

Demand-side Flexibility Routes to NESO Markets Review

Quarterly Update 1, Q4 2025

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Introduction

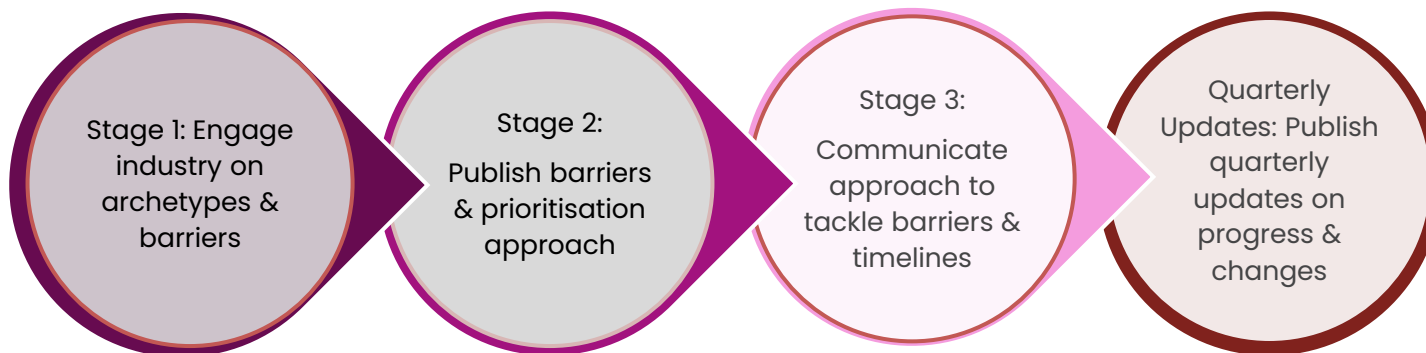
Update on recent key progress

We are removing barriers for demand-side flexibility

The Demand-side Flexibility Routes to Market Review is NESO's project for **removing barriers** to NESO services for demand-side flexibility. It is a part of the Enabling Demand-side Flexibility in NESO Markets programme that is seeking to deliver increased **competition**, **coordination** and **coherent** market arrangements for GB, in collaboration with DESNZ, Ofgem, Elexon, DNOs and industry.

[Stage 1](#) of the Review was published in May 2024, and set out to identify barriers for a range of archetypes across NESO services. [Stage 2](#), published in December 2024, set out our barrier removal process and approach to prioritisation. [Stage 3](#), published in May 2025, included the barrier removal plan and set out our ongoing engagement approach.

This report is the first of our quarterly updates. It includes a progress update, an update to the RAG service barrier table and a change log, and the first publication of the Demand-side Flexibility in NESO markets data dashboard, which is published alongside this report.



Recent progress in removing barriers

Balancing Mechanism

As a result of an independent review into the Balancing Mechanism (BM) **Operational Metering** requirements for <1MW aggregated assets, we will be [relaxing accuracy, refresh rate and latency requirements](#) in early 2026 to make the BM more accessible to small scale aggregated assets. In parallel we will also be launching new workstreams that aim to further alleviate metering related blockers over the coming months and years.

We are also committed to continuing the **operational metering derogation** which allows up to 300MWs of aggregated assets to permanently participate in the BM using operational metering requirements that are more relaxed than those being introduced in early 2026. To date there are two providers and 17.7 MW registered as part of this derogation.

[P483](#) has been approved by Ofgem and will be implemented in November 2025. This will allow asset metering systems to be used in BM settlement where the associated boundary point metering system is **non-half hourly settled**. This also impacts services instructed via the BM such as reserve.

[P444](#) will also be implemented in November that introduces a **compensation** between suppliers and VLPs for the BM.



Recent progress in removing barriers

Demand Flexibility Service(DFS)

We commenced engagement with industry in July about possible reforms to DFS including possible service design changes related to **ABSVD, baselines**, introducing a **bidirectional service** and **locational procurement**. This included a number of workshops and 1 to 1 engagements. We have also been working closely with DNOs on associated impacts and interactions, including developing processes related to Primacy. We are currently consulting on reforms to the service. This includes reducing the **minimum unit size from 1MW to 0.1MW**, and introducing a negative margin element (i.e. including **Demand Turn Up**).

Local Constraints Market (LCM)

We have extended LCM until January 2027. We have seen recent growth in participation including a number of new demand-side flexibility providers. This growth is enabled by evolution of the LCM service including a progressive asset metering approach, no minimum MW participation threshold, and the ABSVD opt-out to support aggregator participation. We have also seen the ABSVD opt-out solution, introduced in 2024, utilised by a number of providers.



Recent progress in removing barriers

Static Firm Frequency Response (Static FFR)

We began engaging with industry during the summer on possible reforms and options to improve the Static FFR service for NESO and for participants. Reform options include considerations related to DSF barriers such as **sub-1MW and non-integer** procurement, **metering**, lowering the **trigger level** and on improvements to the service to provide additional value to the control room to aid system operation.

We are currently consulting on reforms to the service. This includes proposals to reduce the **minimum unit size from 1MW to 0.1MW**, and lowering the **trigger level to 49.65Hz**. We will also be publishing guidance on the 1-second unit-level performance metering requirement, to aid providers in understanding how they can meet this requirement at a unit level, with sub-unit/asset metering that may be less granular than this.



Recent progress in removing barriers

Balancing Reserve

We consulted on changes to Balancing Reserve earlier this year, and Ofgem has now [approved](#) a number of changes to the service. This includes changes to the **dispatch flexibility rules** that were highlighted as a barrier to demand-side flexibility. The rule changes include extending the minimum non-zero time from 1 minute to 5 minutes, and extending the indivisible capacity from 1MW to 25MW. We expect these changes will now enable some demand-side flexibility technologies to be able to participate in Balancing Reserve. Changes mentioned earlier in this document to the Balancing Mechanism also apply to Balancing Reserve.

Slow Reserve

Ofgem has recently [approved](#) the Slow Reserve service design following NESO consultation with industry over a number of months. The service design includes **operational metering** at a 15 second read frequency, which is more stringent than STOR requirements (30 seconds) but a relaxation from the initially proposed 1 second requirement. Ofgem agree with our justification that a reasonable compromise has been reached between industry needs and the operational requirements of NESO's control room. Other changes from STOR include reducing the minimum threshold from 3MW to 1MW, shortening service windows and allowing non zero baselines.

Go-live of the Slow Reserve service has been delayed from the originally planned date of October 2025. This delay is due to unexpected implementation challenges and then a desire not to shift operational tools during the (usually more operationally challenging) winter period. The service will now launch no later than 31 March 2026.



Recent progress in removing barriers

Other progress

Progress has been made in a number of other areas related to barriers to NESO markets including:

- BSC Issue 114, where NESO have raised a BSC code modification, P502, for issue 1 to introduce consistent arrangements for **imbalance adjustments (ABSVD) and compensation** across BM and non BM markets
- Progress on **Primacy** and the Risk of Conflict Reporting to ensure that participation is maximised across NESO and DNO markets without creating issues for distribution network capacity.
- Creating **definitions** for Domestic and Industrial and Commercial Demand Side Flexibility, and capturing data consistently for all NESO markets and participations to enable consistent tracking and reporting.
- The Office for Product Safety & Standards published a consultation on the **Measuring Instruments Regulations** in May and NESO submitted a response supporting amendments to the physical display requirement to allow remote-only options.

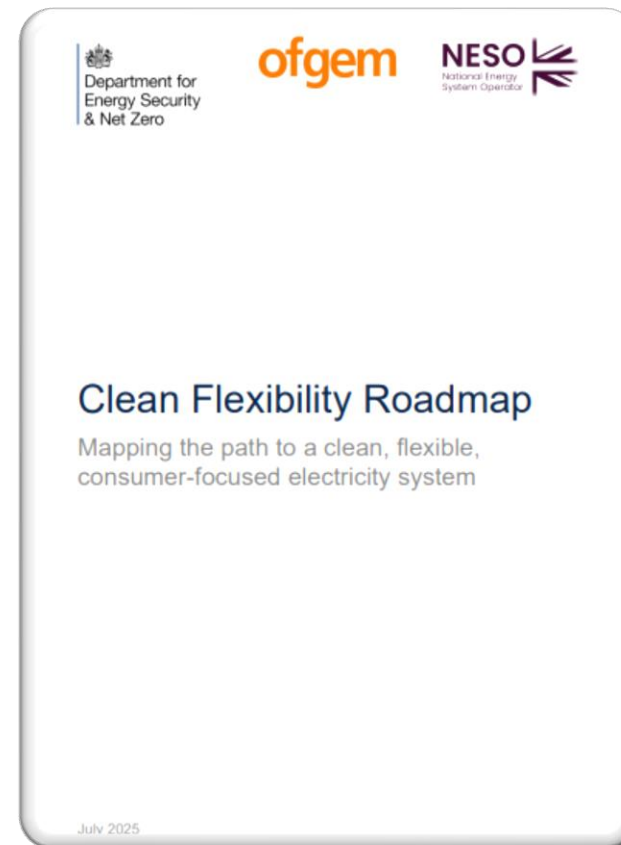


Recent progress in removing barriers

Clean Flexibility Roadmap

The Clean Flexibility Roadmap was published in July in collaboration with DESNZ and Ofgem. DSF Routes to Market has been recognised as fundamental to the Clean Flex roadmap and has been included as an action in its own right. Additionally, NESO has made a number of commitments in the roadmap including a range of initiatives focusing on growing the non-domestic flexibility market.

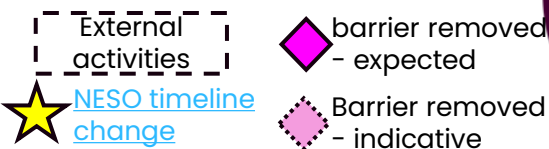
These include setting a **capacity target for non-domestic demand-side flexibility** in our markets, creating a **dedicated onboarding team** and **promotion and outreach** to non-domestic sectors. The Enabling Demand Side Flexibility in NESO Markets update report provides an update on all the actions taken by NESO to enable demand-side flexibility in NESO services.



Plan on a page

This section sets out the planned timeline for removing identified barriers. The plan reflects both NESO-led activities and broader industry dependencies, helping stakeholders understand when changes will take effect and how they align with wider industry initiative timelines. A deeper dive into each project will be provided in the following section.

Barrier removal programme plan (Q4 '25)



Quarters are calendar years throughout this report		2025	2026				2027				2028			
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Onboarding	B16 Registration & onboarding	Continuous improvement of onboarding & registration systems, processes & information												
		Flexibility Market Asset Registration (FMAR) design				Flexibility Market Asset Registration (FMAR) build								
	B15 Visibility of service information	Onboarding team supporting non domestic consumers & aggregators/suppliers & improved digital experience												
Procurement & Dispatch	B10.1, B10.2 Sub 1 MW & non integer	Sub 1MW & non integer options assessment		★	Detailed design & implementation subject to outcome of Options Assessment.						◆			
		DFS & Static FFR consultation & assessment		◆										
	B13 Aggregated BMU location	assessment		★										
	B12 Skip rates	"Skip Rate" reporting	★	Ongoing Skip Rate programme activities										
	B4 Static FFR metering	◆	Metering guidance for Static FFR											
	B11.1 DNO DTU limits	Primacy data exchange capability & DFS primacy live		Enhanced Primacy capability development										
Settlement	B9 Imbalance & compensation	BSC modification for NESO ancillary services							◆					
Metering & Baselines	B1.1, 1.2 BM Ops metering	Implementation		◆	Synthetic metering workstream									
	B2 Smart meter data access	Consumer consent solution MMP					◆	Consumer consent solution iterative releases						
	B5 Measuring Instrument Regs	MIR consultation government response (estimated)												
	B14 Static resp. EFA blocks	Needs assessment standardised 30 minute for Response services				★		◆						
	B7.2 Cross Service Baselines	NESO and DSO services aligned , in line with Market Facilitator Flexibility Market Rules												

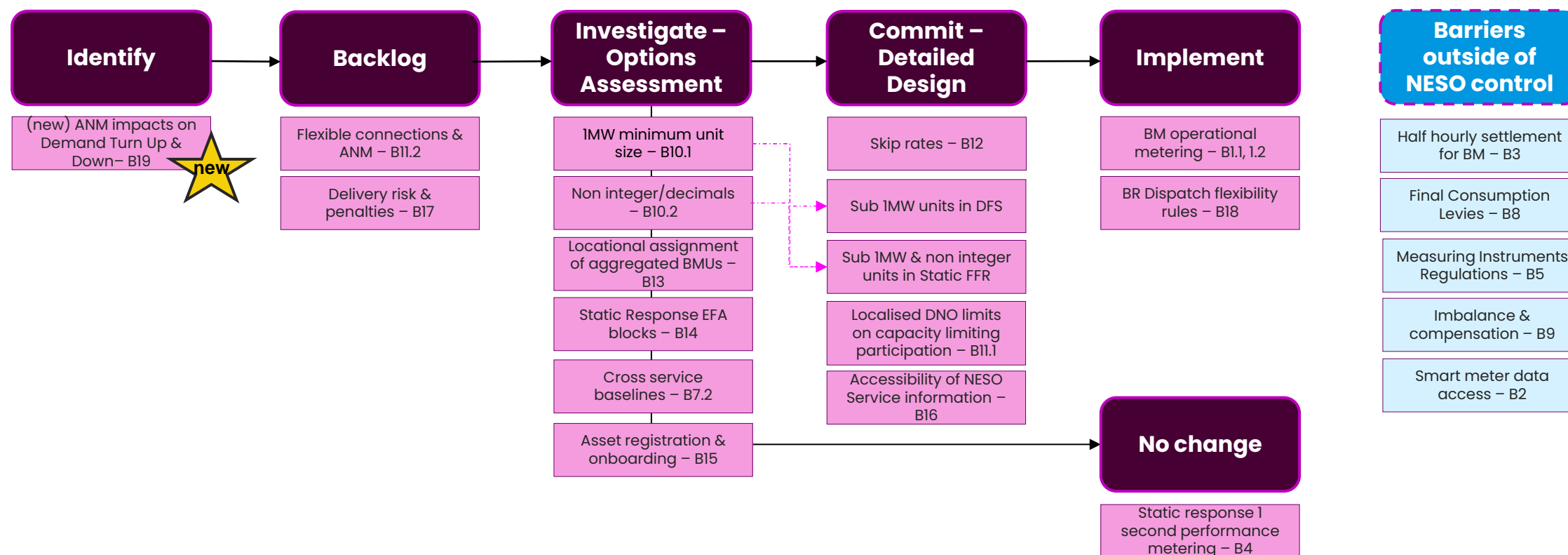


Zooming in: Detailed Project Updates

Removing barriers requires sustained action across multiple fronts. In this section, we provide detailed updates on the progress and upcoming activities for each barrier removal initiative. Barriers are grouped according to the stages they are currently in.

Where Each Barrier Stands Today

- This diagram highlights where each barrier sits in the removal process.
- B numbers refer to the barrier number & description from our [stage 2 report](#).
- Not all barriers are in the control of NESO to fully or partially resolve. The barriers outside of our control are highlighted.



Barriers in Options Assessment

Barrier	Number	Relevant Services	Recent progress	Upcoming activity	Milestones
1MW minimum unit size to participate in services	B10.1	All except LCL	<ul style="list-style-type: none"> For DFS, we are consulting on reducing the minimum unit size from 1MW to 0.1MW in Q4 2025. For Static FFR, we are consulting on reducing the minimum unit size from 1MW to 0.1MW and on allowing decimal bids in Q4 2025. A project has been initiated internally to assess options for introducing sub-1MW and non-integer bidding and dispatch consistently across Response and Reserve. The Open Balancing Platform(OBP) is assessing options to introduce capability as part of the roadmap setting for FY 27/28.* <p>*OBP only creates the technical capability in the software and is not commitment to launch sub-MW or non-integer.</p>	<ul style="list-style-type: none"> Ofgem decision on DFS service in Q2 2026. Go live expected shortly afterwards. Ofgem decision on Static FFR service in Q2 2026. Go live expected shortly afterwards. External engagement on Sub-1MW & non-integer barrier removal project. Seeking alignment with Reformed National Pricing options. 	<ul style="list-style-type: none"> DFS reform approved & go live – Q2 2026 Static FFR reform approved & go live Q2 2026. Options assessment for frequency and balancing mechanism to be concluded by Q2,2026
Only allow bids in whole MW increments and do not allow decimals of 1MW	B10.2	All except DFS and LCM			
Aggregated BMUs cannot assign to a specific GSP	B13	BM	<ul style="list-style-type: none"> Each aggregated Balancing Mechanism Unit is assigned to a single geographical node in our legacy BM systems, and to a single Grid Supply Point(GSP) in the Open Balancing Platform (OBP) We have concluded that locational assignment is not the “barrier” it is perceived to be. We welcome further engagement with stakeholders who believe they are being adversely affected by how we locationally assign aggregated units. 	<ul style="list-style-type: none"> Integrate the Aggregator Impact Matrix(AIM)into the Single Markets Platform(SMP). We need to clarify what functionality OBP is introducing and when to aide the utilisation of aggregated units for location purposes, including utilising AIM information. Therefore we will keep this barrier open and report progress in the next quarterly update. 	

Barriers in Options Assessment

Barrier	Number	Relevant Services	Recent progress	Upcoming activity	Milestones
Registration & onboarding of assets	B16	All	<ul style="list-style-type: none"> Definitions for “Domestic” and “Industrial and Commercial” Demand Side Flexibility have been defined and added to SMP for unit and asset data collection. Commitment in the Clean Flexibility Roadmap to set up an onboarding team for domestic consumers and their suppliers/aggregators. 	<ul style="list-style-type: none"> Migration of Aggregator Impact Matrix(AIM) to SMP We are supporting the Market Facilitator in the design and development of the Flexibility Market Asset Registration (FMAR) Onboarding team in place from November 2025 to support non-domestic consumers and providers 	
Procurement in (Electricity Forward Agreement) EFA blocks	B14	Static FFR and DC, DM, DR	<ul style="list-style-type: none"> We are currently assessing the needs case for a standardised 30-minute (settlement period) service window for all Response services 	<ul style="list-style-type: none"> Conclude assessment of needs case, and prioritise as part of Response backlog Subject to assessment, consult on Response reforms 	<ul style="list-style-type: none"> Q3 '26 needs case assessment
Cross service baselining	B7.2	All	<ul style="list-style-type: none"> DFS is planning to introduce baseline options for renewable assets (wind and solar) We have been assessing options for renewable assets including considering the standardised baselining methodologies that were introduced for DNOs by the Market Facilitator in Q3. 	<ul style="list-style-type: none"> DFS will consult in baselines changes shortly as part of service reform. 	<ul style="list-style-type: none"> - DFS service reform approval & go live Q2 2026
Access to smart meter data for 3 rd parties	B2	DFS	<ul style="list-style-type: none"> We have concluded that NESO obtaining individual MPAN boundary smart meter data directly for DFS is too costly and will take considerable time(due to Smart Energy Code(SEC) modification requirements). The Retail Energy Code Company (RECCo) Consumer Consent solution is expected to solve this challenge from 2026 onwards 	<ul style="list-style-type: none"> Engage with providers who still consider this a barrier & support and consumer consent solution use case development. 	<ul style="list-style-type: none"> Moving to external barrier

Barriers in Detailed Design

Barrier	Number	Relevant Services	Recent progress	Upcoming activity	Milestones
Skip Rates	B12	BM	<ul style="list-style-type: none"> Demand-side Flexibility data for assets and units collected from providers, to ensure accurate skip rate reporting Draft reporting complete with existing data 	<ul style="list-style-type: none"> Finalisation of Demand-side Flexibility Balancing Mechanism Unit (BMU) data and publication of Skip Rate data Please do reach out if you have not provided "demand-side flexibility" data 	<ul style="list-style-type: none"> Demand-side Flexibility skip rate reporting – Q4 '25
Visibility and accessibility of NESO service information, standards and policies	B15	All	<ul style="list-style-type: none"> As part of our commitment in the Clean Flexibility Roadmap to support the onboarding of non-domestic flexibility by putting a dedicated onboarding team in place, we are updating our website for easy access to information for flexibility providers and non-domestic consumers. 	<ul style="list-style-type: none"> Initial website updates live from November 2025 and ongoing improvements. 	<ul style="list-style-type: none"> Website improvements November 2025 Onboarding team in place – November 2025
Localised DNO limits on capacity limiting participation	B11.1	LCM(& likely reformed DFS)	<ul style="list-style-type: none"> Progress has been made as part of the Primacy workstream, utilising learnings from LCM, to aid the design of how Primacy is operationalised for DFS and LCM. Risk of Conflict reporting is being set up for DFS and LCM. This will include any demand (turn up) constraints DNOs are concerned about. 	<ul style="list-style-type: none"> Deliver data exchange capability to identify risk of conflicts across DFS, Dynamic Response, Reserve, LCM Implement Primacy rules for DFS Review of conflict data, analysis and capability development of enhanced primacy functionality 	<ul style="list-style-type: none"> Jan-26: Risk of Conflict Data exchange capability Mar-26: Application of primacy rules for DFS

Barriers in Implementation

Barrier	Number	Relevant Services	Recent progress	Upcoming activity	Milestones
Operational Metering	B1.1, B1.2	BM, BR	<ul style="list-style-type: none"> DNV have concluded the independent review of operational metering for the Balancing Mechanism. We have published our proposed approach 	<ul style="list-style-type: none"> Phase 1: In Q1 2026, we will introduce revised metering requirements for <1MW aggregated assets to participate in the BM Phase 2: Kick off workstream to explore synthetic Metering Options 	<ul style="list-style-type: none"> Revised operational metering standards introduced – Q1 2026 Synthetic metering workstream – 2026 – 2028
Dispatch flexibility rules (1MW/1 min)	B18	Balancing Reserve	<ul style="list-style-type: none"> We have consulted on amending the Dispatch Flexibility Rules, and Ofgem have approved the revised service rules. We believe that these new rules (5 minute minimum non zero time and 25 MW indivisible capacity) will enable some demand-side flexibility asset types to participate in the service. 	<ul style="list-style-type: none"> We propose to close this barrier. Please do get in touch if you disagree with this assessment. 	

Public Barriers identified & in Backlog

Barriers in the backlog will be taken forward to “options assessment” and later process stages, in line with wider market change request prioritisation, or as part of service reform initiatives. Market change backlog prioritisation is undertaken regularly in line with new drivers for change emerging from government policy and regulation, market participant proposals and control room requirements.

Barrier	Number	Priority ¹	Relevant Services	Recent progress	Upcoming activity
Flexible connections & Active Network Management (ANM) prequalification assessment	B11.2	1	All	<ul style="list-style-type: none"> Scoping of currently impacted assets from ANM assessment. There have been very few assets that have required an assessment of ANM connection impacts, & no assets have been reject through prequalification because of ANM. 	<ul style="list-style-type: none"> Assessment of how Primacy may remove the need for ANM assessment during prequalification, and changes to services terms that may remove need for ANM prequalification assessment.
Delivery certainty risk & penalties for not meeting 100%/no tolerances	B17	2	All	<ul style="list-style-type: none"> DFS has introduced lenient tolerances and penalties to encourage accurate delivery in a proportional manner for flexibility providers participating in the service. No specific actions to date as this barrier sits in our barrier backlog 	<ul style="list-style-type: none"> Review of penalties & tolerances across NESO services & recommendations for follow on activity Review of international best practice
(new) ANM impacts on Demand Turn Up & Demand Turn Down	B19	3	All demand actions	<ul style="list-style-type: none"> This is a newly added barrier, following on from assessment of impacts of Primacy and ANM connections. As currently designed, DNO ANMs will likely counteract NESO “demand turn up” and “demand turn down” market actions in active ANM zones. 	<ul style="list-style-type: none"> Assessment of the expected impact of ANM on assets in future to inform future work.

Public Barriers Outside of NESO Control- Collaborating for Change

These barriers require industry-wide actions. We are collaborating closely with relevant parties.

Barrier	Number	Relevant Services	NESO activity	External activity status	• Estimated resolution
Imbalance adjustments and compensation mechanisms	B9	All	<ul style="list-style-type: none"> we are supporting the Balancing & Settlement Code (BSC) Issue Group 114 We have raised a BSC modification for issue 1 of Issue Group 114, P502, to introduce consistent arrangements for BM and non-BM ancillary services providers. LCM has introduced an Applicable Balancing Services Volume Data (ABSVD) opt out and price adjustment mechanism, that is now being utilised by some providers. 	<ul style="list-style-type: none"> NESO will be raising a code modification resulting from Issue group 114, issue 1, in November 2025. Ofgem have approved the “direct compensation” approach for P444, to be implemented in November 2025 As part of the Clean Flexibility Roadmap, DESNZ and Ofgem are reviewing how suppliers, aggregators and other non-licensed entities participate and interact in the market. 	<ul style="list-style-type: none"> P444 – implementation November ‘25 BSC modification initiated – November ‘25
Half Hourly Settlement (HHS) required for meters	B3	BM, BR, Phase 1 QR & SR	<ul style="list-style-type: none"> We have removed HHS requirements from all services where we have the ability to do so (DFS and LCM) 	<ul style="list-style-type: none"> A BSC code modification(P483) has been approved to resolve this issue, and implemented in November ‘25 The Market Wide HHS programme also began migration of domestic meters to HHS in October. 	<ul style="list-style-type: none"> Q2 ‘27 – MWHHS transition complete
Measuring Instruments Regulations	B5	All	<ul style="list-style-type: none"> We have been engaging with Government and Industry, building on insight from the Operational Metering working group. 	<ul style="list-style-type: none"> Government have consulted on amending MIR requirements and NESO submitted a response supporting amendments to the physical display requirement to allow remote-only options. 	<ul style="list-style-type: none"> Consultation response TBC

Barriers Outside of NESO Control- Collaborating for Change

These barriers require industry-wide actions. We are collaborating closely with relevant parties.

Barrier	Number	Relevant Services	NESO activity	External activity status	Estimated resolution
Final consumption levies	B8	All with DTU	<ul style="list-style-type: none"> We are engaging with DESNZ and Ofgem on the final consumption levies challenge for DTU in balancing and ancillary services markets. 	<ul style="list-style-type: none"> DESNZ and Ofgem have reviewed options available for EV and small-scale battery owners exporting electricity to the grid and agreed that DESNZ will introduce legislation when parliamentary time allows to enable the establishment of a potential final consumption levy rebate scheme. The recent Government budget announced a reduction in Renewables Obligation costs for domestic consumers. 	
Consumer Consent Solution	B2	DFS	<ul style="list-style-type: none"> Adding this as “barrier outside of NESO control” following conclusion of option assessment to obtain smart meter data directly, that concluded that the Consumer Consent Solution is a more appropriate solution. 	<ul style="list-style-type: none"> Ofgem and the Retail Energy Code Company (RECCo) have initiated the Consumer Consent Solution design and build process, with an MVP expected to be live in 2026. 	MVP 2026

Barriers in no change

Barrier	Number	Relevant Services	Recent progress	Upcoming activity	Milestones
1HZ performance metering	B4	Static FFR	<ul style="list-style-type: none"> We have assessed this during Static FFR reform analysis and have concluded that 1 second performance metering at a unit level is not a barrier, as the requirement is at a unit level(not an asset level) and meter data is submitted after delivery of the service(i.e. not live data) 	<ul style="list-style-type: none"> We recognised that there may be uncertainty about how aggregated units can meet 1 second metering at a unit level with less granular metering at an asset level. We will be publishing guidance to support providers in understanding how this can be met. 	<ul style="list-style-type: none"> Metering Guidance publication Q4 2025

KPIs

Current Service Barrier Summary

Services	DFS	LCM	Slow Reserve	Balancing Reserve	Quick Reserve	Static FFR	DC/DM/DR	Balancing Mechanism	Cross cutting
Barriers	Access to smart meter data for 3 rd parties (B2) ★	Final consumption levies(B8) ⬆️ ★			Operational metering(B1.2)	EFA blocks(B14)	Lack of aggregated metering approaches (B6)	Skip rate(B12)	Cross service baselining (B7.2) ★
		Localised DNO limits on capacity limiting participation (B11.1) ⬆️ ★	Imbalance adjustments and compensation mechanisms (B9) ⬆️ ★		Imbalance adjustments and compensation mechanisms (B9) ⬆️ ★		Operational baseline 1 hour in advance (B7.1)	Aggregated BMUs cannot assign to a specific GSP (B13)	Delivery certainty risk & penalties for not meeting 100%/no tolerances(B17)
	IMW minimum unit size(B10.1) – change proposed		IMW minimum unit size(B10.1)	IMW minimum unit size(B10.1)	IMW minimum unit size(B10.1)	IMW minimum unit size(B10.1) – change proposed	IMW minimum unit size(B10.1)	IMW minimum unit size(B10.1)	Flexible connections & Active Network Management (B11.2)
			No decimalisation – we only allow whole MW increments (B10.2)	No decimalisation – we only allow whole MW increments (B10.2)	No decimalisation – we only allow whole MW increments (B10.2)	No decimalisation – we only allow whole MW increments (B10.2) – change proposed	No decimalisation – we only allow whole MW increments (B10.2)	No decimalisation – we only allow whole MW increments (B10.2)	Measuring Instruments Regulations (MIR)(B5) ★
									Registration & onboarding of assets(B15)
									NESO service information, standards, policies visibility and accessibility (B16)
									ANM impacts on Demand Turn Up (B19) – NEW ★



Barriers outside of NESOs direct control



Demand turn up (DTU) specific barriers

Service barriers summary V3

Services		DFS	LCM	Slow Reserve	Balancing Reserve	Quick Reserve	Static FFR	Dynamic Regulation	Dynamic Moderation	Dynamic Containment	Balancing Mechanism
Demand-side flexibility ¹											
Domestic consumer	Supplier	●	●	●	●	◐	●	◑	◑	◑	◐
	Virtual Lead Party (VLP)	●	●	●	●	◐	●	◑	◑	◑	◐
	Non VLP aggregator	●	●	●	●	◐	●	◑	◑	◑	●
Non Domestic consumer	Supplier	●	●	●	●	◐	●	◑	◑	◑	◐
	Virtual Lead Party (VLP)	●	●	●	●	◐	●	◑	◑	◑	◐
	Non VLP aggregator	●	●	●	●	◐	●	◑	◑	◑	●

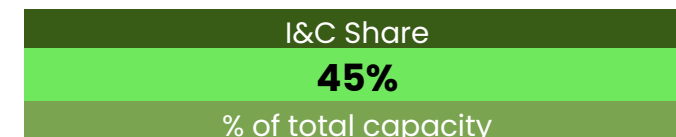
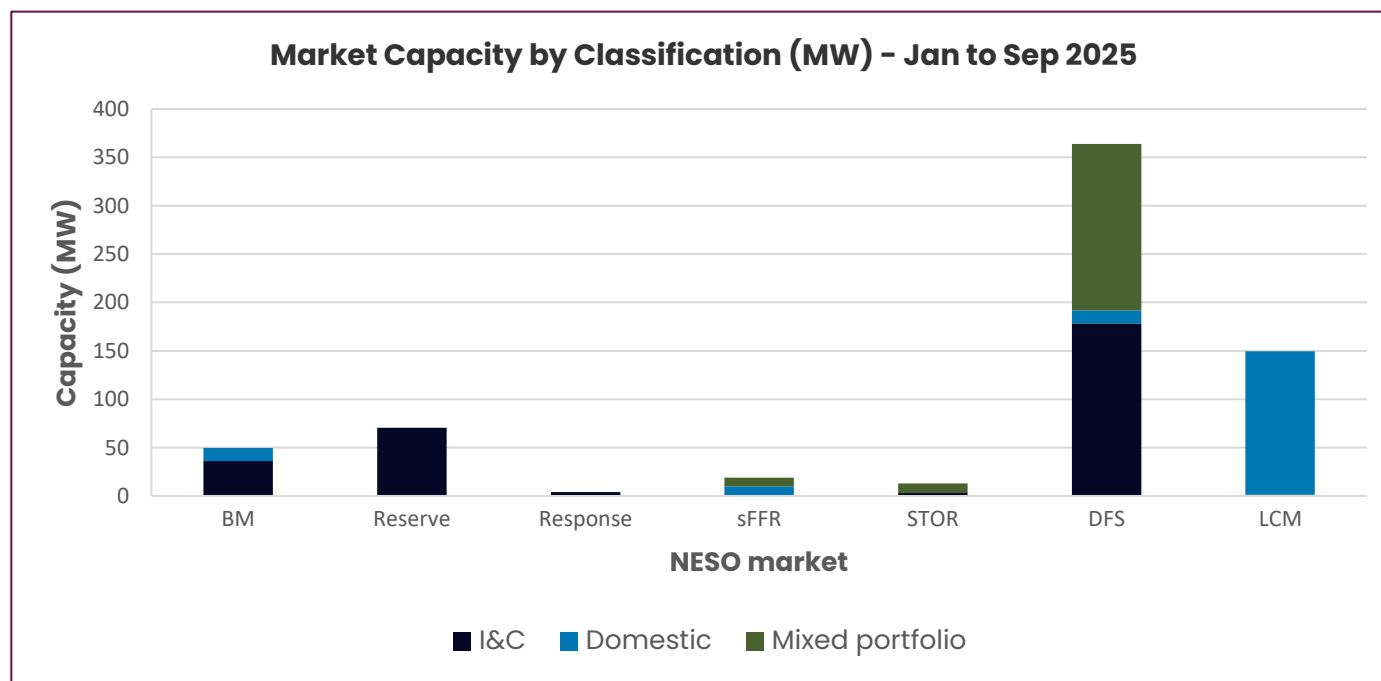
●	Not aware of any insurmountable barriers
◐	Barriers or design requirements are likely stopping some of the market
◑	Barriers or design requirements are stopping all of the market
●	Not capable of participating in service

Service barriers change log V3

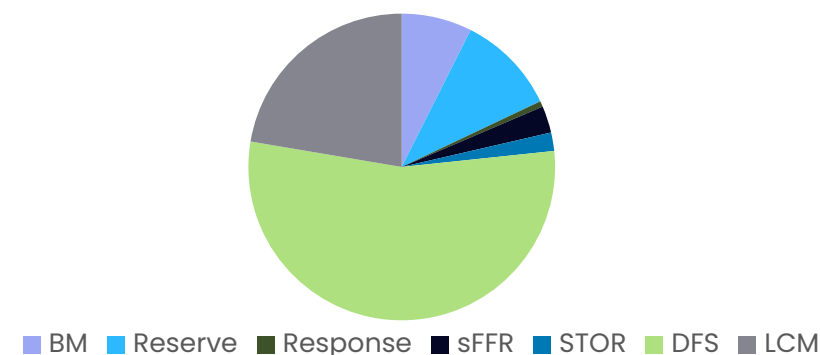
Service	Change
Demand Flexibility Service	No change to RAG – we are unsure how much of a barrier access to smart meter data remains to be for non suppliers and are considering reducing the impact of this barrier on the RAG status. We welcome feedback from non suppliers who still face challenges accessing smart meter data.
Local Constraint Market	No change to RAG
Slow Reserve	Domestic consumer supplier RAG changed to green as the MWHHS programme begins migration this month opening up the ability to migrate relevant MPANs for suppliers. RAG unchanged for other archetypes. Ofgem have now approved this service. P483 removes challenges for HHS requirements for VLP BM participants in Slow Reserve. We believe that this RAG status should be green if the BSC modification for ABSVD and compensation resulting from Issue 114 is approved, however this is likely to take some time. While some stakeholders challenged the operational metering requirements for the service, we believe we have reached a reasonable compromise between industry needs and operational requirements to ensure that ramping does not cause wider frequency challenges.
Balancing Reserve	Updated RAG to green to reflect BM status, and to reflect changes to Dispatch Flexibility Rules now approved by Ofgem.
Quick Reserve	Updated RAG to half orange, half grey. Orange in line with opening up to non BM assets and removal of any HHS barriers. Grey to reflect that Quick Reserve requirements are technically challenging for some DSF assets. Quick Reserve is not currently prioritised as part of this review and no new actions are underway as part of this review currently.
Static FFR	No change. We will consult on the service design for Static FFR reforms later this year that will consider barriers for DSF. Subject to the Article 18 consultation and Ofgem approval, we propose to change the RAG to green if proposed changes are approved.
Dynamic Response – DC/DM/DR	Updated RAG to half red, half grey. Grey to reflect that Dynamic Response service requirements are technically challenging for some DSF assets. Dynamic Response services are not currently prioritised as part of this review and no new actions are underway as part of this review currently.
Balancing Mechanism	RAG updated to green/orange for suppliers and VLPs. There has been progress on barriers related to half hourly settlement(MWHHS & P483), operational metering and compensation(P444). While challenges remain related to the inability to submit bids and offers in non-integer and sub 1MW, we do not believe these are insurmountable. The possible impact of Skip Rates may also be putting providers off from registering for the BM. We welcome feedback on how best to capture these challenges as part of this RAG assessment.

Market metrics dashboard

We will be publishing a Demand-side Flexibility in NESO markets data dashboard on a quarterly basis alongside these updates. Below is a summary of the total volume of Demand-side Flexibility¹ that is active² in NESO markets currently. The full dashboard can be found [here](#). We have reached out to all providers recently to update SMP data. If you believe your units are missing from the below data, please reach out to us so we can update data in SMP.



Total Market Distribution Jan 2025- Sep 2025



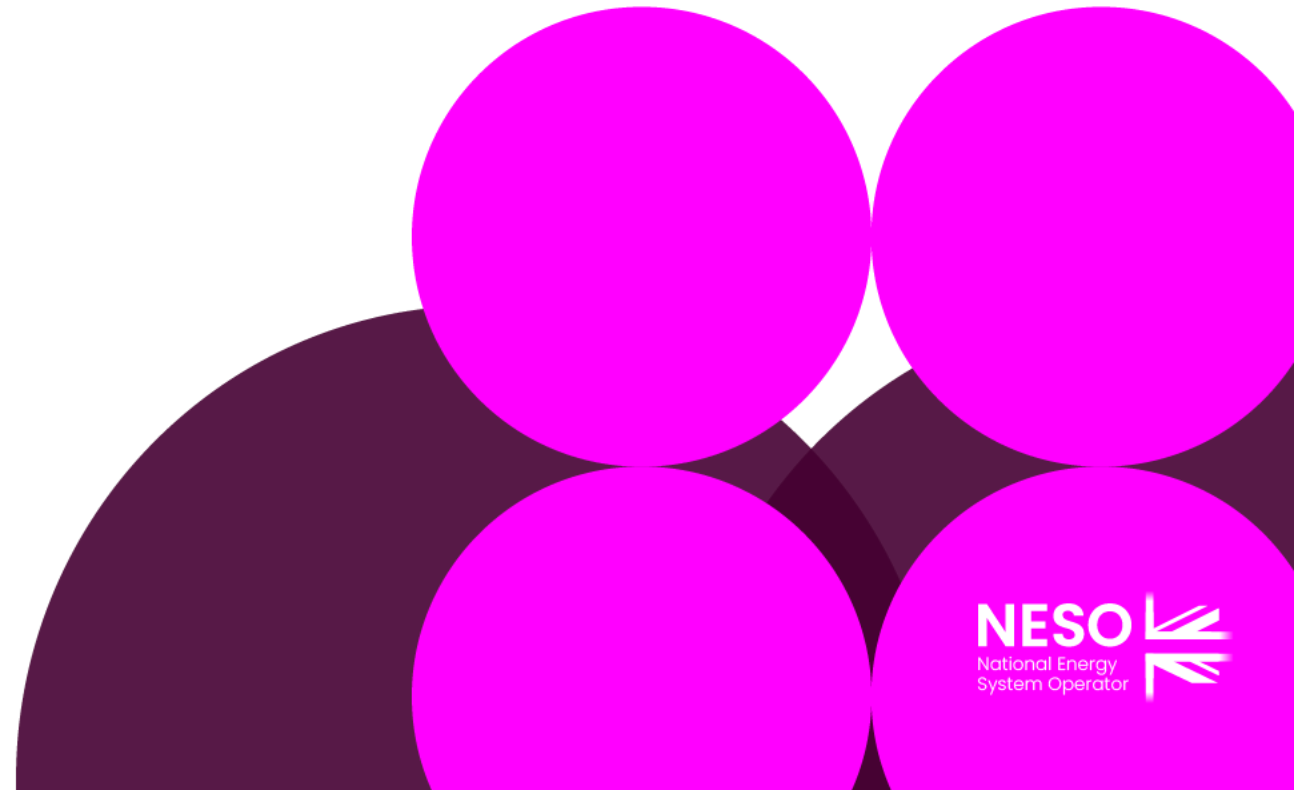
- 1 Our full definitions of Demand-side Flexibility can be found [here](#). This includes demand, storage and generation assets located “behind the meter” at a consumers site.
- 2 Active means units that have been active in bidding in markets within the last 12 months.

We appreciate your feedback



This is the first quarterly update as part of the Demand-side Flexibility Routes to Market Review implementation.

We would like to hear your feedback on this update, including content and structure, as well as on specific updates. Please reach out to the team at flexibilitystrategy@neso.energy



Appendix

Barrier removal programme plan change log (Q4 '25)

This change log represents changes to the plan from the [previous version published in May '25](#).

Barrier	Change
B16 Registration & onboarding	Flexibility Market Asset Register (FMAR) timelines updated to reflect updated FMAR plan.
B15 Visibility of service information	Onboarding team activities added to plan
B11.2 Flexible & ANM connections	Removed from plan, as this was indicative in previous version but still in the barriers “backlog”. We believe it is unhelpful to add barrier/project to plan until the barrier has been prioritised and activity scoped and kicked off.
B10.1 , B10.2 Sub 1 MW & non integer	DFS & Static Consultations added to the plan. BM, response & reserve options assessment conclusion pushed back to Q2 '26.
B13 Aggregated BMU location	Assessment extended.
B12 Skip rates	Reporting for “demand-side flexibility” pushed back to Q4 '25 due to challenges confirming data with providers
B4 Static FFR metering	Plan reflects decision on metering and guidance publication.
B11.1 DNO DTU limits	Plan updated to reflect primacy implementation timelines.
B9 Imbalance & compensation	This plan is indicative. P502 timelines are on the code modification webpage. https://www.elexon.co.uk/bsc/mod-proposal/p502/
B1.1, 1.2 BM Ops metering	Plan updated following independent review
B2 Smart meter data access	Indicative timelines in line with RECCo Consumer Consent solution timelines https://www.retailenergycode.co.uk/our-programmes/consumer-consent-service/
B5 Measuring Instrument Regs	Estimated timeline dependant on Government decision making
B14 Static resp. EFA blocks	Timeline updated in line with assessment across response services. Timeline pushed back from previous plan.