

Power Responsive Challenge Group

Meeting Agenda

Date: 6 May 2025, 13:00–15:00.

Hosted online via Microsoft Teams.

Please contact power.responsive@nationalenergyiso.com if you have any questions.

| Agenda Item |
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| 1. Welcome and introductions – James Kerr |
| 2. Rebecca Beresford – Director of Markets, NESO |
| 3. Department for Energy Security and Net Zero (DESNZ) update – Abbie Foster |
| 4. Ofgem update – Mary Keogh |
| 5. Demand Flexibility Service (DFS) update – Richard Hanson |
| 6. 'Out of Hours' Telephony Requirements |
| 7. Demand Side Flexibility Routes to Market stage 3 – Damien Kelly |
| 8. Power Responsive Annual Report 2024 update – Vanessa Jones |
| 9. Look ahead – Power Responsive engagements in 2025 – Vanessa Jones |
| Challenge Group Actions, AOB & Meeting Close – Callum Wright |

1. Welcome and Introductions

James Kerr welcomed attendees and provided an overview of the meeting agenda.

2. Rebecca Beresford – Director of Markets, NESO

Rebecca Beresford, Director of Markets at NESO, introduced herself and shared her reflections on her first seven months at NESO. She joined the organisation last September, just before NESO went live on 1 October, transitioning from her previous role as Director of Strategy and Policy at EDF. Rebecca expressed initial concerns about the organisation's ability to engage externally and collaborate genuinely, but she was pleased to find that her fears were largely unfounded.

Rebecca highlighted the organisation's commitment to achieving clean power by 2030 (CP30) and the significant work that went into providing advice to the government on this mission. She was impressed by the amount of work done by NESO to source genuine input and expertise from a broad set of market participants, particularly around flexibility and demand side flexibility assumptions.

She emphasised the enthusiasm and commitment of the NESO Markets team in recognising the changing needs of the system and the opportunities from new technologies. Rebecca mentioned the flexibility strategy and the routes to market review, which were key areas of focus for the team. She was pleased with the publication of the demand side flexibility document and the routes to market phase two publication before Christmas.

Rebecca acknowledged that NESO does not have all the answers and emphasised the importance of collaboration and working together with external stakeholders to build the right markets for the future.

3. Department for Energy Security and Net Zero (DESNZ) Update

Abbie Foster, Senior Policy Advisor in the Consumer-Led Flexibility (CLF) policy team at DESNZ, provided an update on consumer-led flexibility, which is a rebrand of what was previously known as demand side response (DSR). Her focus is on non-domestic CLF, and she mentioned that her policy area is largely non-market based.

She highlighted the government's core mission of making Britain a clean energy superpower, with the ambitious target of delivering clean power by 2030. At the end of last year, the government published the Clean Power Action Plan (CPAP), which included key areas needed to meet CP2030 objectives, such as short and long-duration flexibility.

Abbie mentioned that there has been increased interest in flexibility from senior government officials, recognising its critical role in meeting targets. The government committed to publishing a low-carbon flexibility roadmap, which will consolidate ongoing work and include fresh commitments from government, Ofgem, and NESO. The roadmap is expected this summer, with a firm date still to be determined.

She also discussed the implementation of an enduring governance framework to transparently track delivery progress against roadmap commitments. This framework will likely include regular public forums with senior stakeholders to promote accountability.

Abbie mentioned a consultation on consumer engagement, which will ask questions on the appropriate scope for this work and help inform a framework for consumer engagement. This consultation is expected to be published around summer.

She acknowledged that the CLF team has had positive organisational changes, including spinning out from the broader smart energy team into a dedicated policy group and actively growing the team.

Abbie emphasized the importance of maintaining momentum in flexibility and mentioned that the CLF team is closely connected with the Clean Power Unit colleagues responsible for delivering the mission under Chris Stark.

She addressed questions from attendees, including interactions with other strategies like the industrial strategy, the scope of the consumer engagement consultation, and the need for updated modelling to show the optimal value of consumer flexibility on the system.

Abbie concluded by expressing her willingness to take questions after the event and encouraged attendees to get in touch if they had any insights or thoughts.

4. Ofgem Update

Mary Keogh, Strategy Advisor in Ofgem's central strategy team, provided updates on various work streams related to flexibility. She mentioned that her primary role is in coordination across the organisation, and she works on non-flex as well.

Mary highlighted the focus on the Flex Roadmap, which is being developed in collaboration with colleagues in NESO and DESNZ. She mentioned the publication of the

consultation decision on flexibility market asset registration in March, and the selection of Elexon as the delivery body for FMA due to its role as Market Facilitator. The delivery timeline for the FMA digital infrastructure is expected in 2027, ideally before the completion of the roll-out of market-wide half-hourly settlement.

She also discussed the establishment of the Market Facilitator by the end of 2025, with consultations and decisions on new licensing conditions on NESO and DNOs, a governance framework document, and an impact assessment. The policy framework decision will be published at the end of May, setting out decisions on the market facilitator scope, deliverables, and performance arrangements.

Mary mentioned the recent publication of the consultation response on SSES in April, which set out the policy intent for licensing regimes and commitments to timescale. The license application window is expected to open in mid-2026, with a transition period following this to allow for applications to be assessed and processed by Ofgem.

She provided updates on the electricity distribution framework decision for ED3, which was published on 30 April. ED3 will adopt a longer-term approach to network planning investment, with DNOs preparing for long-term integrated network development plans to 2050. Distributed flexibility will play an important role in ED3 especially where it enables faster connections or helps manage outages and faults efficiently.

Mary also discussed code modifications, including the approval of BSC modifications for P444, which brings in new compensation mechanisms for the balancing market. She mentioned the interest in P483, which may remove a barrier stopping aggregators from working with consumers that aren't half-hourly settled. Elexon is hoping to implement this in September.

5. Demand Flexibility Service (DFS) Update

Richard Hanson provided an update on the Demand Flexibility Service (DFS). He mentioned that DFS has evolved significantly since its first year of operation. This winter, DFS transitioned to a merit-based margin tool, moving away from being an enhanced action contingency tool. Key changes included the ability to stack DFS with other products, removal of day-ahead procurement aspects, introduction of performance incentives, and enhanced API capabilities.

Richard highlighted that DFS has seen over 70 Service Requirements published since 27 November 2024, with a wide range of pricing reflecting market conditions. The highest bid accepted was £1290, and the volume steadily increased to over 2000MW. He noted that there has been an encouraging amount of volume participation from both domestic consumers and the commercial sector. Delivery from end consumers continues to be dominated by manual actions.

Looking ahead, Richard mentioned that DFS would operate outside the winter period for the first time following the approval of a derogation from Ofgem until April 2027. This autumn will also be an interesting period as last year NESO only had the product available from the end of November. He also discussed plans to explore the capabilities and changes required to expand DFS to include bidirectional delivery and locational considerations. The process for evolving DFS involves engagement with DNOs, early design proposals, and formal consultations.

Richard addressed questions about the use of DFS, noting that the market dynamics dictate the volume and pricing. He emphasised that DFS provides the mechanism for parties unable to participate in our core markets to still see value and participation in flexibility. He also acknowledged the continued assessment of delivery and mentioned ongoing audits to ensure delivery accuracy and scrutiny on performance.

6. 'Out of Hours' Telephony Requirements

The discussion was initiated by a group member who raised the challenge of the requirement for system telephony 24/7 for smaller assets providing flexibility services. It was argued that this requirement is impractical for smaller players and suggested that smaller assets or aggregated smaller assets should be exempt from this requirement to attract more flexibility into the market.

Another participant expressed a different viewpoint, emphasising the importance of having someone available at the end of the phone when issues arise, regardless of asset size. They asserted that the control room needs to communicate with assets when problems occur, and this requirement has long existed for valid reasons.

A concern was raised about potentially creating another issue similar to the skip rate problem, where reliable flexibility providers with telephony requirements might be prioritised over those that are not as reliable.

Clarification was sought on whether the telephony requirement applies to the control room or individual assets. It was clarified that the control room needs to be able to communicate with the aggregated assets providing flexibility.

One member asked what an ideal response or solution would look like. It was proposed that assets from 0 to 10MW, or up to 50MW under one control point, should be exempt from the telephony requirement.

The discussion concluded with an agreement to consider the views expressed and determine the necessary actions to address the challenge. The issue will be added to the Power Responsive challenge log and reviewed at subsequent meetings.

7. Demand Side Flexibility Routes to Market Stage 3

Damien Kelly provided an update on the Demand Side Flexibility Routes to Market Stage 3 report. He mentioned that the report is the final stage of the project and sets out the plans for removing barriers to demand side flexibility across NESO services. The report includes an update to the barriers removal process, which involves identifying barriers, prioritising them, assessing options, and implementing solutions.

Damien highlighted that most barriers are currently in the options assessment stage, with some more progressed activities in the detailed design stage. He also mentioned that there are barriers outside NESO's control, which are being addressed through engagement with other parties.

Damien shared a high-level programme plan that outlines the activities and milestones for removing barriers over the coming years. He proposed three key performance indicators (KPIs) for reporting progress: a quarterly update to the RAG table, a general barriers programme status

dashboard, and the volume of demand side flexibility participating across NESO services. He emphasised the importance of feedback on these KPIs.

Damien also mentioned that NESO is feeding into the collaborative roadmap with DESNZ and Ofgem, and an action associated with barriers removal will be included in the roadmap. He invited attendees to join the [webinar](#) on 12 May for a more detailed discussion and encouraged them to get in touch with him or the NESO team for one-on-one discussions.

8. Power Responsive Annual Report 2024 Update

Vanessa Jones announced that the Power Responsive annual report for 2024, along with the inaugural databook, will be published in the coming weeks [post meeting note: this has now been [published](#)].

The report covers recent policy and industry initiatives, highlighting the latest policy, regulatory, and industry-led initiatives that support or impact demand side flexibility. It includes comprehensive metrics demonstrating activities across NESO and DSO markets in 2024 and offers a detailed look into demand side operations. The report uses up-to-date data to examine trends and changes in demand side flexibility markets in 2024, with a glimpse ahead to future markets.

Vanessa also introduced the launch of the first databook, which operates as a separate interactive Excel file. The databook can be used to isolate data for specific time points or markets, allowing greater insight using a mix of data sources, including NESO's data portal. She encouraged stakeholders to provide feedback for future iterations of the databook.

Vanessa expressed gratitude to Ofgem, DESNZ, NESO colleagues, and Everoze for their significant contributions to the development of the report.

9. Look Ahead – Power Responsive Engagements in 2025

Vanessa Jones announced several planned engagements for the Power Responsive team. She mentioned that they started running collaboration Flex summits, supporting Flex Assure, an assurance scheme, to promote participation of industrial and commercial customers into flex markets. These events have been well received, providing participants with information on how participating in flex markets can benefit their business and how they can enter directly or utilise aggregators. The team works in collaboration with local DSOs regionally, with events held in Manchester and Glasgow, and upcoming summits in London and the South West of England.

Vanessa also mentioned Power Responsive's attendance at the Distributed Energy Show in March and the upcoming Routes to Market Stage 3 webinar. Additionally, we will be providing an update on the Operational Metering Independent Review from DNV in early June. The flagship, in-person, event will be held in Autumn, and NESO will be exhibiting at the Energy Managers exhibition at the Excel Centre in London in November. Vanessa invited anyone keen to speak at the event to get in touch with Power Responsive – power.responsive@nationalenergyso.com.

10. AOB & Meeting Close

Callum Wright invited any other business and thanked attendees for their participation. James Kerr asked attendees to fill in the survey and closed the meeting.