

Unlocking consumer-led flexibility for constraints

Learning from LCM. Building the future through DFS

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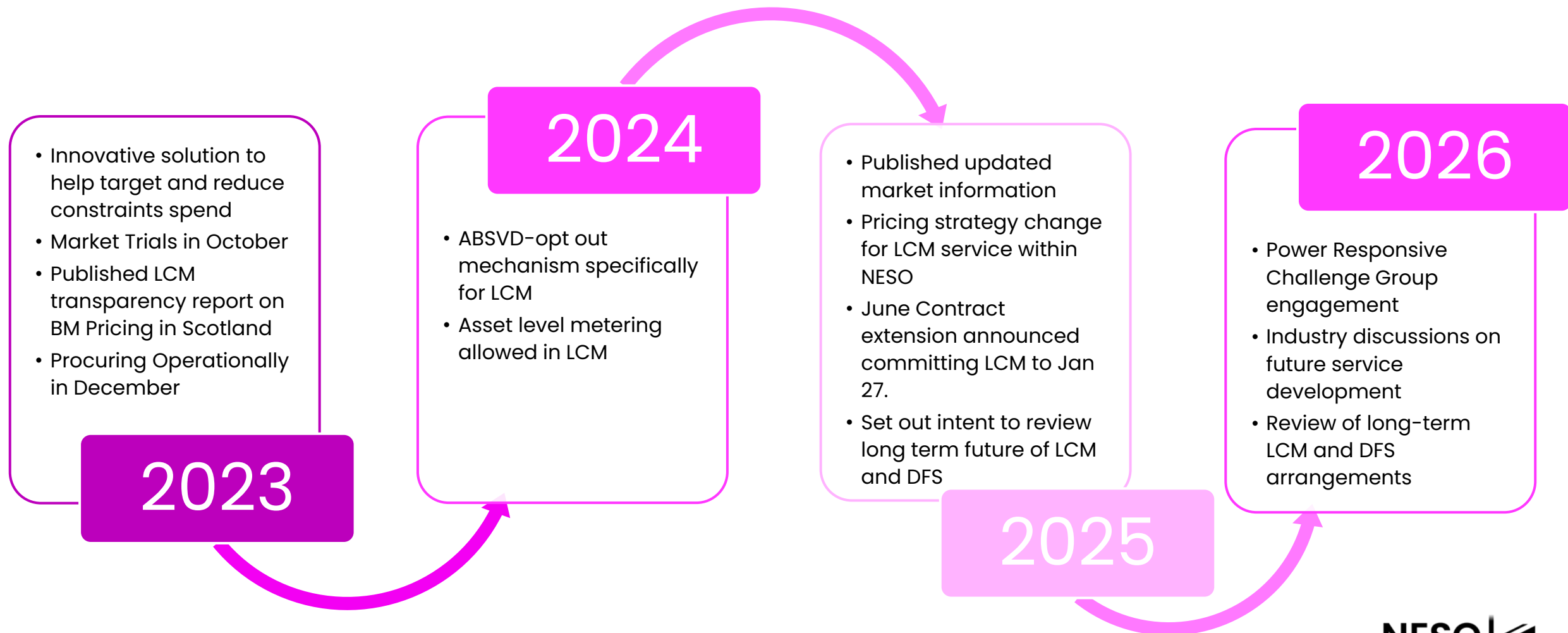
Agenda

- Why the Local Constraints Market was created
- What we have learnt
- How DFS has evolved
- Why we are bringing them together
- What this means for providers
- Why being ready for autumn matters
- Transition timeline

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Why the Local Constraints Market (LCM) was created

LCM Journey



What LCM has taught us

2025 data shows flexibility exists; the next step is converting more available volume into operational value.

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Active providers
in 2025

35.4 GWh

Flexibility offered
in 2025

2.52 GWh

Flexibility
accepted

£183.63K

Accepted bid
value

What LCM has proven

- **Flexibility exists** – providers are able to participate
- **The service delivers operational value** when flexibility is procured, £63.31K estimated savings in 2025
- **There is headroom for growth** by making participation simpler and more dynamic.

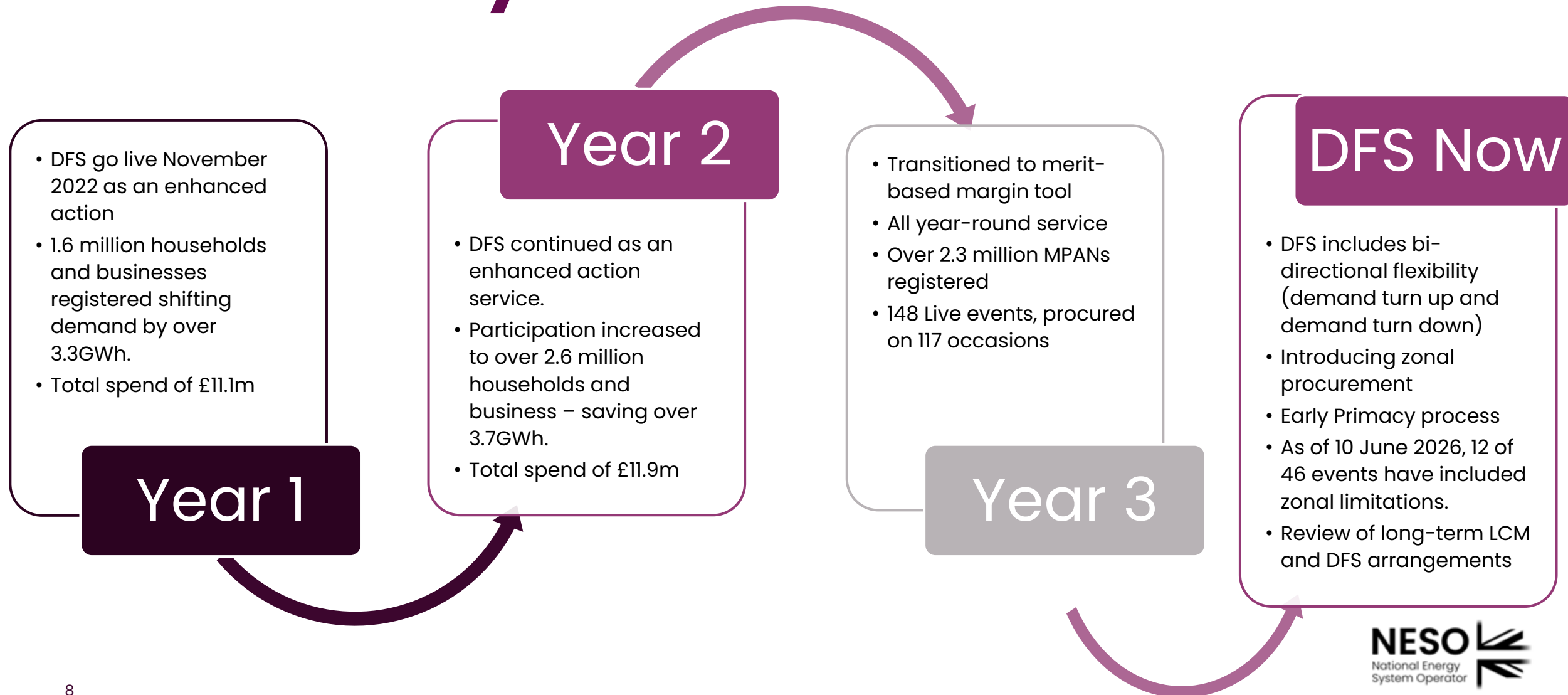
What we have learnt

- **Reduce rejection friction:** 68% of bids were rejected, often as constraint needs changed after procurement.
- **Shorten the gap to delivery:** 70% of rejected bids had expired by the time conditions evolved.
- **Simplify within-day use:** capability exists; the process must make it operationally easier.

LCM insights from 1st Jan 25 – 31st Dec 25

How the Demand Flexibility Service (DFS) has evolved

DFS Journey



Demand Flexibility Service (DFS)

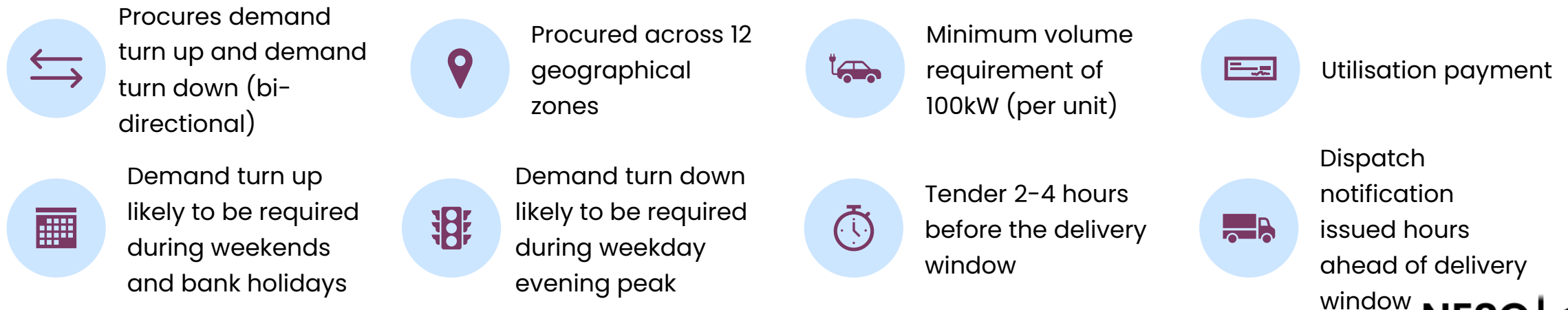
What is it?

The Demand Flexibility Service (DFS) is the most accessible entry point for flexibility providers, especially industrial and commercial sites and those aggregating domestic assets like EVs, batteries, and smart appliances. It's designed to reward consumers for reducing or shifting their electricity use during specific periods when the grid is under stress.

Benefits

- Low entry requirements: ideal for domestic aggregators and smaller commercial sites
- Simple participation model: no need for real-time control or complex telemetry
- Financial rewards: paid for delivered flexibility during service windows

Market Design Summary



DFS go-live: what have we seen so far?

First 73 events show that DFS is showing value at scale.

10

Providers actively
bidding in DFS

153,510

MWh cumulative
requirement

£777,857.75
Accepted Bid Value

£391k

Forecasted
savings

Scale is building

- Provider participation is developing
- Positive margin activity shows early appetite
- Events are creating operational learning

Locational value is visible

- Zonal restrictions have already helped avoid unnecessary spend
- Locational procurement supports more targeted flexibility

The next opportunity is participation: Some event types still need broader provider response. Constraint use through DFS can create a clearer growth signal

The opportunity in DFS

There is significantly more value to unlock. From the first 73 events since go-live, we have seen:

£23.3m

potential value across all Service Requirements

3.34% of requirements filled

Positive Margin	Negative Margin
£21.9m opportunity £777,840 awarded	£1.4m opportunity £17.75 awarded
6 GWh bid 4.7 GWh accepted	58% events no bids submitted
44 Events	29 Events
5 days with a positive/negative event on same day	

Why move to DFS?

- Access larger flexibility market
- Unlock more value from existing flexibility demand
- Join a scalable service designed to support future market needs

Potential opportunity data for 14 April 26 – 14 July 26 period

Looking Foward

Latest Constraint Cost Forecast For Next 12 Months



The total costs for the next 12 months are £3.2b.

Average costs for this Autumn (Sep-Nov) are £335m.

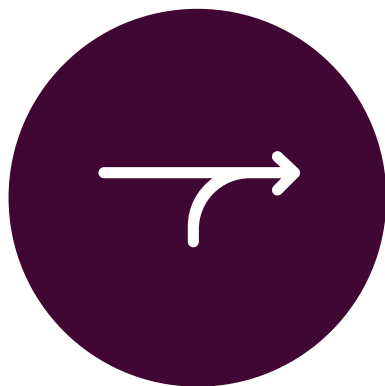
Month	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27	Jul-27
Forecasted Constraint Cost (£M)	152	182	453	368	309	269	324	229	267	184	251	178



Future of CLF for constraints

DFS to launch constraint actions

LCM to fully transition into DFS delivering a coherent single route to market.



Simpler participation

One customer journey

Common service framework



Clearer market direction

DFS as enduring route

Reflects EDSF strategy



Better consumer value

Lower platform costs

More competition

We believe integrating constraints actions into DFS provides a clearer, more scalable route while retaining the value that LCM has demonstrated.

Transition Journey

NESO wants to engage with providers early so we can understand practical barriers and support transition



Contact the team via email: demandflexibility@neso.energy

Public

Thank you

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