

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

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

Modification of the standard conditions of all electricity distribution licences and the electricity system operator licence.

1. Each of the companies to whom this Final Notice is addressed holds either (1) an electricity distribution licence (an 'electricity distribution licence') granted or treated as granted under section 6(1) of the Electricity Act 1989 ('the Act'); or (2) an electricity system operator licence (an 'electricity system operator licence') granted or treated as granted under section 6(1) of the Act.
2. Under section 11A(2) of the Act, the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 18 September 2025 ('the Notice') that we propose to modify the standard conditions of all electricity distribution licences and the electricity system operator licence by adding:
 - 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
 - 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
3. We stated that any representations to the modification proposal must be made on or before 16 October 2025.
4. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
5. We received 16 responses to the Notice, which we carefully considered. We have placed all non-confidential responses on our website. Our response to these comments is set out in the accompanying decision document.
6. It is necessary to make some minor alterations to the modifications set out in the Notice. These alterations are shown in yellow highlight in the attached Schedule 1 and Schedule 2. The reason for the difference between the modifications set out in the Notice and the modifications reflected in Schedule 1 and Schedule 2 are remove unused definitions and address typos and formatting mistakes, specifically:

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

- In 55.7 and C20.7, adding 'Market Facilitator' to "Market Facilitator Information" to ensure the term is aligned with the definition;
 - In interpretations and definitions, moving the 'Market Facilitator Governance Framework Document' definition into the correct alphabetical order;
 - Removing the unused "Market Facilitator Information (ESO licence)" from Condition 55 and the "Market Facilitator Information (Electricity Distribution Licence" definition from Condition C20.
7. This Final Notice is published alongside a decision setting out our modifications to the electricity distribution and electricity system operator licences. A detailed description of the reasons for the decision, the effects of these licence modifications, how we have taken account of any representations made, and, if applicable, the reasons for any difference between the modification and those set out in the Notice can be found in the accompanying decision document to this Final Notice which is available at [Coordinating flexibility: the market facilitator blueprint | Ofgem](#).
8. The effect of these modifications will be to:
- require the licensee to comply with Flexibility Market Rules, as developed by the Market Facilitator.
 - require the licensee to provide information to the Market Facilitator as and when reasonably requested; and
 - require NESO to engage and consult with the Market Facilitator, jointly establishing and maintaining the NESO-Market Facilitator Ways of Working Document.
9. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.6 of the Energy Licence Modification Appeals: Competition and Markets Authority Rules requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-sensitive notice setting out the matters required in Rule 5.2. The attached Schedule 3 provides a list of the relevant licence holders in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.
10. Under the powers set out in section 11A(1)(b) of the Act, we hereby modify the standard licence conditions for all electricity distribution and electricity system operator licences in the manner specified in attached Schedule 1 and Schedule 2. This decision will take effect from 6 February 2026.
11. This document is notice of the reasons for the decision to modify the electricity distribution and electricity system operator licences as required by section 49A(2) of the Act.
12. A copy of the modifications and other documents referred to in this Final Notice, including the full text of the proposed modifications, have been published alongside this notice on our website (www.ofgem.gov.uk). Alternatively, you can request a paper copy by emailing foi@ofgem.gov.uk.

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

11 December 2025

Schedule 1 –Modifications to the standard conditions 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 **Market Facilitator** 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 Governance Framework Document</u>	<u>means the document of that name that is published by the Authority and amended from time to time by direction.</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>

Market Facilitator Governance Framework Document	means the document of that name that is published by the Authority and amended from time to time by direction.
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Schedule 2 – Modifications to the Electricity System Operator Licence

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 **Market Facilitator** 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 Governance Framework Document</u>	<u>means the document of that name that is published by the Authority and amended from time to time by direction.</u>

<u>Market Facilitator Information (Electricity Distribution Licence)</u>	<p>means such information to be provided by the licensee to the Market Facilitator which:</p> <p>(a) relates to the licensee's Distribution System;</p> <p>(b) is in the possession or control of the licensee; and;</p> <p>(c) the Market Facilitator considers necessary for its implementation monitoring function.</p>
<u>Market Facilitator Information (ESO Licence)</u>	<p>means such information to be provided by the licensee to the Market Facilitator which:</p> <p>(a) relates to the Transmission or Distribution System;</p> <p>(b) is in the possession or control of the licensee; and;</p> <p>(c) the Market Facilitator considers necessary for its implementation monitoring function.</p>
<u>Market Facilitator Governance Framework Document</u>	<p>means the document of that name that is published by the Authority and amended from time to time by direction.</p>
<u>Electricity Balancing Regulation</u>	<p>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.</p>
<u>NESO-Market Facilitator Ways of Working Document</u>	<p>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.</p>

<u>NESO Services</u>	<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>
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Schedule 3 - Relevant licence holders in relation to this modification

- Electricity distribution licence
 - National Grid Electricity Distribution (NGED)
 - National Grid Electricity Distribution (East Midlands) plc
 - National Grid Electricity Distribution (West Midlands) plc
 - National Grid Electricity Distribution (South West) plc
 - National Grid Electricity Distribution (South Wales) plc
 - Northern Powergrid (NPg)
 - Northern Powergrid (Northeast) plc
 - Northern Powergrid (Yorkshire) plc
 - Scottish and Southern Electricity Networks (SSEN)
 - Southern Electric Power Distribution plc
 - Scottish Hydro Electric Power Distribution plc
 - SP Energy Networks (SPEN)
 - SP Electricity North West Ltd
 - SP Distribution plc
 - SP Manweb plc
 - UK Power Networks (UKPN)
 - Eastern Power Networks plc
 - London Power Networks plc
 - South Eastern Power Networks plc
- Electricity system operator Licence
 - National Energy System Operator (NESO)