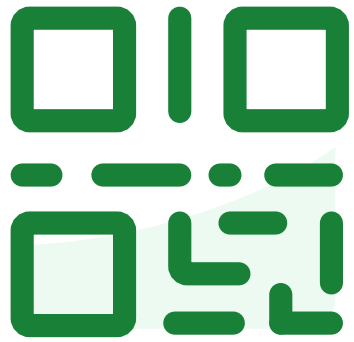


# Ways of working

- 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.
- We are using Slido to collect feedback in the meeting today. You can scan QR code on the next slide to join Sldio or go to [slido.com](https://slido.com) and use code **#1444689**



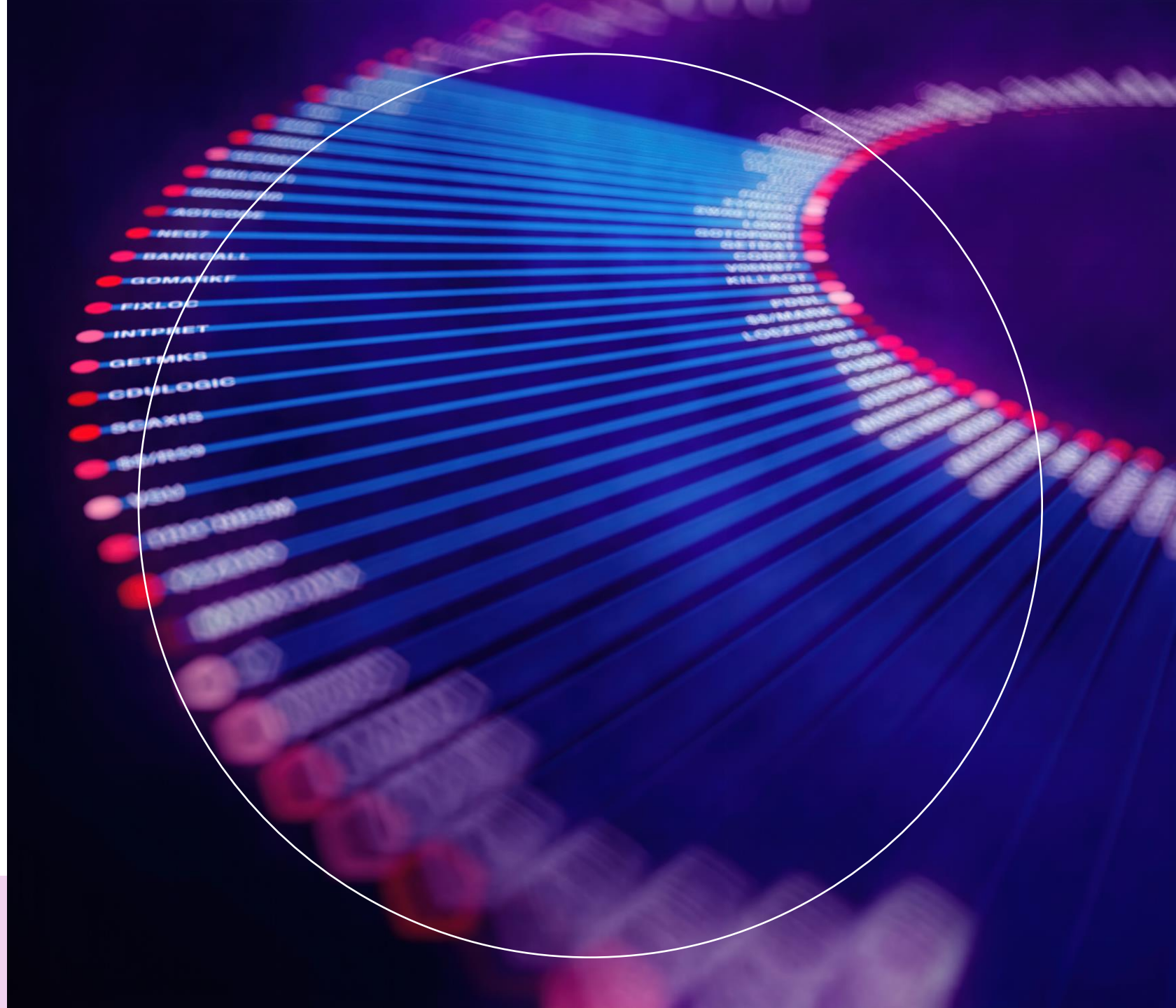
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Flexibility Market Rules Working  
Groups

# Evolution of the Flexibility Services Standard Agreement

Meeting 3

18 June 2025



# Agenda

- Welcome
- Recap of last meeting
- Approach to resolving issues
- Reviewing the prioritised Issue log
- Review of proposed prioritised changes
  - Accommodating Flex Market Rules in the DSO service terms template
  - Access rights
  - Change of ownership
- Next steps



01

# Welcome & Introductions

# Elexon Team



Anshu Choudhary

Senior Change Lead

Chair



Matt Watson

Senior Market Design Advisor

SME

02

# Recap of last meeting

# Summary of the last meeting

Agenda Item	Summary
Issue with the current agreement	We collated several issues and voted on their relative priority. These have now been collated into an issue log (covered later this session)
Potential solutions	Some solutions were identified. These have also been added to the issue log. (covered later this session)



03

# Approach to resolving issues

# Prioritisation

- Many issues (over 20) were raised. They are varied in topic.
- The window for making changes ahead of the Day 1 rules being consulted on is very tight. Consultation will be in late August/September.
- Legal resource within Elexon is limited, especially with the wider market facilitator governance work happening in parallel
- Many changes will require further information gathering to ensure we understand the issue in detail and develop an appropriate solution.
- As such we need to prioritise the changes and be pragmatic on delivery.
- Delivery will be split into batches. We aim to deliver 2 batches within this working group. Future work will be fed into the wider Delivery plan consultation

Phase	Task	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
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.												
	Identify any specific issues and determine approach to rectification												
	Determine specific resolution for selected issues												
Implement changes - batch 1 For Day 1 go-live	Legal drafting												
	Flexibility Market Rule consultation												
	Review of consultation responses												
	Final rules												
	Determine specific resolution for selected issues												
Implement changes - batch 2 Timings TBC	Legal drafting												
	Flexibility Market Rule consultation												
	Review of consultation responses												
	Final rules												

# Implementation approach for Day 1 – Minded to position

- Alongside the agreement itself we need to determine our implementation expectations (do we allow variations, if so how...).
- Earlier workshops highlighted 3 core value streams:
  - Reduce legal costs
  - Level playing field across FSPs
  - Faster market access
- To deliver reduced legal costs and faster market access we should not allow variations across System Operators.
- To deliver a true level playing field we should not allow any variations across Flexibility Service Providers.
- Given the known issues/non-alignment, we do not believe this to be the right approach for now. It risks creating significant dis-benefit.
- As such we propose allowing variations, where reported to the Market Facilitator appropriately:
  - Where the change is initiated by the System Operator (intended across all participants). This should be notified ahead of implementation. Documents should clearly highlight these sections as diverging from the standard position.
  - Where the change is implemented in response to specific FSP requirements, these can be notified after implementation (to avoid delays to operationalizing assets). Any loosening of terms should be implemented across all FSPs as soon as reasonably practical.
- We expect variations to be minimized where reasonably practicable. These should align with issues already raised on the Market Facilitator Standard Agreement Issue log.
- Our acceptance of variations does not mean that procuring parties must accept variations. Their position will be clearly captured in the associated data schema for the Standard Agreement. *For example the NESO does not currently allow variations to their terms. We do not expect this to change.*



**Do you have any further views on implementation approach? If not, do you agree with this?**

04

# Prioritised Issue log

# Process so far

- Following the last session, we have captured the data input on Miro into an issue log.
- We have added initial prioritisation (based on voting) and effort (based on initial Elexon view).
- It also sets out which we think would be dependent on wider work, or might need their own change to resolve.
- We shared the prioritization ahead of the working group.
- This has focused on defining the work for batch 1, setting what is a Must Have, and what is Nice to Have as well as the reasoning.
- We will look to refine these processes further in due course to better define what will be taken forwards in batch 2.
- We are looking to host a live issue log in on our emerging, Github-based, Collaboration tool going forwards to allow for ongoing transparency and interaction.

# Issue log - Latest view

Issue (what is the problem)	Impact (leading to)	Clause	Topic	Dependent on wider work?	Priority	Effort	To progress is first batch?	Why
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	No	Too low priority
The site access requirements are difficult to give as a third party	Overly onerous, inability to adhere to		Site Access	No	Medium	Medium	Nice to have. To be reviewed alongside wider Site Access Issues	
The site access requirements are difficult to give for small domestic scale sites	Overly onerous, inability to adhere to		Site Access	No	Medium	Medium	Nice to have. To be reviewed alongside wider Site Access Issues	
The site access requirements refer out to the service terms, and so are different per DSO	Inconsistency, additional effort in review	Clause 3.1.6 (referring out to service terms)	Site Access	No	Medium	Medium	Nice to have. To be reviewed alongside wider Site Access Issues	
Different DSO have different liability approaches	Inconsistency, additional effort in review		Liabilities	No	Medium	High	No	Will take time to agree liability position
The liability for replacement actions places additional risk on the FSP	Additional risk/costs on the FSP	Clause 7.9	Liabilities	No	Medium	High	No	Will take time to agree liability position
There are still some uncapped indemnities	Additional risk/costs on the FSP	Clause 10.1-10.4 15.2,15.7	Liabilities	No	Medium	High	No	Will take time to agree liability position
Cyber security requirements differ per DSO	Inconsistency, additional effort in review	Service terms (different per DSO)	Cyber	SSES load control licence	Medium	High	No	To be covered by load control licencing
Cyber Security requirements can be onerous	Additional risk/costs on the FSP		Cyber	SSES load control licence	Medium	High	No	To be covered by load control licencing
Credit requirements are different per DSO	Inconsistency, additional effort in review		Credit	Wider Commercial qualification processes	Low	High	No	Need to establish the right route for the change
Credit requirements are onerous	Additional risk/costs on the FSP		Credit	Wider Commercial qualification processes	Low	High	No	Need to establish the right route for the change
the requirements to disclose agreements that might impact availability are unclear	Uncertainty on obligations	Clause 3.1.8	Unclear requirements/processes	No	Low	Low	No	Too low priority
the intent of clause 5.2.3 is unclear	Uncertainty on obligations	Clause 5.2.3	Unclear requirements/processes	No	Low	Low	No	Too low priority
The audit rights are onerous	Additional costs on the FSP	Section 4	Audit	No	Medium	High	No	Will take time to agree common position
The notification process for change of ownership is unclear and onerous	Additional risk/costs on the FSP	Clause 11.5	Change of ownership	No	Medium	Medium	Nice to have.	
The termination rights on change of ownership are overly onerous, especially for solvent reorganisations	Additional risk/costs on the FSP	Clause 11.6	Change of ownership	No	Medium	Medium	Nice to have.	
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	No	Too low priority
Immediate reporting of modern slavery issues is too onerous	Additional costs on the FSP	Clause 15.1.3	Modern Slavery	No	Low	Medium	No	Too low priority
Some DSO's have additional Data Protection terms	Inconsistency, additional effort in review	Service terms (different per DSO)	Data Protection	No	Low	High	No	Will take time to agree common position
The current agreement does not consider flexibility market rules	The obligations associated with Flex market rules will not be passed onto FSPs	Service terms	mf governance	No	High	Medium	Must Have	Key to enabling FMRs
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	No	Too low priority. Mitigations already in place
There is no process for managing disputes over assets (on asset change)	Lack of clarity.		Asset registration	FMAR work	Medium	High	No	Take forwards via FMAR



**Are there any questions on the process followed?**





**Are there any issues with the current prioritization?**

05

# Prioritised changes

# Accommodating Flexibility Market Rules.

**Issue:** The current agreement does not consider flexibility market rules

**Status:** Must Have

**Clauses:** See table below

To enable the implementation of the Day 1 Flexibility Market Rules, we need to adjust/add references in the Service Terms templates.

Day 1 rule	References	Change Proposed	Outstanding question
Settlement	Service Terms: Section 5	There are some standard elements in the template. – Change not necessary for Day 1. Most DSOs also DSOs currently refer to the ENA methodology. Need to re-point to the new Market Facilitator version	Should we move standard text elements into separate Flex Market Rule or leave them in the Service Terms?
Metering	Service Terms: Section 8.1	There is a common set of obligations on metering. They are quite light and currently reside in the Service terms (not a separate document). Change not necessary for Day 1.	Should we move metering requirements into separate Flex Market Rule or leave them in the Service Terms?
Primacy rules	Glossary	Need to change the definition, point to the new Flexibility Market Rule, rather than the ENA definition.	
Baselining	No Common reference yet	DSO versions of service terms refer out to various methodologies. Unified wording needed to point them to the new FMR.	
Structure		Splitting out the Standard Agreement and the Service terms into different Flexibility Market Rules	Would this add value?

**Next Steps:** Elexon to draft legal text.

# Access rights pt.1

**Issues:**

- 1. The site access requirements are difficult to give as a third party
- 2. The site access requirements are difficult to give for small domestic scale sites
- 3. The site access requirements refer out to the service terms, and so are different per DSO

**Status:** Nice to have

**Clauses:** 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;*

**Things to consider:** The agreement already has the concept of accessible sites, however site access requirements as per 3.1.6 do not use that differentiation.

3.1.6 is a reasonably required, and so there is an evidence burden on the SO on the requirement.

However, there are questions on the needs case for this access. This is demonstrated in the different requirements laid out by the System Operators in their service terms (*see below our best understanding*)

SSEN	SPEN	NGED	NPG	ENWL	UKPN	NESO (based on DFS)
No	Yes, with “all reasonable endeavours”	No	No	TBC	No	No

Table 1: Initial view of SO requirements on site access.

# Access rights pt.2

## Options available

Option	Associated Justification
Remove 3.1.6	No clear evidence base for need.
Reword 3.1.6 to only cover accessible sites	If clear evidence emerges for access to larger sites
Do nothing	If clear evidence emerges for access to all sites
Any others...	

## Next Steps:

Evidence gathering:

- The needs case from SOs. Especially for those who currently use the term.
- *Optional*: the cost of compliance from FSPs.

# Change of ownership

## Issues:

1. The notification process for change of ownership is unclear and onerous
2. The termination rights on change of ownership are overly onerous, especially for solvent re-organisations

**Status:** Nice to have

## Clauses

*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.*

*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.*

**Next Steps:** Improve our understanding of the issues. Information gathering on:

- How do current Change of Ownership processes work?
- How onerous is the process?

# 06

## Next Steps

# Next Steps

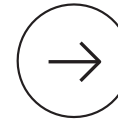
- We aim to share the summary notes within 5WD.
- We will process the inputs from today's meeting
- The next workgroup meeting is on 16<sup>th</sup> July. We plan to play back the issues and solutions identified today and discuss a minded to position for each.

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

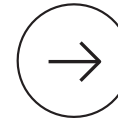


# Thank you

ELEXON



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