

## Evolution of the Standard Agreement Working Group Session

Meeting number	<b>5</b>	Venue	<b>Virtual via MS Teams</b>
Date of meeting	<b>9 September 2025 11 am – 12 pm</b>	Classification	<b>Public</b>

### Summary

#### 1. Welcome and Progress to Date

- 1.1 The Chair welcomed attendees to the fifth meeting of the Evolution of the Standard Agreement Working Group and introduced the Elexon team. Elexon then provided a provided a recap of progress to date, highlighting:
- In April, the group inherited the Standard Agreement from Open Networks and began assessing its value and direction.
  - An initial batch of changes has been developed for the first iteration of the agreement under the market facilitator framework, due to go live in December 2025. These changes include:
    - Updating references from ENA documentation to market facilitator documentation.
    - Amendments to site access and ownership processes.
  - Two consultations are currently live in parallel:
    - One on the market facilitator governance documents (covering change processes, delivery plans, and the Stakeholder Advisory Board).
    - One on the first set of flexibility market rules, including the updated Standard Agreement.
  - Feedback will be reviewed in October, with final rules due to be published in November/December 2025.
  - The group will also begin considering a second batch of changes during Autumn 2025, alongside the development of a two-year delivery plan.
- 1.2 A stakeholder queried whether changes to version 3.2 of the Standard Agreement could be made to support flexibility providers in registering. It was confirmed that:
- Variations to the agreement are currently permitted but must be reported to Elexon, in line with the interim arrangements.
  - System Operators must make clear whether they allow variations (e.g. NESO does not permit them).
  - Elexon will monitor reported variations, using them as a signal to address recurring issues in future iterations.
  - The process for capturing and recording variations is being refined, with alignment to the backlog of issues under discussion.

#### 2. Overview of Backlog

- 2.1 Elexon explained that the backlog of issues has now been moved onto GitHub to improve visibility and collaboration. Key points highlighted:
- Previously, issues were shared via Excel sheets, which provided limited transparency.
  - GitHub is now being used as an interim tool to host the backlog and related materials for the market facilitator.
  - A core market facilitator homepage has been created, with sections covering both governance rules (FMAR) and flexibility market rules.

- The Evolution of the Standard Agreement page contains all previous working group slides and notes, along with the full backlog of issues.
  - Stakeholders can:
    - View and comment on issues.
    - Upvote issues to signal priorities.
    - Raise new issues directly through GitHub (subject to Elexon triage to avoid duplication).
  - The backlog tracks which issues are being taken forward, which are not, and their current status.
- 2.2 Elexon noted that the market facilitator team will administer all changes to the backlog and encouraged stakeholders to engage actively with the tool to help prioritise issues.
- 2.3 Elexon provided a demonstration on GitHub on how to operate the backlog.

### **3. Medium Priority Issues Identified:**

- 3.1 Elexon presented the current view of medium priority issues within the Standard Agreement. Four key themes were identified:
- Liabilities: Issues around proportionality and consistency of liability provisions across different DSOs and organisations. This was recognised as a key legal topic for the group to address directly.
  - Audit requirements: Concerns about whether audit obligations are overly onerous or proportionate to the contract. This was also highlighted as an area suitable for this group's focus.
  - Cybersecurity requirements: Current provisions are limited and differ significantly across operators. Elexon noted this is both a legal and technical matter, and highlighted the overlap with ongoing work on load control licensing. Elexon's initial view was to monitor that work and incorporate outputs into future iterations, rather than prioritising changes now.
  - Asset management: The Standard Agreement lacks clear processes for managing disputes over asset ownership. Elexon noted that work is already underway through the Flex Market Asset Register to develop a consistent registration system, and this should provide the foundation for resolving such disputes.
- 3.2 The proposal was therefore to prioritise liabilities and audit requirements within this group's next batch of changes, while progressing cybersecurity and asset management through alternative routes.
- 3.3 Attendees were asked to provide views on whether they agreed with this approach or felt other issues should take higher priority. No comments were made. Elexon encouraged stakeholders to share any further views offline if required.

### **4. Liabilities:**

- 4.1 Elexon introduced the topic of liabilities, noting two key issues: the scale of liabilities and the lack of consistency across system operators. Four potential options for progressing were outlined:
- Alignment to higher liabilities using current standard terms.
  - Alignment to lower liabilities, though this would increase risks for system operators.
  - Allowing two acceptable standard options ("semi-aligned").
  - Moving liability provisions to service terms rather than general terms, though this would risk simply relocating the issue.
- 4.2 Stakeholder comments during this section:
- A stakeholder emphasised that alignment was the most important factor, noting that consistency across DSOs was preferable even if liabilities were higher, though alignment to lower liabilities would still be the preferred option.
  - A stakeholder highlighted that liabilities should reflect the different risks associated with various contract types and product values. They suggested mapping examples of risks faced by system operators to appropriate liability levels.

- A stakeholder stated that option 1 (alignment to higher liabilities) would be the least acceptable, as they already considered their liability terms sufficient. They preferred option 2 (alignment to lower liabilities) or option 3 (semi-alignment).
  - A stakeholder cautioned against reducing liabilities too far, referencing previous changes that already lowered liabilities under version 3 of the agreement.
  - A stakeholder suggested liabilities might need to vary depending on asset type or contract scale, proposing caps proportional to earnings or asset size.
  - A stakeholder warned that revenue-linked liabilities had been trialled previously by NESO and received negative feedback, as participants could not easily forecast potential liabilities.
- 4.3 Elxon confirmed it would explore these points further, including reviewing learning from other markets (e.g. the Capacity Market) and past NESO approaches, to avoid repeating known pitfalls.

## **5. Audit Rights**

- 5.1 Elxon outlined that the General Terms include robust audit rights and raised the core question of whether these are appropriate, reasonable, or overly onerous. The group noted that this is less contentious than liabilities but still requires careful consideration.
- 5.2 Elxon highlighted that the assessment of audit rights will ultimately be a judgement call, informed by stakeholder feedback and legal advice. To support this, stakeholders were invited to share evidence and examples of how audit rights are applied elsewhere, including:
- Instances where different rights are used in similar situations;
  - Examples of similar rights being applied in different contexts.
- 5.3 Stakeholders were encouraged to provide views offline to help Elxon determine whether the current provisions reflect good practice, need adjustment, or are disproportionately onerous.

## **6. Next Steps**

- 6.1 Elxon confirmed that summary notes from this meeting will be shared within five working days, and that inputs from the discussion will be processed ahead of the next workgroup.
- 6.2 The next workgroup meeting is scheduled for 21 October 2025. This session will focus on reviewing consultation feedback from the first batch of changes and considering new issues.
- 6.3 Elxon explained that timings have been adjusted slightly from the standard four-week cycle to allow sufficient time for consultation responses to be collated, reviewed internally, and presented back to the group.
- 6.4 The workgroup will also begin progressing the next set of issues, particularly around liabilities and audit rights. Stakeholders were encouraged to provide further evidence and views on these topics to support informed discussion.
- 6.5 Elxon reminded participants that the Flexibility Market Rule consultation and the governance documents consultation are both currently live, closing on 3 October 2025. Stakeholders were encouraged to respond to both consultations.