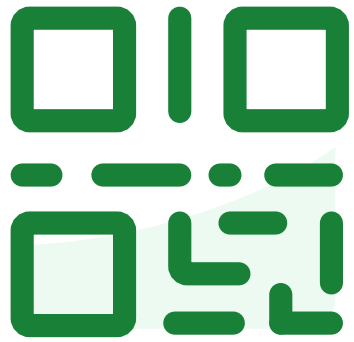


# Ways of working

- We will be using **Slido** to collect some qualitative feedback throughout the meeting. This should not prevent attendees from 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
- Slido responses will be attributed to individuals so we can understand the balance of opinion across the different sectors. Any outputs shared in the notes or final report will not be attributed.
- 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.



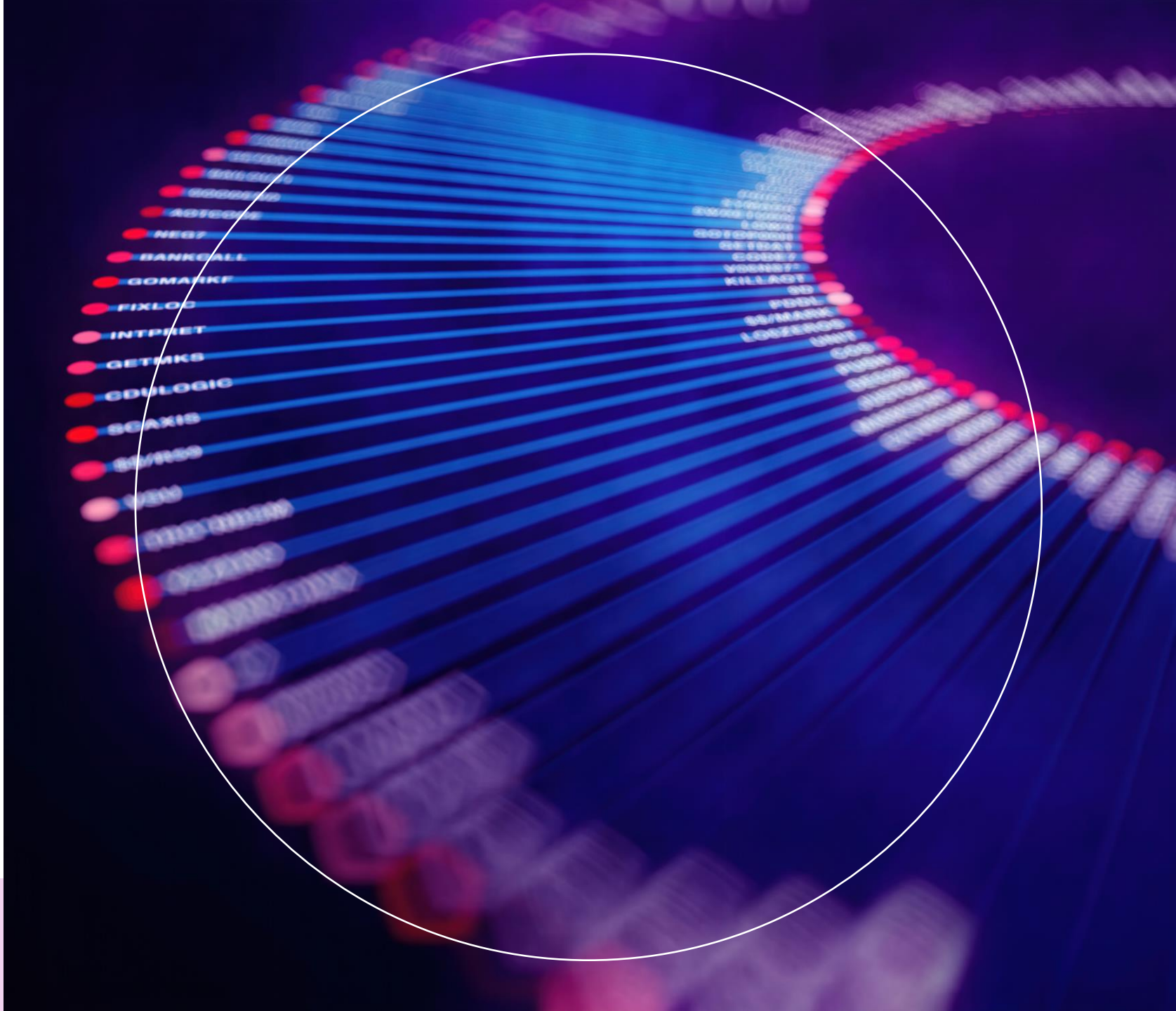
**Join at [slido.com](https://slido.com)  
#1444689**

Flexibility Market Rules Working  
Groups

# Evolution of the Flexibility Services Standard Agreement

Meeting 1

23 April 2025



# Agenda

- Welcome & Introductions – 15 mins
- Terms of Reference – 10 mins
- Context around the Standard Agreement – 20 mins
- Value of the Standard Agreement – 20 mins
- Desired end state for the Standard Agreement – In the context of Flexibility Market Rules – 30 mins
- Next steps - Including how we address any known issues with the agreement – 15 mins



01

# Welcome & Introductions

# Elexon Team



Ayo Bammeke

Senior Change Lead

Chair



Anshu Choudhary

Senior Change Lead

Technical Secretary



Matt Watson

Senior Market Design Advisor

SME

02

# Terms of Reference

# Terms of Reference

Terms of Reference were shared ahead of the meeting

Key points include:

- Elexon are chairing the working group.
- We aim to meet monthly. Meetings will be recorded to aid notes taking and will not be shared outside Elexon.
- The purpose is to provide stakeholder input to the Change Process undertaken by Elexon following the handover of the Standard Agreement from the ENA's Open Networks groups.
- The scope of the working group is to:
  - Clarifying the value of aligned legal agreements for the provision of flexibility services.
  - Developing the desired end state of such legal agreements
  - Identifying and finding resolutions (where required) to issues with the [current version of the Standard Agreement](#), as handed over by the ENA to be implemented as a Day 1 Flexibility Market Rule.
  - Supporting the consultation on the Day 1 Flexibility Market Rule, and the review of any feedback following consultations.
- Members are expected to draw on their expertise to represent the views of their organisation and their sector. While members may not represent all organisations within their sector, their views should be informed by their sector experience.
- All agendas, accompanying materials, meeting notes and the Feedback Log will be sent via email to members and published on the Elexon website. Feedback will not be attributed to individuals or organisations within the notes.

**Do you have any any questions/issues?**



03

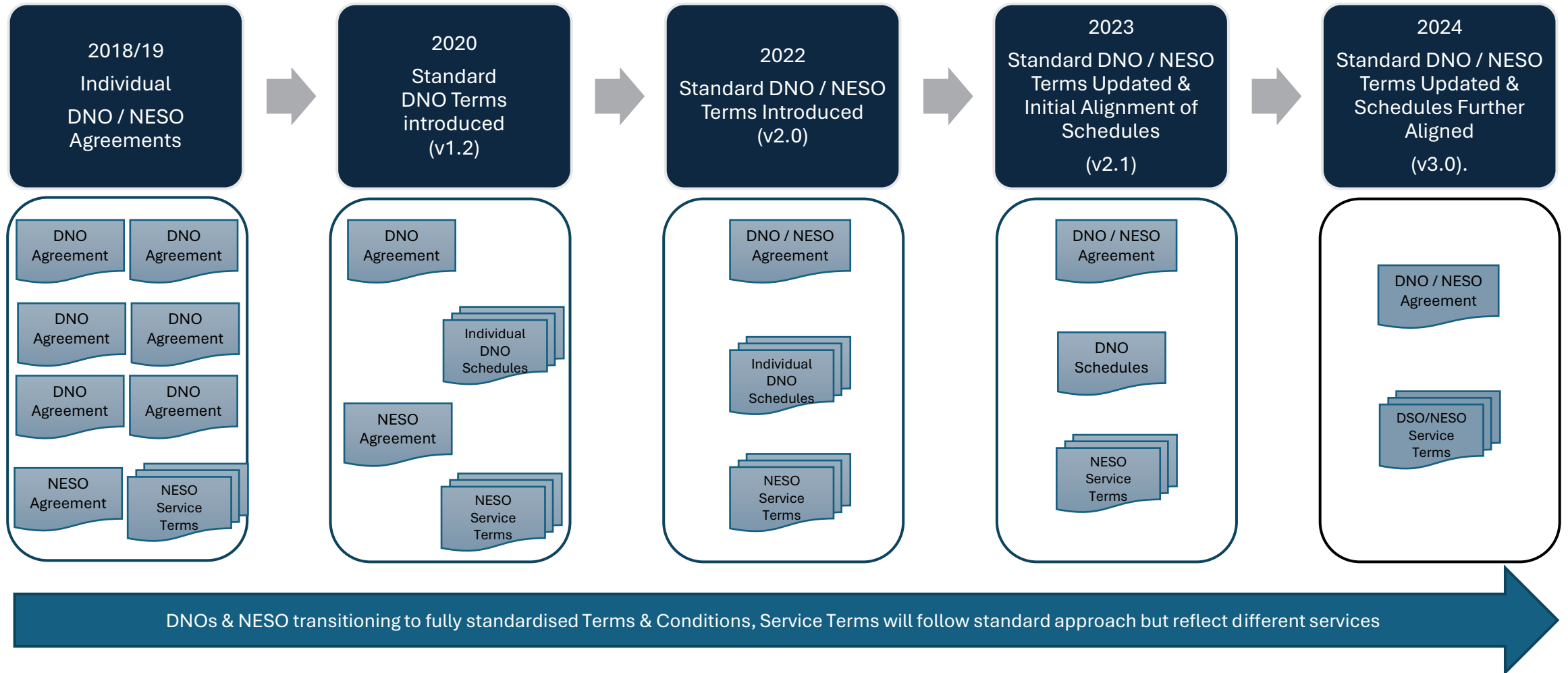
# Context around the Standard Agreement

# Purpose – As described by the ENA

The main aim of the Standard Agreement, used by the NESO and the individual DSOs, is to:

- Make participation easier by offering standard terms, especially for those who operate in multiple markets across many locations
- Reduce resource and cost burden in assessing contracts for different markets
- Facilitate shorter term markets by providing an over-arching agreement, available prior to bidding and which can be used for numerous tender rounds

# Journey to V3.0 through Open Networks



# How the documents currently sit together

		Standard Agreement	Service Terms	Procurement Rules	Other documents
Summary		Boiler plate T&Cs	Defining the service	How the service is bought	Broader references
Content	NESO	<ul style="list-style-type: none"> <li>Record &amp; Audit rights</li> <li>Termination</li> <li>Liabilities</li> <li>Confidentiality</li> <li>Data protection</li> <li>Modern slavery</li> </ul>	<ul style="list-style-type: none"> <li>Payments</li> <li>Availability/Instruction</li> <li>Settlement calcs</li> </ul>	<ul style="list-style-type: none"> <li>Pre qual</li> <li>Bid structures</li> <li>Clearing rules</li> </ul>	<ul style="list-style-type: none"> <li>Balancing Services Glossary</li> </ul>
	DSOs		<ul style="list-style-type: none"> <li>Payments</li> <li>Availability/Instruction</li> <li>Settlement calcs</li> <li>Pre qual</li> <li>Bid structures</li> <li>Clearing rules</li> </ul>		<ul style="list-style-type: none"> <li>Settlement Methodology</li> <li>Wider guidance</li> <li>API documentation</li> <li>Primacy rules</li> <li>Baselining requirements</li> </ul>
How it is used	NESO	Individual terms incorporated via Service Terms and Procurement Rules. No variations allowed. Use latest version available at art 18 consultation.	Different terms per service. No variations allowed within service.	Different terms per service. No variations allowed within service.	Refer in things like the Balancing Services Glossary
	DSOs	Used as a whole. Some variations made by some DSOs. Some DSO used older versions due to timings	Combined terms across products. Different terms per DSO, based on common template	Not Used	Refer to other documents.

# Changes implemented for v3.0

The key changes were:

Identified change	Changes
<b>Duplicate registration of assets:</b> For situations where individual assets are registered and offered by more than one Provider for the same service at the same time.	Providers to use reasonable endeavours to ensure there is no duplication of registered assets plus provide clarity of how these will be dealt with should it occur.
<b>Cyber Security:</b> Will be signposted within the T&Cs to reflect individual company requirements until standard industry wording has been agreed.	All DNOs and the NESO have company specific Cyber Security requirements and any standardisation would need to be debated and agreed at industry level and not as part of the Standard Agreement work
<b>Voluntary participation:</b> Current wording is more suited to longer term bilateral contracts.	In light of move to shorter term / closer to real time procurement and using an overarching contractual approach wording on voluntary participation has been removed.
<b>Liabilities:</b> Providers expressed their concerns that liabilities were uncapped, which could be a barrier to entry for some	A cap has been introduced.
<b>Site Access:</b> Concerns were raised with DNOs wanting access to domestic and small non-domestic DER sites.	Recognising that such access may only be required in certain circumstances, any access requirements necessary for specific services will be included within the Service Terms, this is no longer a blanket requirement.
<b>Collaboration with other TWGs:</b> Incorporate output from: Product / Settlement / Dispatch TWGs	Incorporated standard wording relating to: Definition of services; Metering; Payment Calculations; Performance Monitoring; and System Comms
<b>Re-organisation / Alignment of Schedules:</b> Move information into contract award notifications, remove sections as required and include further standard wording where possible.	For overarching contracts applying to many tenders, some information will be specific to individual services contracted for (e.g. service windows) and therefore will be included in the contract award notifications. Removal of variations to services and discretionary services.
<b>Governance</b> Once issued, v3 will be subject to formal ENA governance	The TWG consider that an annual review is appropriate, at which time should any issues be identified a working group will be convened.

The latest agreement can be found here: <https://www.energynetworks.org/publications/standard-agreement-for-flexibility-services-ver-3.0> with response to the last consultation [here](#).



**Are there any elements of the existing Standard Agreement that we may have misunderstood or not fully captured?**



**Is there any additional background or contextual information — from ENA discussions, implementation experience, or otherwise — that would be helpful for us to consider as we take this work forward?**

04

# Value of the Standard Agreement



# Understanding the Value

**What is the value in alignment of the legal agreements for the provision of flexibility services?**

This is a key question: Different perceptions of the value will drive to different decisions and end states.

Alignment could cover different **markets** (DC, QR, SAOU ....), **buyers** (NESO and the DSOs) and **sellers** (the FSPs).

Potential value includes:

Reduce FSP legal costs	Reduce SO legal costs	Create a level playing field across FSPs
<ul style="list-style-type: none"><li>• <i>Could allow FSP led variations</i></li></ul>	<ul style="list-style-type: none"><li>• <i>Limit variations across FSPs</i></li></ul>	<ul style="list-style-type: none"><li>• <i>No variations across FSPs</i></li></ul>



**Are there any other sources of value — either strategic or operational — that we haven't captured but should consider?**



# How would you prioritise the identified sources of value?

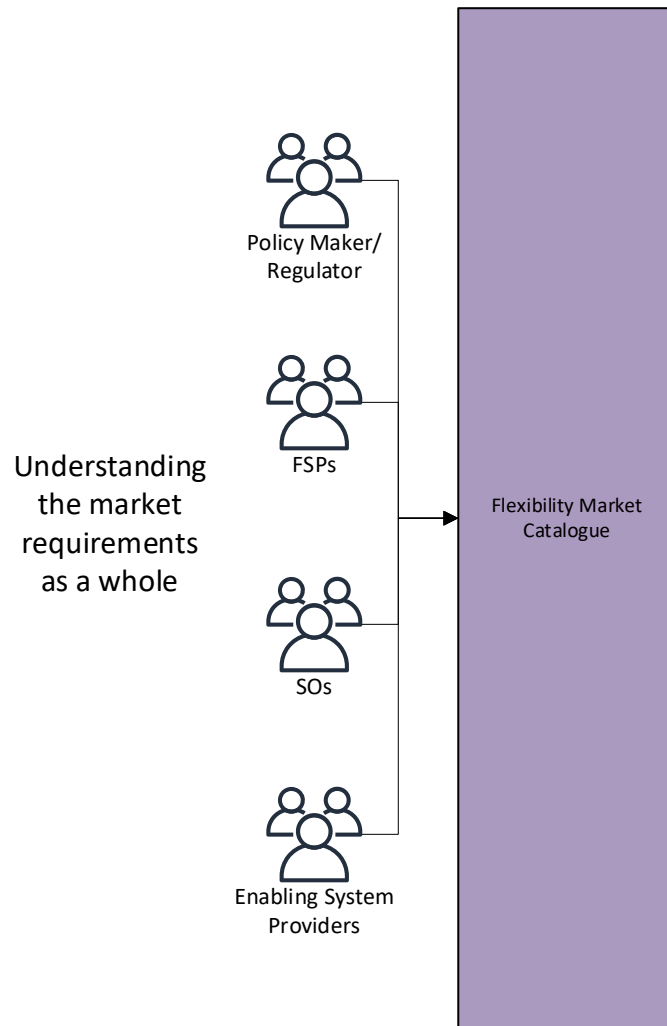
05

# Desired end state for the Standard Agreement

# What is a Flexibility Market Rule

- A Flexibility Market Rule is one of the artefacts, owned by the Market Facilitator, that SOs will be license bound to adhere to.
- These can take several different formats, depending on the specific output. This could be a specification, at technical standard...
- Alongside the core information (what is required), we will ensure that each of the Flexibility Market Rules provides the following contextual information.
  - **Why?** A clear articulation of the expected benefit of the Flexibility Market Rules.
  - **How?** Clarity on the implementation requirement (how should the Flexibility Market Rules be used, are variations allowed...)
  - **Who?** Which stakeholders will be impacted
  - **When?** An Implementation Timeline
  - **How will we know it is working?** An approach to implementation monitoring (how will we determine if it is implemented, and if it is achieving the expected benefit.
  - **Version history and Change log**
  - **Key dependencies**
- A Flexibility Market Rule may specify 1 or many options (for example a suite of different baselining methodologies)
- Flexibility Market Rules are expected to evolve and so will be subject to the enduring change process, to allow updates.

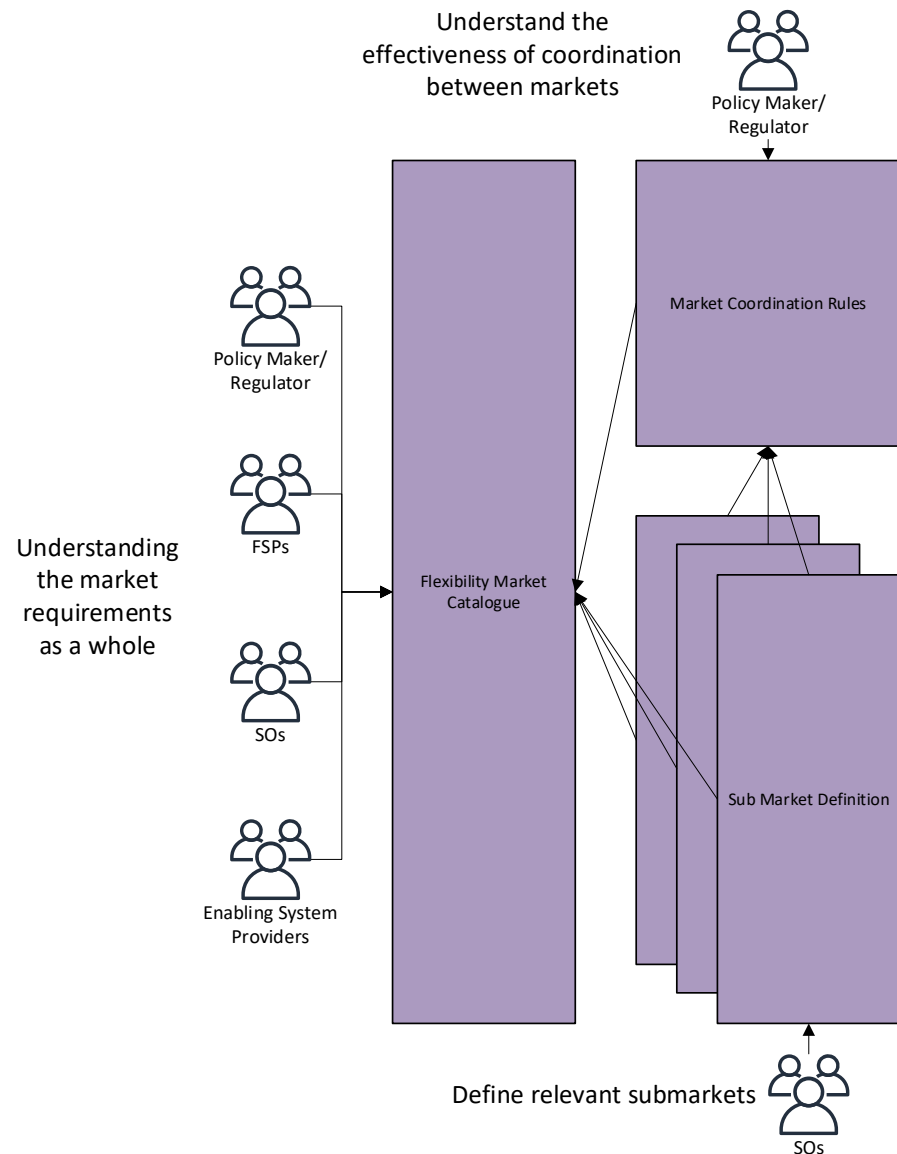
# Our latest view on how the rules sit together (1.)



- A key output for the market facilitator is in providing an overview of the market as a whole via a Flexibility Market Catalogue
- This is would resemble a combination the Open Network's [All Product Technical Requirements](#) & [“Revenue stacking assessment tool”](#).
- To ensure this remains up to date, we propose this is a view of some lower components.

Category	Service Requirements	Requirement Description	Response			
			Static FFR	Dynamic Containment	Dynamic Moderation	Dynamic Regulation
User			ESO	ESO	ESO	ESO
Strategic Direction	Strategic Direction	The high level plan for the service in the near future. (Enduring, medium term, or non-enduring).	Enduring	Enduring	Enduring	Enduring
Structure	Payment Structure	How the service is structured (i.e. what is the DSO asking of the FSP)	Availability Only	Availability Only	Availability Only	Availability Only
Structure	Procurement Method	The type of mechanism used to procure the service	Pay as Clear (Capacity)	Pay as Clear (Capacity)	Pay as Clear (Capacity)	Pay as Clear (Capacity)
Structure	When Prices are Set	Time before use that prices are determined		Day Ahead Auction	Day Ahead Auction	Day Ahead Auction
Structure	Generation/demand turn down se	Does the service require the provider to export or import power to the grid	Export or reduce demand	BOTH	BOTH	BOTH
Pre-qualification	Required to be a Balancing and Settlement Code (BSC) Party	The rules and governance arrangements for electricity balancing and settlement in Great Britain.	NO	NO	NO	NO
Pre-qualification	Non-BM Party Accessible	Participate without being a Balancing Mechanism Party	Yes	YES (via ASDP)	YES (via ASDP)	YES (via ASDP)
Pre-qualification	Asset Location Grouping Requirement	Requirement for where multiple assets within a unit must be located	National aggregation is permitted	GSP GROUP	GSP GROUP	GSP GROUP
Pre-qualification	Aggregation /Virtual Lead Party (VLP) Route Available	The option of having more than a single asset within a unit	YES	YES	YES	YES
Pre-qualification	Minimum MW Delivery Required (also referred to as Minimum Aggregated Unit Size)	The minimum MW delivery rate that a unit must exceed to enter the service	1MW	1MW	1MW	1MW

# Our latest view on how the rules sit together (2.)

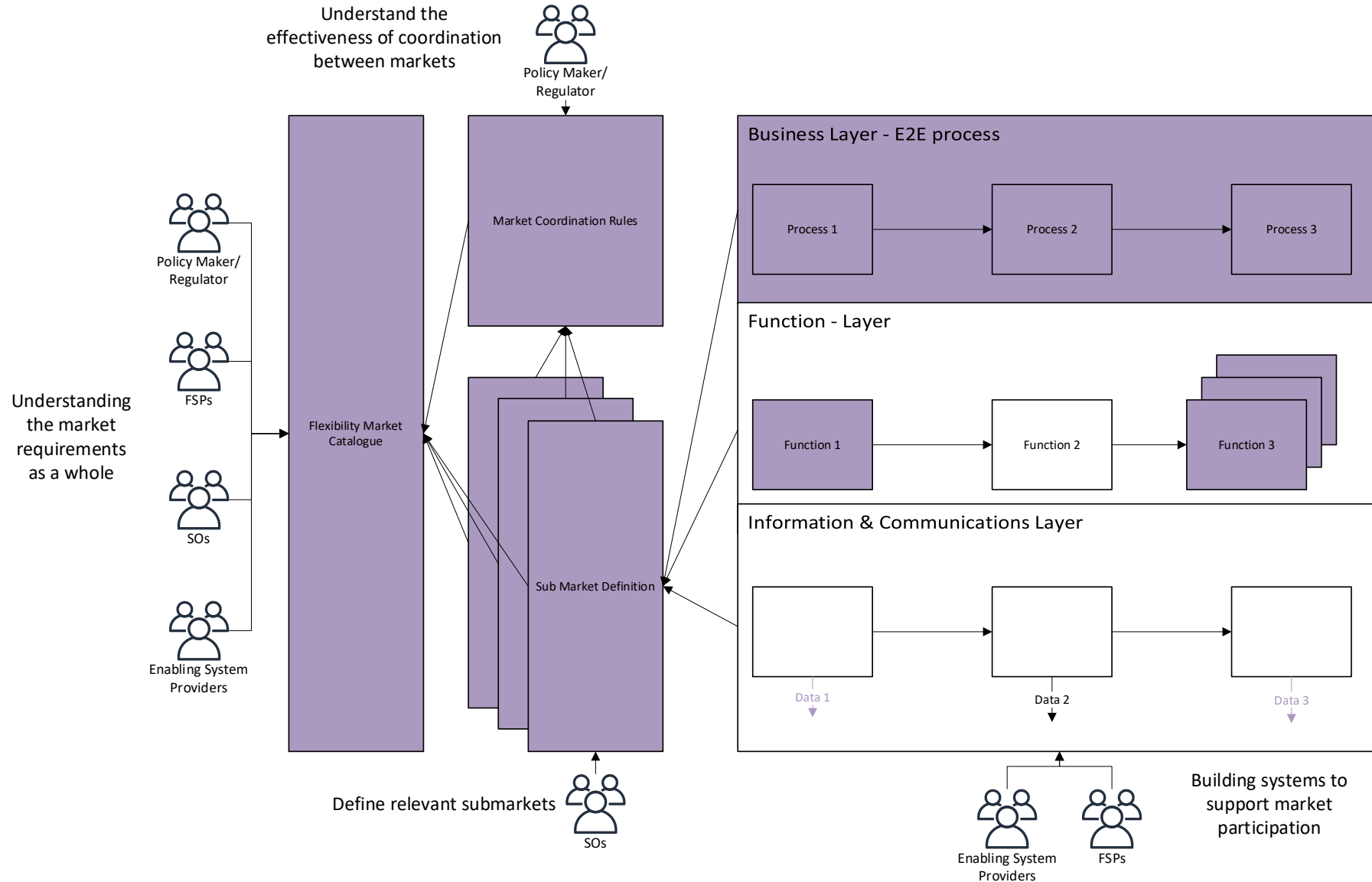


The Flexibility Market Catalogue will be fed by two lower-level components:

- Definitions of each sub-market:
  - These pull together all the different components of a market (who the buyer is, the timings, the pricing structure, the baselining requirements...)
  - Some will be owned by the market facilitator (DSO markets) and others by the NESO
- A clear definition of the coordination rules between sub-markets:
  - These build on the revenue stacking and primacy concepts and look at how the sub-markets work together to form a cohesive whole.

To drive alignment within sub markets, these will be built up of lower components.

# Our latest view on how the rules sit together (3.)



- To support the sub-market definitions we need a number of lower components.
- These range across different SGAM, from a cohesive E2E business process, all the way down to common APIs (dispatch).
- Users interested in the details will access these rule directly
- Not all elements will be covered by flexibility market rules, we will focus on where the greatest value can be delivered.



# Examples on how flexibility market rules could be used

*These are used to highlight how the framework sits together not to specify individual rules. They also assume a level of coverage that may not be available on Day 1.*

## **Metering**

An OEM wants to understand the metering requirements for different markets, so they can be factored into their products.

They can review the Flexibility Market Catalogue, highlighting a few different options, depending on whether they want to support frequency response services or not.

They can then drill down into those detailed metering requirements in a Metering Specification highlighting exactly what they must comply with. Once incorporated into their product, they are confident that and FSP can use their products to participate in the associated markets

## **Baselining**

NESO want to amend the baselining approach for a market

This is done by raising a change, and adding a new type of baseline in the “Baselining Methodology” rule, and the associated link in the Sub-Market definition.

This flows up to the Flexibility Market Catalogue, where all users can see the new requirements, and understand how it improves revenue stacking across markets.

# The Standard Agreement as a Flexibility Market Rule

- We are refining how we see all the rules fitting together as part of our Flexibility Market Rules framework.
- We currently see the Standard Agreement as being one of these rules. It would sit as a component of the lower levels. We would set out how it should be implemented.
- The Service Terms template could also be a component.
- The Service Terms and Procurement Rules could then refer out to many of the other components (baselining, metering...). As the number of Flexibility Market Rules increases, so too would the number of references.
- The more aligned the market becomes, the simpler the Service Terms should become.
- How do we manage these references and the associated change process?
- Elexon will maintain the Standard Agreement (and any other Flexibility Market Rules) but will not be a signatory.

	Standard Agreement	Service Terms	Procurement Rules	Other documents	Wider Flexibility Market Rules
Potential End State	A Flexibility Market Rule, owned by Elexon	Template could be a Flexibility Market Rule. Detailed Service Terms owned by buyer. Refer out to wider Flexibility Market Rules where relevant.	Template could be an Flexibility Market Rule. Detailed Procurement rules owned by buyer Refer out to wider Flexibility Market Rules where relevant	Reduce number and create more Flexibility Market Rules	Owned by Elexon Will be developed. Examples include: <ul style="list-style-type: none"><li>- Settlement Methodology</li><li>- Baselining options</li><li>- Primacy rules</li></ul>



**Does the proposed approach of treating the Standard Agreement as a Flexibility Market Rule align with your expectations and experience?**



**How should we determine which elements sit within the Service Terms or Procurement Rules versus those that should be formalised as standalone Flexibility Market Rules?**

# 06

## Next Steps

# Next Steps

- We aim to share the notes within 5WD.
- We will process the inputs from today's meeting
- The next workgroup meeting is on 21<sup>st</sup> May. We plan to play back learning from this meeting and then discuss the issues with v3.0

Phase	Task	Engagement required	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.	1 workgroup meeting	April
	Identify any specific issues and determine approach to rectification	1 workgroup meeting	May
Implement changes (if needed)	Determine specific resolution to each issue	1 workgroup meeting	June
	Legal drafting	Elexon to draft	July
Formal process for Day 1 go-live	Flexibility Market Rule consultation	Respond to consultation	Aug/Sept
	Review of consultation responses	1 workgroup meeting	Sept/Oct
	Final rules		Oct/Nov

# Issues with V3.0 of the Standard Agreement

Some DSOs have varied from the Standard Agreement to accommodate challenges from FSPs.

**We want to understand these variations to see if we should address them in a V3.1**

Potential issues include:

- Liabilities
- References to ENA website
- ...



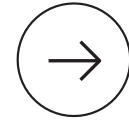
**Are there any issues with the current V3.0 of the standard agreement we should be aware of?**



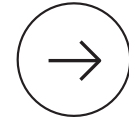


# Thank you

ELEXON



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[Market Facilitator Website](#)