straightforward process for FSPs to access our tenders. The platform hosts all our tender requirements, along with key tender documentation, enabling FSPs to access information and user support quickly and easily.

Piclo Flex operates a Dynamic Purchasing System (DPS) that enables FSPs to register on the site, facilitates the prequalification process, and issues invitations to pre-qualified FSPs to bid for the required services. A key activity that Piclo offers is their enhanced marketing and engagement function to further encourage and facilitate participation. They offer structured support to FSPs during the procurement process and beyond to ensure a smooth onboarding of assets, prequalification, and bidding. Further information on this is included in Section 4.

We will provide an update to our stakeholders once the procurement process is finalised and we are in the implementation phase of the new platform.

3.3. Tender Process

The ENA Open Networks Project developed a Version 3 of the Standardised Framework Agreement that was launched in May 2024. We were the first DSO to implement this contract in line with the launch of our Month Ahead tendering model in June 2024. The process of signing the Framework Agreement is as follows:

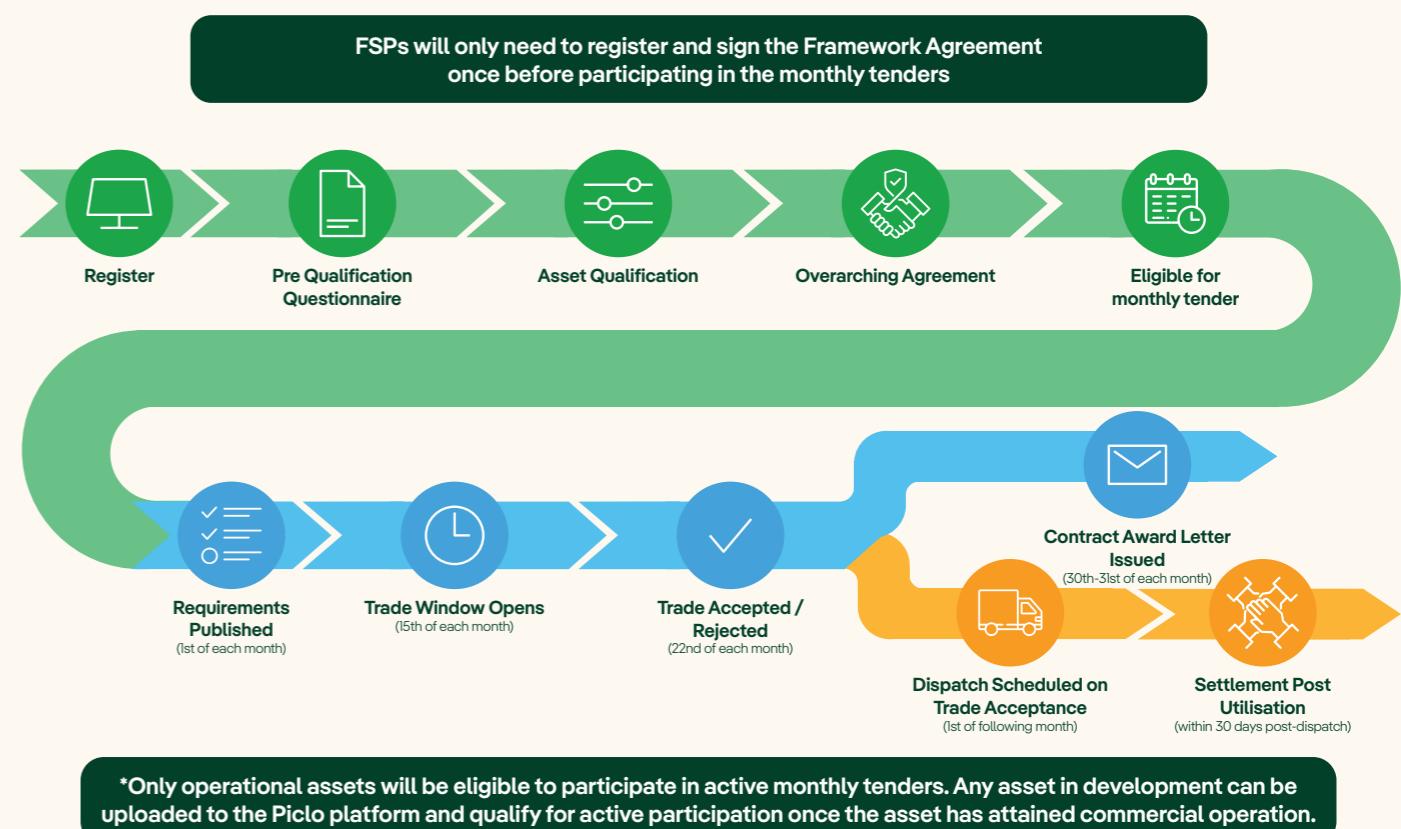
- Flexibility Services Agreement terms and condition plus accompanying schedules are issued as part of the ITT documentation.
- FSPs review, complete and return the Signature Page to SPEN to countersign.
- FSPs can now participate in the individual tender competitions and submit bids.
- Once a bid is accepted, SPEN will issue a Contract Award Notification detailing the individual services. This Contract Award Notification will form part of the Flexibility Services Agreement.

The services bid by FSPs are only bound by a contract when they are covered and contained in the express terms of an executed Flexibility Services Agreement, and a Contract Award Notification has been issued.

Further details on our Procurement Process can be found at our SPEN Flexibility website and Piclo website.

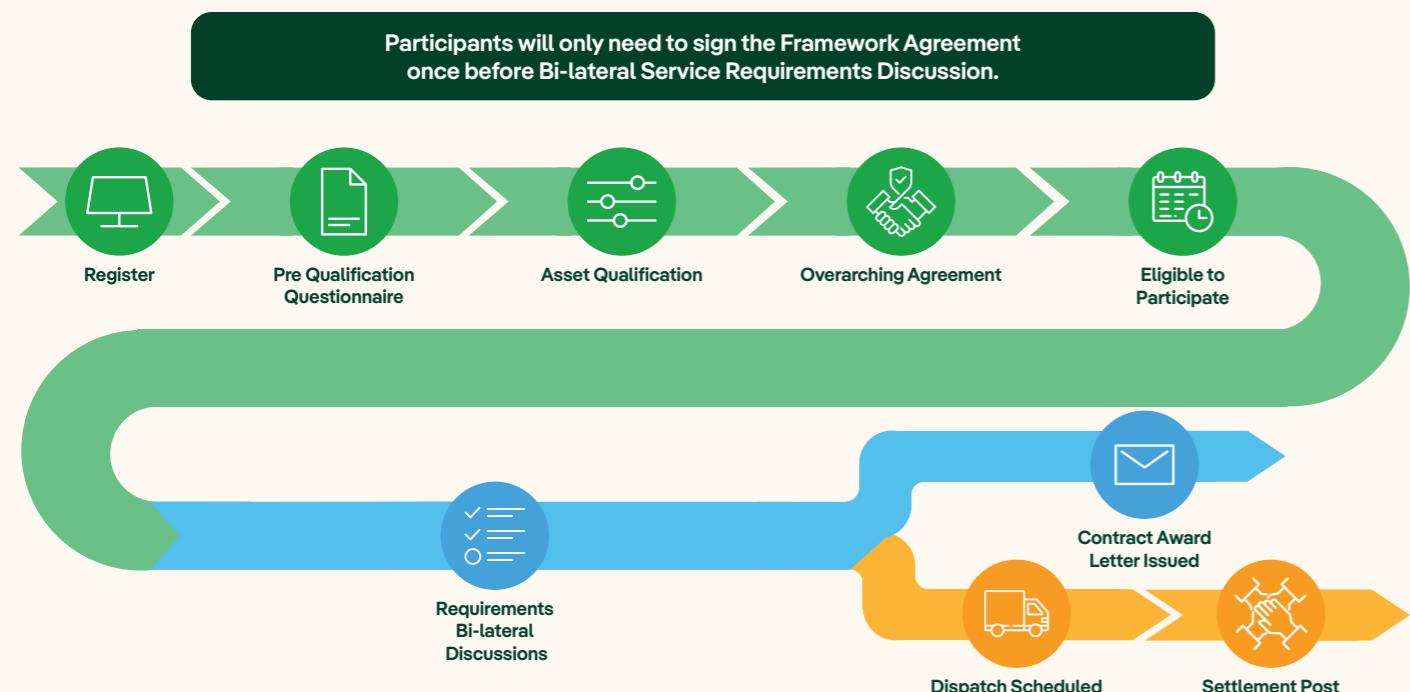
3.3.1. Month Ahead Operating Model

The process steps and timeline of our new month-ahead tendering model is as follows:



3.3.2. Operational Flexibility Bi-lateral Model Process

The process steps and of our Operational Flexibility tendering model is as follows: As some stages of this process requires collaboration between the SPEN Control Centre and potential FSP, the timeline of this process will vary.



3.4. Our approach

For our new monthly tendering model we will be updating our tender documentation.

Tender Document Pack	Details
ITT Letter	Tender letter which provides the terms on wish we will run our monthly tenders and SPEN company policies.
Participation Guidance Pack	
Part 1 – Tender Parameters	Details the services, and requirements we are looking to procure throughout the tender year
Part 2 – Timeline and Process	The month-by-month timeline that indicates the date of each stage of the monthly tender along with the full end-to-end tender process.
Part 3 – Dynamic Purchasing System Guide	Provides a full guide and associated links to Dynamic Purchasing System instructions.
Part 4 – Flexibility Framework Agreement	Provides a copy of the Terms and Conditions that the FSPs are requested to sign on to prior to qualifying for participation in tenders.
Part 5 – Prequalification	The pre-qualification requirements we have for the FSPs and their assets
Part 6 – Bidding Requirements	Provides a summary of bidding criteria and rules
Part 7 – Bid Assessment	To inform FSPs on how we will assess their bids
Part 8 – Pricing Strategy	To inform and provide transparency to FSPs on SPENs internal Pricing Strategy and pricing structures for FSPs.
Part 9 – Billing and Settlements Guide	Provides guidance on the calculation and payment of Flexibility Service charges to FSPs.
Part 10 – SPEN Company Policies	Provides access to SPEN policies potential FSPs are to comply with.

The monthly tender **Participation Guidance** pack is available on [our website](#) and the SPEN profile on the [Piclo website](#).

3.5. Pre-qualification Requirements

Prior to bidding, FSPs are required to:

- 1.** Apply to the Dynamic Purchasing System (DPS). FSPs will submit company specific information which will be reviewed by SPEN for completion and validity. Following acceptance the FSP will be admitted to the DPS.
- 2.** Complete PQQ questionnaire, providing technical information relating to the assets they will use to provide the flexibility services for each individual location. SPEN will assess the technical and location details to confirm suitability and approve the individual assets. Assets must be operational to participate in monthly tenders.
- 3.** Where assets are planned (i.e., not yet connected or to be recruited), providers will still be able to upload these assets to the DPS. Providers are asked to provide a Delivery Plan detailing the dates when assets will become operational. Providers can notify us when planned assets attain commercial operational. SPEN will then update their eligibility status to enable participation in our month-ahead tenders.
- 4.** Sign and confirm agreement to sign, the terms and conditions of the Flexibility Services Agreement.

All FSPs on the DPS who have completed the above will be invited to submit bids when the bidding window opens.

3.6. Bidding Requirements

All bidding takes place on the Piclo Flex platform, with pre-qualified FSPs uploading their bids for each individual competition.

Following previous tenders, where the number of individual constrained locations increased significantly, the platform introduced a “bulk upload”, allowing FSPs such as aggregators who want to take part in multiple competitions the ability to upload bids as one file. This has reduced the burden on resources and made it easier for providers to submit timely bids.

Details are included within our Participation Guidance pack and detailed instructions available on the Piclo Flex platform.



3.7. Bidding Rules

Recognising the differing business models and capabilities of individual FSPs, we include the following bidding rules, enabling those who may not be able to meet the full requirements for individual constrained locations to take part:

Tender Document Pack	Details
Flexible Capacity	can offer the flexible capacity at a single price, or split the flexible capacity into smaller volumes but at different prices.
Service Windows	must be for whole Service Windows of the individual competition bidding for.
Service Duration	can offer assets that may not be able to run for the entire service times as long as they meet the minimum duration included for each constrained location.
Service Period	the duration of contracts within the ITT may be for more than one service window depending on the specific constrained location requirements, however bids can be submitted for individual service windows.
Status of assets	Participation in month ahead tenders requires asset status to be operational. However, assets in development can be uploaded on to the DPS with an expected commercial operation date. Providers will need to update the status of the asset to notify SPEN of the asset's operational status which will then be eligible to participate in monthly tenders.

We request that FSPs offer their best price and we pay as bid.

3.8. Bid Assessment Criteria

To provide the capacity in the optimal way, we fairly, impartially and economically assess different types and combinations of interventions (e.g. flexibility, smart, reinforcement), and how they could be co-ordinated with other interventions to reduce customer cost and disruption.

Prior to opening the bidding window we will have performed an assessment of the technical and financial parameters for each constraint location that we can reasonably accept. The optioneering assessment will compare solutions for each individual constraint location on a like-for-like basis and impartially identify optimal interventions, or combination and sequence of interventions. We will also identify ceiling prices for each location that will consider the maximum bid price offers that we can financially accept.

Once the bidding window has closed, we will assess all bids received against our bid criteria. For each bid submitted, we will assess: the overall value of the service offered; the technical parameters; and competing bids. We will consider all bids that meet the technical and operational requirements, regardless of their pricing signal range. If we receive multiple bids for a constraint location, we will accept the bid that meets full capacity at a higher price over one that does not meet full capacity at a lower price, provided the higher bid is still below the identified ceiling price for that location. This approach ensures the best cost for our end customers by

meeting full flexibility requirements and providing the optimal deferred reinforcement benefits. Full guidance on our bidding assessment criteria is available in section 7.2 (Evaluation Criteria) of our [Participation Guidance](#).

We have a governance process to assess the accepted monthly bids on an annual basis to ensure that the technical and financial parameters set prior to the launch of the month-ahead tenders are still applicable. We will introduce changes to our requirements if the parameters have altered after the acceptance of monthly bids to ensure we are continuously utilising optimal solutions that offer the best value for our customers.

3.9. Bid Acceptance and Contract Award

Following assessment bid decisions are uploaded to Piclo Flex, which automatically notifies bidders of the decision. For those bids rejected, we include the reason to advise FSPs if it is due, for example, ‘insufficient capacity offered’.

As participants will have already signed the Standard Flexibility Agreement to participate in monthly tenders, once a bid is accepted, we will issue a Contract Award Notification detailing the accepted individual services. The successful bidder will proceed to our operational process and will be scheduled in for dispatch for the following month.

4. Stakeholder Engagement

Stakeholder engagement has been fundamental in the past year to understand our FSPs experiences of past tender activity and inform how we should evolve our tendering activity to increase market engagement. By introducing a new monthly tender model last year, we acted on our stakeholders' requests for shorter term markets. Stakeholder engagement will also be key in the upcoming year to facilitate market engagement with our new month ahead operating model as well as new products we are aiming to launch.

We develop our stakeholder engagement strategy with the aim to reach as many potential participants and interested parties as possible, facilitating easy access to our flexibility requirements and information on our policies and procedures for identification, procurement and operation of the services. We continuously seek feedback to inform and influence our approach.

4.1. Tender Publication

Our live tenders are published on the Piclo Flex platform, which automatically notifies those who have signed up to their mailing list, informing them that our tender has been launched. Flexibility Services Providers will be able to view all details throughout the tender process from tender launch to contract award via the [Piclo Flex Platform](#). Other tender information such as supporting tender documents is available on our [SPEN Profile](#) on the Piclo.energy website.

In addition, our [SPEN Flexibility website](#) provides flexibility specific information, directing interested parties to the relevant portals and platforms and advising how to contact the Flexibility Team.

Press releases, social media, email marketing, and webinars are used to highlight the launch of our ongoing tenders and are supported by our engagement strategy.

4.2. Engagement Strategy

4.2.1. SPEN Engagement Strategy

- Press releases
- Easily accessible and downloadable information
- Posts on social media – LinkedIn and Blog
- Dedicated webinars and pre-recorded videos
- Industry conferences and events
- Direct contact with those who register for information
- Targeted emails and newsletters via our stakeholder engagement tool ‘Tractivity’
- One-to-one surgeries with potential new FSPs and active FSPs
- SPEN DSO events
- SPEN DSO Flex Conference
- Case Studies

We will mainly focus on facilitating regular social media posts and one-to-one surgeries with potential FSPs to advertise our new monthly tendering model. We aim to plan 4 webinars a year for Flexibility Service Providers covering a wide range of topics. In 2025, we are also hosting our inaugural Flex Conference in Liverpool for 80 in person participants. We will also be seeking regular feedback on FSPs experience of the short term tenders in order to gain meaningful insight into the operating model and act on any suggested changes if required.

4.2.2. Piclo Engagement Strategy

As well as facilitating our own engagement strategy, we also work in collaboration with other organisations such as Piclo to enhance our stakeholder engagement strategy.

Our platform provider, Piclo, provide support in helping create a liquid, efficient marketplace. This includes providing a regional team to help support SPEN's engagement, enrol and on-board FSPs onto the Piclo Flex platform, supporting the development of SPEN engagement strategies and materials to make sure that FSPs are aware of competitions and actively supporting the recruitment process. They also provide FSPs with support regarding competition enquiries and platform troubleshooting to ensure active participation in competitions, providing an efficient way of advising potential FSPs of any updates and/or clarifications during the pre-qualification stage. This includes automatic notification to registered FSPs, supporting our transparent and fair procurement process.

Piclo host a [dedicated profile page](#) for SPEN where we provide documents with specific details on how to participate and stay informed on SPEN flexibility events. This also includes the provision of self-help articles and FAQs to aid the FSP participation lifecycle. This service addresses FSP engagement, FSP asset registration, and qualification, bid participation as well as general FSP support, enquiries and troubleshooting. Piclo also facilitate 'DSO forums' for all DSOs using the Piclo platform - to discuss issues and updates with the platform, sharing lessons learnt and to gather feedback from stakeholders. We at SPEN have presented and had panel discussions at the Piclo Forums to further engage with their audience.

4.2.3. New Monthly Operating Model Engagement Plan

Our Month Ahead Model was a huge success this year however there is still more work to do. We aim to continuously provide updated and transparent information on a regular basis to encourage new participation in our monthly tender programme. We aim to engage with new providers and asset owners that have not participated in Flexibility in the UK before – focusing on I&C customers, Local Authorities, Community Energy Groups, and traditional FSPs such as aggregators.

This will require targeted efforts to best reach each type of stakeholder;

- One to one surgeries with Local authorities and councils to explain flexibility concepts and walk through ways of participation
- Working with our internal Community Energy stakeholder team to attend CE events, webinars, and meet with key industry bodies.
- Social media, webinars, and events to engage with I&C suppliers and aggregators
- Working with Flex Assure and NESO on events to engage with FSPs and I&C customers in SPD and SPM
- Blogs to provide information on our operating model and processes
- Informative interview blogs or videos with FSPs who have previously participated in SPEN tenders to highlight their previous experience and thoughts on the new operating model
- Co-hosted pre-recorded video or live webinar to provide public information about the new process and provide a demo for new potential participants

4.3. Stakeholder Feedback

We continuously seek feedback from stakeholders and have a number of routes available for this:

- Dedicated e-mail address - flexibility@spenergynetworks.co.uk
- Support function at Piclo Flex
- One-to-one surgeries with FSPs
- Interactive webinars

We use the feedback from stakeholders to refine our processes and reduce barriers. This feedback was the main driver behind the thorough change in our tendering model, it has allowed us to create account management processes, develop new and engaging content, and provide FSPs with the tools they need to participate in our DSO Flex Markets.

In November this year, we published our Market Prospectus on the SPEN Open Data Portal and our website which provides key short and long term information as well as an interactive data document which allows providers to model potential opportunities in our flex competition zones. The Market Prospectus summarises the requirements in our key constrained locations alongside the potential MW opportunity across both our licence areas and provides stakeholders with more digestible long-term and short-term requirements information in a clearer format.



4.3.1. Individual Stakeholder Feedback and Actions

Over the course of the year, we have held one to one surgeries, webinars, and focus groups through the ENA TWGs to understand and gain feedback from FSPs on our current flexibility offerings as well as general DSO Flexibility dynamics in the UK. We have collated this feedback and have set ourselves key actions for the upcoming year:

- INZAC – Focus more engagement on new providers who do not have much flex experience, breaking things down to them and kick starting their flex journey.
 - SPEN Response: We are launching a series of webinars and social media posts this year aimed at new and potential FSPs. In Q1, we are hosting a “What is Flex” webinar to educate interested parties in the basic concepts of Flex and inform them of ways that they can take part. Additionally, we have launched case studies on our part of the SP Energy networks website which highlight how providers with different technology types have taken part in our Month Ahead market. We also are planning and holding in person surgeries with local authorities where we will present the concepts and key topics around flexibility. We are also due to launch a professional Introduction to Flexibility on our website and social media channels.
 - Connected Response – Can SPEN work with fuel poor and ToU tariff customers enhance their flexibility engagement and improve market participation?
 - SPEN Response: We are currently in the middle of our Equiflex project which aims to promote equal access to flexibility services for everyone. Additionally, we have been working with fuel poor technology owners and associations to enable them to participate in flex by onboarding them onto our Piclo Platform.
 - Axle Energy – Efficiency of Month Ahead End to End process – can SPEN uncover new ways to make the monthly model more efficient for providers.
 - SPEN Response: We are integrating our internal systems with Piclo’s API in order to smoothen out the procurement process and automate the competition creation and CMZ mapping processes which will allow for seamless operations. Additionally, we have a set monthly Account management process to cover Dispatch and Settlement that we always look to improve on by incorporating new tools from Piclo and through gaining monthly feedback from our active providers on how bidding, dispatch, and settlements are working for them.
 - Ohme Energy and Ovo Energy – SPEN’s nomination baselining approach is a barrier to participate for many domestic level assets.
- SPEN Response: We have now improved our baselining approach, allowing flex providers to choose between a fixed baseline value or a nominated value. We are looking to further improve on this by adopting a standardised approach that will be agreed upon by the ENA TWGs by April.
 - Grid Beyond & Grid Edge – I&C customers find it hard to commit to flex requirements even a month in advance – they may require shorter windows.
 - SPEN Response: We understand that different types of service windows and dispatch instruction windows suit different types of providers. Due to this, we are assessing the viability of the usage of different types of markets both shorter term than Month Ahead, and slightly longer term than Month Ahead. Our aim is to align this to markets in the UK in which providers are actively participating in today such as a Day Ahead/Week Ahead/Half year ahead.
 - Flexitricity and EDF – How can your products interact with NESO markets to allow VPPs to assess opportunities under the same conditions and time windows.
 - SPEN Response: We aim to allow as much stackability as possible to our products and are continuously assessing Dynamic Pricing models, alignment to wholesale market time frames, and breaking down barriers to participating in DSO flex.
 - E.On Energy, EDF, SPRL - Consistency of DNO Flexibility Market – Although some work has been carried out to improve standardisation of the DNO flexibility market by the ENA Open Networks project, stakeholders believe that market consistency within the DNO flexibility market remains a barrier to entry.
 - SPEN Response: We recognise that standardisation across DNOs is key to reducing the barrier to entry for flexibility markets. Throughout 2024, the ENA Open Networks Flexibility Products Technical Working Group have collaborated with industry to establish a more detailed definition of the parameters that make up a Flexibility Service within the Distributed Network Companies. This comprehensive standardisation exercise was undertaken to develop proposals for alignment with the aim of eliminating the differences on the use of Flexibility Services between the companies. This year, we are aiming to standardise baselining approaches across DNO’s, review our valuation tools, review our V3 agreement, and create common sets of APIs through the TWGs. Internally, we are also looking into further aligning our product models to the wider DSO markets and the NESO/Wholesale markets. SPEN is committed to collaborating with other DNOs and continue to seek stakeholder feedback on flexibility market standardisation to improve barriers to entry and increase the flexibility market’s liquidity.



4.4. Year 2 of Month Ahead Market

Following our tender launch and FSP participation over the last 6 months, we are keen to understand FSPs experience of the new process and will arrange one-to-one meetings to seek feedback on the new processes and regularly keep in touch with FSPs to discuss accepted as well as any rejected bids.

Understanding why some FSPs upload assets to the platform but choose not to bid, and why some large global FSPs are not operating within our licence areas is also key to identifying and understanding how we can improve participation. This engagement is ongoing.

We undertake “Lessons Learnt” exercises with Piclo which is supported by the analytics the platform provides to facilitate platform performance monitoring, such as number of competitions ongoing/finalised and volumes allocated.

4.5. Engagement Channels

We ensure multiple channels are available for continuous engagement throughout our tender stages and beyond, including:

Channel	Description	Where
Website	The SPEN website hosts dedicated flexibility pages providing information and links to our Flexibility tenders, our policies and processes, and how to contact our Flexibility Team. It also hosts information on our upcoming events as well as our Market Prospectus and Supporting Data. We are also updating this year with case studies.	SP Energy Networks
Procurement Platform	Working with the Picloflex platform provides ongoing engagement and allows potential FSPs and stakeholders to access our specific tender information, procurement policies and processes and step by step instructions on what is required at each tender stage, whether registering for the DPS, uploading assets or submitting bids. Our dedicated page on Picloflex requests feedback and provides details on how stakeholders can request a one-to-one meeting with us.	www.picloflex.com
Dedicated Mailbox	We have a dedicated flexibility mailbox for stakeholders to contact us with any query they have relating to Flexibility Services. This is widely published on Picloflex, and the SPEN website, and included on all our external communications relating to Flexibility.	flexibility@spenergynetworks.com
Downloadable Documentation	To ensure potential FSPs and stakeholders are informed on how we identify, procure, dispatch and settle Flexibility Services, we provide several downloadable documents. A full list of these documents and where they can be accessed is included in Appendix 2. One of the key documents now is our Market Prospectus and its supporting data.	Various
SPEN Data	Our long term and short term requirements data will be published on the Open Data Portal along with our Market Prospectus. Links to all our requirements documentation will be published across all our channels including our website and the Piclo website and regularly posted on our Social Media channels and stakeholder engagement correspondence. Additionally, we have now published heat maps of our CMZs which customers can interact with to view opportunities.	SPEN Open Data Portal
Social Media	We use social media platforms such as LinkedIn to promote the launch of our tenders and regular reminders of tendering activity.	Various
Blogs	Piclo and SPEN develop and publish blogs to provide information on how to get involved in our tenders.	Piclo.energy SPEN website
Conferences	We attend relevant conferences and arrange specific events alongside other DNOs and Piclo including our DSO event that was held in February and March 2024.	Various flexibility@spenergynetworks.com
Tractivity Stakeholder Engagement Tool	We use our stakeholder engagement tool, Tractivity, to send flexibility newsletters to interested parties. We have built a mailing list for customers who are interested in receiving more information about our flexibility products.	Register as a stakeholder on the SPEN website
Piclo Mailing List	Piclo have an extensive mailing list to contact potential providers when our tenders are launched.	www.picloflex.com

4.6. Planned Stakeholder Engagement

We will actively engage with stakeholders during the forthcoming Reporting year, such engagement includes:

- **DSO Event** – A SPEN stakeholder event inviting feedback from FSPs and covering: our flexibility processes, priorities and discussions on any market barriers. The day will be a number of workshops largely focusing on the different aspects of SPENs activities one of which will include Flexibility procurement and processes.
- **Trials** – we will work with stakeholders to trial appropriate new products and processes to facilitate market development. We are currently in the midst of our Equinox trial, a Dynamic Pricing trial, a LV Support Room Flex project, and are aiming to bring to market both demand turn up and megawatt dispatch.
- **Conferences**, including the Piclo Conference amongst others, allow us to publicise our tenders and provide up to date information on our current priorities and the outcome of trials and stakeholder engagement that we have undertaken. This year in September we will be hosting our very first SPEN DSO Flex conference.
- **Councils and Enterprise organisations** within our licenced areas are becoming increasingly interested in how they can become involved in flexibility markets which enables us to reach more potential participants who may not have previously been aware of what they can offer. We have begun hosting workshops at different local authorities such as Liverpool City Council.
- **Community Groups** – liaising with community groups that are proactively seeking help to manage energy usage and costs allows us to raise the awareness of flexibility services and how they can take part in these markets.
- **International conferences (e.g. CIRED)** – allows us the opportunity to feed into the wider international debate regarding the procurement and utilisation of flexibility services and to listen to other countries experiences. In addition, a number of our potential providers have international owners and therefore we can reach a wide audience at such conferences.

4.7. Industry Engagement

SPEN are represented on all workstreams within Open Networks, contributing to the development and alignment of procurement and use of Flexibility Services alongside other DNOs and the ESO to improve whole system coordination.

For 2024, our Flexibility Procurement Manager was co-lead with the ESO of the Standard Contract Technical Working Group, and our Flexibility Performance Manager was co-lead of the Products Technical Working Group. We ensure our processes are aligned with the good practices already identified and the new processes implemented.

SPEN is actively represented on the new Market Facilitator workstream, ensuring our insight and experience of our DSO Flexibility markets contribute to the Market Facilitator transition. We are committed to ongoing engagement throughout the transition to facilitate an efficient and effective transition. More information about the Market Facilitator is available [here](#).

4.8. Investigating Barriers

Following the launch of our 2024 month-ahead tenders we have been closely monitoring engagement and participation with our new tendering model. We sought to understand the following:

- Will the new tender model improve the uptake of flexibility services?
- Are there any remaining barriers faced by various provider types in each licence area?
- Does SPEN need to consider any changes to the new month-ahead tendering model to procure flexibility services at scale and in the most economic and efficient manner possible?

We have found that our new month ahead model has allowed more FSPs, including new start up ones, to participate in our flex markets on a regular basis. This has allowed us to build strong relationships with Flexibility service providers.

Previous providers have expressed that many of the previous barriers to entry have been reduced and that has allowed providers such as Equiwatt, Attune Power, and Electric Miles to participate actively in our markets for the first time.

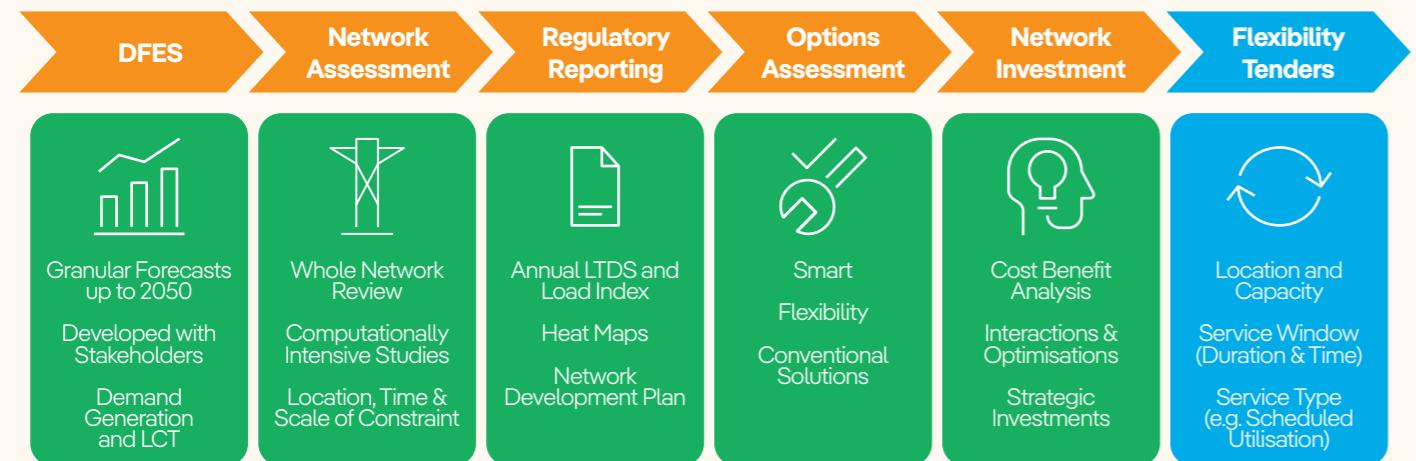
As mentioned previously we will be using this year and the feedback we have collected to assess potential changes and improvements to our tender model.

Alongside our new tender model, we have been utilising the updated tender Products developed by the ENAs Open Networks Technical Working Group on product standardisation. This comprehensive standardisation exercise was undertaken in 2023 to develop proposals for alignment with the aim of eliminating the differences on the use of Flexibility Services between various DNOs. Definitions and information on the updated ENA products are highlighted in section 2.6.2.

We will continue monitor the progress of our new month-ahead tender launch, continuously seek and collate feedback from various stakeholders and provide a summary of our progress and findings on market barriers to entry in the 2026 reporting year.

5. Detailed Quantitative Assessment

As part of our [Decision-Making Framework](#), the stages we follow to determine the optimum solution for individual constraints are as follows:

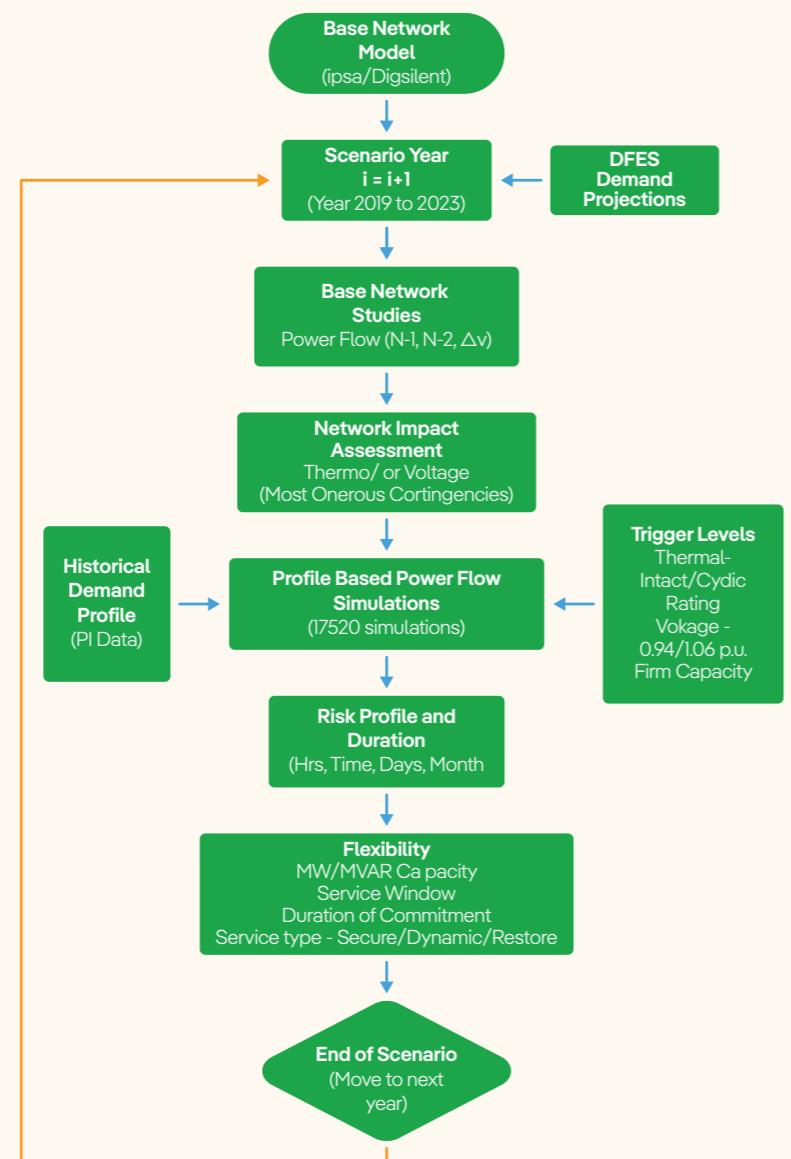


We will also be monitoring the flexibility capacity procured on a bi-annual basis to review the accepted capacity against our options assessment and network investment parameters.

5.1. Identifying Requirements

We have developed granular DFES forecasts which include demand and generation forecasts that are regionally reflective and have been stakeholder tested. They have been compared against Net Zero compliant scenarios from the ESO and the Climate Change Committee (CCC) sixth budget. Then, using our advanced analysis software, known as our Engineering Net Zero (ENZ) model, we apply these DFES forecasts to our network power-flow simulations. This comprehensively assesses the power-flows through each network in over 175,000 half hour periods from now to 2030 to establish the location, magnitude and timing of emerging constraints.

The network assessments are used to specify both the design requirements for smart/conventional options and also detail the requirements included in flexibility tenders such as the location, service type (e.g. scheduled in advance product), service window and time and capacity required. The level of service requirements and service windows are forecasted for each year as they change as network constraints evolve with increasing LCTs.



5.1.1. Requirements Data API Development

As part of our new requirements identification and publication process, we are developing a new way of uploading tender requirements on the Piclo DPS. We are in the process of developing an API solution that will ensure that the final requirements data published on our Open Data Portal will be automatically uploaded to the Piclo DPS each month when facilitating monthly tenders. This will streamline our requirements data DPS upload procedure and will enable an efficient monthly tendering process as the API will identify what data is needed for a specific month to progress with our bidding process. The development is expected to launch in Summer 2025.

5.2. Quantitative Assessment

For each constraint location, we consider a wide range of possible solutions to manage each individual network constraint. We use an impartial decision-making process to ensure that selected investment options are the best interventions to meet our customers' and stakeholders' priorities and offers the most efficient solution.

We consider potential solutions against a number of factors:

Technical



Customer Needs

e.g. Can it provide the required capacity?

Cost



Whole life cost

e.g. Cost Benefit considering Capex/Opex

Other



Timing / Delivery

e.g. Can the solution be delivered on time?

Technical Requirements

e.g. Technically feasible and doesn't introduce other problems



Environmental Impact

e.g. Losses, noise, visual impact & carbon impact

1. Does it provide the required volume of capacity in the right location? If a solution can't provide sufficient capacity by itself, we will consider whether it can provide sufficient capacity in combination with another solution.

2. Is it deliverable in the timescales required by customers? For example, a lengthy planning permission process may mean a particular solution cannot be delivered in the timescales required.

3. Is it technically acceptable? Does it comply with technical standards and statutory limits? For example, a solution may provide sufficient thermal capacity, but if it causes voltage levels to exceed statutory limits then it is not an acceptable solution.

4. What is the whole life cost of the solution? Here we consider both the upfront capital cost (CAPEX) and the ongoing operational cost (OPEX). The Common Evaluation Methodology Tool can also consider optionality value.

5. What is its environmental impact? Here we consider the solution's impact on network losses, noise, visual impact, and carbon footprint.

6. Whole systems considerations? Here we consider whether solutions are coordinated from a whole energy system perspective, or whether we need to engage with other stakeholders, for example the TO / adjacent DNOs.

We use these criteria to do a comparative assessment of the intervention options and identify which is best using a variety of tools.

5.3. Bid Assessment Methodology

We assess investment solutions and Flexibility Services on a like for like basis by employing a comparative assessment approach which means that the value of flexibility (i.e. the amount of money we have to spend on flexibility services) in any given scenario is determined by the cost and value of the counterfactual solution (e.g. a reinforcement), and not by the required volume of flexibility services.

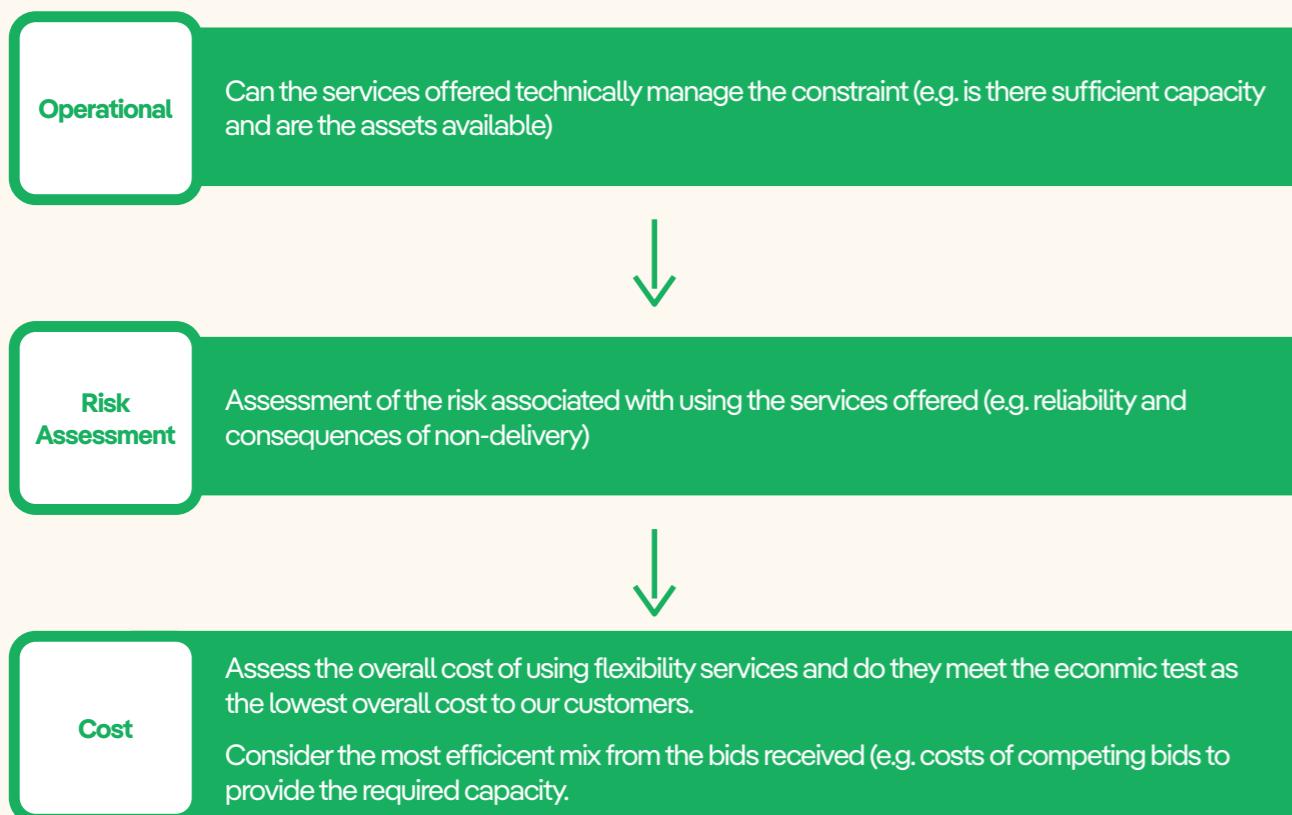
The tender bids are assessed in detail to confirm that it could technically manage the constraint within the particular month. We assess the risk associated with using the flexibility and consider the most cost-efficient mix of tender responses (if responses are greater than the requested capacity). Competent bids are then assessed against the optioneering and investment parameters set prior to opening the bidding window and evaluated alongside all other options.

We have several tools available to help with the assessment process and supplement the assessment criteria. CEM is one tool that we use to support our quantitative assessment process. Other tools we use include, design studies, technical assessments, and CBAs for interventions at EHV and 132kV; we supplement these with a linear optimiser for LV and HV assessments. These tools are excellent at analysing some elements of the assessment criteria, but don't have the ability to assess other criteria such as deliverability. This means we use these tools to support the assessment criteria, rather than instead of them.

More detailed information on how we use these tools to help determine the most economic combination, sequence, and timing of solutions to meet the required level of network capacity at different voltages is available in section 4.4. 'Stage 3 – Options Assessment' of our [Decision Making Framework](#).

5.4. Evaluation Criteria

Once the bidding window has closed, we will assess all bids received against our published bid criteria. For each bid submitted, we will assess:



Guidance is published as part of any tender issued to ensure that potential bidders are aware of the evaluation criteria we will apply. Further information is available [here](#).



5.5. Supporting Methodologies

As part of our decision-making process, we will use the Common Evaluation Methodology along with other appropriate methods to assess the value once bids are received. We include details on this methodology in our Decision Making Framework as part of our downloadable documents listed in Appendix 2.

5.6 ESO Co-ordination

We recognise the importance of co-ordination and data exchange with the ESO and at the procurement stage:

- Whilst we do not require exclusivity we do request, as part of the contractual terms, that FSPs disclose the existence of any agreement or arrangement they may have in respect of the assets that will provide the flexibility services that could reasonably impact their availability and/or ability to meet their contractual obligations.
- We encourage FSPs to stack services as long as there is no conflict as a result of the services delivered. We will comply with the primacy rules developed by the ENA Open Networks project. [Click Here](#).
- We publish our contracting of flexibility services, both in our tender results and in our Network Development Plan.

This informs stakeholders, such as the ESO, of the details of any flexibility services we plan to use. With regard to our longer-term flexibility contracts, the main operational coordination with the ESO needs to come at the point of scheduling/dispatch, as that is when the flexibility service will actually be used (and so could result in adverse system impact if not co-ordinated).

6. Development and Next Steps

We are committed to market development and during the Reporting Year, will undertake a number of assessments and trials to further facilitate the flexibility market and also identify new opportunities.

6.1. Flexibility Market Development

Key aspects of development that we will track in the upcoming year will include:

- Regulatory and Institutional Governance:** we are actively engaging in a wide range of Ofgem consultations on the Future of local energy institutions and governance, the Future of Distributed Flexibility, Frameworks for future systems and network regulation, and Updates to Data Best Practice Guidance and Digitalisation Strategy and Action Plan Guidance. We recognise that in order to progress with confidence and investment certainty to develop the right solutions and create market confidence – it is essential that a clear and coherent regulatory position is developed. This does not mean we cannot develop processes and lead progress in parallel, but contributing to industry direction is an essential part of establishing long term certainty.
- Platform Development:** Over the past two years, we contracted with Piclo to test their end-to-end platform. This trial has enabled us to develop a short-term flexibility market in 2024 and has also reduced the barriers for new FSPs having to sign up to multiple systems during the overarching flexibility procurement process. We have been monitoring the technical requirements that we have found to be necessary to facilitate short and long-term markets to inform our new platform development requirements for the next few years. We have also been closely monitoring the Flexibility Platform Provider market for new as well as established entrants. The procurement process for a new platform provider began in Q4 2024, and we are currently in the assessment stage. We aim to award the tender by Q3 2025, with deployment expected within the same year. Our aim is to ensure the new platform is implemented with minimal disruption to flexibility services providers and other stakeholders, maintaining continuity and efficiency in our flexibility tender operations.
- Flexibility Services Agreement:** From June 2024, we deployed the new Framework Agreement developed by Open Networks for the launch of our month-ahead market. This new Framework Agreement is key to facilitating our new monthly tender activity as it enables DSOs and FSPs to have signed terms and conditions prior to any bidding, allowing bids to be made and services accepted more

smoothly and with significantly reduced timescales. To date, 20 providers have signed the latest version of the Flexibility Services Agreement. We are monitoring the standard agreement and any feedback we receive to gain insight for any further discussions with the ENA working group to develop any updates in 2025.

ESO Coordination: ensuring information is shared in real time, and there are clear and mandatory primacy rule obligations, is an important requirement to facilitate near real time markets and will be an integral part of the processes we develop.

6.2.1. API Development

In 2024, we initiated the development of an API designed to automate data exchange between our internal tender requirements, which will be published on our Open Data Portal, and the data necessary for our monthly tender competitions on the Piclo platform. This initiative aims to expedite data analysis and reduce disruptions in our tender process by eliminating the need for manual data uploads to the Piclo DPS. The project is currently in development, with the API scheduled to go live, supporting real-time tenders, in Summer 2025.

6.2.2. Equiflex Project

As part of our Just Transition strategy, we aim to ensure all customers can benefit from network flexibility. Equiflex recently received £133,000 from Ofgem's Strategic Innovation Fund to promote equal access to these services, which help balance supply and demand on the electricity network. This can provide financial benefits and reduce the need for network reinforcements. However, access to the flexibility market can be limited. In partnership with Frazer-Nash Consulting Ltd, Energy Action Scotland, and East Ayrshire Council, Equiflex will explore options, identify barriers, and develop a toolkit to guide stakeholders. This initiative aims to ensure all customers can access the potential savings from participating in the flexibility market.

6.2.3. Demand Turn-Up

In 2022, we conducted a trial of Demand Turn-up in collaboration with Octopus Energy to manage generation constraints. This trial successfully demonstrated the capability of domestic demand turn-up to respond effectively to network needs. Our goal is to establish this as a standard service

offering. However, we must first validate the value proposition to ensure it benefits our customers. We are currently reviewing this value proposition, and once it is established, we will provide further details on our forecasted scale of deployment and the opportunities available for market participants.

6.2.4. MW Dispatch

In areas where we have implemented CMZs, NESO has historically restricted customers within these zones from participating in NESO markets. This restriction stems from the autonomous nature of CMZs, which could potentially lead to counterproductive actions. For instance, if NESO dispatches a generator, the CMZ might interpret this as available capacity and permit another generator to use it, leading to inefficiencies. To address this issue, we are collaborating with NESO to eliminate this market limitation through system integration. Our goal is to ensure that these counter actions do not occur, thereby allowing customers to participate freely in both NESO and DSO markets. This integration will enhance market efficiency and provide greater flexibility for customers.

6.2.5. LV Flexibility Development

As we advance towards achieving Net Zero, the impact on LV networks will be substantial. Historically, these networks were designed to be "fit and forget" but the evolving energy landscape demands increased investment, enhanced visibility, and greater control. To address these needs, we have established an LV Support Room, which has significantly improved our ability to monitor and manage LV networks.

We are actively collaborating with the LV Support teams to identify and implement flexible solutions for managing LV constraints. This approach is becoming increasingly important as the integration of EVs, heat pumps, and other emerging technologies continues to grow. By leveraging the LV Support room's developments, we aim to ensure the resilience and reliability of our LV networks supports our transition to Net Zero.



7. Appendices

7.1. Appendix 1 – Glossary

Acronym	Description
CEM	Common Evaluation Methodology
DSO	Distribution System Operator
DPS	Dynamic Purchasing System
EJP	Engineering Justification Paper
SPEN	SP Energy Networks
SPD	SP Distribution plc
SPM	SP MANWEB plc
FSP	Flexibility Service Provider
ESO	Energy System Operator
LTDS	Long Term Development Statement
LCT	Low Carbon Technologies
LCM	Local Constraint Market
ENZ	Engineering Net Zero
DFES	Distribution Future Energy Scenario
ENA	Energy Networks Association
NDP	Network Development Plan

7.2. Appendix 2 – Downloadable Documents

Acronym	Description
Constrained Locations	
DFES	A copy of our current Distribution Future Energy Scenarios.
NDA	Network Development
LTDS	Long Term Development Statement

Acronym	Description
Procurement (all issued as part of our monthly tender ITT documentation)	
Procurement Process	Details the process all FSPs wishing to participate are required to follow.
Pricing Strategy	An explanation of our pricing strategy for Flexibility Services
Pre-qualification Requirements	Details of requirements FSPs must meet in order to participate.
Bid Assessment Criteria	An overview of how we assess bids received
Common Evaluation Methodology	Details of the Common Evaluation Methodology developed by Open Networks.
Flexibility Services Agreement	The current version of the Terms and Conditions
Operation	
Guide to API Set-Up & Testing	A guide on how to build and test the Application Programme Interface and how to carry out necessary testing
Participant Portal Guide	A guide on how use the portal including: declarations of availability and viewing statements
Billing Guide & Payment Set Up	An overview of the monthly billing cycle and the form to send us your payment details.
Baselining Methodology	A presentation on the Baselining Methodology that applies.
Dispatch Principles	An explanation of how we dispatch when availability exceeds requirements.
Glossary	A helpful guide to the terms, acronyms and abbreviations used, as provided by the ENA.

7.3. Appendix 3 – Tender Requirements

All short term and long term requirements are available on our [Market Prospectus Supporting Data document on the SPEN website](#).

Note: Although we endeavour to ensure that the attached requirements are as accurate as possible, and consistent with the information uploaded to Piclo Flex and the Open Data Portal- variations may occur. This is possible for a number of reasons, for example; in light of updated or contemporaneous network analysis or counterfactual solution prices / suitability. As such, we confirm that information published on the Dynamic Purchasing System Platform (Piclo Flex) will take precedence and should be treated as our formal tender requirements and Market Prospectus Supporting Data Document should take precedence.

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