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Market Facilitator Update

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Market Facilitator Transition

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Contents

What this slide deck covers ...

1

Context

How does Open Networks Transition fit into the broader process of establishing Market Facilitator?

2

Approach to Transition

When and how should Technical Working Groups hand over their work to Market Facilitator?

3

Day 1 Technical Outputs

What is included in the initial set of technical outputs (when we go live in Q4 2025)?

4

Next Steps

How will we take this forward over the next three months?

01 Context

ELEXON



Key Assumptions: Handover from Technical Working Groups

We are not expecting to duplicate the existing TWG structure (with individual workgroups for specific pieces of the end-to-end flexibility process e.g. baselining, standard agreement).

Instead, Working Groups will be handing over their deliverables and activities to broader workstreams that are:

- Drafting 'day 1' technical outputs; and
- Managing and progressing issues (prior to the establishment of formal change management processes at 'Go Live').

What will be handed over?

We assume that each TWG will hand over a 'package' of:

- Deliverables they have created;
- Ongoing pieces of work (if any); and
- Known issues to be progressed.

Consultancy Contracts

Our understanding is that work with external consultants (on primacy and dispatch interoperability) will finish before handover

We have not identified any need to novate contracts with consultants or service providers

Key Assumptions: ‘Technical Outputs’

By the end of the transition period (Q4 2025) we intend to have drafted ‘day 1’ technical outputs, that:

- Capture the work already done by Open Networks to standardise flexibility products; and
- Provide clarity on which aspects of flexibility have already been standardised, and which have not.

These ‘day 1’ outputs are just a starting point, and we will develop them further through 2026 and 2027 as set out in our Delivery Plan.

What are ‘technical outputs’?

Technical outputs are common rules, market processes, standards or APIs

Using these standardised processes reduces complexity, making flexibility markets more attractive for potential market entrants

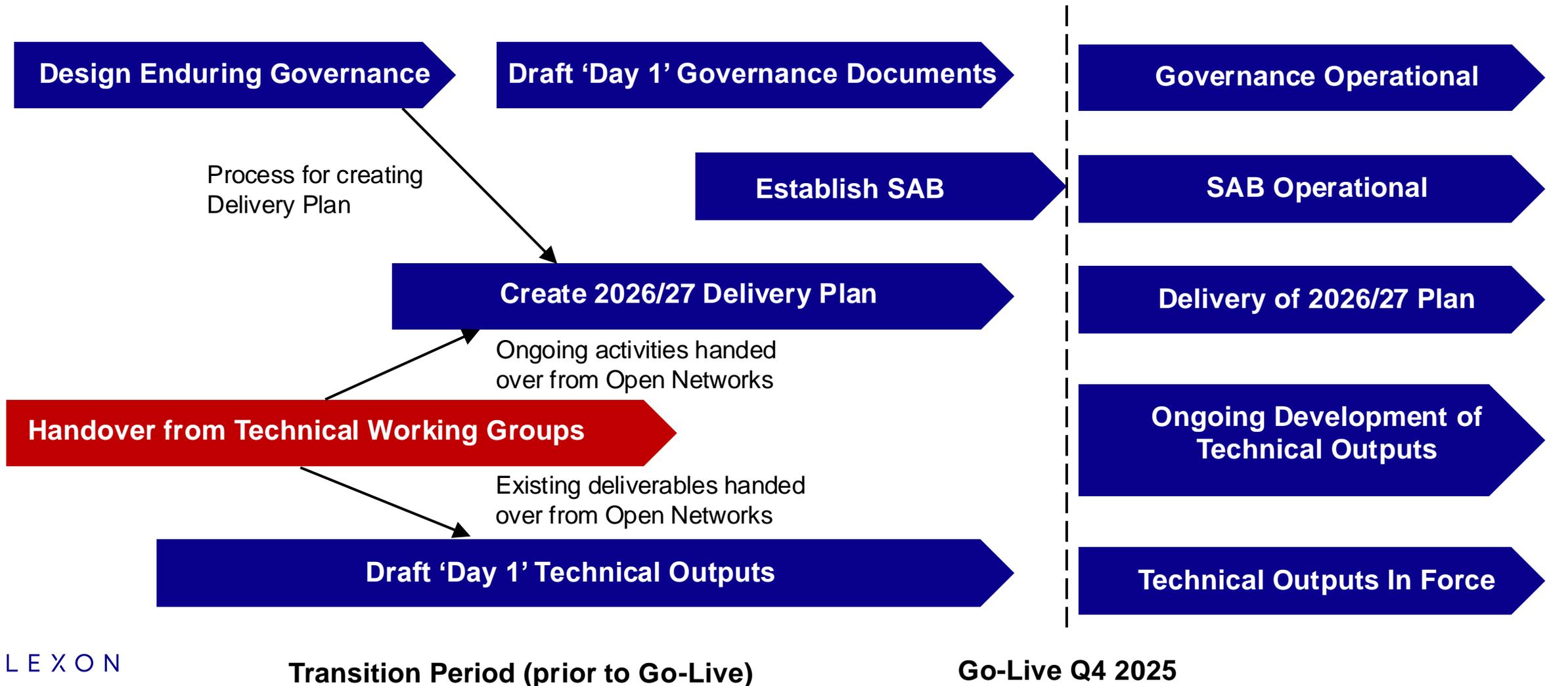
What technical outputs will we be producing for Day 1?

Section 3 of this presentation outlines our proposals for ‘day 1’ technical outputs.

But we still need to test these proposals with stakeholders.

Context for Handover from Technical Working Groups

Figure 1 - Key Activities during the Transition Period



What will we do with TWG outputs?

TWG outputs will drive much of our activity during the transition period:

1. Deliverables handed over to Market Facilitator will form the backbone of 'day 1' technical outputs
2. Some TWGs will hand over ongoing activities, which we will need to progress during the transition period (so as to not lose momentum):
 - Continuing work on revenue stacking e.g. clarifying desired whole system end-state and co-delivery model
 - Taking forward the primacy rules proposal (set out in the Baringa report)
3. Issues handed over will need to be triaged for either:
 - Resolution prior to Go Live (which means drafting technical outputs against a baseline of moving requirements); or
 - Resolution after Go Live (which feeds into the 2026/27 Delivery Plan).

02

Approach to Transition from TWGs



Open Networks - Technical Working Groups

Network Operation

Primacy Rules

Dispatch Interoperability

Operational Data Sharing

Market Development

Baselining

Flexibility Products & Stackability

Standard Agreement

Pre-qualification

Settlement Process

Planning & Network Development

Carbon Reporting

DER Visibility

Common Evaluation Methodology

ANM Curtailment Information

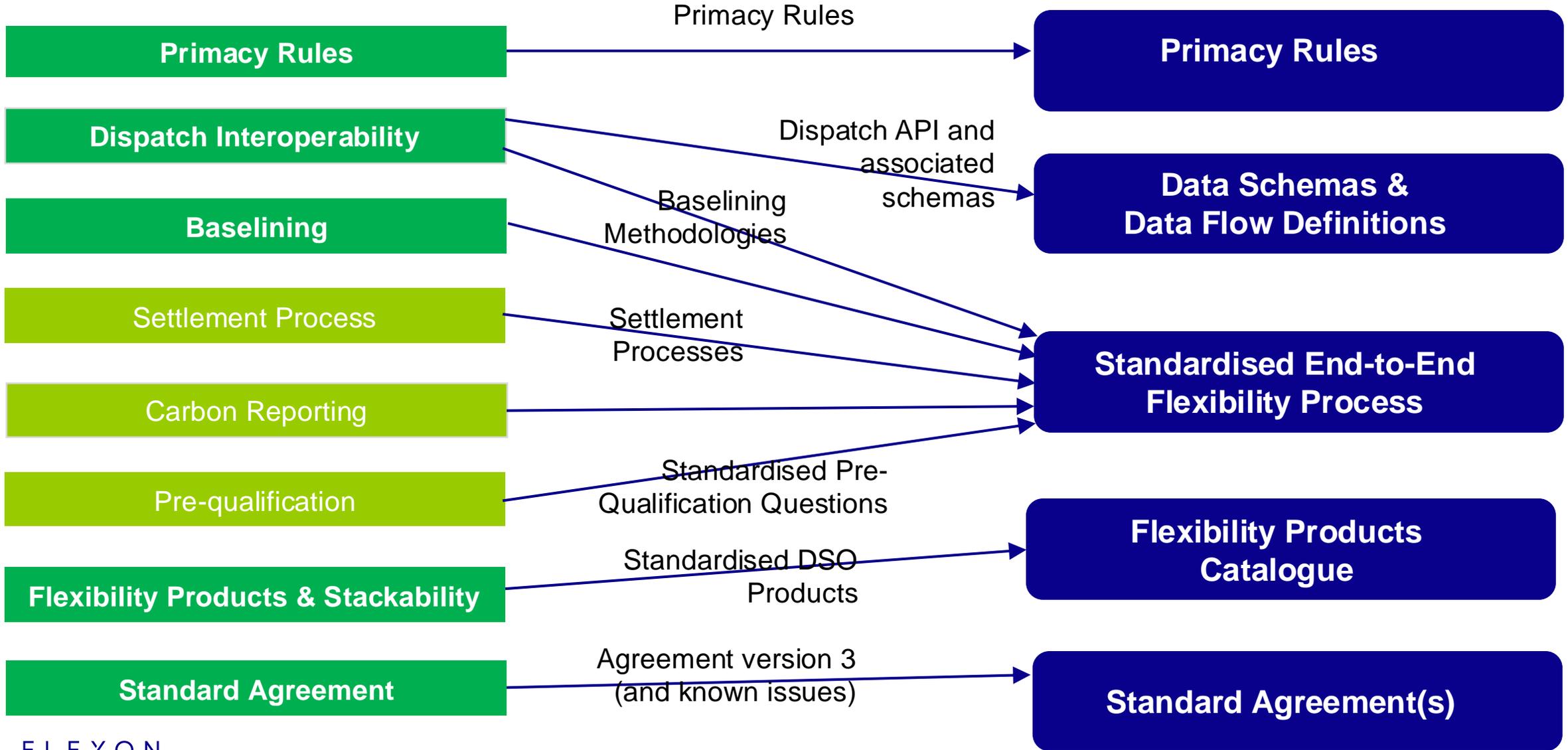
System Forecasting (DFES)

NDP & Co-ordination Register

Key

- Currently active Working Group (to transition to MF)
- Inactive Working Group (responsibility transitioning to MF)
- Continuing under ENA (but potential interaction with MF activities)
- No MF interaction identified

Mapping of Technical Working Groups to Technical Outputs



Proposed phasing of TWG hand-over

Batch 1

Handover packages delivered early March

Flexibility Products & Stackability

Settlement Process

Pre-qualification

- Stackability has reached a natural break point, so it makes sense for Elexon to start leading as soon as possible
- Settlement Process and Pre-qualification are mostly completed (for now), so should be a relatively straightforward test of our approach to transition

Batch 2

Handover packages delivered early May

Primacy Rules

Standard Agreement

Carbon Reporting

Early May handover should give time for Technical Working Groups to:

- Develop proposals (based on the Baringa report) for us to progress
- Assess changes needed to the version 3 standard agreement

Batch 3

Handover packages delivered early July

Dispatch Interoperability

Baselining

A later handover gives these two work groups the time needed to complete the significant packages of work they're currently doing

If completion of dispatch API project slips beyond early July, handover for this Workgroup could move back.

Role of Challenge Group

We are going to have to make some important decisions during 2025, which will shape the role going forward, including:

- Deliverables and activities during the transition period; and
- Scope and content of the 'day 1' technical outputs.

We will not be producing a formal Delivery Plan for the transition, and we will need to make many of these decisions before the Stakeholder Advisory Board is established.

We are therefore keen to explore whether we can use the Open Networks Challenge Group to test our proposals (to fill the short-term 'governance gap')

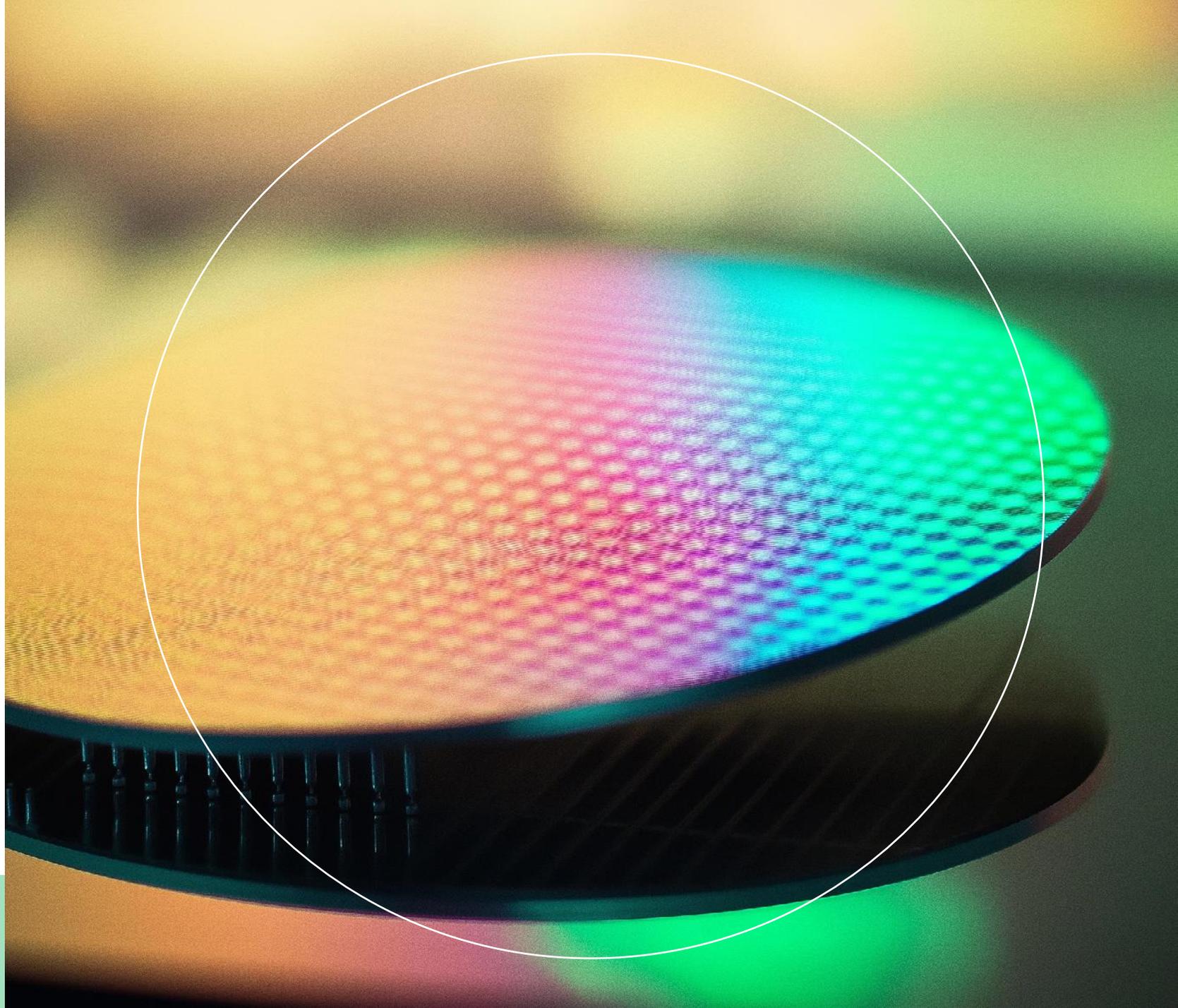
Role of Technical Working Group Members

Although we have started to transfer knowledge from Working Groups, most of the knowledge and experience still sits with Technical Working Group members

Successful delivery of Market Faciliator will depend on finding ways for TWG members to continue supporting us (even after each Workgroup has given us its 'handover package')

03

Day 1 Technical Outputs



Technical Outputs

Technical Outputs are key to the Market Facilitator's role:

- They reduce friction and complexity in flexibility markets by setting out common rules, processes and standards that everyone follows
- NESO and DSOs will be required by licence condition to adhere to them

The 'day 1' technical outputs (that come into effect in Q4 2025) will be mostly based on existing work done by Open Networks

From that point on we will further develop the technical outputs to deliver the outcomes in our Delivery Plan

Changes to technical outputs will be progressed and agreed through the Market Facilitator changes processes (to be discussed in governance workstream #5).

This deck presents an initial view on the 'day 1' 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>

04

Next Steps



Next Steps

January	<ul style="list-style-type: none">• Agree high-level plan with Open Networks + Steering Group
February	<ul style="list-style-type: none">• Test details of proposals (e.g. day 1 technical outputs) with stakeholders• Batch 1 TWGs begin preparing handover packs
March	<ul style="list-style-type: none">• First three Workgroups handover to Elexon• Drafting of technical outputs begins (supported by TWG members)• Elexon engages with stakeholders on desired end state for revenue stacking (as suggested at governance workgroup #1)

Thank you