

NESO-Market Facilitator Ways of Working Document

12/12/2025

Ofgem has designated Elexon as the Market Facilitator, responsible for aligning local and national flexibility markets to reduce friction and remove barriers to unlock the full value of flexibility. Its scope, roles and responsibilities are provided by [Ofgem's Market Facilitator Governance Framework Document](#)¹.

The National Energy System Operator's (NESO) responsibilities with respect to the Market Facilitator arrangements are provided by ESO Licence Conditions C20. These provide that, with certain caveats, NESO is to comply with Flexibility Market Rules – rules owned by the Market Facilitator and developed through collaboration and consultation with interested stakeholders – and to engage with the Market Facilitator during service design ahead of implementation and formal consultation.

NESO must also, in collaboration with the Market Facilitator jointly establish and maintain a 'NESO-Market Facilitator Ways of Working Document' – i.e. this document – which sets out the framework for coordination of change processes between NESO and the Market Facilitator. NESO must provide a copy of this document to Ofgem no later than the date at which licence condition C20 comes into effect. The ESO licence provides that the document must cover, at least:

- How NESO and the Market Facilitator will wherever possible ensure strategic alignment of change processes;
- Processes for managing instances where a Flexibility Market Rule affects NESO's service design; and
- Processes for handling NESO service design changes that require early-stage input from the Market Facilitator.

¹ [Market Facilitator Governance Framework Document 2026 to 2028 | Ofgem](#)

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1. General principles of engagement

- 1.1. The ways of working described in this document apply to NESO and Elexon in fulfilling their relevant obligations as provided by licence conditions C20 and Ofgem's Governance Framework Document respectively.
- 1.2. Processes described in this document around engagement only apply to the scope of the Market Facilitator role as provided by Ofgem's Governance Framework Document.
- 1.3. Both parties shall use reasonable endeavors to adhere to the ways of working described in this document.
- 1.4. Both parties should engage respectfully, fostering a constructive and transparent working relationship.
- 1.5. Information which is or may be commercially sensitive information shall be exchanged as part of these ways of working practices only on a need-to-know basis. Such exchanges shall be subject to appropriate confidentiality obligations, which may be set out in a bilateral Non-Disclosure Agreement between NESO and Elexon. Elexon shall not share any commercially sensitive information received from NESO with its shareholders, recognising the potential for commercial risk.

2. Strategic alignment of change process

- 2.1. This process is about the coordination of activities and planned market changes before detailed market design, as set out in the later sections of this document.

Objectives

- 2.2. Across the activities below, the objectives are to:
- 2.2.1. Ensure mutual visibility and understanding of the plans of each other with respect to priorities, planned market changes, and planned activities in scope of the Market Facilitator Arrangements. This includes updates on progress, including delays and reprioritisation.
 - 2.2.2. Identify interdependencies across the plans, including sequencing requirements, duplication, and risks of misalignment or incoherency.
 - 2.2.3. Consider solutions to these interdependencies and agree next steps to best mitigate them whilst implementing the solutions.
 - 2.2.4. Identify where input from the other party is expected to be necessary or beneficial in the delivery of items included in plans, with respect to the scope and objectives of each party, and how this will be sought. This includes opportunities for Market Facilitator to provide early stage input into NESO's service design and for NESO to offer insight and expertise into Market Facilitator's Delivery Plan activities.

Activities and outputs

- 2.3. NESO and Market Facilitator shall arrange meetings at least quarterly with an agenda that reflects the objectives in 2.2.
- 2.4. NESO and Market Facilitator shall provide, as reasonably practicable, planning material for the other to review. This includes Market Facilitator providing NESO with draft material with respect to its Delivery Plan ahead of its publication. It includes NESO sharing documentation covering planned reforms for its relevant balancing markets.
- 2.5. Both shall provide reasonable timelines for the other to provide written feedback on planning material.
- 2.6. Each party shall confirm in writing whether and if so, how it has taken the feedback of the other into account in its planning publications. This may be incorporated into wider publications where appropriate.

3. Market Facilitator changes or develops a Flexibility Market Rule which impacts NESO service design

NESO to input into Market Facilitator's Change Management Procedure

- 3.1. Market Facilitator shall invite NESO to input into the assessment phase of relevant changes. This may be in the form of working groups, impact assessments and consultations as appropriate.
- 3.2. As part of Market Facilitator's Change assessment phase, NESO will provide Market Facilitator with insight and expertise, which may include and is not limited to advice related to:
 - 3.2.1. impacts on system operability, competition and prices
 - 3.2.2. IT and system delivery timescales and cost
 - 3.2.3. impacts on existing change programmes and other relevant factors that Market Facilitator is to consider as part of Flexibility Market Rules timeline development
 - 3.2.4. how proposals relate to, and impact (including potentially conflict with), NESO's wider activities and duties, including those provided by its statutory duties and licence
 - 3.2.5. whether proposals (insofar as affecting NESO) may be dependent on NESO consultation (including under EBR Article 18 or pursuant to LC9).
- 3.3. For clarity, the need for a NESO consultation (including the decision on whether impacted balancing services terms and conditions are within scope of EBR Article 18) shall be NESO's ultimate decision.

Agreeing handover points and consultation responsibilities

- 3.4. Flexibility market rules may require to be implemented via changes to NESO balancing services terms and conditions. Where this is the case, NESO and Market Facilitator agree that interested stakeholders should be consulted on at least both (i) the service design, and (ii) those changes to balancing services terms and conditions, including in accordance with EBR Article 18, where applicable.
- 3.5. The scope of FMRs may comprise neither, the service design, or both the service design and those relevant changes to balancing services terms and conditions. It depends on where the 'handover point' of the Flexibility Market Rules is. I.e. how much additional design work and service term development remains following the finalisation of the Flexibility Market Rules. NESO shall fulfil the remaining consultation requirements.
- 3.6. NESO and Market Facilitator agree that the handover point could happen at one of three stages:
 - 3.6.1. *Direction* (Early handover)

3.6.1.1. Market Facilitator's FMR provides the outcomes that NESO is to deliver in its service design.

3.6.2. *Service design* (Medium handover)

3.6.2.1. Market Facilitator's FMR provides a specific service design, e.g. covering changes to eligibility criteria or auction processes.

3.6.3. *Terms and conditions* (Late handover)

3.6.3.1. Market Facilitator's FMR provides the specific terms and conditions that shall be included in NESO's Service Terms and Procurement Rules.

3.3

3.7. Market Facilitator shall set out an initial position on the handover point, i.e. outstanding consultation requirements, as appropriate during the change process.

3.8. As described in the following sections, the handover point shall inform respective responsibilities for consultation.

Early and Medium handover

3.9. NESO should inform Market Facilitator of any outstanding consultation requirements on itself for the Market Facilitator to consider in its decision on setting Implementation dates.

3.10. Where Market Facilitator considers a potential conflict between an FMR and NESO's wider obligations, it may invite Ofgem to provide a provisional opinion or guidance.

3.11. NESO can appeal the Market Facilitator's Flexibility Market Rules decision as per Ofgem's Governance Framework Decision, and Market Facilitator's Change Management Procedure. NESO shall appeal the Flexibility Market Rule decision where it reasonably expects the decision to cause non-compliance with wider regulatory obligations. This does not preclude wider grounds for appeals.

3.12. Should Ofgem not approve the Article 18 submission by the NESO, and this jeopardises the implementation date for the rule, NESO shall notify Market Facilitator and, Market Facilitator will consider how this is reflected in the FMR.

Late handover - Coordinating consultation on terms and conditions

3.13. There are two valid approaches for consultations for a late handover:

- (i) Parallel: Market Facilitator and NESO consult at the same time or in a joint publication. Responses are shared such that all can be considered in the round.
- (ii) Sequential consultations: Market Facilitator finalises and consults on the Flexibility Market Rules which comprises terms and conditions. NESO consults on the terms and conditions separately.

3.14. NESO and Market Facilitator consider parallel consultations will be most appropriate in most situations; it avoids consulting twice on the same matter. Nonetheless, Market Facilitator and NESO reserve the right to run sequential consultations, where appropriate.

- 3.15. NESO and Market Facilitator shall collaborate on the development of the terms and conditions to reflect their respective duties around consultation. Market Facilitator, however, is responsible for the decision on the terms included in the FMR.
- 3.16. If NESO is unwilling to include the terms provided by the FMR in its service terms and conditions, then it shall appeal the decision on FMR by the Market Facilitator in accordance with the Governance Framework Document. For clarity, if the terms provided by the FMR are in scope of EBR Article 18, and NESO is not willing to implement them, NESO shall not submit the terms to Ofgem or issue an additional consultation with its preferred terms.

Timing of NESO consultations to implement flexibility market rules

- 3.17. Flexibility Market Rules create additional requirements for consultation for NESO, including Article 18 consultations. NESO may either harness planned consultations (comprising the Flexibility Market Rules and other changes that NESO intends to make or run an additional consultation process.
- 3.18. The market facilitator shall determine the Implementation Date of the Flexibility Market Rules as per its Change Management Procedure. The Market Facilitator shall, take account of NESO's approach to consultation and consider the following factors while making the decision on Implementation Date:
- 3.18.1. Urgency of implementation of the FMR
 - 3.18.2. Engagement fatigue and resource burden for NESO and market participants
 - 3.18.3. Dependencies of the Flexibility Market Rule, including whether there is benefit to it being delivered across multiple services at once and dependencies with other changes NESO may propose in consultation documents.

4. Market Facilitator input into NESO service design

Early input ahead of public consultations

- 4.1. Ahead of relevant service design consultations, (including Article 18 consultations on terms and conditions and earlier stage consultations, webinars and other public engagement on service design) NESO will share with Market Facilitator its proposals on service design.
- 4.2. NESO will provide Market Facilitator reasonable time to review NESO's service design proposals and Market Facilitator shall aim to provide feedback in a timely manner.
- 4.3. Market Facilitator shall provide input in writing.
- 4.4. NESO shall set out whether and if so, how it has considered Market Facilitator's feedback. It may do this in direct response to Market Facilitator or in public documents (such as webinars and consultation documents).

Market Facilitator's input into NESO public consultation processes

- 4.5. The Market Facilitator will aim to provide input into NESO's wider stakeholder engagement processes (including ahead of Art 18 consultation where applicable). This may include providing a written response to a consultation document, publishing an opinion, or setting out its position at webinars and other engagement forums (though it should follow up oral feedback in writing). If Market Facilitator considers that NESO did not provide sufficient opportunity to provide input ahead of public consultation, then it may use its response to the public consultation to flag this.
- 4.6. NESO shall set out whether and if so, how it has taken that input into account as it further develops its policy. This might be in direct response to Market Facilitator, as part of a standalone decision document, or included within its Article 18 consultation.

5. NESO develops service design Change which impacts a Flexibility Market Rule

Coordination and impact assessment

- 5.1. NESO will, as early as possible, assess whether its service design changes impact existing Flexibility Market Rules and notify Market Facilitator accordingly.
- 5.2. Where NESO identifies that its proposed service design would impact a Flexibility Market Rule, it will raise (or ask Market Facilitator to raise) a change to the rule to promote its alignment with the proposed service design. This shall be subject to Market Facilitator's Change Management Procedure .
- 5.3. NESO may also request a derogation from obligations in accordance with the market facilitator's Change Management procedure, where this delivers good consumer outcomes.

6. Changes to this document

- 6.1. The relationship between NESO and Elexon in its Market Facilitator role is new and operates in the context of significant change. As such we expect this document to evolve, building on new learning, experience of the processes and any changes to the policy context.
- 6.2. This document was developed collaboratively. As such changes can be made by mutual agreement between NESO and Market Facilitator.
- 6.3. We endeavour to communicate these changes transparently through the publishing of any updates.

7. Appendix: Flow charts and diagrams

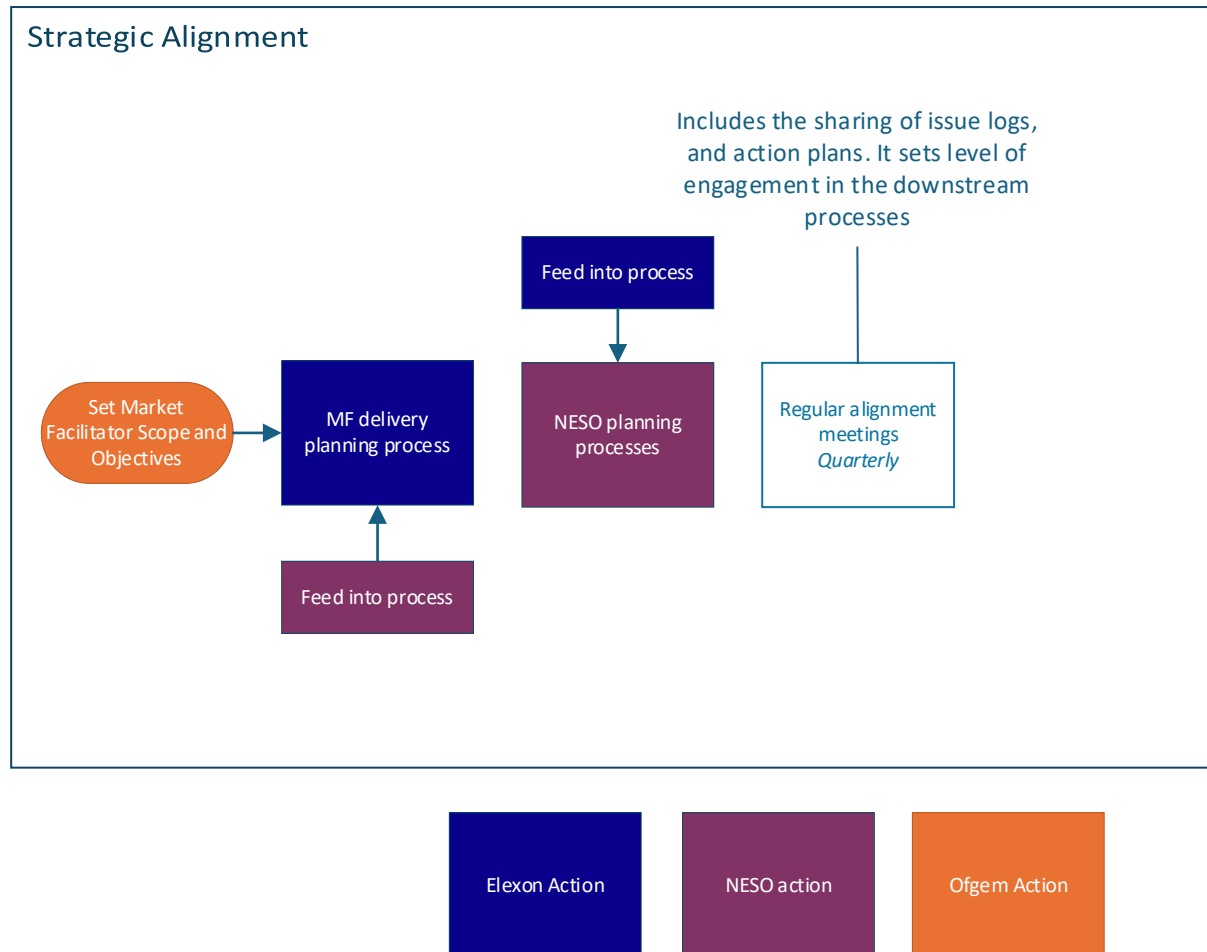


Figure 1: Strategic Alignment Process

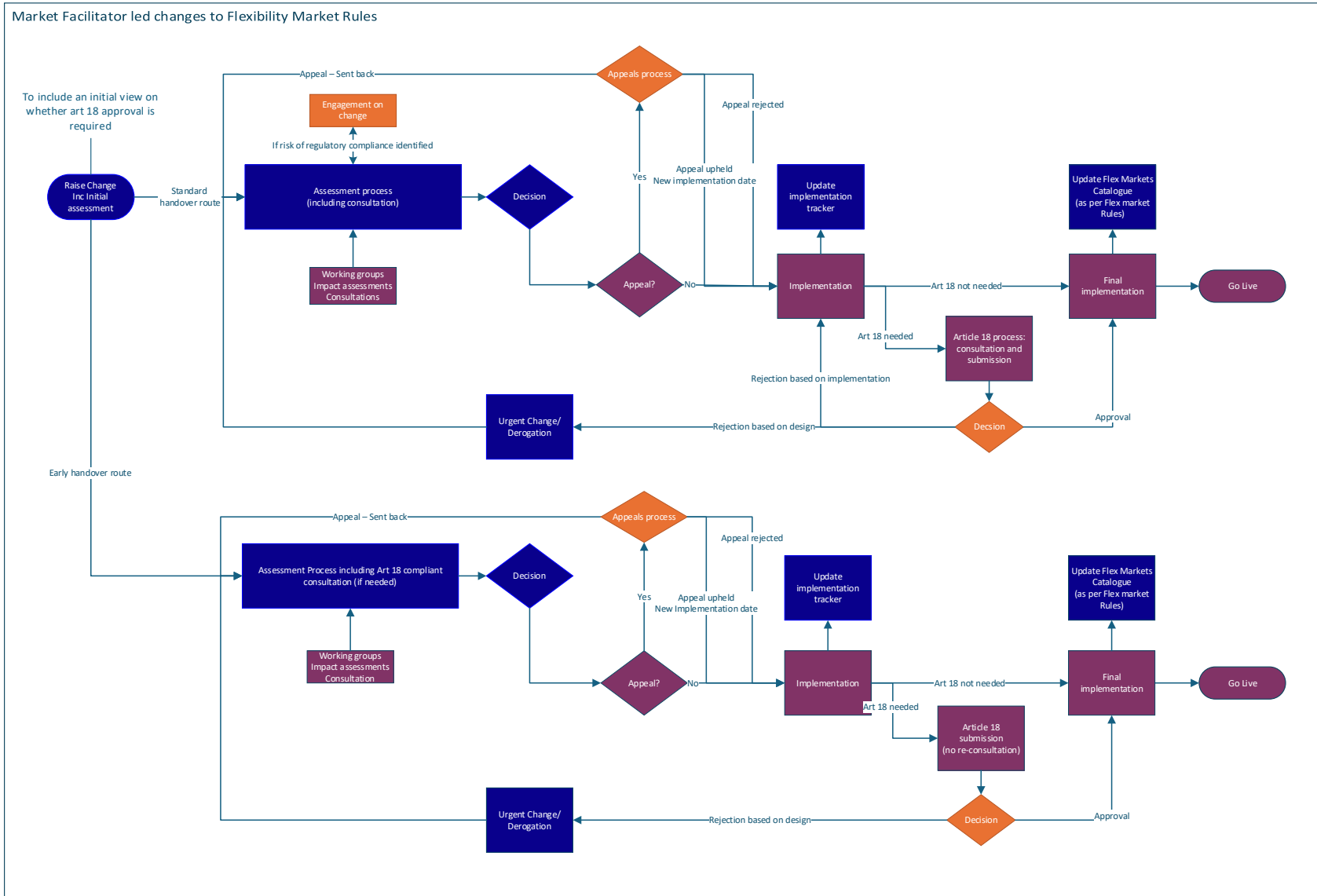


Figure 2: Process for NESO input into Market Facilitator led changes

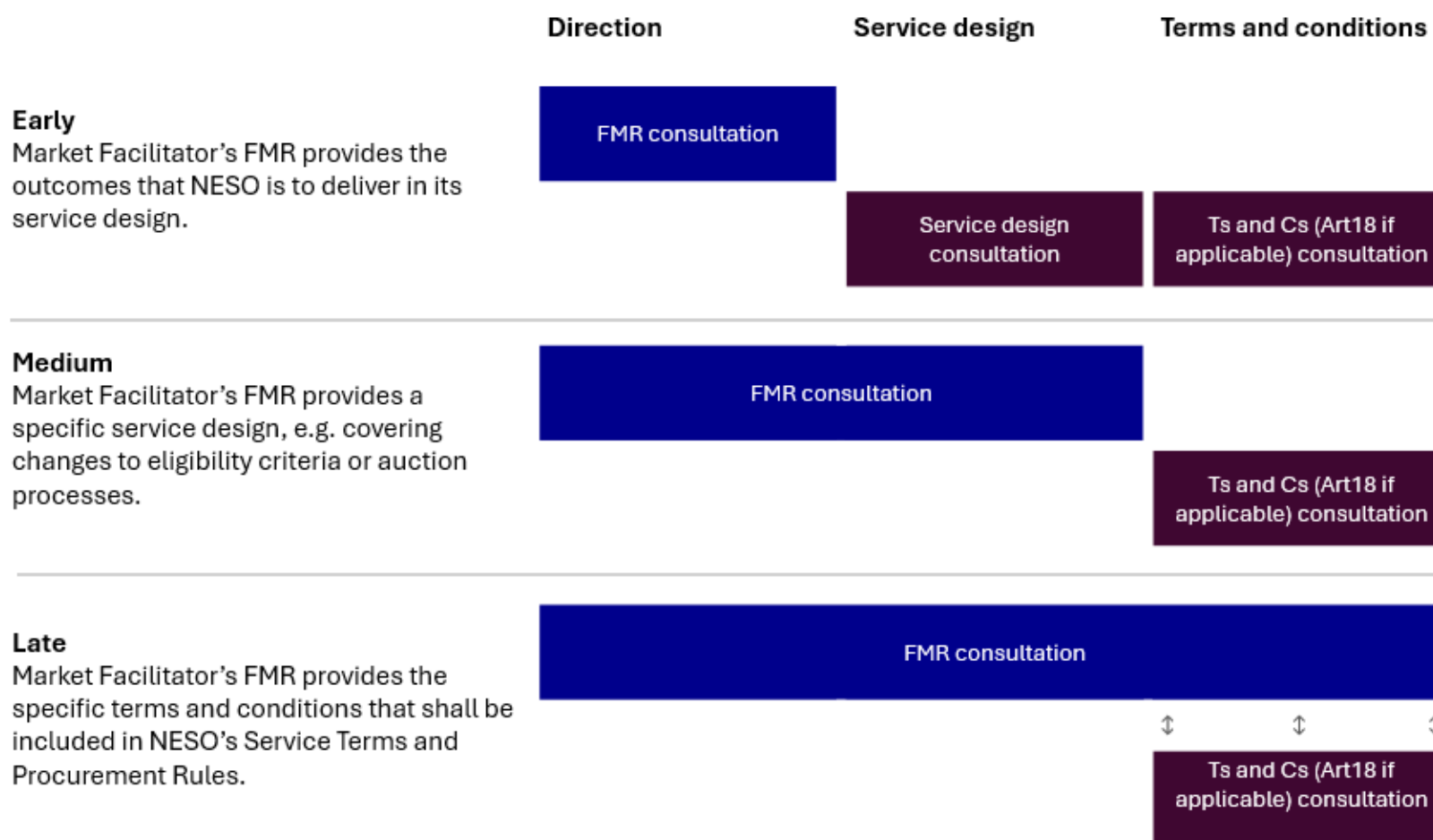


Figure 3: Consultation responsibilities reflecting the different feasible 'handover points' for flexibility market rules. Blue indicates Market Facilitator-led flexibility market rules development; purple indicates NESO-led development.

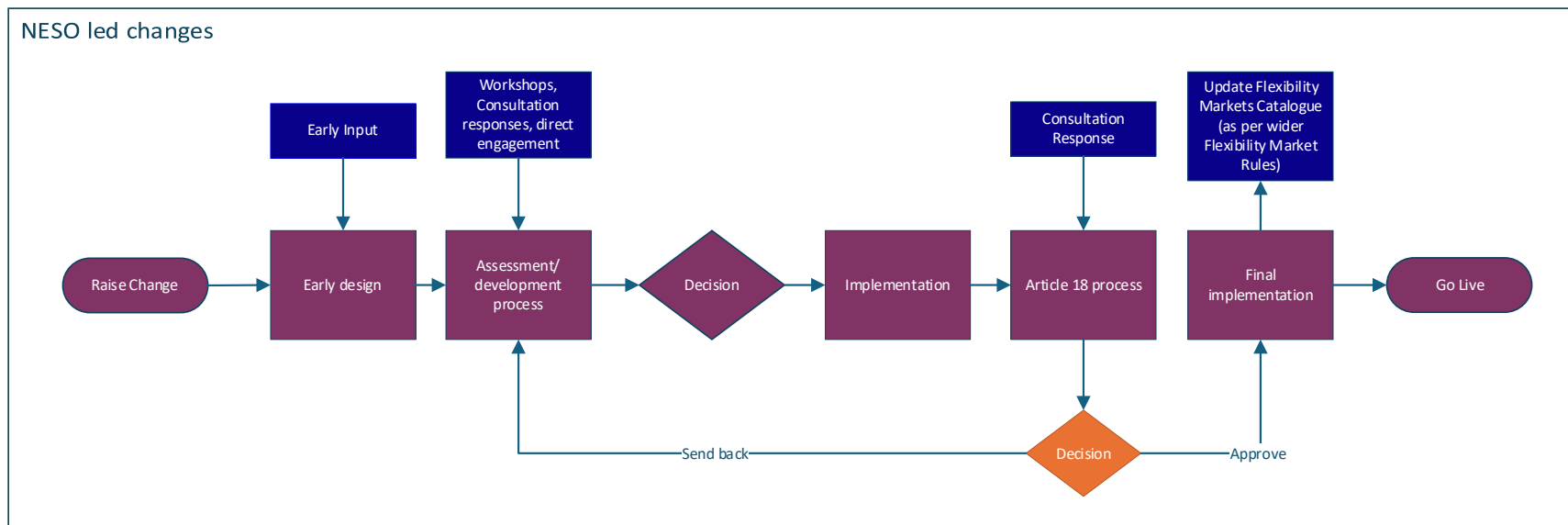


Figure 4: Market Facilitator input into NESO led changes