



Making a positive difference  
for energy consumers

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

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

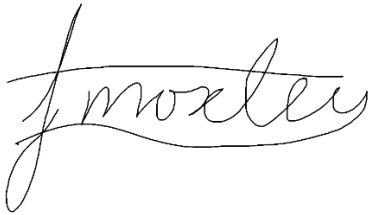
**Notice of statutory consultation on a proposal to modify the standard conditions of all electricity distribution licences.**

1. The Gas and Electricity Markets Authority ('the Authority')<sup>1</sup> proposes to modify the standard conditions of all electricity distribution licences granted or treated as granted under Section 6(1), with regards to **Condition 31E. Procurement and use of Distribution Flexibility Services**, of the Electricity Act 1989, by amending:
  - a. Sections 31E.4-5
  - b. Section 31E.8
  - c. Section 31E.20
2. And removing:
  - a. Sections 31E.7
  - b. Sections 31E.9 – 31E.17
3. We are proposing this modification to support the future role of the Market Facilitator in modernising distribution flexibility service data reporting. The effect of this proposed modification is to:
  - a. remove reporting requirements which will become duplicative, as licensees are required by Condition 55 Part A to comply with new Flexibility Market Rules, as developed by the Market Facilitator
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](http://www.ofgem.gov.uk)). Alternatively, they are available from [information.rights@ofgem.gov.uk](mailto:information.rights@ofgem.gov.uk).
5. Any representations with respect to the proposed licence modifications must be made on or before 28 October 2026 to: [flexibility@ofgem.gov.uk](mailto: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](mailto:flexibility@ofgem.gov.uk).

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

6. We prefer to receive responses in an electronic form so they can be placed easily on our website as 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.
7. If we decide to make the proposed modification they will take effect not less than 56 days after the decision is published. We expect they will take effect during February 2027.



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**Francis Mosley**  
**Head of Decentralised Energy Systems**  
**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**30 September 2026**

## **Schedule 1 – Draft of proposed modification to the standard conditions (SLCs) of the Electricity Distribution Licence (C31E)**

Modification to licence condition text is marked by red tracked changes.

31E.1 The licensee must coordinate and direct the flow of electricity onto and over its Distribution System in an efficient, economic and coordinated manner. This includes the following:

- (a) procuring and using Distribution Flexibility Services where it is economic and efficient to do so;
- (b) procuring Distribution Flexibility Services in the most economic manner possible;
- (c) subject to 31E.3, procuring Distribution Flexibility Services in accordance with objective, transparent and market-based procedures.
- (d) promoting the uptake of measures to improve Energy Efficiency, where such services cost-effectively alleviate the need to upgrade or replace electricity capacity and support the efficient and secure operation of the Distribution System. This may include procuring Energy Efficiency Services, where it is economic and efficient to do so;
- (e) when procuring Distribution Flexibility Services, the licensee must have regard, insofar as is practicable, to the following considerations:
  - (i) the impact any actions taken will have on the ability of undertakings to effectively participate in retail, wholesale and balancing markets; and
  - (ii) the impact any actions taken will have on the Total System;
- (f) using all reasonable endeavours, in coordination with the ISOP, other Distribution Licensees, and undertakings participating or intending to participate in the provision of Distribution Flexibility Services or, where relevant, Energy Efficiency Services, to establish as soon as reasonably practicable and thereafter maintain relevant:
  - (i) objective, transparent, cost-reflective and non-discriminatory rules, including terms and conditions and rules and tariffs where applicable, governing the procurement and use of Distribution Flexibility Services and, where relevant, Energy Efficiency Services by Distribution Licensees, such rules to be published; and
  - (ii) technical requirements for participation in the Distribution Flexibility Services market on the basis of technical characteristics of the market and the capabilities of participants in the market, such technical requirements to be published;
- (g) taking all reasonable steps to ensure the effective participation of all undertakings participating or intending to participate in the provision of Distribution Flexibility Services or, where relevant, Energy Efficiency Services, including not unduly restricting new and existing providers of those services from competing in the provision of such services, and in doing so, the licensee must use all reasonable endeavours to:
  - (i) cooperate with the ISOP to ensure the effective participation in retail, wholesale and balancing markets of undertakings connected to the licensee's grid; and
  - (ii) as soon as is reasonably practicable, establish and thereafter maintain, in a transparent and participatory process that includes the ISOP, other Distribution Licensees, and undertakings participating or intending to participate in the provision of Distribution Flexibility Services, the relevant specifications for Distribution Flexibility Services and, where appropriate, standardised market products for such services at national level;
- (h) taking all reasonable steps to establish and thereafter ensure the exchange of all necessary information and coordinate with the ISOP in order to ensure the optimal utilisation of resources, to ensure the secure and efficient operation of both the Distribution System and Transmission System, and to facilitate market development; and

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(i) anticipating the future electricity requirements of its Distribution System and developing competitive approaches to procuring Distribution Flexibility Services and, where applicable, Energy Efficiency Services, wherever this is in the best interests of current and future electricity consumers in Great Britain.

31E.2 Having taken into account relevant price and technical differences, the licensee must not discriminate as between any persons or classes of persons in its procurement or use of Distribution Flexibility Services.

31E.3 The Authority may, at its own discretion, or on an application by a licensee, grant a derogation from the licensee's obligation to procure Distribution Flexibility Services using market-based procedures (as required under 31E.1(c) where the Authority has determined that compliance with the market-based provision is:

- (i) economically not efficient; or
- (ii) would lead to severe market distortions or to higher levels of constraints.

31E.4 The licensee may request that the Authority grants such a derogation, by providing appropriate reasoning and justification to the Authority prior to the 1<sup>st</sup> of April of the regulatory reporting year (1<sup>st</sup> April to 31<sup>st</sup> March) during which the derogation is requested. within its Distribution Flexibility Services Procurement Statement submitted to the Authority in accordance with 31E.8.

~~31E.5 Where, during the term of any Distribution Flexibility Services Procurement Statement submitted to the Authority pursuant to 31E.8, the licensee wishes to amend its statement to request such a derogation from the Authority, the licensee must prepare a revised statement and submit it to the Authority for determination.~~

31E.5 If the Authority fails to determine any request for a derogation from the use of market-based procedures within one month of receipt, the request is to be treated as approved.

31E.6 Licensees must share relevant market data and information on their flexibility procurement requirements and needs, with existing and potential future market participants, in a timely manner.

~~31E.7 If the request is refused, the Authority may require the licensee to prepare a revised Distribution Flexibility Services Procurement Statement in accordance with 31E.8.~~

~~31E.8 The licensee must before each Annual Submission Date prepare, and submit to the Authority for approval, in a form approved by the Authority, a Distribution Flexibility Services Procurement Statement setting out:~~

- ~~(a) the kinds of Distribution Flexibility Services and Energy Efficiency Services which it reasonably expects it may be interested in purchasing in the period from that Annual Submission Date to the next Annual Submission Date and the mechanisms by which it reasonably expects to purchase them; and~~
- ~~(b) a statement demonstrating its compliance with its obligations under 31E.1, including:~~
  - ~~(i) a summary of the rules and technical requirements governing the procurement and use of Distribution Flexibility Services and, where relevant, Energy Efficiency Services, which have been established in accordance with 31E.1(f);~~
  - ~~(ii) a description of the steps taken to ensure the effective participation of undertakings participating or intending to participate in the provision of Distribution Flexibility Services or Energy Efficiency Services, in accordance with 31E.1(g); and~~

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~~(iii) a description of the engagement that has taken place in the preceding twelve months with the ISOP, other Distribution Licensees and undertakings participating or intending to participate in the provision of Distribution Flexibility Services in respect of establishing and maintaining the relevant specifications governing the procurement of Distribution Flexibility Services, in accordance with 31E.1(g)(ii)~~

~~31E.9 For the purposes of 31E.8, the licensee must outline any changes to its practises or intended changes to its practises resulting from engagement in accordance with 31E.8(b)(iii).~~

~~31E.10 Where the licensee reasonably expects that it will not procure Distribution Flexibility Services in the twelve-month period following an Annual Submission Date, the licensee must prior to that date write to the Authority informing it of this position.~~

~~31E.11 Paragraph 31E.10 is without prejudice to the obligation of the licensee to submit a Distribution Flexibility Services Procurement Statement on each Annual Submission Date, in accordance with the provisions of 31E.8.~~

~~31E.12 Where during the term of any Distribution Flexibility Services Procurement Statement the licensee's intentions change regarding the information contained within the Distribution Flexibility Services Procurement Statement, the licensee must review the statement and consider whether any revision to the statement is necessary to ensure it remains an accurate reflection of the licensee's intentions and, if so, promptly seek to prepare a revised statement and submit it to the Authority for approval.~~

~~31E.13 Where the licensee has written to the Authority in accordance with 31E.10 and the licensee's intentions in respect of the procurement of Distribution Flexibility Services change, the licensee is to promptly prepare a Distribution Flexibility Services Statement in accordance with the provisions of 31E.8 and submit it to the Authority for approval.~~

~~31E.14 Within one month after each Annual Submission Date, the licensee must prepare a report (a "Distribution Flexibility Services Procurement Report") setting out the Distribution Flexibility Services and Energy Efficiency Services which the licensee has tendered for, contracted and dispatched in the period of 12 months preceding the Annual Submission Date, or such other period as the Authority may have directed, if any.~~

~~31E.15 The licensee must:~~

~~(a) publish, in such manner as the Authority may approve from time to time, the Distribution Flexibility Services Procurement Report and each subsequent revision, and  
(b) send a copy of each of the Distribution Flexibility Services Procurement Statement and Distribution Flexibility Services Procurement Report, or the latest revision thereto, to any person who requests the same, provided that the licensee excludes, so far as is reasonably practicable, any matter which relates to the affairs of any person where the publication of that matter would or might seriously and prejudicially affect that person's interests, and, for the purposes of 31E.15(b), the licensee is to refer to the Authority for determination any question as to whether any matter would or might seriously and prejudicially affect the interests of any person unless the Authority consents to the licensee not doing so.~~

~~31E.16 The licensee may make a charge for any copy of a Distribution Flexibility Services Procurement Statement, Distribution Flexibility Services Report or revision thereto provided pursuant to 31E.15 of an amount reflecting the licensee's reasonable costs of providing such a copy, which must not exceed the maximum amount specified in directions issued by the Authority for the purpose of this condition.~~

~~31E. 17 The licensee must publish in a transparent manner the outcomes of any concluded Distribution Flexibility Services procurement processes within one month of contractual~~

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~~agreement. This must include, where relevant, and subject always to the licensee's compliance with laws relating to data protection and commercial confidentiality, confirmation of:~~

- ~~(a) The counterparty to the contract;~~
- ~~(b) The technology type of the counterparty;~~
- ~~(c) The capacity and volume procured;~~
- ~~(d) The length of the contractual agreement;~~
- ~~(e) The payment structure of the contract; and~~
- ~~(f) The price agreed for the provision of services.~~

**31E.7** The licensee must, unless the Authority otherwise consents, maintain for a period of at least six years: (a) particulars of all Distribution Flexibility Services and Energy Efficiency Services offered to it; (b) particulars of all contracts for Distribution Flexibility Services and Energy Efficiency Services which it entered into; and (c) records of all Distribution Flexibility Services and Energy Efficiency Services called for and provided.

**31E.8** The licensee must provide to the Authority such information as the Authority may request concerning the procurement and use of Distribution Flexibility Services or Energy Efficiency Services.

**31E.9** For the purpose of this condition:

~~"Annual Submission Date" means:~~

- ~~(a) 1 April 2021;~~
- ~~(b) 1 April in each subsequent calendar year; or~~
- ~~(c) such other date in any calendar year that the Authority may direct.~~

"Distribution Constraint" means any limit on the ability of the licensee's Distribution System, or any part of it, to transmit the power supplied onto the licensee's Distribution System to the location where the demand for that power is situated, such limit arising as a result of any one or more of:

- (a) the need to not exceed the thermal rating of any asset forming part of the licensee's Distribution System;
- (b) the need to maintain voltages on the licensee's Distribution System; and
- (c) the need to maintain the transient and dynamic stability of electricity plant, equipment and systems directly or indirectly connected to the licensee's Distribution System and used by the licensee to operate the licensee's electricity distribution system in accordance with the Act, this licence, or any other requirement of law;

"Distribution Flexibility Services" means Distribution Non-frequency Ancillary Services and Distribution Constraint management;

"Distribution Non-Frequency Ancillary Services" means a service used by the Distribution Licensee for steady state voltage control, fast reactive current injections, inertia for local grid stability, short-circuit current, Electricity System Restoration capability and island operation capability;

"Energy Efficiency" means the ratio of output of performance, service, goods or energy, to input of energy;

"Energy Efficiency Services" means a service contracted to improve the Energy Efficiency of a network user or users.