

Market Facilitator Workshop 4 Digital Meeting Etiquette

- Welcome to the Market Facilitator Workshop 4 – we'll start shortly
- We encourage attendees to **use video**, where bandwidth allows, especially when speaking
- **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
- This meeting is being recorded solely for the purpose of creating a written summary of the discussion. The recording will be retained only as long as necessary to finalize the summary and will not be shared with external parties. By remaining in this meeting, you acknowledge and consent to this recording. If you do not wish to be recorded, please inform the organizer or exit the meeting.

6 February 2025

Market Facilitator

Workshop #4 – Implementation
Monitoring



Slido Guidance

- We would love to gather your thoughts using Slido as we move through today's session. We hope this is an engaging experience.
- Everyone should be able to vote and answer questions live during the workshop using Slido

Requirements:

- Internet access
- Web browser
- Participants can join at slido.com with #1675813

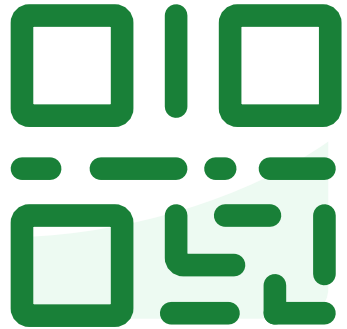
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#1675813**

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Agenda

Item	Lead
Introduction and Context	Iain Nicoll (Chair)
Change Implementation and Technical outputs	Steven Gough (Head of Flexibility)
Tracking implementation of changes to technical outputs	John Lucas (Subject Matter Expert)
10 min short break	
Ongoing Monitoring of Adoption of Technical Outputs	John Lucas
Summary of proposed approach	Steven Gough
Meeting close	Iain Nicoll

Implementation Monitoring

Welcome to Market
Facilitator Workshop
#4

Our objective today is
gathering feedback
on our proposed
approach to ...

1

'Day 1' Technical Outputs

What technical outputs
need to be in place on
the first day of
operation?

2

Monitoring change implementation

How do we monitor
whether NESO and
DSOs are doing what's
needed to implement
changes on time?

3

Ongoing monitoring

How do we monitor
whether technical
outputs are being used,
and having the desired
effects on markets?

4

General approach

Is our general approach
to Implementation
Monitoring the right
one?

What is “Implementation Monitoring”?

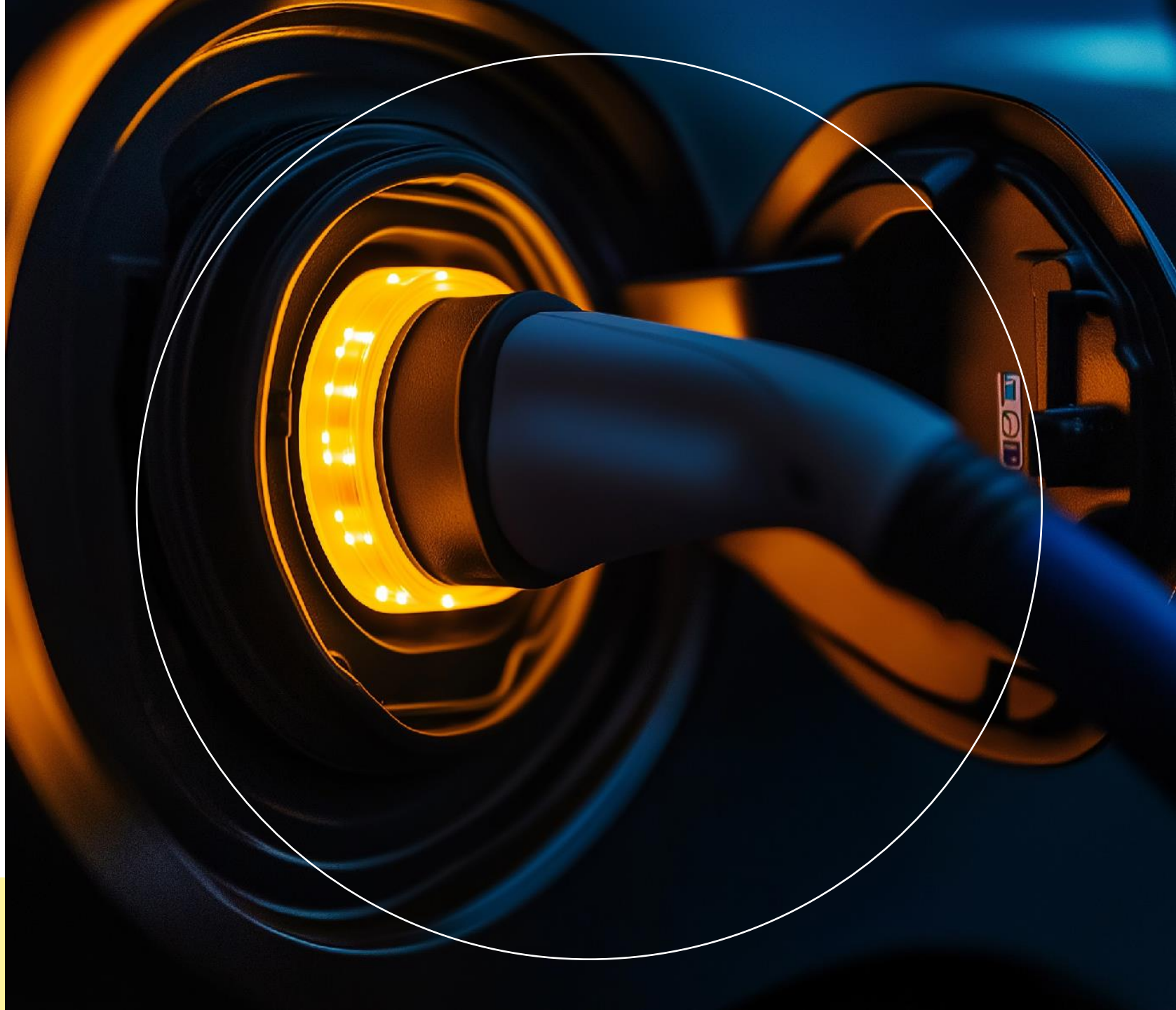
Ofgem has proposed Implementation Monitoring as one of three key Market Facilitator functions (alongside strategic leadership and market coordination).

Subject to Ofgem’s decision on the current consultation, implementation monitoring means:

1. Tracking implementation of Market Facilitator technical outputs across DSOs and NESO;
2. Reporting implementation issues to Ofgem, in accordance with the implementation monitoring framework;
3. Inputting into the NESO performance assessment process and DSO incentive process, as requested by Ofgem; and
4. Assessing the effectiveness of services, processes, rules, standards, etc. (to identify and feedback improvements or updates into the market coordination function).

01

Technical Outputs



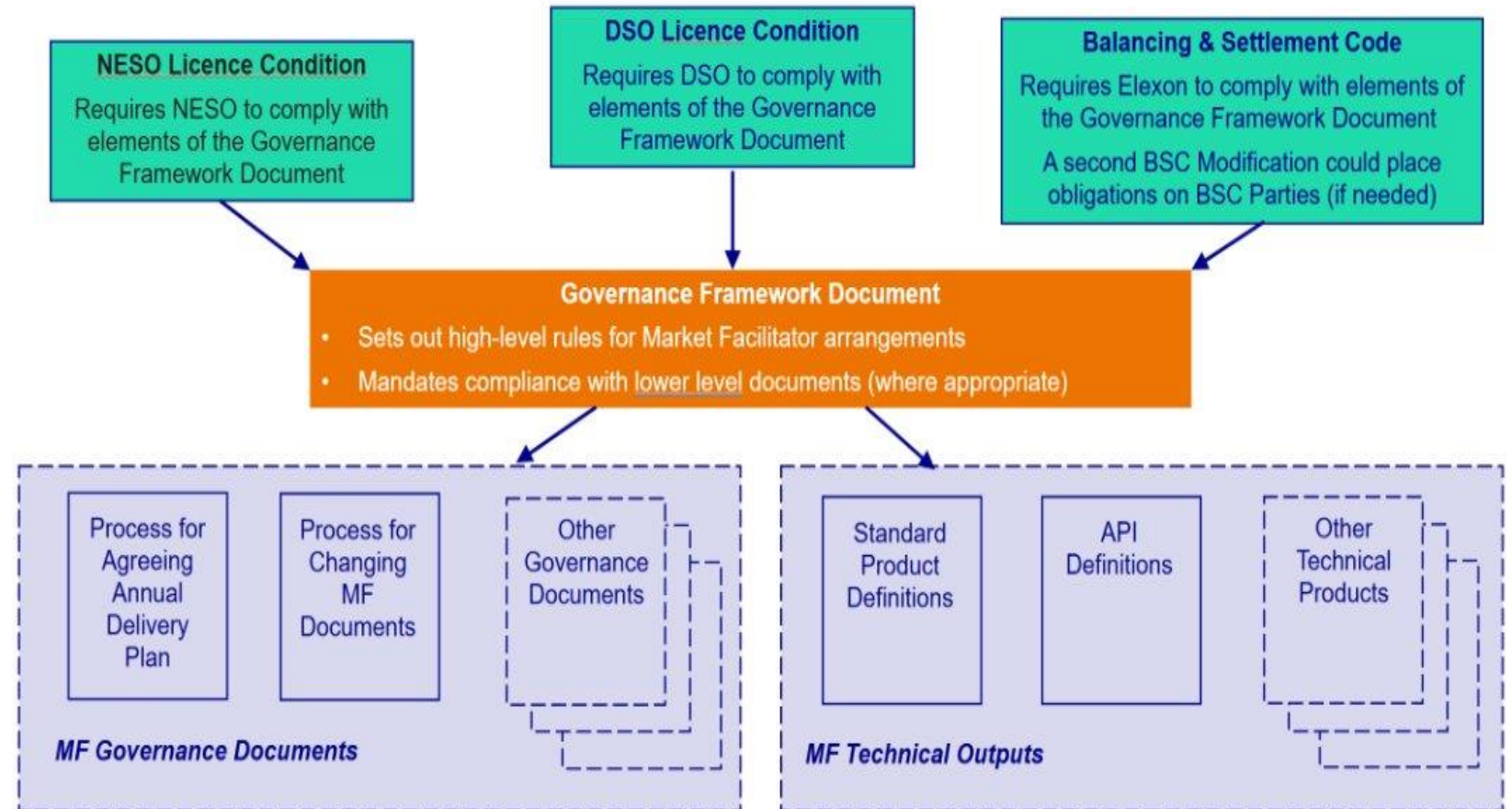
What are “technical outputs”?

- Technical outputs are common rules, market processes, services, standards and IT tools (e.g. APIs) across DSO and NESO markets.
- Their purpose is to align local and national flexibility market arrangements in order to reduce friction and increase liquidity.
- Technical outputs will be approved by the Market Facilitator (with a route of appeal to Ofgem).
- One of the key purposes of implementation monitoring is tracking and reporting implementation of technical outputs
- We're not convinced "technical outputs" is the best name (e.g. some of them will be more commercial than technical). Maybe we should find a better name (even if the legal documents still call them "technical outputs")?

Link to licences and Governance Framework Document

The exact relationship between new licence conditions, Governance Framework Document and technical outputs is still subject to Ofgem decision.

But ultimately NESO and DSOs will be obliged by their licence to adopt technical outputs.



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What are your thoughts on renaming 'Technical outputs'? Any suggestions?

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'Day 1' Technical Outputs

Prior to Market Facilitator becoming operational (in Q4 2025) we will develop 'day 1' Technical Outputs that:

- Convert existing Open Networks outputs into mandatory requirements
- Incorporate further work done this year by Open Networks and Market Facilitator (e.g. on revenue stacking)
- Provide clarity on the extent to which each part of the end-to-end flexibility process has been aligned

Once we are operational, the technical outputs will be developed and changed to resolve issues and further align processes.

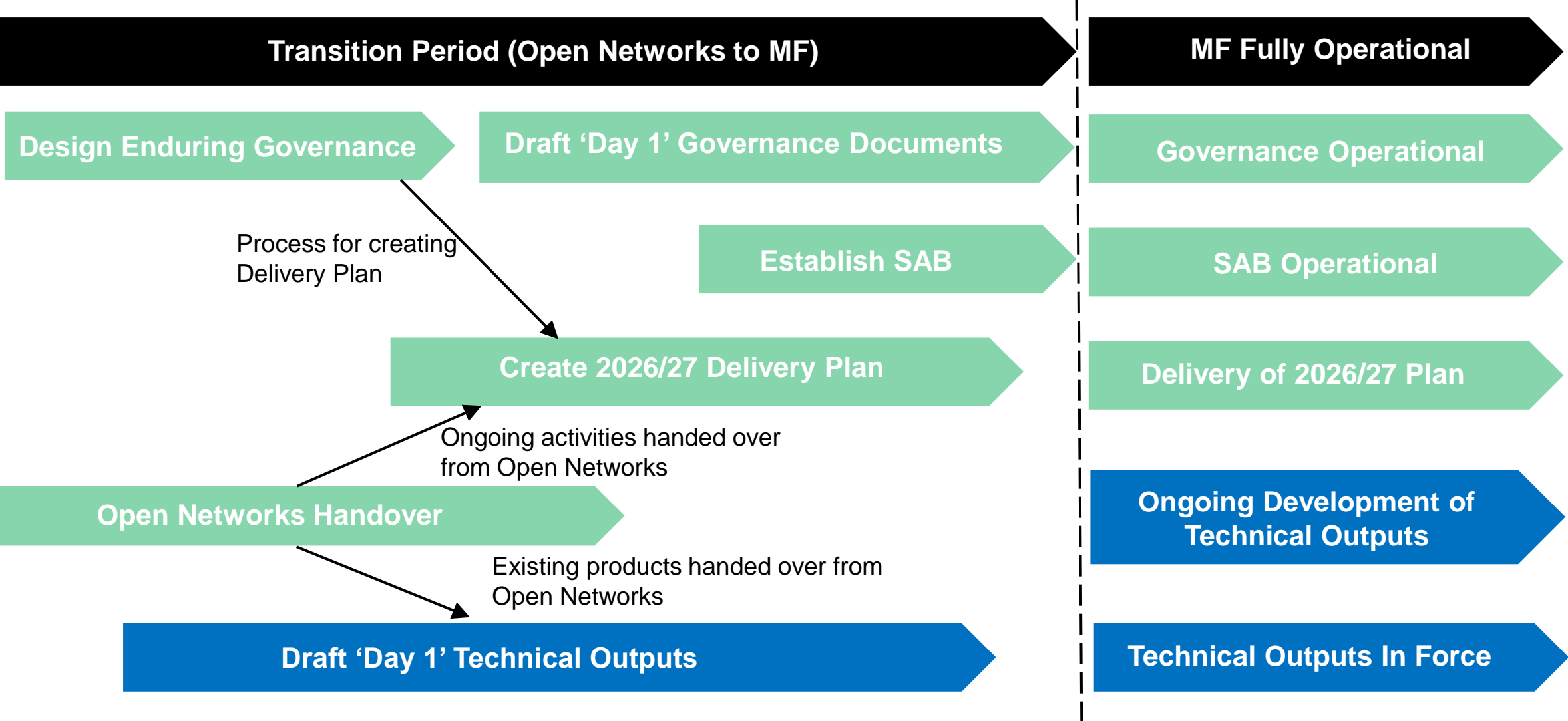
The process for proposing and developing these changes to technical outputs will be discussed in workshop #5.

'Day 1' Technical Outputs

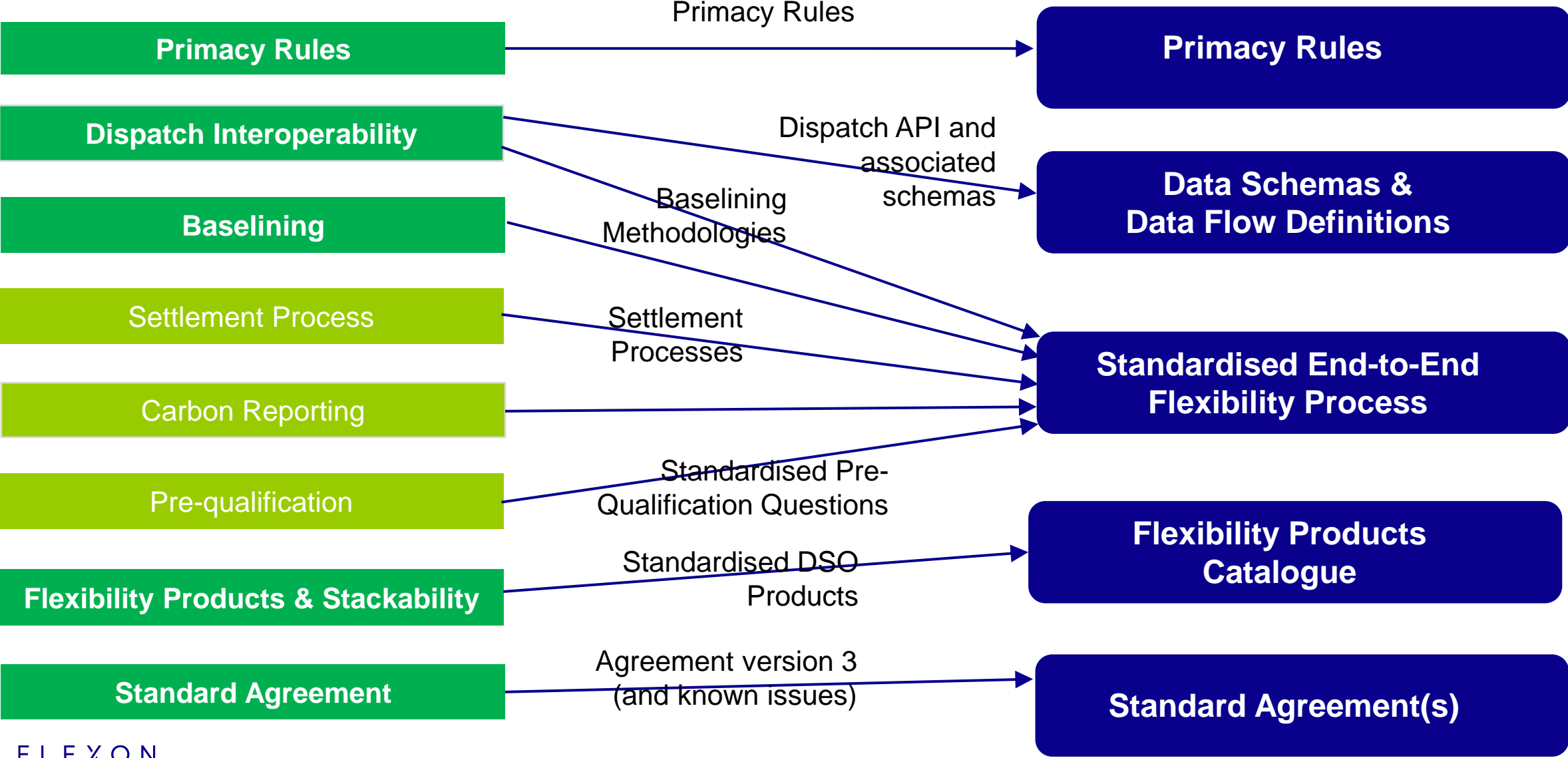
Our current thinking (subject to stakeholder feedback) is that we will structure the day 1 technical outputs into:

1. The Standardised End-to-End flexibility process
2. A Flexibility Products Catalogue (providing clarity on what flexibility products are within our scope)
3. Standard Agreement(s)
4. Primacy Rules
5. Data Schemas and Data Flow Definitions

Context for drafting 'day 1' Technical Outputs



Mapping of Technical Working Groups to Technical Outputs



Standardised End-to-End Flexibility Process

Description:	<p>An explanation of the end-to-end process for procuring and utilising flexibility, including:</p> <ul style="list-style-type: none">• Full details of the standard process for each step in the end-to-end flexibility process (pre-qualification, procurement, dispatch, settlement, market reporting etc.); and• A summary of agreed deviations from the standard process (although specific product-specific detail may fit better in the Flexibility Product Catalogue). <p>For day 1, significant sections of the document may just be placeholders (if they're describing parts of the end-to-end process that have not yet been standardised to any significant extent).</p>
Inputs to drafting process:	<p>Deliverables from Open Networks Technical Working Groups on standard processes for:</p> <ul style="list-style-type: none">• Pre-qualification• Settlement• Baselineing• Dispatch Interoperability (including SSES work on PAS1878)• Carbon Reporting <p>NESO's ancillary service definitions</p>
Open issues to be progressed prior to Go Live:	<p>We should plan to continue developing the processes for baselining and dispatch interoperability in order to avoid any loss of momentum in these areas.</p>

Flexibility Products Catalogue

Description:	<p>A central register of all flexibility products that fall within the Market Facilitator’s scope, including:</p> <ol style="list-style-type: none">1. A statement of technical service requirements (including key data items and technical parameters), and links to where the full contractual terms can be found.2. A stackability statement, explaining any restrictions on delivering this product at the same time as others.3. For the Balancing Mechanism (and any other service that’s partially within scope), an explanation of scope boundary4. Full details of any agreed deviations from the Standardised End-to-End Flexibility Process <p>Possibly (for transparency) we should also include very brief details of products falling outside our scope (with links to where relevant information can be found)?</p>
Inputs to drafting process:	<p>DSO standard product definitions and stackability rules (developed by the Open Networks Technical Working Group)</p> <p>NESO ancillary services (developed by NESO)</p>
Open issues to be progressed prior to Go Live:	<p>Stackability is a key area, and one where Open Networks has reached a natural break point. We have proposed focusing on this during 2025.</p>

Standard Agreement(s)

Description:	Standard contractual terms (where appropriate, recognising that on day 1 contractual terms for some products will not be standardised).
Inputs to drafting process:	Standard Agreement Version 3.0 (as developed by Open Networks) Standard T&C for ancillary services (as developed by NESO)
Open issues to be progressed prior to Go Live:	<p>Open Networks intends to reconvene their Workgroup to identify areas of concern with version 3.0. We understand many of these relate to some contract terms not being appropriate for smaller end customers (including Domestic).</p> <p>Depending on the outcome of Workgroup discussions, we may want to document the areas where DSOs are deviating from the standard agreement.</p>

Primacy Rules

Description:	Rules and processes for NESO and DSOs to: <ul style="list-style-type: none">• Collaboratively identify situations in which they have conflicting requirements for utilisation of flexible assets; and• Resolve these situations in an efficient and cost-effective manner (by applying agreed 'primacy rules')
Inputs to drafting process:	Baringa primacy report (commissioned by Open Networks Technical Working Group)
Open issues to be progressed prior to Go Live:	To be reviewed following completion of the Baringa report

Data Schemas and Data Flow Definitions

Description:	<p>A catalogue of all standardised data flows exchanged:</p> <ul style="list-style-type: none">• Between parties (e.g. DSOs, NESO, FSPs) to facilitate the operation of flexibility markets; and• Between parties and Elexon (to facilitate monitoring of DSO and NESO compliance with technical outputs) <p>The catalogue will include both technical interface definitions (e.g. JSON APIs), and relevant business rules (defining the meaning and purpose of the data exchanged)</p> <p>Day 1 technical outputs may be quite narrow in scope (reflecting limited progress on data standardisation to date), with further development a key priority for the 2026/27 plan. This could include standardised processes for reporting from centralised services to parties (e.g. metered data, baselining data).</p>
Inputs to drafting process:	<ul style="list-style-type: none">• Outputs from Open Networks Dispatch Interoperability Technical Workgroup (i.e. OpenADR 3.0 interface details) and PAS1878 outputs• Data transfer requirements from the Primacy Rules and Standardised End-to-End Flexibility Process• Data transfer requirements relating to Implementation Monitoring (as developed in workshop #4)
Open issues to be progressed prior to Go Live:	<p>Data catalogue will include monitoring flows from DSOs and NESO to Elexon. Work on defining these will start at governance workshop #4, taking into account existing obligations for DSOs and NESO reporting to Ofgem.</p>

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Do you agree with our proposed 'day 1' technical outputs?

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02

Tracking implementation of changes to technical outputs



How should we monitor implementation of technical outputs?

The Ofgem consultation proposes that we must deliver:

An implementation report or tracker to track the implementation of standardised market processes, rules, standards and services across NESO and the DNOs. To deliver this Elexon will need to establish an approach and process to engage with and gather data from NESO and the DNOs

We propose that implementation monitoring needs to cover both:

1. Implementation of specific changes i.e. monitoring whether new processes and systems (required by changes to the technical outputs) are delivered by the approved Implementation Date
2. Ongoing monitoring i.e. understanding the extent to which NESO and DSOs are following the aligned processes when they buy flexibility

Why would we be changing technical outputs?

We may need to change technical outputs for a variety of reasons, such as:

- An amendment to the Standard Agreements, to make them more accessible to certain types of flexibility
- A change to an API (e.g. the dispatch API)
- Consequential changes arising from the introduction by NESO of a new ancillary service

The process for doing this will be discussed in workshop #5, but for now we assume that:

- Each change will have an Implementation Date, by when NESO and DSOs must comply with it
- During the change process we will work with NESO and DSOs to understand their implementation constraints
- We may need the flexibility to set different Implementation Dates for different licensees and/or flexibility products (to avoid the slowest setting the pace for all)

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1. Do you agree that we should be allowed to set different Implementation Dates for different licensees or products?

2. Do you agree that we should be monitoring implementation processes (to detect and manage any risk of delayed implementation)?

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How should we track implementation of changes?

Option 1: Track implementation when things go wrong

- By default, we assume that NESO and DSOs will deliver changes by the required Implementation Date (and don't require them to provide a plan for how they will do this)
- We require NESO and DSOs to inform us if they become aware delivery is at risk
- At that point we become involved in understanding their plan for resolving the issue, and tracking progress against it

Option 2: Track implementation routinely

- We require NESO and DSOs to share a high-level implementation plan with us from the start (except perhaps for very small changes)
- We run a light-touch process for tracking against milestones (e.g. requiring an update each month)
- If progress starts to drift we become more involved in understanding the resolution plan (as in option 1)

Pros and cons of the two options

Option 2 is more work for Market Facilitator, NESO and DSOs (although for NESO and DSOs it is just asking them to share high-level details of plans they would already have)

Option 2 is likely to lead to Market Facilitator getting earlier warning of potential delivery delays, which gives us an opportunity to:

- Work with the affected organisation to discuss their plan for resolving the issue (potentially allowing it to be resolved sooner). There are similarities to the Error and Failure Resolution (EFR) process we operate with Performance Assurance Parties (under BSC governance)
- Consider any broader steps we could take to mitigate the impact of any delay on flexibility markets

Because of these benefits, we propose option 2 (requiring a high-level plan for implementation of all significant changes)

This could always be changed later if experience shows the benefits aren't justified by the administrative burden

Proposed monitoring process

Our proposed process is therefore:

1. On a monthly basis, NESO and each DSO provides us with a “Change Implementation Plan”, containing a high-level Plan-on-a-Page for agreed changes to technical outputs that have a non-trivial impact on them
2. If the Change Implementation Plan reveals milestone slippage we will request a more detailed “Issue Resolution Plan” describing the issues and how they are being resolved
3. We would then track the Issue Resolution Plan more closely, until (hopefully) delivery is back on track

The monitoring process will be defined in one of the MF governance documents

We would not propose publishing Change Implementation Plans or Issue Resolution Plans (as that would hamper open discussion with NESO and DSOs)

Reporting of potential implementation delays

We propose that, based on our work tracking Issue Resolution Plans:

- We would make a public notification to flexibility market participants if we came to believe that a delay to implementation of an approved change to technical outputs was likely
- We would make a non-public notification to Ofgem if we came to believe that a licensee was not taking reasonable steps to implement a change, or was not fulfilling obligations to cooperate with the Market Facilitator, and our avenues for resolving this were exhausted

We intend to do everything in our power to resolve implementation issues, and escalation to Ofgem (as a potential compliance issue) would be a last resort

There could be benefits in seeking the advice of the Stakeholder Advisory Board on such decisions (provided SAB members were required to treat confidential information appropriately e.g. Issue Resolution Plans)

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- 1. Do you agree with option 2 (i.e. monthly Change Implementation Plans, and Issue Resolution Plans to address milestone slippage)?**
- 2. Do you agree with our approach to notifying market participants and Ofgem of issues?**
- 3. Do you think it appropriate for us to seek SAB advice when deciding whether to notify market participants and/or Ofgem?**

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03

Ongoing Monitoring of Adoption of Technical Outputs



Ongoing monitoring of adoption of technical outputs

As well as monitoring the initial implementation of changes to technical outputs, the Market Facilitator will need to monitor the ongoing use of flexibility:

- How much flexibility is being procured and used by NESO and DSOs?
- How much of that procurement and utilisation is following the processes set out in technical outputs?

This monitoring should help us identify both:

- Issues with a particular licensee not adopting technical outputs (which ultimately, we might need to report to Ofgem)
- Market issues with a particular process or product (that we might need to resolve e.g. through progressing a change to technical outputs, or advising Ofgem/DESNZ on a regulatory barrier)

Existing reporting requirements

NESO and DSOs already have requirements to report on flexibility. For example:

- DSOs are required by Condition 31E to publish annual Distribution Flexibility Services Procurement Reports setting out how much flexibility they tendered for, contracted for and dispatched
- NESO is required to make data available through the Balancing Mechanism Reporting Service (BMRS), although this has limited coverage of non-BM ancillary services
- Both NESO and DSOs have additional requirements for reporting to Ofgem ('Regulatory Instructions and Guidance')

If we can find ways to reduce the reporting burden by harmonizing our processes with existing processes, we will try to do that

But we do need additional data items (about alignment with technical outputs) that are not included in existing reporting

Proposed reporting requirement – contracted flexibility

We propose that DSOs and NESO report details of contracted flexibility to the Market Facilitator:

1. Identifier for Flexibility Service Provider (FSP) and asset contracted
2. Identifier for product the asset was contracted for
3. Contracted capacity (kW)
4. Period (date range) for which asset is contracted
5. Data items relating to whether technical outputs were complied with (yes, no or N/A if not applicable to product). For example:
 - Was the standard agreement used?
 - Was the standard pre-qualification process followed?

Proposed reporting requirement – dispatched flexibility

We propose that DSOs and NESO report details of dispatched flexibility to the Market Facilitator:

1. Identifier for FSP and asset dispatched
2. Identifier for product the asset was dispatched for
3. Dispatched volume (kW or kWh?)
4. Half hour in which dispatch occurred
5. Data items relating to whether technical outputs were complied with (yes, no or N/A if not applicable to product). For example :
 - Was the standard dispatch API used?
 - Was the standard settlement process followed?

Identifying parties and assets

- We are proposing that DSOs and NESO should identify the parties and assets providing flexibility so that the Market Facilitator can assess whether assets are able to participate in multiple markets ('revenue stacking')
- We would not make these details public (i.e. any published data would be aggregated and anonymized)
- In the short term there may be difficulties in matching assets across different markets, but FMAR will resolve this
- It is possible that changes to contracts could be needed to allow NESO and DSOs to share party details with Market Facilitator. Where such sharing remains legally inappropriate data provided to Market Facilitator could be anonymized.

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- 1. Do you agree that the Market Facilitator should collect data on whether contracting and dispatch processes followed the technical outputs?**
- 2. Do you think it is appropriate for DSOs and NESOs to identify to MF the FSPs and assets providing flexibility?**

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How would reporting work in practice?

- In the medium term, our preference would be for automated reporting (with DSO and NESO systems reporting contracting and dispatch of flexibility to us as it happens)
- In the shorter term a less automated process may be required (e.g. monthly reporting)
- Ideally this reporting would be in place for day 1 (subject to NESO and DSOs being able to achieve this)
- The reporting process would be subject to change control:
 - The process for DSOs and NESOs to report to us would be defined in governance documents and/or the End-to-End Flexibility Process
 - The file formats or APIs used for reporting would be defined in the Data Flow Definitions

What will we do with the data we receive?

1. We propose publishing data to give transparency on the implementation of technical outputs
 - Data would be aggregated and/or anonymized so that FSP details are not revealed
 - Subject to stakeholder feedback, we would not propose anonymizing DSO/NESO details
2. Where data suggests that a particular licensee is not adopting technical outputs, we would:
 - Address this through an Issue Resolution Plan
 - As a last resort, notify Ofgem (if we came to believe that a licensee was not taking reasonable steps to resolve the issue, or was not fulfilling obligations to cooperate with the Market Facilitator, and our avenues for resolving this were exhausted)
3. Where data suggests that there is a market-wide issue (with a technical output not being adopted or not having the expected impact on markets) we would address this through our market coordination function

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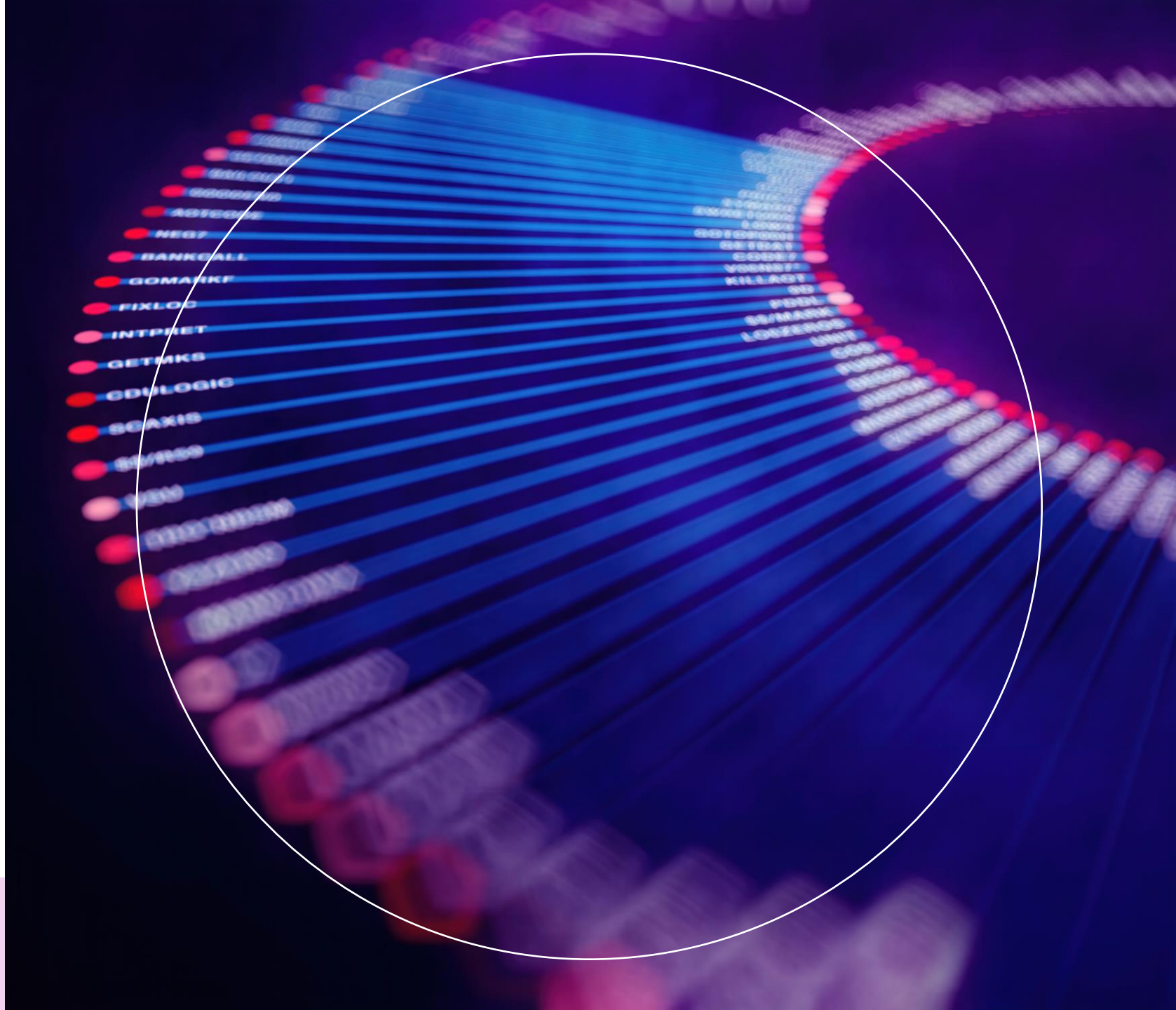


- 1. Do you have any comments on how we expect to collect data from NESO and DSOs, or what we expect to do with it?**
- 2. Do you agree that our public reports should identify DSOs/NESO (but not FSPs)?**

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04

Summary of our proposed approach



Summary of proposed approach to Implementation Monitoring

Function	Summary of Proposed Approach
Tracking implementation of Market Facilitator technical outputs across DSOs and NESO.	<ul style="list-style-type: none">• Track implementation of change through monitoring of Change Implementation Plans• Track ongoing use of technical outputs through reporting of contracted and dispatched flexibility• Manage issues (where identified) by tracking Issue Resolution Plans
Reporting implementation issues to Ofgem, in accordance with the implementation monitoring framework.	<ul style="list-style-type: none">• Report to Ofgem where we come to believe a licensee is not taking reasonable steps to implement technical outputs, or not fulfilling obligations to cooperate with the Market Facilitator• Potential role for SAB in advising us on these decisions

Summary of proposed approach to Implementation Monitoring

Function	Summary of Proposed Approach
Inputting into the NESO performance assessment process and DSO incentive process, as requested by Ofgem; a	No specific process proposed. We will use the information we have to feed into public processes and/or provide information to Ofgem as requested.
Assessing the effectiveness of services, processes, rules, standards, etc. (to identify and feedback improvements or updates into the market coordination function).	Alongside stakeholder input, the data we collect on contracted and dispatched flexibility will be a key tool for understanding whether our technical outputs are effective.

Summary – alignment with Ofgem governance outcomes

How have we met Ofgem’s governance outcomes for the MF regarding the Implementation and monitoring of the MF.

- Accountable – We will take full responsibility of MF Programme management including implementation monitoring.
- Efficient – our proposals make use of existing processes and mechanisms for efficiency, where appropriate.
- Delivery at pace – our proposals are deliverable within the timescales.
- Inclusive and collaborative – we will factor in feedback from this workshop and consultation, the proposals themselves include public consultations, checks and balances and scrutiny from stakeholders and the Stakeholder Advisory Board
- Transparent – We propose publishing data to give transparency on the implementation of technical outputs
- Trusted – we will do what we say we will do.

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- 1. Do you have comments on our approach that you've not yet raised?**
- 2. Are there implementation monitoring activities missing from what we've described?**

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05

Next Steps



Next Steps

- Next workshop is on Change Management and is scheduled for **26 February 2025**
- This workshop was moved from 20 February 2025 to 26 February 2025 to reduce half term impact
- We will share a high-level summary of this meeting and publish it on our website within the next week

Workshop Timetable

Workshop	Date
#1 Scope and deliverables	27 November 2024
#2 Budgeting and Finance	18 December 2024
#3 Market Coordination Delivery Plan	23 January 2025
#4 Implementation Monitoring	6 February 2025
#5 Enduring Change Management	26 February 2025
#6 Wash-Up of Remaining Governance Topics & revisit Budgeting and Finance or SAB	4 March 2025
#7 Finance or SAB and holistic review	20 March 2025 --> [18 March 25]
MF Detailed Design Consultation	April 2025

Thank you