

To: All holders of an electricity distribution licence and electricity system operator licences and interested parties

**Electricity Act 1989
Section 11A(2)**

Notice of statutory consultation on a proposal to modify the standard conditions of all electricity distribution licences and the electricity system operator licence.

1. The Gas and Electricity Markets Authority ('the Authority')¹ proposes to modify the standard conditions of all electricity distribution licences granted or treated as granted under 6(1)(c) and 6(1)(da) of the Electricity Act 1989 by adding:
 - a. Electricity Distribution Standard Licence Conditions
 - i. Condition 55: Market Facilitator
 1. Interpretations and definitions
 2. Part A: Flexibility Market Rules
 3. Part B: Implementation Monitoring
 - b. Electricity System Operator Licence
 - i. Condition C20: Market Facilitator
 1. Interpretations and definitions (to be added to Condition A1 Definitions)
 2. Part A: Flexibility Market Rules
 3. Part B: Implementation Monitoring
 4. Part C: Market Facilitator input into NESO service design
2. We are proposing these modifications to support the operation of the Market Facilitator.
3. The effect of these proposed modifications is to:
 - a. require the licensee to comply with Flexibility Market Rules, as developed by the Market Facilitator;
 - b. require the licensee to provide information to the Market Facilitator as and when reasonably requested; and
 - c. require NESO to engage and consult with the Market Facilitator, jointly establishing and maintaining the NESO-Market Facilitator Ways of Working Document.
4. A copy of the proposed modification and other documents referred to in this Notice, including the full text of the proposed modifications, have been published alongside this notice on our website (www.ofgem.gov.uk). Alternatively, they are available from information.rights@ofgem.gov.uk.
5. Any representations with respect to the proposed licence modifications must be made on or before 16 October 2025 to: flexibility@ofgem.gov.uk. Office of Gas and Electricity Markets, 10 South Colonnade, Canary Wharf, London, E14 4PU or by email to flexibility@ofgem.gov.uk.

¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

6. We normally publish all responses on our website. However, if you do not wish your response to be made public then please clearly mark it as not for publication. We prefer to receive responses in an electronic form so they can be placed easily on our website.
7. If we decide to make the proposed modifications they will take effect not less than 56 days after the decision is published.



.....
Joseph Cosier
Head of System Flexibility
Duly authorised on behalf of the
Gas and Electricity Markets Authority

18 Sept 2025

Schedule 1 – Draft of proposed modifications to the standard conditions (SLCs) of the Electricity Distribution Licence

New text is double underlined.

Condition 55. Market Facilitator

Introduction

55.1

The purpose of this condition is to set an obligation on the licensee to engage with the Market Facilitator in its role to align and standardise flexibility markets and flexibility market arrangements and processes.

Part A: Flexibility Market Rules

55.2

The licensee must comply with the Flexibility Market Rules, subject to 55.4.

55.3

The Market Facilitator will issue and amend the Flexibility Market Rules. The licensee may raise appeal to The Authority upon the issuing or amending of the Flexibility Market Rules, in accordance with the process outlined in the Market Facilitator Governance Framework document.

55.4

Nothing in this condition replaces, overrides or limits: (a) any statutory duty imposed on the licensee; or (b) any other obligation of the licensee under the licence or any industry code.

Part B: Implementation monitoring

55.5

The licensee must, within a reasonable timeframe, provide Market Facilitator Information to the Market Facilitator, as and when reasonably requested by the Market Facilitator.

55.6

The Market Facilitator Information must be provided by the licensee in sufficient quality and format as the Market Facilitator may reasonably request.

55.7

The licensee is not required to comply with paragraph 55.5 if the licensee could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

Interpretation and definitions

To be added to CONDITION 1. DEFINITIONS FOR THE STANDARD CONDITIONS

<u>Flexibility Market Asset Registration</u>	<u>means common digital infrastructure enabling the collection, storage and access of asset registration data for local and national flexibility markets, covering technical asset data and flexibility service data.</u>
<u>Flexibility Market Rules</u>	<u>means the set of rules of that name (inclusive of rules in respect of Flexibility Market Asset Registration) owned by the Market Facilitator and developed in collaboration with the licensee.</u>
<u>Market Facilitator</u>	<u>means the role created by the Authority with a mandate to standardise local flexibility markets and align with national flexibility markets.</u>
<u>Market Facilitator Information (Electricity Distribution Licence)</u>	<u>means such information to be provided by the licensee to the Market Facilitator which:</u> <u>(a) relates to the licensee's Distribution System;</u> <u>(b) is in the possession or control of the licensee; and;</u> <u>(c) the Market Facilitator considers necessary for its implementation monitoring function.</u>
<u>Market Facilitator Information (ESO Licence)</u>	<u>means such information (other than information subject to legal privilege) to be provided by the licensee to the Market Facilitator which:</u> <u>(a) Relates to the Transmission or Distribution System;</u> <u>(b) Is in the possession or control of the licensee; and;</u> <u>(c) the Market Facilitator considers necessary for its implementation monitoring function.</u>
<u>Market Facilitator Governance Framework Document</u>	<u>means the document of that name that is published by the Authority and amended from time to time.</u>

Schedule 2 – Draft of proposed modifications to the standard conditions (SLCs) of the Electricity System Operator

New text is double underlined.

Section C: Strategic and operational functions

Condition C20. Market Facilitator

C20.1

The purpose of this condition is to set an obligation on the licensee to engage with the Market Facilitator in its role to align and standardise flexibility markets and flexibility market arrangements and processes.

Part A: Flexibility Market Rules

C20.2

The licensee must comply with the Flexibility Market Rules, subject to C20.4.

C20.3

The Market Facilitator will issue and amend the Flexibility Market Rules. The licensee may raise appeal to The Authority upon the issuing or amending of the Flexibility Market Rules, in accordance with the process outlined in the Market Facilitator Governance Framework document.

C20.4

Nothing in this condition replaces, overrides or limits: (a) any statutory duty imposed on the licensee; or (b) any other obligation of the licensee under the licence or any industry code.

Part B: Implementation monitoring

C20.5

The licensee must, within a reasonable timeframe, provide Market Facilitator Information to the Market Facilitator as and when reasonably requested by the Market Facilitator.

C20.6

The Market Facilitator Information must be provided by the licensee in sufficient quality and format as the Market Facilitator may reasonably request.

C20.7

The licensee is not required to comply with paragraph C20.5 if the licensee could not be compelled to produce or give the Information in evidence in civil proceedings before a court.

Part C: Market Facilitator input into NESO service design

C20.8

The licensee must fully engage and consult with the Market Facilitator in the service design for new and existing NESO Services prior to implementation decisions being made and prior

to formal consultation (required under Condition C9 of this licence and Article 18 of the Electricity Balancing Regulation) by the licensee, for NESO Services.

C20.9

The licensee must, in collaboration with the Market Facilitator, jointly establish and maintain the NESO-Market Facilitator Ways of Working Document.

C20.10

The NESO-Market Facilitator Ways of Working Document must contain information on how NESO and the Market Facilitator will coordinate change processes. This should cover, at least:

1. How NESO and the Market Facilitator will ensure strategic alignment
2. Processes for managing instances where a Flexibility Market Rule affects NESO's service design
3. Processes for handling NESO service design changes that require early stage input from the Market Facilitator.

C20.11

The licensee must provide a copy of the NESO-Market Facilitator Ways of Working Document to the Authority no later than the date on which this condition comes into effect, or another date agreed with the Authority.

Interpretations and definitions

To be added to CONDITION A1. DEFINITIONS

<u>Flexibility Market Asset Registration</u>	<u>means common digital infrastructure enabling the collection, storage and access of asset registration data for local and national flexibility markets, covering technical asset data and flexibility service data.</u>
<u>Flexibility Market Rules</u>	<u>means the set of rules of that name (inclusive of rules in respect of Flexibility Market Asset Registration) owned by the Market Facilitator and developed in collaboration with the licensee.</u>
<u>Market Facilitator</u>	<u>means the role created by the Authority with a mandate to standardise local flexibility markets and align with national flexibility markets.</u>
<u>Market Facilitator Information (Electricity Distribution Licence)</u>	<u>means such information to be provided by the licensee to the Market Facilitator which:</u> <u>(a) relates to the licensee's Distribution System;</u>

	<p><u>(b) is in the possession or control of the licensee; and;</u></p> <p><u>(c) the Market Facilitator considers necessary for its implementation monitoring function.</u></p>
<u>Market Facilitator Information (ESO Licence)</u>	<p><u>means such information to be provided by the licensee to the Market Facilitator which:</u></p> <p><u>(a) relates to the Transmission or Distribution System;</u></p> <p><u>(b) is in the possession or control of the licensee; and;</u></p> <p><u>(c) the Market Facilitator considers necessary for its implementation monitoring function.</u></p>
<u>Market Facilitator Governance Framework Document</u>	<p><u>means the document of that name that is published by the Authority and amended from time to time by direction.</u></p>
<u>Electricity Balancing Regulation</u>	<p><u>means Commission Regulation (EU) No 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing as it had effect immediately before IP Completion Day as read with the modifications set out in both SI 2019/532- The Electricity Network Codes and Guidelines (Markets and Trading) (Amendment) (EU Exit) Regulations 2019 and SI 2024/706 - Energy Act 2023 (Consequential Amendments) Regulations 2024.</u></p>
<u>NESO-Market Facilitator Ways of Working Document</u>	<p><u>means the document of that name to establish a framework for coordination between the licensee and Market Facilitator relating to the design of the NESO Services and other matters.</u></p>
<u>NESO Services</u>	<p><u>means the services which are deemed to be in scope of the role of the Market Facilitator as set out in the Market Facilitator Governance Framework Document.</u></p>