

Ways of working

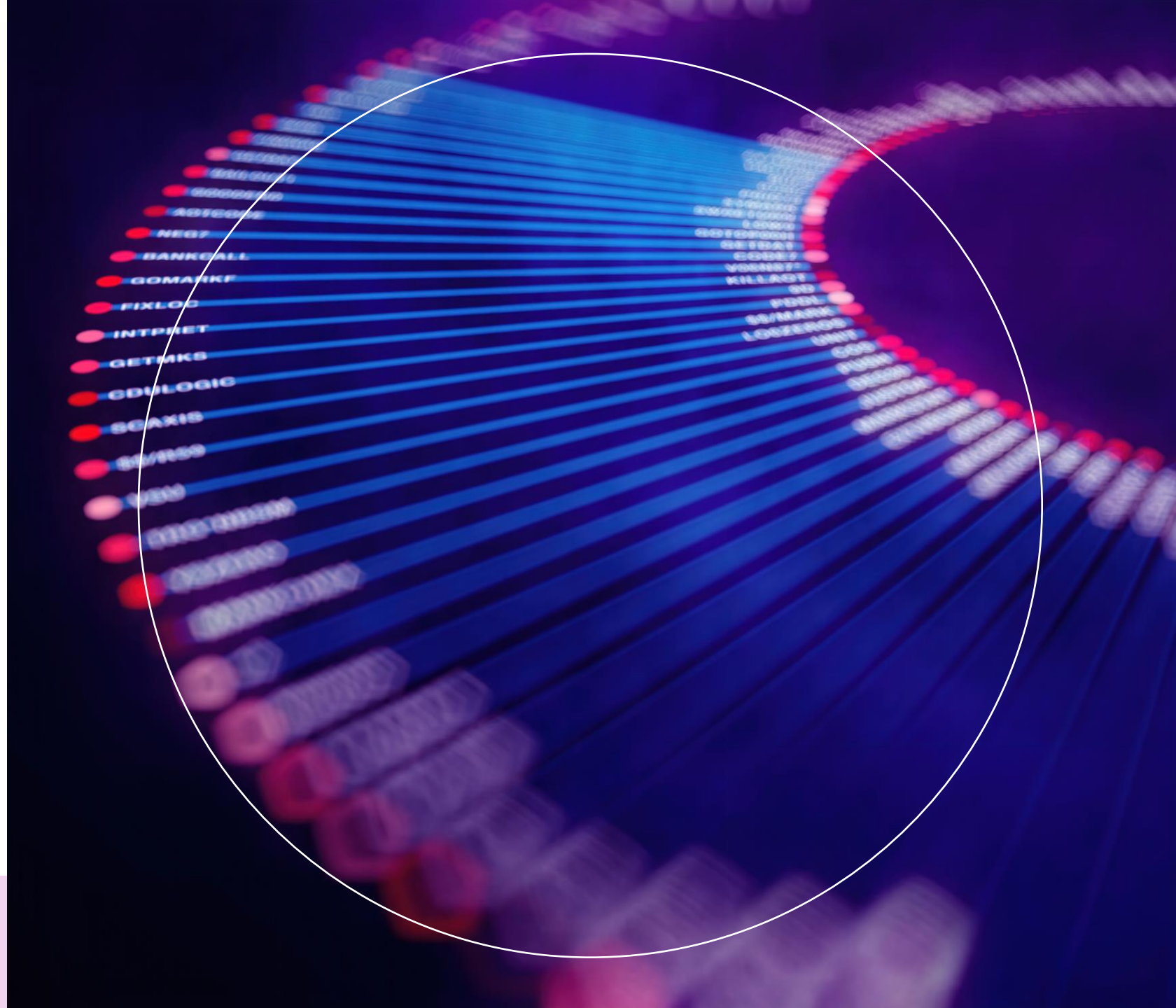
- The meeting will be recorded to aid notes taking and will not be shared outside Elexon.
- You should have received and invite to access the board via email. Please click and sign up to allow full participation. Without signing up you will be limited to commenting on the board only.
- Please also engage by raising hands and commenting using the chat function
- We encourage attendees to **use video**, where bandwidth allows, especially when speaking
 - **Please mute when not speaking:**
 - Minimise background noise to maintain focus
 - Use the Teams chat if you are having problems with the camera
- Stay on topic: Keep contributions relevant to the agenda
- Respect all perspectives: Foster a collaborative and inclusive environment
- We may adapt these ways of working as we progress, building on learning. Please feedback on how we can run the session as effectively as possible.

Flexibility Market Rules Working
Groups

Evolution of the Flexibility Services Standard Agreement

Meeting 4

16 July 2025



Agenda

- Welcome – 5 mins
- Recap of last meeting – 5 mins
- Update on changes proposed - 45 mins
- Review of change process - 15 mins
- Review of prioritisation – 10 mins
- Next steps - 5 mins



01

Welcome & Introductions

Elexon Team



Ayo Bammeke

Senior Change Lead

Chair and Technical Secretary



Matt Watson

Senior Market Design Advisor

SME

02

Recap of last meeting

Summary of the last meeting

Agenda Item	Summary
Approach	<p>We highlighted the need to prioritise the issues and deliver in phases. The timings for Day 1 are tight and so we need to be quite focussed.</p> <p>We also set out our initial approach to implementation, allowing variations, whilst we improve the core Agreement</p>
Prioritised issue log	<p>We shared the current issue log, and its latest prioritisation</p>
Prioritised changes	<p>We covered the changes we are looking to implement for Day 1. These include:</p> <ul style="list-style-type: none">- Enabling flexibility market rules- Access Rights- Change of ownership

03

Update on Proposed Changes

Accommodating Flexibility Market Rules: Standard Agreement

We are proposing a few changes to the Standard Agreement:

- Splitting out the Standard Agreement and the Service terms into different Flexibility Market Rules
- Addition of definitions for Market Facilitator, Flexibility Market Rule and Flexibility Market Catalogue
- Amending the definition of Primacy
- Update of ESO to NESO.

Term	Definition	Type
“NESO”	means National Energy System Operator Limited (company number: 11014226) (and any successor to its role);	Amendment
“Market Facilitator”	means the role created by the Authority with a mandate to standardise local flexibility markets and align with national flexibility markets.	New
“Flexibility Market Rule”	means the document of that name (inclusive of rules in respect of Flexibility Market Asset Registration) owned and amended by the Market Facilitator from time to time and developed in collaboration with other licensees, the ISOP and other interested stakeholders, through working groups and consultation.	New
“Flexibility Market Catalogue”	means the catalogue of all flexibility market parameters, owned by the Market Facilitator.	New
“Primacy Rules”	means the primacy rules defined by the Market Facilitator(as applicable at the time off the relevant Service Window);	Amendment

Questions:

- Are the definitions clear?
- Are people comfortable with the timings associated with the primacy rules?

Accommodating Flexibility Market Rules: Service Terms

We are proposing a few changes to the DSO Service Terms, generally creating new references to the Associated Flexibility Market Rules. This uses wording based on:

“Payment terms will align to those in the relevant Flexibility Market Rule as applicable at the time of Contract Call Off.”

This is used for Settlement (section 5), Metering (section 8.1) and Baselineing (added to section 5)

The drafting requires the definition of Contract Call Off. This is not a standard term. DSO use different terms throughout their documents.

As an interim solution we will allow the DSOs to define them. In due course we will develop a robust common definition.

“Contract Call off”

[TBC by each DNO. This should be the first time at which the Company and the Provider agree price and initial availability or utilisation volumes.]

Questions:

- Is the proposed wording clear?
- Is there a better alternative to the “Contract Call off” definition?

Access rights

Status: An impact assessment is out with SOs. Our minded to position is clear, and we need robust evidence of need to keep. Impact assessment due back on 23/07.

Proposed legal change:

- Remove section 3.1.6 if the General Terms.

Standard Agreement 3.1.6: *The provider will: where reasonably required by the Company in order to inspect and test the DER, or to install, maintain, replace or remove communication equipment belonging to the Company in relation to the provision of Flexibility Services in accordance with the Agreement; grant access to a Site in accordance with paragraph 6.6 of the Service Terms;*

- Remove Note in Service Terms

Service Terms 6.6: *[Note: each DNO to include details of access requirements for Sites.]*

Question

- Are there any issues/questions on the approach?

Change of ownership

Status: following the last working group, the following changes have been agreed.

- **Remove clause 11.5.** this isn't information initially captured by the SO as part of commercial pre-qualification, so requirements to notify on change are not justified. Soss do not have processes for capturing this information, or a material reason to do so.
- **Keep Clause 11.6.** This refers to the standard pre-qual checks. If change of ownership changes the ability to adhere to these requirements, then termination is justified. This is focused on the Provider (FSP) not the site.

Proposed legal change:

Remove: 11.5 If ownership, occupancy or use (for the purpose of providing the Flexibility Services) of any Accessible Site changes, or may change, during the Term, the Provider shall promptly notify the Company of the same. Where (i) the ownership, occupancy or use (for the purpose of providing the Flexibility Services) of any Accessible Site changes during the Term; or (ii) the use (for the purpose of providing the Flexibility Services) of any domestic Site changes during the Term, the Provider shall update its records and ensure that such records are reflective of such changes. The Company and the Provider shall if required, and at the reasonable request of the Company discuss the implications of the change and the options available to minimise any disruption that may be caused by the change.

Keep: 11.6 The Company reserves the right to terminate the Agreement in accordance with paragraph 7.1.3 if a Change in Ownership of the Provider occurs and the new owner of the Provider fails to meet any of the Company's reasonable due diligence checks as notified to the Provider.

Question

- Are there any issues/questions on the approach?

Contextual information supporting the rules

		Flexibility Services Standard Agreement	DSO Service Terms Template
Document Data	Why? Expected Benefit	Reduce legal costs Level playing field across FSPs Faster market access	Reduce legal costs Level playing field across FSPs Faster market access
	FMRs with Breaking Dependencies	DSO Service Terms Template	Flexibility Services Standard Agreement, Product Definitions
Change Data	Change log	TBC	TBC
	Plain English summary of requirement	The standard legal terms and conditions used to provide Flexibility services. This includes elements such as liabilities, termination rights.... This sits alongside any Sub-market specific Service Terms or Procurement Rules	The service terms, set out the legal requirements on a per submarket basis. These include topics such as...
Implementation details (per sub-market)	Applicable to sub-market?	Yes, for all sub-markets in scope	Yes, for DSO sub-markets, No for NESO sub-markets
	When? Effective From	01/04/2026 for DSOs. TBC for NESO due to Article 18 approvals	01/04/2026
	How? Implementation Requirements	All call-offs after the effective dates shall use the terms in the rule	All call-offs after the effective dates shall be based on the templates.
	Variations Allowed?	Yes	Yes
	Terms of variations	Variations are allowed if referred to the MF ahead of time. These should be clearly annotated. Variations should be shared across all signed parties within 6 months.	Variations to any non-standard elements does not need to be reported Variations to the standard text are allowed if referred to the MF ahead of time. These should be clearly annotated. Variations should be shared across all signed parties within 6 months.
Sub-market definitions)	Does the SO allow variations?	provided by each SO per Sub-market – No mandatory value	provided by each SO per Sub-market – No mandatory value
Effectiveness monitoring	KPIs	the number of variations per sub-market will be tracked quarterly to assess the adequacy of the solution	the number of variations per sub-market will be tracked quarterly to assess the adequacy of the solution

04

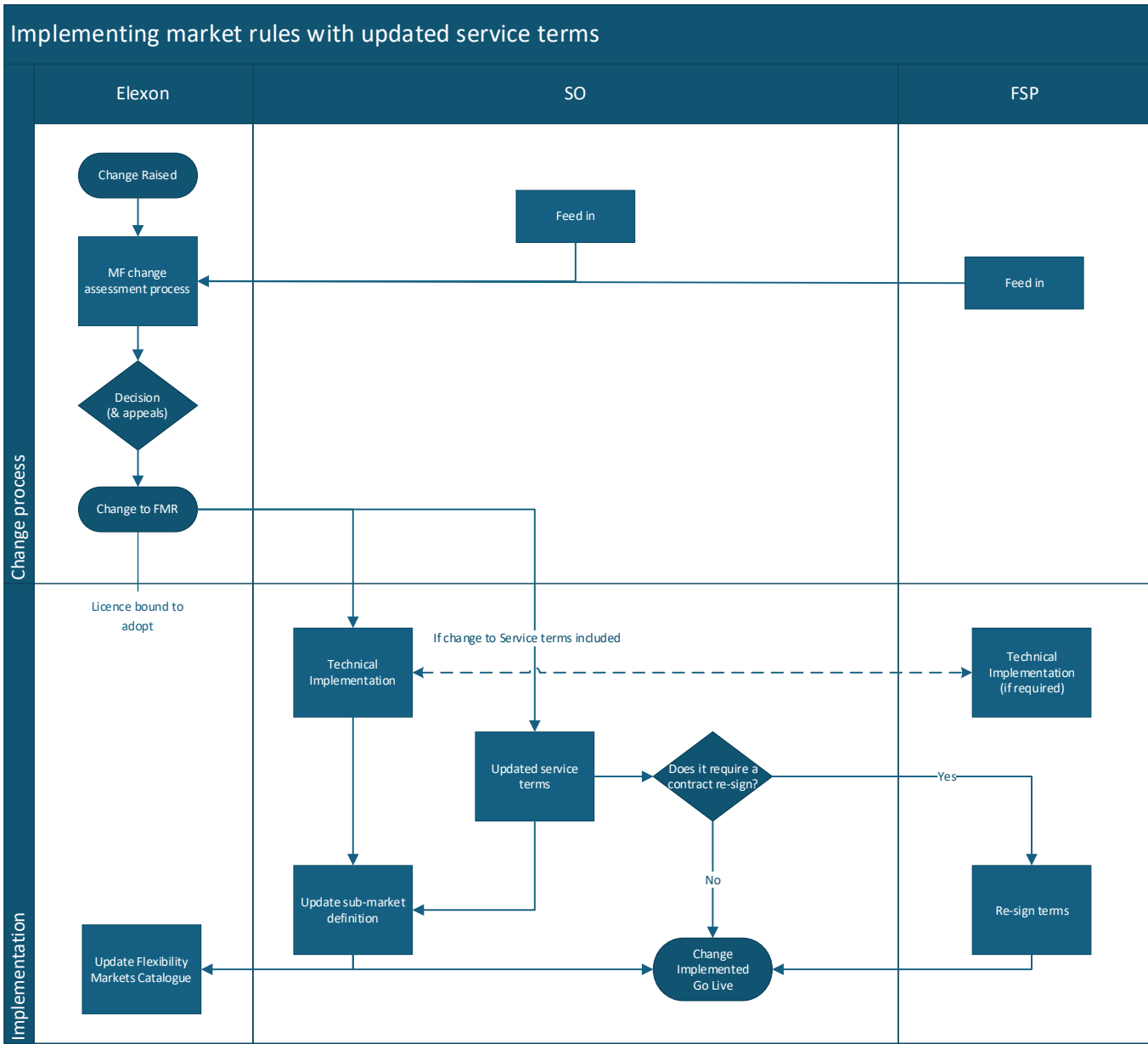
Review of the change process

From change into implementation

- FSP and SOs feed into the changes (via Working groups, impact assessments, and Consultation)
- Elexon makes the decision
- The new Flexibility Market Rule may include changes to the service terms template, or the standard agreement.
- If so, it is on the SO to manage this.
- The associated timescales should be fed into the MF in the assessment process so that reasonable implementation timelines can be drafted.
- Implementation will be tracked by Elexon. We will develop relevant fields per market rule, aiming to keep reporting requirements proportionate.
- We are working with NESO and Ofgem to develop robust ways of working, especially around the management of the Article 18 process

Question

- Are there any issues/questions on the approach?



05

Review of issue prioritisation

Issue prioritisation

We will upload the issue log to our collaboration tool. We will share a link when available.

This should allow stakeholders to comment on issues and upvote/downvote the issues.

Please review over the summer so we can start in September with a clear view on priorities, and potential solutions.

We will take a similar approach to the first batch. However, we acknowledge that many of the remaining issues are complex and will take longer to resolve.

We are reflecting on what good enough looks like, and how we move to a position where variations to the Standard Agreement can be removed.

The Service Terms will support variations for the foreseeable future.

Latest view of the issue log

Issue (what is the problem)	Impact (leading to)	Clause	Topic	Dependent on wider work?	Priority	Effort
Inconsistency in how platforms are referred to. Some Service terms mention specific ones, others do not	Inconsistency, additional effort in review	Service terms (different per DSO)	Unclear requirements/processes	No. Could be supported by consistent E2E process and nomenclature	Low	Low
Different DSO have different liability approaches	Inconsistency, additional effort in review		Liabilities	No	Medium	High
The liability for replacement actions places additional risk on the FSP	Additional risk/costs on the FSP	Clause 7.9	Liabilities	No	Medium	High
There are still some uncapped indemnities	Additional risk/costs on the FSP	Clause 10.1-10.4	Liabilities	No	Medium	High
Cyber security requirements differ per DSO	Inconsistency, additional effort in review	Service terms (different per DSO)	Cyber	SSES load control licence	Medium	High
Cyber Security requirements can be onerous	Additional risk/costs on the FSP		Cyber	SSES load control licence	Medium	High
Credit requirements are different per DSO	Inconsistency, additional effort in review		Credit	Wider Commercial qualification processes	Low	High
Credit requirements are onerous	Additional risk/costs on the FSP		Credit	Wider Commercial qualification processes	Low	High
the requirements to disclose agreements that might impact availability are unclear	Uncertainty on obligations	Clause 3.1.8	Unclear requirements/processes	No	Low	Low
the intent of clause 5.2.3 is unclear	Uncertainty on obligations	Clause 5.2.3	Unclear requirements/processes	No	Low	Low
The audit rights are onerous	Additional costs on the FSP	Section 4	Audit	No	Medium	High
The requirements for modern slavery clauses on all sub contractors is onerous and difficult to implement	Additional costs on the FSP	Clause 15.1.1 & 15.1.4	Modern Slavery	No	Low	Medium
Immediate reporting of modern slavery issues is too onerous	Additional costs on the FSP	Clause 15.1.3	Modern Slavery	No	Low	Medium
Some DSO's have additional Data Protection terms	Inconsistency, additional effort in review	Service terms (different per DSO)	Data Protection	No	Low	High
The service term wording could be interpreted as requiring annexes to be updated with new accepted bids	Significant admin overhead		Unclear requirements/processes	No	Low	Low
There is no process for managing disputes over assets (on asset change)	Lack of clarity.		Asset registration	FMAR work	Medium	High

06

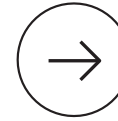
Next Steps

Next Steps

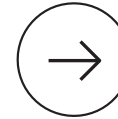
- We aim to share the summary notes within 5WD.
- We will process the inputs from today's meeting
- The next workgroup meeting was due for 6th August. Our current view is to cancel so we can focus on finalizing the consultation documents. We can then resume in September, looking at prioritizing the future issues.

Phase	Task	Timing
Clarify approach to evolution of the Standard Agreement	Clarify the value of aligned legal agreements for the provision of flexibility services. & Develop the desired end state of such legal agreements.	April
	Identify any specific issues and determine approach to rectification	May
Implement changes - batch 1 For Day 1 go-live	Determine specific resolution to each issue	June
	Legal drafting	July
	Flexibility Market Rule consultation	Aug/Sept
	Review of consultation responses	Sept/Oct
	Final rules	Oct/Nov
Batch 2 Timings TBC	Determine specific resolution for selected issues	Sept/Oct

Thank you



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