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Meeting Summary

Power Responsive Challenge Group

Date: 02/03/2026 **Location:** Microsoft Teams
Start: 14.30 PM **End:** 16:30 PM

Welcome, Introductions & Meeting Expectations

Presenter: James Kerr (Power Responsive Engagement Lead)

James opened the session by welcoming attendees and introducing the purpose of the Challenge Group. He noted that:

- The meeting was recorded to support accurate note-taking; recordings will not be published.
- Notes will be shared on the Power Responsive webpage.
- Chatham House rules apply – no attribution of comments to individuals or organisations.

The Challenge Group's function is to:

- Provide expert challenge and insight on enabling participation in NESO flexibility markets.
- Support development of solutions, identify barriers, and share perspectives from across industry.
- Meet quarterly, depending on readiness of substantive agenda topics.
- The group was encouraged to raise challenges, ideas, and areas where collective input would be valuable.

Local Constraints Market (LCM) – Proposed Updates

Presenter: Minesh Solanki (NESO)

Minesh provided an update on proposed reforms to the LCM service, including:

- Move to within-day procurement, replacing the existing day-ahead approach to better reflect real-time system requirements.
- Flexible auction timing, enabling NESO to open auctions based on operational need (e.g., wind generation fluctuations).

- Shorter procurement windows, potentially targeting 2–3 hour blocks rather than full-day auction periods.
- Shorter bid windows, around one hour.
- Removal of the provider approval step, simplifying contracting.

Discussion summary:

- NESO representatives addressed concerns regarding low utilisation, future commitment uncertainty, and challenges in recruiting new participants for the LCM service.
- Proposed changes to the LCM service, including shorter procurement windows and clearer timeframes, aim to better align procurement with system needs and improve utilisation. These proposals are at an early stage, with no utilisation modelling completed yet.
- Industry feedback will be crucial in shaping the direction and implementation of these changes.
- The operational changes do not determine whether the LCM service will continue beyond January 2027; NESO retains flexibility to extend the platform contract, with notification to the provider expected around September–October 2026.
- NESO highlighted the importance of certainty for industrial and commercial participants, acknowledging the trial nature of the service and ongoing efforts to improve its effectiveness.
- Participants are encouraged not to delay bringing forward volume due to uncertainty over extension, as NESO will assess system needs and value-for-money before deciding whether to extend the platform or provide alternative routes to market.
- NESO recognised that lengthy recruitment cycles and insufficient commitment lengths pose a barrier for end users, and committed to factoring this into internal decisions.

Routes to Market (RtM) & Barrier Removal Programme

Presenter: Natasha Smellie (NESO – EDSF Programme Lead)

Natasha provided a quarterly update on the Routes to Market barrier-removal programme.

Progress Overview

Recent movement of several barriers:

- Two from backlog → options assessment.
- One from detailed design → implementation.
- Two now completed and closed.

The Q1 2026 update will be published in March.

Key Discussion Themes

It was made clear that the new Route to Market barrier RAG ratings indicate NESO’s progress on our proposed work to remove barriers. The Demand-Side Flexibility Dashboard on our webpage measures the volume of Demand-Side Flexibility participation in NESO markets. Changes in Demand-side flexibility cannot be directly correlated with the removal of NESO Route to Market barriers. Demand-side flex levels depend not only on our actions at NESO, but also on many external factors, such as commercial incentives, participant capability, and business models.

Significant attention also focused on the ‘Barrier to participate in NESO services due to mechanisms designed to protect DNO capacity’. The below barriers were combined into this overall barrier to avoid overlap as all three relate to Primacy and DNO coordination:

- Localised DNO limits on capacity limiting participation
- Flexible connections & Active Network Management (ANM) prequalification assessment
- ANM impacts on Demand Turn Up & Demand Turn Down

Questions centred on ensuring DNO engagement and avoiding delays due to regulatory or funding constraints.

NESO Response:

Edwin Tammas-Williams (NESO) joined to outline:

- This risk will become more relevant where NESO take account of distribution capacity in its procurement (i.e. via primacy arrangements), in order to avoid causing operational issues for DNOs or having NESO flex unwound by DNO’s Active Network Management systems.
- There is active DNO engagement via market facilitator working groups on primacy arrangements on this point.
- NESO recognises importance of transparency regarding conflict-risk data.
- NESO and DNOs exploring DNO capability to provide accurate forecasts.
- Reinforcement that Ofgem guidance expects DNOs not to unduly restrict flexibility participation due to visibility limitations.
- Additional concerns were raised around price-control timing and the risk of delays; NESO confirmed these risks are recognised and would be escalated where appropriate.

Sub-Megawatt & Non-Integer Participation Project

Presenter: Gus Clunies-Ross (NESO)

Gus presented progress on the assessment of enabling:

- Sub-1MW assets and Non-integer MW participation across NESO services.

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Key Points

Many services still rely on whole-MW bidding/instruction, limiting both small assets and assets with fractional available output.

The project's phase one identified:

- Benefits: improved participation, increased liquidity, greater granularity, and more efficient dispatch.
- Challenges: system limitations, high computation complexity, settlement impacts, and alignment with balancing platform upgrades.

Next Steps

- Collect stakeholder feedback via structured forms.
- Run industry workshops in April.
- Develop a full impact and benefits assessment by May, aiming for internal recommendations in June.

There were no questions from Challenge Group members.

Balancing Mechanism Operational Metering update

Presenter: Calum McCarroll (Power Responsive – Technical Delivery Lead)

Calum provided an update on the introduction of relaxed operational metering requirements for small-scale aggregated assets in the Balancing Mechanism (BM).

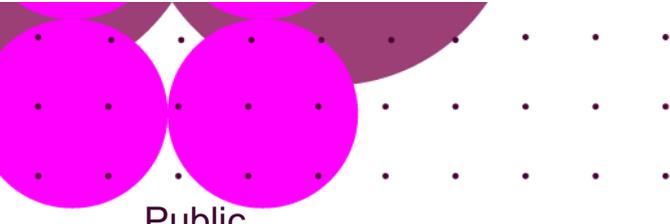
Key Messages

- Traditional domestic-scale meters cannot meet current BM standards, limiting participation.
- New proportional requirements will support inclusion of domestic and small-scale assets such as EVs, heat pumps, and batteries.
- Phase one changes go live on 4 March 2026.
- A webinar on the same date will provide full technical detail and a Q&A opportunity.

Additional Updates & Announcements

Demand Flexibility Service (DFS) Relaunch

- Expected in April (subject to Ofgem approval).
- New features include:



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- Demand turn-up and turn-down capability
- Lower entry threshold of 0.1MW
- Optional self-nominated baselines
- Zonal participation model
- Stakeholders were encouraged to support promotion and onboarding.

Markets Roadmap

- Power Responsive's annual reporting is being consolidated into the NESO 2026 Markets Roadmap to reduce duplication and improve engagement.
- A formal feedback mechanism will follow publication.

Non-Financial Incentives Workshop

- NESO will host a workshop exploring non-financial enablers of participation.
- Look out for an invite to participate.

Next Meeting

Target: June 2026 (date to be confirmed).

Close of Meeting

James closed the session by thanking participants for their contributions and emphasising the ongoing importance of industry collaboration.