



Distribution Flexibility Service

Procurement Statement for SP Distribution PLC and SP Manweb PLC

April 2026

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Executive Summary

We are SP Energy Networks, operating distribution networks in Southern and Central Scotland, Merseyside, Cheshire, Shropshire, and North Wales. As the only network operator serving communities across the UK, Scottish, and Welsh governments, we support their bold sustainability and Net Zero targets. Recognizing each region's unique opportunities and challenges, we enable communities to meet their goals through industry-leading planning tools, processes, and policies that embrace and encourage flexibility solutions and market participation.

Our strategic vision remains clear: to maintain a safe, secure, and reliable network while efficiently delivering the capacity required for a low-carbon future. Through RIIO-ED2, launched in April 2023, we are delivering this vision by combining flexible, smart, innovative, and conventional reinforcement solutions.

Building on Strong Foundations

In 2024 we successfully launched our Month Ahead Market, breaking down barriers to flexibility service providers (FSPs) and enabling more regular participation. This innovation has improved engagement and delivery of flexibility across our network. We have increased the contracted vs dispatched to 100% through our monthly market as well as increasing the number of registered assets on our flexibility from 41,000 to over 100,000. We will continue to utilise our month-ahead market throughout 2026/2027 on our new flexibility platform Electron to continue to drive flexibility as one of our key approaches for network management.

Maturing our flexibility offering

During the regulatory year we have focused on offering flexibility at HV sites, expanding our operational use cases for flexibility and engaging with industry stakeholders to run innovative trials to expand our flexibility offering. Following stakeholder feedback we have stopped offering tenders for LV locations, instead focusing on procuring flexibility and driving volumes to defer reinforcement at our HV sites. We have also worked closely with our control rooms in SPM and SPD to grow our operational flexibility offering, contracting 53 MW of Availability to support planned outages.

We have also engaged with key stakeholders, FSPs, industry partners, community energy groups and local authorities throughout the regulatory year to better understand and enable opportunities for flexibility services. Supporting several trials and projects.

Progress in 2025/26

During this regulatory year, we continued to build on the success of our Month Ahead Market, tendering for a total of 710 MW of flexibility and dispatching 3.2 GWh across both licence areas. Over the reporting year we also increased the

number of assets registered on our platform, with over 100k assets competing in our flexibility tenders.

Feedback has been overwhelmingly positive, with a notable increase in dispatched flexibility compared to 2024/25—clear evidence that our short-term market approach, aligned with our Market Engagement Strategy, is delivering tangible benefits.

Operational Flexibility and Storm Resilience

We strengthened our operational flexibility offering, contracting 53 MW to support planned maintenance activities. We also procured 144.4 MW of reserve flexibility capacity to support the network during Storm Amy with a total of 201 MW secured over the 2025 festive period. These practical applications highlight flexibility as a key operational asset. Building on lessons from Storm Darragh in 2024, we worked closely with our Control Room teams to develop a new Storm Response Flexibility Product, designed to enhance resilience and customer support during extreme weather. This product, Storm Flex, is now ready for wider rollout, supported by strong partnerships with generators and improved guidance for providers.

Looking Ahead

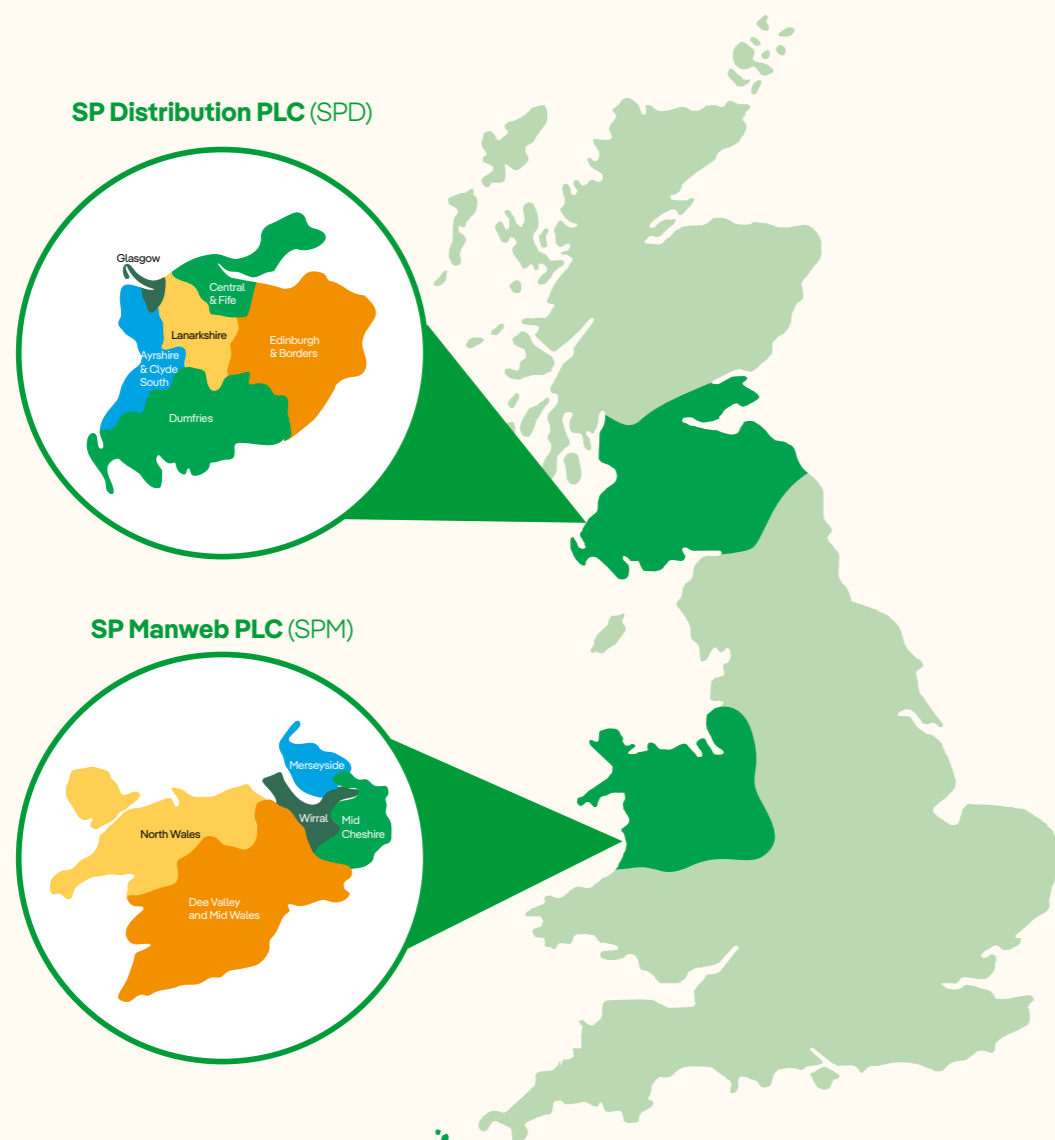
Our focus for the coming period is to further enhance short-term flexibility markets by exploring week-ahead and day-ahead procurement models, particularly for Demand Turn Up services. Early deployment has shown promising results, and we intend to expand these offerings to improve customer benefits and network performance. These initiatives respond directly to stakeholder feedback, supporting shorter-term tenders, increasing market liquidity, and creating more opportunities for new and existing FSPs.

For operational flexibility, we are embedding these services into business-as-usual processes, creating a trusted register of flexible assets to support outage planning, expanding our provider network, and continuing to develop resilience products to mitigate the growing impacts of climate change. Our success in securing over 200 MW for storm support last year sets a strong precedent for future growth.

1. Introduction

1.1. Who we are

We are SP Energy Networks (SPEN). We own and operate the electricity distribution network in Central and Southern Scotland (our SP Distribution network, SPD), and in North Wales, Merseyside, Cheshire and North Shropshire (our SP Manweb network, SPM). It is through these two networks of underground cables, overhead lines and substations that we provide 3.5 million homes, businesses and public services with a safe, economical and reliable supply of electricity.



This document is our opportunity to publicise our forward-looking approach to procuring flexibility services to manage network requirements going forward. It has been prepared by us in accordance with the requirements of our Licence issued under the Electricity Act 1989 (as amended) ('the Act'), specifically Condition 31E. It sets out what Flexibility Services¹ SPEN intends to procure in the next regulatory year, as well as describing how we are complying with the

licence condition that requires each licensee to set out the rules and technical requirements governing the procurement of Flexibility Services, the actions taken to ensure active participation of prospective FSPs, and the actions to be carried out to coordinate with other distribution licence holders and the NESO in the procurement and use of Flexibility Services.

¹ Ability to modify energy generation and/or consumption patterns in reaction to an external signal (such as a change in price, or an instruction).



1.2. Our Approach

Our strategic vision is to “maintain a safe, secure and reliable network by efficiently delivering the capacity our customers need to decarbonise, in the timescales they need it – so that they can use LCTs immediately and at full capacity”.

We will deliver this vision through flexible, smart, innovative, and conventional reinforcement interventions. We will depend on the new tools and capabilities that our DSO Strategy² will provide, not least higher flexibility utilisation from more efficient, co-ordinated, and competitive flexibility markets. The move from DNO-led to DSO-led flexibility activities reflects SPEN’s wider strategy to create a more coordinated, data-driven and accessible flexibility services framework.

We began tendering for flexibility services in 2019, but the level of services required increased significantly in 2020, when we tendered for all locations with manageable constraints arising from forecast load growth during the RIIO-ED2 period (2023 to 2028). We sought a total of 1.5GW of flexibility services at 1,557 locations across our two licence areas and covering all voltage levels.

The year-on-year increase in flexibility service requirements over the ED2 period has grown both in the number of locations and volume of capacity required as shown in Figure 1.

We re-assess these requirements on an annual basis to inform our flexibility tenders for the forthcoming year.

Our longer-term tendering activity in previous regulatory years highlighted several barriers to participation, which we addressed as part of the initial development of the Month-Ahead Market in 2024. Following stakeholder feedback, we identified key factors that affected potential FSP participation in longer-term tender rounds.

These included:

- Participation in other flexibility markets such as the NESO Demand Flexibility Service, which have contractual exclusivity clauses that restrict stackability with other markets such as DNO flexibility markets
- A preference among providers for shorter-term tenders and commitments
- Aggregators or smaller generators being unable to meet the minimum MW threshold capacity of 0.5MW
- As part of the Month-Ahead Market design, launched in June 2024, we incorporated solutions to these barriers. This included:
 - Reducing the minimum threshold capacity to 0 MW to allow smaller generators and aggregators to participate
 - Working with NESO to ensure fairer contract conditions and create an even playing field for providers
 - Delivering the Framework Agreement developed in collaboration with the ENA Open Networks Project to ensure efficient and robust processes

Over the past year, we have monitored the effectiveness of these changes. Feedback from participants confirms that this approach works well for the Month-Ahead Market, and we will maintain these principles for the upcoming year.

However, stakeholder engagement has also indicated interest in developing shorter-term products, particularly day-ahead tenders for Demand Turn-Up services. In response, we have identified key network areas, particularly around the Scotland



B6 boundary, where a day-ahead Demand Turn-Up product could complement NESO’s Local Constraint Management service. We plan to progress this development during the next regulatory period.

We have expanded our focus on operational flexibility for storm response. Building on the success of the Storm Darragh response in 2024, we procured flexibility to be on standby for Storm Amy and over the 2025 festive period to mitigate potential weather-related risks. This proactive approach has already involved several generators, and we are actively seeking further feedback to refine and grow this product to ensure it delivers maximum value for customers.

To date, engagement with shorter-term tenders remains strong. We have achieved a 100% dispatch versus contracted rate through month-ahead flexibility tenders, representing a significant improvement over long-term tenders. While some challenges remain, such as economic viability for certain assets, the overall trend shows that providers are more engaged with agile, closer-to-real-time procurement models. Alongside our tenders, we will continue to publish our full longer-term RIIO-ED2 flexibility requirements to allow FSPs visibility of future tender opportunities and enable them to plan without the burden of submitting tenders many years in advance of the expected dispatch of flexibility. We acknowledge that it is essential to provide both short and long-term insights to stakeholders, offering a view of how our market is developing and how much flexibility we envisage needing in the upcoming months and years. Due to this, we published our first Market Prospectus in 2024 to support our move to a shorter-term month-ahead market, provide more market confidence, and offer insights into the potential revenue that providers could make per constraint zone location.

Following stakeholder feedback on the transparency of Flexibility Data, the Market Prospectus aims to summarize our requirements in a clearer format. We have sought feedback on our Market Prospectus document in 2025 and will be publishing an updated version in autumn 2026, incorporating improvements based on the feedback received for the 24/25 version. We hope that the Market Prospectus will improve transparency relating to our flexibility requirements for our

stakeholders and increase the visibility of our flexibility requirements, signalling the potential revenue opportunity to the market.

We will continue to follow our impartial and fair processes when identifying our flexibility requirements, following the same assessment process and using the same tools we used to produce our RIIO-ED2 Investment Plan. Our unbiased approach when assessing types of interventions was endorsed by Ofgem as we were the DNO with the highest number of approved EJPs³ submitted as part of the RIIO-ED2 Business Plan.

We are currently in the process of developing our investment plans for the RIIO ED3 period (2028-2033). Whilst early signalling from Ofgem promoted the use of network reinforcement and provided strong signals to invest ahead of need we believe that flexibility will play a key role in the Price Control period. In seeking to deliver an optimised investment plan we expect to face deliverability challenges stemming from network operators both domestically and internationally utilising the same supply chain and skilled labour. We will also need to negotiate increased network outages and requests for planning permission. Flexibility can support this by ensuring that when we prioritise network investment we can still allow customers to connect ahead of reinforcement works taking place.

Flexibility will also be used to support the way in which we operate the network, with an increasing reliance on flexible assets and customers to manage planned and unplanned outages, minimise network constraints and facilitate network access for investment. Other nascent use cases that we are actively exploring include using flexibility to manage the network during times of seasonally high load (e.g. local events) and utilising flexibility to support our voltage management strategy.

Lastly we also believe that DSOs have a key role to play in supporting flexibility providers or potential market participants, helping them to participate in not only our own markets but also in National balancing markets, supporting CP2030 and Net Zero ambitions at the lowest overall cost for UK consumers.

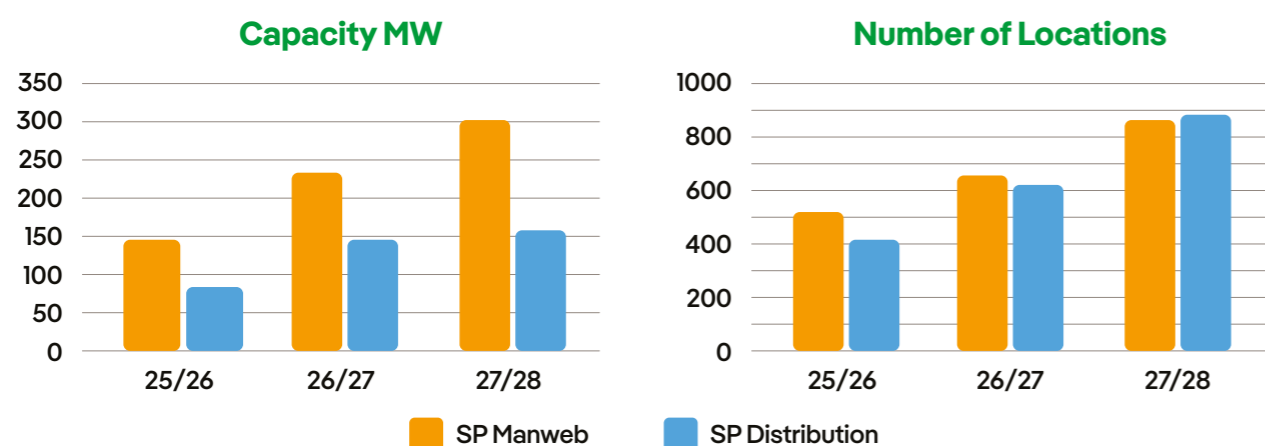


Figure 1 shows the increasing scale of flexibility capacity required and constraint locations year on year.

² Annex 4A.3 - [DSO Strategy.pdf \(spenergynetworks.co.uk\)](#)

³ Engineering Justification Papers. For each major intervention, these capture the intervention options considered and the justification for our proposed solution.

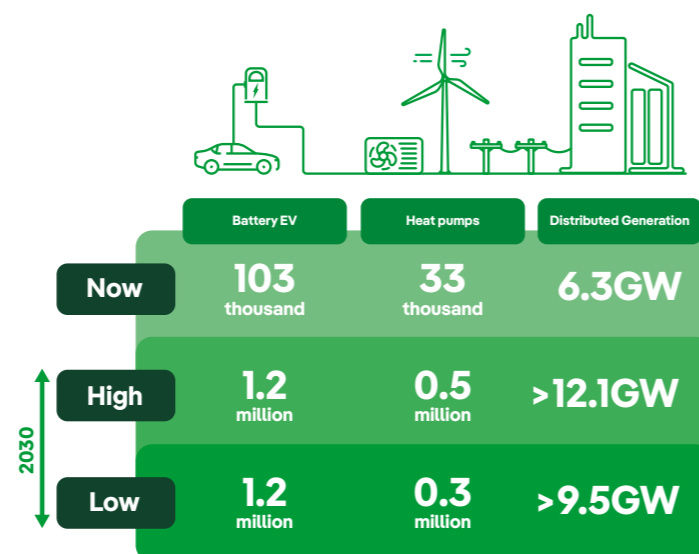
2. Flexibility Services Requirements

2.1. Our Evolving Network

We are currently experiencing a rise in renewable generation to power our communities' transition to Net Zero. Our customers are increasingly turning to LCTs such as electric vehicles and heat pumps to reduce their carbon footprint.

The increase in LCTs, distributed generation and other Net Zero energy demand and generation changes are increasing network power flows, stressing the network harder than ever before, and in turn requiring additional capacity.

To support our customers' transition to Net Zero, we have developed systems and processes to better understand and forecast our customers' requirements, assessing the impact on our network and identifying a range of intervention options to provide the additional capacity. We have implemented an impartial decision-making process to ensure that selected investment options are the best solution to meet our customers' and stakeholder's priorities and deliver net benefits for existing and future consumers. Flexibility services are one of our key types of intervention, which can be used on their own or in combination with other solutions to efficiently provide the necessary capacity on the network, that will aid to defer or avoid expensive traditional reinforcement.



2.2. Why we need Flexibility Services

Looking ahead, Ofgem's RIIO-ED3 framework and the UK Government's Clean Power 2030 ambition are shaping our strategy. Both highlight the vital role of flexibility, not only in optimising delivery and maintaining customer connections, but also in maximising the use of existing assets, reducing reinforcement costs, and enabling faster integration of low-carbon technologies and renewable generation. As we build additional capacity to meet future needs, flexibility will help bridge the gap by supporting customers during periods of network stress and planned maintenance. We already use flexibility to manage outages and maintain reliability, and under ED3 we plan to expand these applications to ensure efficient delivery and accelerate progress towards Net Zero.

There are a number of examples of when we will explore the option of flexibility services and the benefits that it can provide for our evolving network:

1. Defer Major Network Reinforcements

If appropriate to do so, we will use flexibility services to defer network reinforcement if sufficient availability of flexibility services are available. In this scenario flexibility services will often be combined with network monitoring and automation to defer certain conventional reinforcement schemes.

2. Reduce Constraint Hours of Risk

Flexibility solutions may be able to manage constraints for a few years. Eventually, the growing number of hours the network is at risk of a constraint will be at a magnitude where an alternative intervention will be inevitable. In these scenarios, we will consider the timing of the intervention and the flexibility services available to optimally intervene. Additionally, in locations where insufficient flexibility has been obtained to fully manage the constraint, we will consider whether the level of flexibility received may help reduce the network's risk of a constraint or whether we need to deliver earlier reinforcement. The flexibility obtained in these scenarios will help us manage the constraint whilst we deliver the reinforcement required.

3. Manage Uncertainty

We will use flexibility to manage areas of the network where the forecast loading is approaching its upper limits and flexibility can reduce the risk of network constraints – particularly under higher uptake scenarios. These are the network areas where demand forecasts are high with marginal exceedances over the network firm capacity. The network constraints in these areas depend on the forecasted demand/ generation being fully realised. Capacity exceedances are minimal and are predicted to occur for a few hours in a year. Flexibility services can manage these high loadings, deferring potential investments associated with high uptake scenarios.

4. Manage Network Events

We will use flexibility to support the network when planned outages could put the network at increased risk, especially if a fault should occur at the time. In areas of the network that could be at risk should a network event such as a fault occur, we will contract with FSPs to be available and ready for dispatch when required.

5. Accommodate New Connections

If appropriate, we may use flexibility services to provide wider network capacity to manage curtailment limits for larger curtailable connections. Flexibility may be used as an enduring solution or as an interim solution whilst reinforcement is delivered which could enable quicker connections to facilitate a timely transition to Net Zero.

2.3. Decision Making Framework

We recognise the importance of transparently communicating how we decide whether we contract and dispatch flexibility services instead of other interventions. This transparency helps give customers and stakeholders confidence that we are implementing the most appropriate interventions. It also provides FSPs confidence that we are a neutral market facilitator and addresses any residual perceived conflict of interest concerns. Given the system-wide benefit of flexibility services, it's important we co-ordinate their use with other industry parties. The Decision-Making Framework is one measure we use to provide that transparency and co-ordination.

Our full Decision Making Framework is available on our [SPEN website](#).

2.4. Network Planning and Development Documents

We are committed to transparent data sharing relating to our flexibility procurement strategy. Data sharing enables our customers and stakeholders to assess market opportunities and participate in flexibility markets as well as encourage collaboration between network companies and key stakeholders to facilitate efficient whole system planning and operation. This will be key to the efficiency of the energy system as we decarbonise to Net Zero.

We publish a number of documents to increase the transparency of how we plan and operate our distribution network. From these publications, stakeholders can access information relating to the specific locations we look to procure flexibility services and the data behind these decisions.



Key publications to inform and/or report on our flexibility requirements include:

Long Term Development Statement (LTDS): LTDS provides information on the operation and development of our 132kV, 33kV, and 11kV distribution network across both our licence areas (SP Distribution and SP MANWEB). This includes a range of information such as network asset technical data, network configuration, geographic plans, fault level information, demand and generation levels, and planned works. A main update is published every November with a minor update every May. [Long Term Development Statement](#)

Distribution Future Energy Scenarios (DFES): these documents are forecasts for key customer demand and generation metrics up until 2050. We develop these considering a range of sources, including UK and devolved government targets and other industry forecasts. Given the uncertainties out to 2050, we create forecasts for four main energy scenarios. These scenarios represent differing levels of customer ambition, government and policy support, economic growth, and technological development. [Distribution Future Energy Scenarios - SP Energy Networks](#).

Network Development Plan (NDP): the primary objective of the NDP is to provide information on available network capacity to accommodate demand and generation growth, and interventions the DNO plans which will increase network capacity (such as flexibility use and reinforcement). The NDP is a medium-term outlook and is designed to sit between shorter-term LTDSs and long-term DFES forecasts. [Network Development Plans](#).

Flexibility Visibility Data: Previously, we published visibility data on our platform alongside tender requirements on the Piclo Flex tender platform. During our 2023 procurement round, this included flexibility requirements for the full RIIO-ED2 period, providing market visibility for FSPs up to 2028—totalling around 1.5GW across more than 1,700 locations at all voltage levels. This demonstrated our commitment to utilising flexibility services to support the network long term and to aid future market development.

However, following stakeholder feedback on improving transparency and accessibility, we now publish our visibility data through SPEN's Open Data Portal and summarise it in our Market Prospectus. This approach ensures all relevant SPEN network data is in one place, making it easier for stakeholders to view our plans, move between datasets, and understand potential opportunities. The Market Prospectus provides a clearer summary of flexibility requirements, highlights potential MW opportunities in specific areas, and outlines the overall market value of flexibility. By consolidating this information, we aim to improve transparency, enhance readability, and support new market participants in identifying future opportunities. Our most recent Market Prospectus document and supporting data is available to view [here](#).

Open Data Portal: Our Open Data Portal now serves as the centralised repository for all flexibility-related information, including tendered, contracted, and dispatched data, as well as a high-level view of all assets currently registered to participate in flexibility. In addition, we provide visibility of all flexibility services we intend to procure in the coming years, offering both short- and long-term forecasts. This approach gives stakeholders greater confidence in the market by enabling them to see what flexibility is available and anticipate potential competition in specific areas. Users can easily search our open data catalogue, access detailed metadata, and consume data via an API. All published flexibility data undergoes our Data Triage process to ensure thorough assessment of sensitivities and implementation of any required controls.

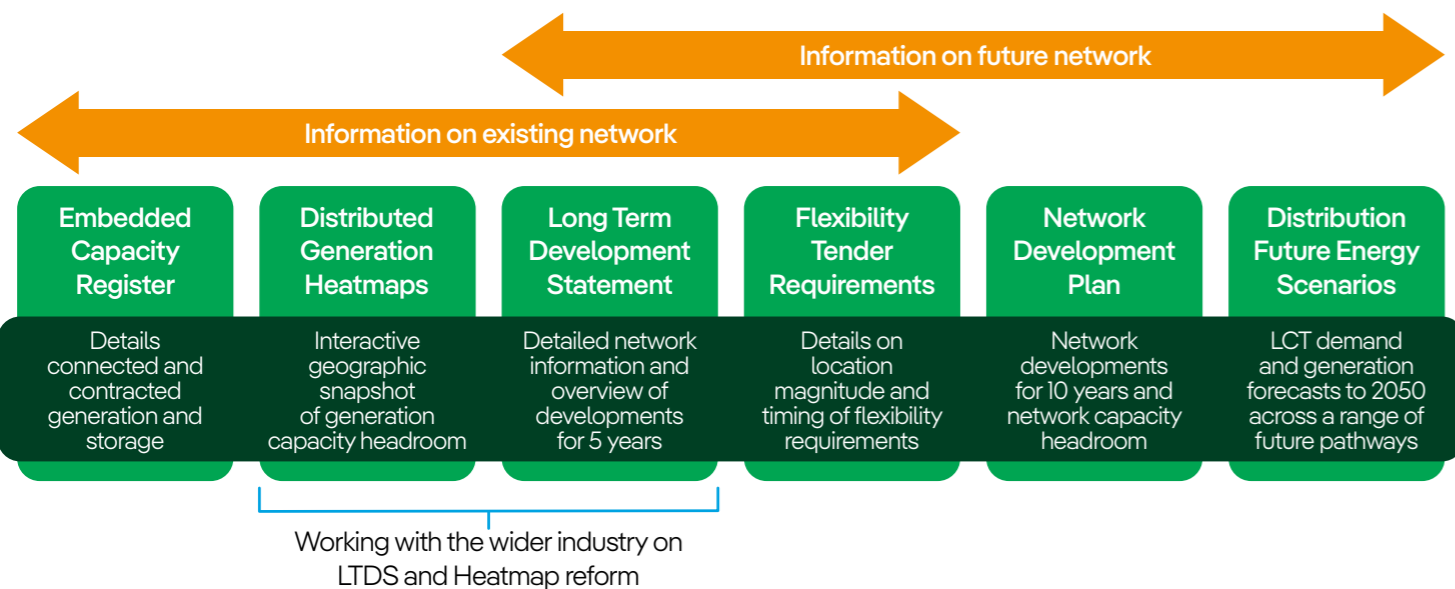


Figure 2 – Publications providing information on our existing and future networks

Market Prospectus: We will be publishing a further update to our Market Prospectus this year which will be published on SPEN's [Open Data Portal](#). Following stakeholder feedback on transparency of Flexibility Data, the Market Prospectus aims to summarise our requirements in a clearer format. Additionally, the Market Prospectus will demonstrate the potential opportunity for flexibility MWs in a given area as well as the overall market value of the required flexibility in each area. We hope that the Market Prospectus will improve transparency relating to our flexibility requirements for our stakeholders and increase the readability of our visibility data for new market participants.

SPEN Market Engagement Strategy: This strategy, developed in December 2025, sets out how SPEN will engage with various customer groups to enhance participation in flexibility markets. It outlines the approaches we will use to improve stakeholder engagement, actively listen to feedback, and address barriers to involvement. The document highlights current gaps in participation and details how we aim to raise awareness of the benefits of flexibility services, ensuring all stakeholders understand the opportunities available. By doing so, we seek to boost market participation and create a more inclusive, transparent, and collaborative environment. We are now inviting feedback on this strategy to inform an updated version, which will be published at the end of 2026. The SPEN Flexibility Engagement Strategy is available to access [here](#).

2.5. Procurement Activities to Date

2.5.1. Legacy Contracts (old operating model)

Building on our tenders issued between 2019 for requirements during the latter years of ED1 (2020- 2023), we issued flexibility tenders for each network constraint identified during the RII0-ED2 period (2023 – 2028), looking to procure a total of 1.5GW across 1,557 locations. These contracts were procured on a longer-term basis.

Tenders	Spring 2019	Autumn 2019	Autumn 2020	Spring 2021	Autumn 2021	Spring 2023	Autumn 2023
No. of sites	3	10	1138	1554	97	571	575
Price Control Period	ED1	ED1	ED2	ED2	ED1/ED2	ED2	ED2
MWs Tendered	116	250	960	1420	110.9	273.1	297.7
MWs Awarded	0	53.3	139.6	555	0	13.5	15.4

To date, we have contracted with FSPs on a bilateral basis following the acceptance of bids, with most FSPs offering services from planned assets. We have experienced a reduction in contracted capacity compared to accepted bids as FSPs confirm what they are confident to deliver:

Capacity	2023/24	2024/25	2025/26	2026/27	2027/28
Accepted Bids (MW)	55	109	147	199	221
Contracted (MW)	22	52*	92*	160	172

Through our tenders we will look to increase the capacity contracted by increasing the number of tender rounds we run on annual basis through our new monthly tender operating model. However, should assets not be available or there is insufficient capacity offered to manage individual locational constraints, we may need to revert alternative solutions such as conventional reinforcement.



2.5.2. Month Ahead Procurement Model

Over the past year we have been maturing our month ahead model. We contracted a total of 185 MW (3.15 GWh) in 25/26. We dispatched 100% of the contracted volume which is a significant improvement on our previous tendering model and we were able to build a more resilient and reliable tendering model that fitted in with our network need. The table below summarises our procurement activity each month during the 25/26 period.

2.6. 2026/27 Procurement Strategy

2.6.1. Tenders

From April 2026 onwards, we will be operating monthly tender cycles in which we will procure the following month-ahead flexibility services.

2026-2027 Delivery Year	SP Distribution	SP MANWEB
Scheduled Utilisation	149 MW (42 Locations)	223 (40 Locations)
Operational Utilisation and Scheduled Availability	-	100 MW (6 Locations)
Total	149 MW (42 Locations)	323 MW (46 Locations)

Any updates on our tender requirements for the Delivery Year will be issued on our [Open Data Portal](#) and on the SPEN website. We include estimated utilisation hours as part of our tender supporting information to inform potential FSPs of the likely usage which allows them to estimate the revenue they might receive. We will only dispatch these hours if the forecast network constraint emerges – this will protect our wider customer base from unnecessary costs (the optionality advantage of reduced risk of stranded assets is eroded if flexibility is dispatched unnecessarily).

A full list of our tender requirements for 2025-2026 as well as our longer-term tender requirements is included in Appendix 3. Once tenders are issued, our month-to-month requirements can be viewed on the ElectronConnect platform.

2.6.2. Products

We will be procuring products developed by the ENA Open Networks Project namely:

Product name	Payment Structure
Scheduled Utilisation (Procured Month Ahead & Day Ahead)	Utilisation payment only
Operational Utilisation + Scheduled Availability (Procured day ahead, weekly and month ahead)	Availability and utilisation payment

From our feedback from registered and potential FSPs, we have streamlined our product offering to 2 product types (Scheduled Utilisation and Operational Utilisation & Scheduled Availability). The response times and procurement windows for these products are further defined depending on the use case for the procured flexibility service. As more use cases for flexibility become available as our capabilities evolve we are committed to introducing more flexibility products as outlined by the 2023 ENA Products Alignment Programme. Here are some definitions on how these products are utilised:

Scheduled Utilisation

In this product, the time that flexibility is delivered has been pre-agreed in advance with the provider. This product will primarily benefit FSPs that cannot respond in real-time or near to real-time. This service is used to manage seasonal peak demands and defer network reinforcement.

Operational Utilisation

This product allows for the use case where the amount of flexibility delivered is agreed nearer to real time. This can be utilised to facilitate a change in demand / generation profiles from FSPs based on network conditions close to real-time. The assets will be dispatched for the required level of service that is required based upon actual network measurement data thus managing the cost.

We utilise this product to maintain the security of the distribution network where the regulatory funding does not allow for availability payments e.g. customer interruptions (CI).

Operational Utilisation + Scheduled Availability

This product procures, ahead of time, the ability of an FSP to deliver an agreed change following a network abnormality. The availability will be defined at the point of procurement and cannot be modified once the contract has been agreed. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DSO/NESO is only paying utilisation payments based upon the actual needs of the network.

An example use case for this product is when a DSO is planning for sufficiency of flexible services contracts based upon long range forecasting of network constraints.

Operational Utilisation + Variable Availability

This product allows for DSOs to procure a level of contracted capacity but then refine the requirements in terms of availability closer to the event. The assets will be dispatched for the required level of service that is required based upon actual network measurement data, meaning that the DSO is only paying utilisation payments based upon the actual needs of the network.

An example use case for this product is when a DSO is planning for sufficiency of flexible services contracts based

upon short-medium range forecasting of network constraints. More information on the new aligned products developed by the ENA Working Group is available on the [ON Flexibility Products Review and Alignment page on the ENA website](#).

2.6.3. Pricing Strategy

We request that FSPs offer their best price, and we will pay as bid. We do not set fixed prices for any service. We calculate the ceiling price for each tendered constrained location to identify the most economic and quality outcome for our customers, which will be used to continue providing pricing signals.

We use the CEM model to inform our economic assessment of each constrained location. We also assess against other counterfactual solutions to ensure that we are providing the most suitable and economic reinforcement solution possible in a specific constrained location.

Where we provide guide prices, these will be for individual constrained locations. We will provide a long-term view of requirements and a per-location breakdown of potential estimated revenue to give FSPs an understanding of the potential level of revenue available per location and per year. This breakdown information is available on our Open Data Portal. These ranges are based on the net present value of the alternative solution and will differ for each constrained location, as they are based on the individual scheme cost, the capacity required, and the estimated utilisation. For LV constrained locations, we will aim to provide a single range guide price. Such guides are indicative only; when bids are received, they will be fully assessed based on the budget for individual constrained locations, likely utilisation, offered capacity, and product.

Further details on our pricing strategy, structure, and application can be found within our Decision-Making Framework document [click here](#).

We will consider all bids that meet the technical and operational requirements, regardless of whether they are within a pricing signal range.



2.6.4. Service Windows

We have previously run tenders for long term service windows from 5-year service windows to 18-month service Windows. Following stakeholder feedback, we have decided to run shorter term month ahead tenders which means our service windows will be a month long. In the next reporting year, we will run a total of 12 service windows from the beginning of April 2026 to April 2027. See the below table for a summary timeline of all service windows:

Tender	Service Window Open	Service Window Close
March 2026	April 1st 2026	April 31st 2026
April 2026	May 1st 2026	May 31st 2026
May 2026	June 1st 2026	June 31st 2026
June 2026	July 1st 2026	July 31st 2026
July 2026	August 1st 2026	August 31st 2026
August 2026	September 1st 2026	September 30th 2026
September 2026	October 1st 2026	October 31st 2026
October 2026	November 1st 2026	November 31st 2026
November 2026	December 1st 2026	December 31st 2026
December 2026	January 1st 2027	January 31st 2027
January 2027	February 1st 2027	28th February 2027
February 2027	March 1st 2027	March 31st 2027
March 2027	April 1st 2027	April 30th 2027

We will continue to re-tender for all our requirements until we have sufficient services available, or the reinforcement is delivered, as appropriate.

2.6.5. Visibility of Requirements

We will publish all identified constraint requirements for the full RII0-ED2 period (up to March 2028), giving stakeholders and potential flexibility service providers (FSPs) clear visibility of longer-term requirements. This ensures they have an early view of what's coming up and demonstrates our commitment to using flexibility services where appropriate. These requirements are reviewed annually, and any new constraints will be added as they arise.

Although we tender on a monthly, short-term basis during the reporting year, we provide this longer-term view to support stakeholder planning and market confidence. In addition, our system design team is preparing for ED3, and we will provide a more detailed, longer-term update once this assessment is complete and ready for review during the summer months. This longer-term view will be shared in our Autumn Market Prospectus.

These requirements are publicly accessible through our Open Data Portal, ensuring transparency and ease of access for all interested stakeholders. Furthermore, for more convenient offline analysis, the data is available in an excel format. To provide a comprehensive overview, we will also publish an updated Market Prospectus in early Autumn before the Winter 26/27 period. This prospectus will synthesize the data set, presenting site-by-site information including MW capacity, estimated hours of availability, and potential estimated revenue for each location, facilitating informed decision-making for potential participants and other stakeholders.

2.6.6. Operational Flexibility Tenders

Going forward we are committed to tender on a month ahead basis which will be based on both long and short term network need which will increase our agility in managing network stresses and events. However, should network need require services to be procured outside of these monthly tender windows we will issue further tenders as required. These events will include planned outages that may have additional requirements such as longer service windows than the month ahead tendering model. These tenders will follow a similar pre-qualification and bidding process as described in Section 3, albeit with a longer tender window depending on requirements. In these instances, we will undertake location specific, targeted engagement to encourage FSPs within the relevant network area to participate. As part of our engagement plan we have developed an internal database to identify potential flexibility providers in each CMZ location that are connected to our network. This database will also assist us in our month ahead tenders as we aim to identify the precise MW flexibility opportunity in each location to plan and improve our market engagement strategies.

2.7. Dispatch and Settlement

We will operate the dispatch of Flexibility Services in a fair and transparent manner, all the time ensuring that we meet our obligation to maintain a secure and efficient network. As the Flexibility Services market develops, and services are available from multiple FSPs to meet the requirements in individual constraint locations, we will follow the dispatch decision guiding principles published by the ENA Open Networks project, namely:

Principle	Description	Implementation
Security	The needs of the system will be met using flexibility in such a way that security is maintained	Confirm with applicable standards with an appropriate management of risk
Cost	Flexibility will be operated to meet system need at the minimum level of cost	The use of flexibility services should be cost effective and expenditure proportional to the benefits it brings to the network
Operability	DSOs will seek to dispatch services that offer compatible levels of operability	Operability is a measure of how well an offer of a flexibility service meets actual or potential system needs. We will seek to develop an objective and transparent method for assessing operability of offers of flexibility services
Competitions	DSOs will provide transparency of their dispatch and activities	We will procure flexibility using simple, fair, and transparent rules and processes. Services should be developed such that flexibility service providers can participate easily in different markets
Fairness	DSOs will operate a fair dispatch methodology and provide equal opportunities to participate	Flexibility Services shall be assessed and selected impartially purely on their technical and commercial merits. Where multiple technically sufficient Flexibility Services are available at a comparable cost, we will share the dispatch of services across these providers

From April 2026, we are moving to the ElectronConnect platform. Electron and SPEN will provide support throughout the participant's tendering journey, from the first stages of our procurement process to the end stages of dispatch and settlement. Once FSP assets are uploaded on to the ElectronConnect platform they are then able to fully participate in our end-to-end end flex process of procurement, schedule, dispatch and settlement which negates the need to onboard FSPs onto multiple platforms.

Further details on our new monthly tender process details and guidance relating to the ElectronConnect platform can be accessed on the [Electron website](#). Along with a copy of our Dispatch Principles which are located on our [SPEN flexibility webpage](#).



3. Tendering Process

3.1. Our approach

We are committed to procuring Flexibility Services in a fair and transparent manner and have developed processes to ensure all FSPs are treated equally. Where it is possible to do so, we will procure Flexibility Services via competitive tender and will run additional longer-term tenders when appropriate.

Stakeholder feedback:

Following stakeholder feedback and our own monitoring of participation in longer-term tenders, we have been operating on the month-ahead model since June 2024. So far, it has been observed that providers prefer shorter-term tenders, as these align more closely with existing routes to market and offer increased opportunities for participation in our DSO flexibility market. To date, this approach has resulted in improved

delivery performance in comparison to previous years's performance on the old longer term tenders operating model. We will continue to monitor the month-ahead model throughout 2026 and conduct further reviews during the year to evaluate whether shorter-term markets such as week ahead and day ahead would be more advantageous for FSPs and further reduce barriers for FSPs to enter the DSO flexibility market.

3.2. Tender Platform

Our contract with Piclo ended at the end of Q1, 2026. In 2025 we carried out a competitive tender process for a new flexibility platform to service, Electron were ultimately selected as the successful platform partners.

Over the past few months, we have been preparing our providers and wider stakeholders for the transition to the new platform. To ensure a smooth changeover, we have conducted regular one-to-one sessions with active participants, as well as onboarding sessions for new participants, to support their move to ElectronConnect.

ElectronConnect provides a flexible and scalable platform designed to support the procurement and management of flexibility services. Working closely with the Electron team, we are continuing to develop and enhance the platform to ensure

it meets current and future network requirements. This includes expanding our tendering processes and improving the user experience to support the evolving needs of our customers and stakeholders.

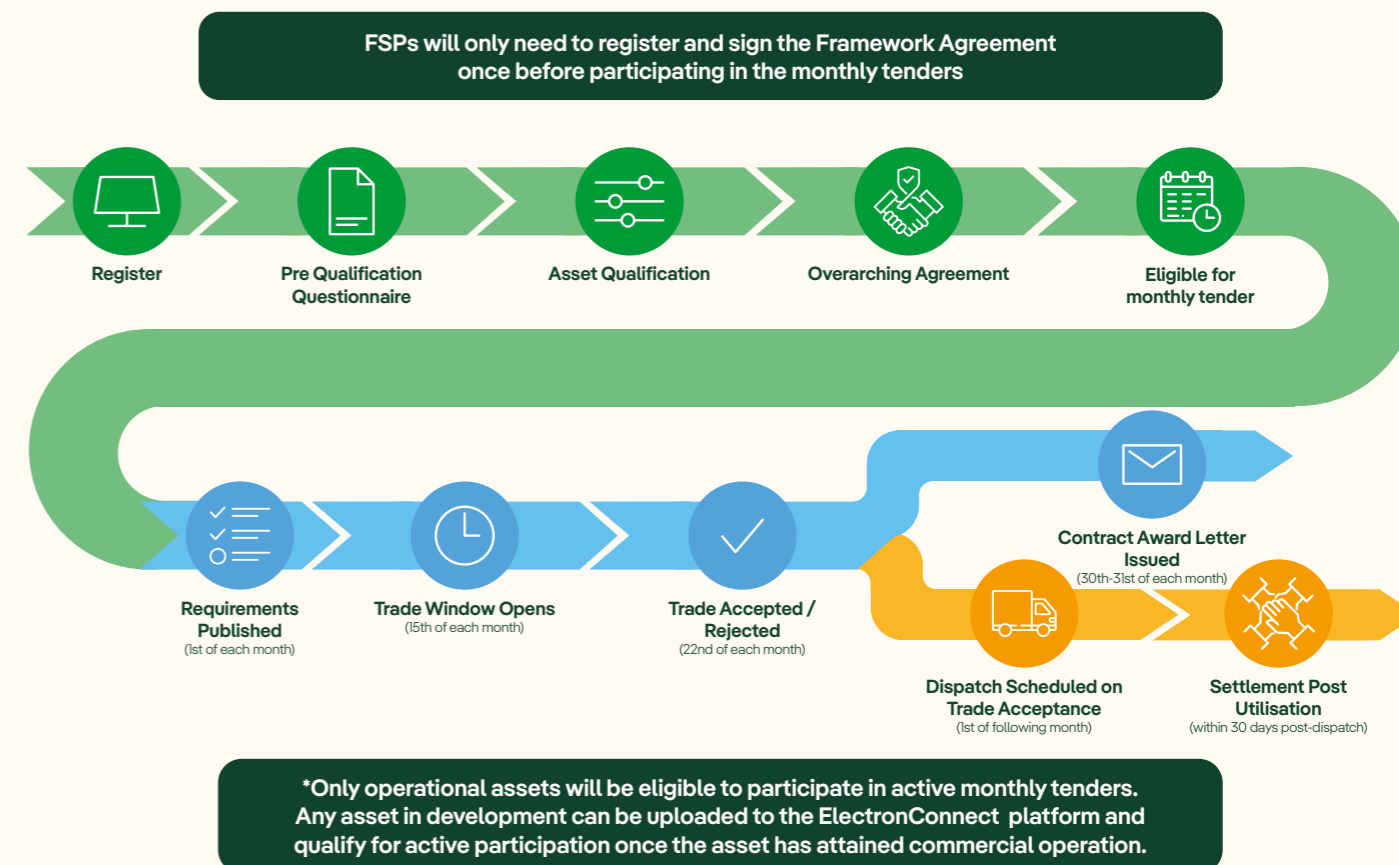
Our long standing relationship with Piclo provided a stable and consistent route for market participants to engage with our flexibility tenders. As we transition to Electron, we remain committed to maintaining this continuity of service and ensuring that all participants can access information, documentation, and support efficiently and with minimal disruption.

We will continue to update stakeholders as we progress through implementation and further develop the new platform.

3.3. Tender Process

3.3.1. Month Ahead Operating Model

The process steps and timeline of our new month-ahead tendering model is as follows:

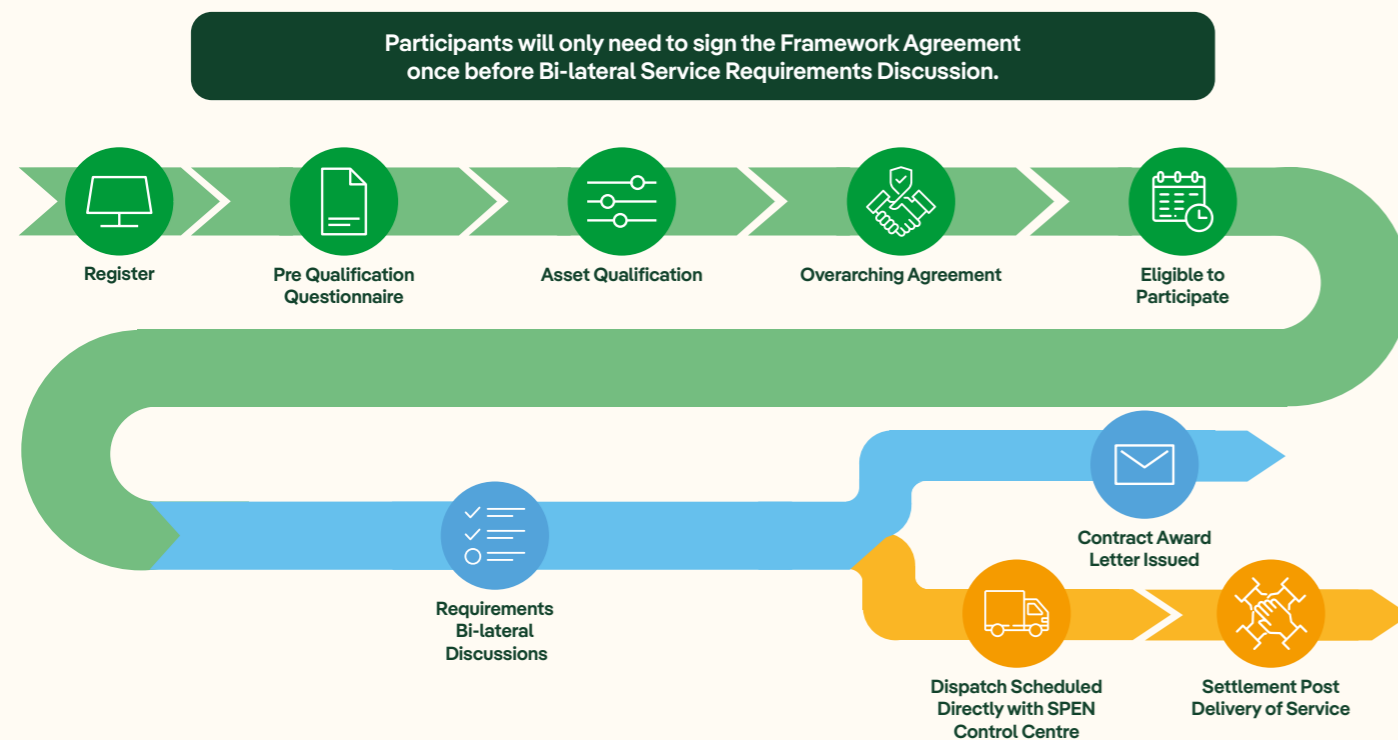


3.3.2. Operational Flexibility Bi-lateral Model Process

Operational flexibility is procured in response to network constraints identified by our control room. These can be due to planned and unplanned outages or to maintain system stability due to generation constraints.

To support planned outages our annual maintenance schedule is completed at the end of January each year by our control room. This shows the areas of the network where key works are being carried out. The majority of these works tend to occur between March – September, although some periods where flexibility is required may fall outside this period. Operational flexibility may be procured to support our control room during these key works, either through active management of the distribution network, or through extending outage windows. Areas where operational flexibility is highlighted as highly beneficial are prioritised by the procurement team.

Operational flexibility therefore is procured on a bilateral basis. We will agree with providers ahead of the outage period. The prerequisite for participation in an operational flexibility tender is a signed V3 flexibility agreement and an asset which has completed the prequalification process on our flexibility platform.



3.3.3. ENA Framework Agreement

We utilise the V3 ENA standard framework when contracting flexibility services. This framework agreement was initially developed by the ENA Open Networks project and is designed to enable market access for FSPs. We continue to work with other system operators and the market facilitator Elexon to design and implement an agreement that facilitates faster market access across all providers of flexibility

The contracting process for FSPs to participate in our tenders is as follows:

- Flexibility Services Agreement terms and condition plus accompanying schedules are issued as part of the ITT documentation
- FSPs review, complete and return the Signature Page to SPEN to countersign
- FSPs can now participate in the individual tender competitions and submit bids
- Once a bid is accepted, SPEN will issue a Contract Award Notification detailing the individual services. This Contract Award Notification will form part of the Flexibility Services Agreement

The services bid by FSPs are only bound by a contract when they are covered and contained in the express terms of an executed Flexibility Services Agreement, and a Contract Award Notification has been issued.

Further details on our Procurement Process can be found on our [SPEN flexibility webpage](#).

3.4. Tender Documentation

For our monthly tendering model, our tendering documentation is outlined in the below table.

Tender Document Pack	Details
ITT Letter	Tender letter which provides the terms on which we will run our monthly tenders
Part 1 – Monthly Tender Timeline	The month-by-month timeline that indicates the date of each stage of the monthly tender
Part 2 – Tender Scope	Details of the services, and requirements we are looking to procure throughout the tender year
Part 3 – Company Policies	Provides access to SPEN policies
Part 4 – Flexibility Framework Agreement	Provides a copy of the Terms and Conditions that the FSPs are requested to sign prior to qualifying for participation in monthly tenders
Part 5 – Prequalification	The pre-qualification requirements we have for the FSPs and their assets
Part 6 – Bid Assessment	To inform FSPs on how we will assess their bids
Appendices	Downloadable files and associated links to long term and short-term tender requirements

The monthly tender ITT pack is available on [our website](#).

3.5. Pre-qualification Requirements

Prior to bidding, FSPs are required to:

1. Apply to the Dynamic Purchasing System (DPS). FSPs will submit company specific information which will be reviewed by SPEN for completion and validity. Following acceptance the FSP will be admitted to the DPS.
2. Complete PQQ questionnaire, providing technical information relating to the assets they will use to provide the flexibility services for each individual location. SPEN will assess the technical and location details to confirm suitability and approve the individual assets. Assets must be operational to participate in monthly tenders.
3. Where assets are planned (i.e., not yet connected or to be recruited), providers will still be able to upload these assets to the DPS. Providers are asked to provide a Delivery Plan detailing the dates when assets will become operational. Providers can notify us when planned assets attain commercial operational. SPEN will then update their eligibility status to enable participation in our month-ahead tenders.
4. Sign and confirm agreement to sign, the terms and conditions of the Flexibility Services Agreement.

All FSPs on the DPS who have completed the above will be invited to submit bids when the bidding window opens.

3.6. Bidding Requirements

All bidding takes place on the ElectronConnect platform, with pre-qualified FSPs uploading their bids for each individual competition.

Following previous tenders, where the number of individual constrained locations increased significantly, the platform introduced a “bulk upload”, allowing FSPs such as aggregators who want to take part in multiple competitions the ability to upload bids as one file. This has reduced the burden on resources and made it easier for providers to submit timely bids.

Details are included within our ITT documentation and detailed instructions are available on the [Electron website](#).

3.7. Bidding Rules

Recognising the differing business models and capabilities of individual FSPs, we include the following bidding rules, enabling those who may not be able to meet the full requirements for individual constrained locations to take part:

Tender Document Pack	Details
Flexible Capacity	FSPs can offer the flexible capacity at a single price or split the flexible capacity into smaller volumes but at different prices
Service Windows	Bids must be for whole Service Windows of the individual competition bid for
Service Duration	FSPs can offer assets that may not be able to run for the entire service times as long as they meet the minimum duration included for each constrained location
Service Period	The duration of contracts within the ITT may be for more than one service window depending on the specific constrained location requirements, however bids can be submitted for individual service windows
Status of assets	Participation in month ahead tenders require asset status to be operational. However, assets in development can be uploaded on to the DPS with an expected commercial operation date. Providers will need to update the status of the asset to notify SPEN of the asset's operational status which will then be eligible to participate in monthly tenders

We request that FSPs offer their best price and we pay as bid.

LIVE MARKETS

SP Energy Networks

SP Energy Networks (SPEN) is one of the UK's largest distribution system operators, serving more than five million customers across Central and Southern Scotland, Merseyside, Cheshire, North Wales and North Shropshire.

[Return](#)

SP Energy Networks' flexibility targets

- Up to £ 2.9 M**
estimated market value
- 12536 MWh**
estimated flexibility volume
- Up to 52**
locations

Estimated month ahead market outlook for 2025-2026

3.8. Bid Assessment Criteria

To provide the capacity in the optimal way, we fairly, impartially and economically assess different types and combinations of interventions (e.g. flexibility, smart, reinforcement), and how they could be co-ordinated with other interventions to reduce customer cost and disruption.

Prior to opening the bidding window, we will have performed an assessment of the technical and financial parameters for each constraint location that we can reasonably accept. The optioneering assessment will compare solutions for each individual constraint location on a like-for-like basis and impartially identify optimal interventions, or combination and sequence of interventions. We will also identify ceiling prices for each location that will consider the maximum bid price offers that we can financially accept.

Once the bidding window has closed, we will assess all bids received against our bid criteria. For each bid submitted, we will assess: the overall value of the service offered; the technical parameters; and competing bids. Guidance will be provided as part of our ITT documentation on our Flexibility pages on the SPEN website.

We will be introducing a governance process to assess the accepted monthly bids on a bi-annual basis to ensure that the technical and financial parameters set prior to the launch of the month-ahead tenders are still applicable. We will introduce changes to our requirements if the parameters have altered after the acceptance of monthly bids to ensure we are continuously utilising optimal solutions that offer the best value for our customers.

3.9. Bid Acceptance and Contract Award

Following assessment bid decisions are uploaded to ElectronConnect, which automatically notifies bidders of the decision. For those bids rejected, we include the reason to advise FSPs if it is due, for example, 'insufficient capacity offered'.

As participants will have already signed the Standard Flexibility Agreement to participate in monthly tenders, once a bid is accepted, we will issue a Contract Award Notification detailing the accepted individual services. The successful bidder will proceed to our operational process and will be scheduled in for dispatch for the following month.



4. Stakeholder Engagement

We develop our stakeholder engagement strategy with the aim to reach as many potential participants and interested parties as possible, facilitating easy access to our flexibility requirements and information on our policies and procedures for identification, procurement and operation of the services. We continuously seek feedback to inform and influence our approach.

4.1. Tender Publication

From April 2026, our live tenders are published on the ElectronConnect platform, which automatically notifies those who have signed up to their mailing list, informing them that our tender has been launched. Flexibility Services Providers will be able to view all details throughout the tender process from tender launch to contract award via the ElectronConnect Platform. Other tender information such as supporting tender documents is available on our SPEN Flexibility website.

In addition, our SPEN Flexibility website provides flexibility specific information, directing interested parties to the relevant portals and platforms and advising how to contact the Flexibility Team.

Press releases, social media, email marketing, and webinars are used to highlight the launch of our ongoing tenders and are supported by our engagement strategy.

4.2. Market Engagement Strategy

4.2.1. SPEN Market Engagement Strategy

SPEN engages with stakeholders via:

- Press releases
- Easily accessible and downloadable information
- Posts on social media – LinkedIn and Blogs
- Dedicated webinars and pre-recorded videos
- Industry conferences and events
- Direct contact with those who register for information
- Targeted emails and newsletters via our stakeholder engagement tool 'Tractivity'
- One-to-one surgeries with potential new FSPs and active FSPs
- SPEN DSO events
- SPEN Annual Flexibility Summit
- SPEN DSO Flex Conference
- Case Studies

We will mainly focus on facilitating regular social media posts and one-to-one surgeries with potential FSPs to advertise the monthly tendering model. We aim to plan 4 webinars a year for Flexibility Service Providers covering a wide range of topics. In 2026, we are also hosting our annual Flex Conference in Glasgow to create an open space for discussion and collaboration between NESO, FSPs, DSOs and industry partners. We will also be seeking regular feedback on FSPs experience of short-term tenders to gain meaningful insight into the operating model and act on any suggested changes if required.

4.2.2. Electron Market Engagement Strategy

As well as facilitating our own engagement strategy, we also work in collaboration with our dedicated flexibility platform provider Electron to continuously improve our stakeholder engagement strategy.

Electrons engagement strategy is designed to provide FSPs with clear, consistent, and proactive support throughout their journey on the ElectronConnect platform. The strategy outlines communication expectations, and support mechanisms that guide FSPs from initial registration through qualification, asset onboarding, and full market participation. By defining structured engagement processes and coordinated communication practices, the strategy ensures that all FSPs receive the guidance they need to participate effectively in flexibility markets.

The strategy is underpinned by a comprehensive support infrastructure that includes the Electron Help Centre, AI-powered chatbot support, and dedicated support desk. These channels provide both self-service resources and direct assistance, ensuring queries are quickly resolved and that FSPs have access to up-to-date, accurate information. Electron leverages a clear communication framework built around proactive notifications, personalised account-based support, and scheduled one-to-one guidance sessions. Each of these is designed to keep FSPs informed, supported, and engaged at the right moments.

From onboarding and commercial qualification to asset registration and market participation, Electron maintains

a coordinated and transparent approach to engagement. Internal timelines, process documentation, and performance monitoring ensure that all engagement activities are aligned across teams and continuously improved. By combining structured communication, responsive support, and documentation, this strategy provides a reliable, user-centred foundation that enables FSPs to participate confidently in flexibility markets.

We will continue to work with Electron to improve the user experience for FSPs, utilising feedback and learnings from our market operations.

4.2.3. Monthly Operating Model Engagement

Our Month Ahead Model has matured this year however there is still more work to do. We aim to continuously provide updated and transparent information on a regular basis to encourage new participation in our monthly tender programme. We will continue to engage with new providers and asset owners that have not participated in Flexibility in the UK before – focusing on I&C customers, Local Authorities, Community Energy Groups, and traditional FSPs such as aggregators.

This will require targeted efforts to best reach each type of stakeholder;

- One to one workshops with local authorities and councils to explain flexibility concepts and walk through ways of participation
- Working with our internal Community Energy stakeholder team to attend CE events, webinars, and meet with key industry bodies
- Social media, webinars, and events to engage with I&C suppliers and aggregators
- Working with Flex Assure and NESO on events to engage with FSPs and I&C customers in SPD and SPM
- Blogs to provide information on our operating models and processes
- Informative interview blogs or videos with FSPs who have previously participated in SPEN tenders to highlight their previous experience and thoughts on the new operating model
- Co-hosted pre-recorded video or live webinar to provide public information about the new process and provide a demo for new potential participants

4.3. Stakeholder Feedback

- We continuously seek feedback from stakeholders and have a number of routes available for this:
- Dedicated e-mail address - flexibility@spenergynetworks.co.uk
- Through our dedicated flexibility platform provider Electron [here](#)
- One-to-one consultations with FSPs
- Interactive webinars
- Round tables and workshops with key stakeholders

We use the feedback from stakeholders to refine our processes and reduce barriers to participation. This feedback was the main driver behind the thorough change in our tendering model, it has allowed us to create account management processes, develop new and engaging content, and provide FSPs with the tools they need to participate in our DSO Flex Markets.

Each year, we publish our Market Prospectus on the SPEN Open Data Portal and our website which provides key short and long term information as well as an interactive data document which allows providers to model potential opportunities in our flex competition zones. The Market Prospectus summarises the requirements in our key constrained locations alongside the potential MW opportunity across both our licence areas and provides stakeholders with more digestible long-term and short-term requirements information in a clearer format.



4.3.1. Individual Stakeholder Feedback and Actions

Over the course of the year, we have held one to one surgeries, webinars, and focus groups, to understand and gain feedback from FSPs on our current flexibility offerings as well as general DSO Flexibility dynamics in the UK. We have collated this feedback from our 34 registered FSPs into a number of FSP personas, and have set ourselves key actions for the upcoming year:

- **Domestic Suppliers and Aggregators:** Increase revenue, enable DER participation, reducing bills for customers, simplifying market access for multiple markets

- **SPEN Response:** We are working with Domestic Suppliers and Aggregators through various practical deployments such as Equiflex, LV Flex and our Day-ahead demand turn up market. These aim at increasing our flexibility offering for FSPs to increase market volume and flexibility use cases. SPEN is also working collaboratively with the NESO to enable primacy and stacking, so that Domestic Suppliers and Aggregators can deliver flexibility services across multiple markets. Our move to Electron affirms our commitment to a standard accessible flexibility platform, providing a smooth end-to-end process.

- **Generators:** Increase revenue and reduce costs, improve asset utilisation and operational efficiency, support reliability and stability of the grid

- **SPEN Response:** In addition to our monthly flexibility market, we have several opportunities for generators to support the distribution network with flexibility services through our operational flexibility and StormFlex activities. Our operational flexibility and StormFlex offerings are now business as usual, with locations made available from January 2026. We have developed a mature framework for valuing operational flexibility, aiming to make these contracts competitive with existing markets for generation assets. Over 2026/2027 we expect more operational flexibility opportunities to be available focused in our SPM licence area and are continuing to work with existing generation partners to support the reliability and stability of the distribution network as we deliver key reinforcement works over the course of ED2.

- **Local Authorities and Enterprise:** Increase revenue to fund green projects and initiatives, reducing energy consumption, reduce outages, reduce the need for network upgrades and additional infrastructure, use flexibility to support local Net Zero targets

SPEN Response: Throughout 2025 we provided practical support with flexibility participation with Liverpool City Council as part of the Realising Net Zero Liverpool project, we aim to continue engaging with local authorities in our

licence areas. Flexibility presents key opportunities for local authorities and enterprise to lower operating costs, while providing a key service to support the wider electricity network. Throughout 2026/2027 we will host regular engagement calls with local authorities and enterprise, and continue to provide technical support through our platform provider Electron for existing and prospective providers. We have also published our first [Local Authority Flexibility Participation Guidance Document](#) which will be updated annually. SPEN is committed to enabling flexibility services for these use cases through publishing documentation, one-to-one surgeries and engagement with Local Authority and Enterprise stakeholders.

- **Community Energy Groups:** Support local communities in managing their energy usage, provide value to the local community, reduce energy costs, provide clean energy to local communities.

- **SPEN Response:** SPEN views community energy schemes as vital to the energy transition as they bring in local investment, lower bills and clean energy to many communities across our licence areas. Throughout 2025/2026 we spoke at 2 community energy conferences in Scotland and Wales and hosted our first webinar aimed at community energy groups. Our flexibility performance team also provided consultation on a community energy proposal in Wales. We will continue to support community energy groups by providing a end-to-end flexibility service, expanding our requirements and use cases for flexibility, and continuing to engage with community energy groups through in-person events, webinars, tailored documentation and one-to-one consultations.

- **Industrial and Commercial:** Increase revenue and reduce costs, carbon reduction targets, CSR reporting, meet industrial Net Zero targets

- **SPEN Response:** Industrial and Commercial providers are key in unlocking large volumes of MW dispatch for demand turn down/up. Building on the engagement in 2025/2026 through presenting at the Deeside Decarbonisation Forum and several external conferences, we are continue to target and develop our portfolio of registered I&C flex assets. In 2026/2027 we will continue this work, hosting webinars specifically aimed at I&C customers, and also developing our commercial offering to I&C customers. Our engagement with our control rooms and the maturity of our monthly market and operational flexibility operations means that throughout 2026/2027 there will be ample opportunity for I&C assets to participate in tenders. We will continue to engage with I&C customers to remove barriers to participation, identify opportunities for flexibility services and explore new ways to increase I&C participation in our tenders.



4.4. Year 3 of Month Ahead

Following our tender launch and FSP participation over the last 6 months, we are keen to understand FSPs experience of the new process and will arrange one-to-one meetings to seek feedback on the new processes and regularly keep in touch with FSPs to discuss accepted as well as any rejected bids.

Understanding why some FSPs upload assets to the platform but choose not to bid, and why some large global

FSPs are not operating within our licence areas is also key to identifying and understanding how we can improve participation. This engagement is ongoing.

We undertake “Lessons Learned” exercises with our platform provider which is supported by the analytics the platform provides to facilitate platform performance monitoring, such as number of competitions ongoing/finalised and volumes allocated.

4.5. Engagement Channels

We ensure multiple channels are available for continuous engagement throughout our tender stages and beyond, including:

Channel	Description	Where
Website	The SPEN website hosts dedicated flexibility pages providing information and links to our Flexibility tenders, our policies and processes, and how to contact our Flexibility Team. It also hosts information on our upcoming events as well as our Market Prospectus and Supporting Data. We are also updating this year with case studies.	SP Energy Networks
Procurement Platform	Working with Electron provides ongoing engagement and allows potential FSPs and stakeholders to access our specific tender information, procurement policies and processes and step by step instructions on what is required at each tender stage, whether registering for the DPS, uploading assets or submitting bids. Our dedicated page on Picloflex requests feedback and provides details on how stakeholders can request a one-to-one meeting with us.	Electron
Dedicated Mailbox	We have a dedicated flexibility mailbox for stakeholders to contact us with any query they have relating to Flexibility Services. This is widely published on Picloflex, and the SPEN website, and included on all our external communications relating to Flexibility.	flexibility@spenergynetworks.co.uk
Downloadable Documentation	To ensure potential FSPs and stakeholders are informed on how we identify, procure, dispatch and settle Flexibility Services, we provide several downloadable documents. A full list of these documents and where they can be accessed is included in Appendix 2. One of the key documents now is our Market Prospectus and its supporting data.	Various
SPEN Data	Our long term and short-term requirements data will be published on the Open Data Portal along with our Market Prospectus. Links to all our requirements documentation will be published across all our channels including our website and the Electron website and regularly posted on our Social Media channels and stakeholder engagement correspondence. Additionally, we have now published heat maps of our CMZs which customers can interact with to view opportunities.	SPEN Open Data Portal Electron Turning distributed flexibility into affordable grid capacity
Social Media	We use social media platforms such as LinkedIn to promote the launch of our tenders and regular reminders of tendering activity.	Various
Blogs	Electron and SPEN develop and publish blogs to provide information on how to get involved in our tenders.	BLOG Archives Electron SPEN website
Conferences	We attend relevant conferences and arrange specific events alongside other DSOs and Electron including our DSO event that was held in February and March 2025.	Various flexibility@spenergynetworks.com
Tractivity Stakeholder Engagement Tool	We use our stakeholder engagement tool, Tractivity, to send flexibility newsletters to interested parties. We have built a mailing list for customers who are interested in receiving more information about our flexibility products.	Register as a stakeholder on the SPEN website
Electron Mailing List	Electron have a mailing list to contact potential providers when our tenders are launched.	Register your interest: Flexibility tenders

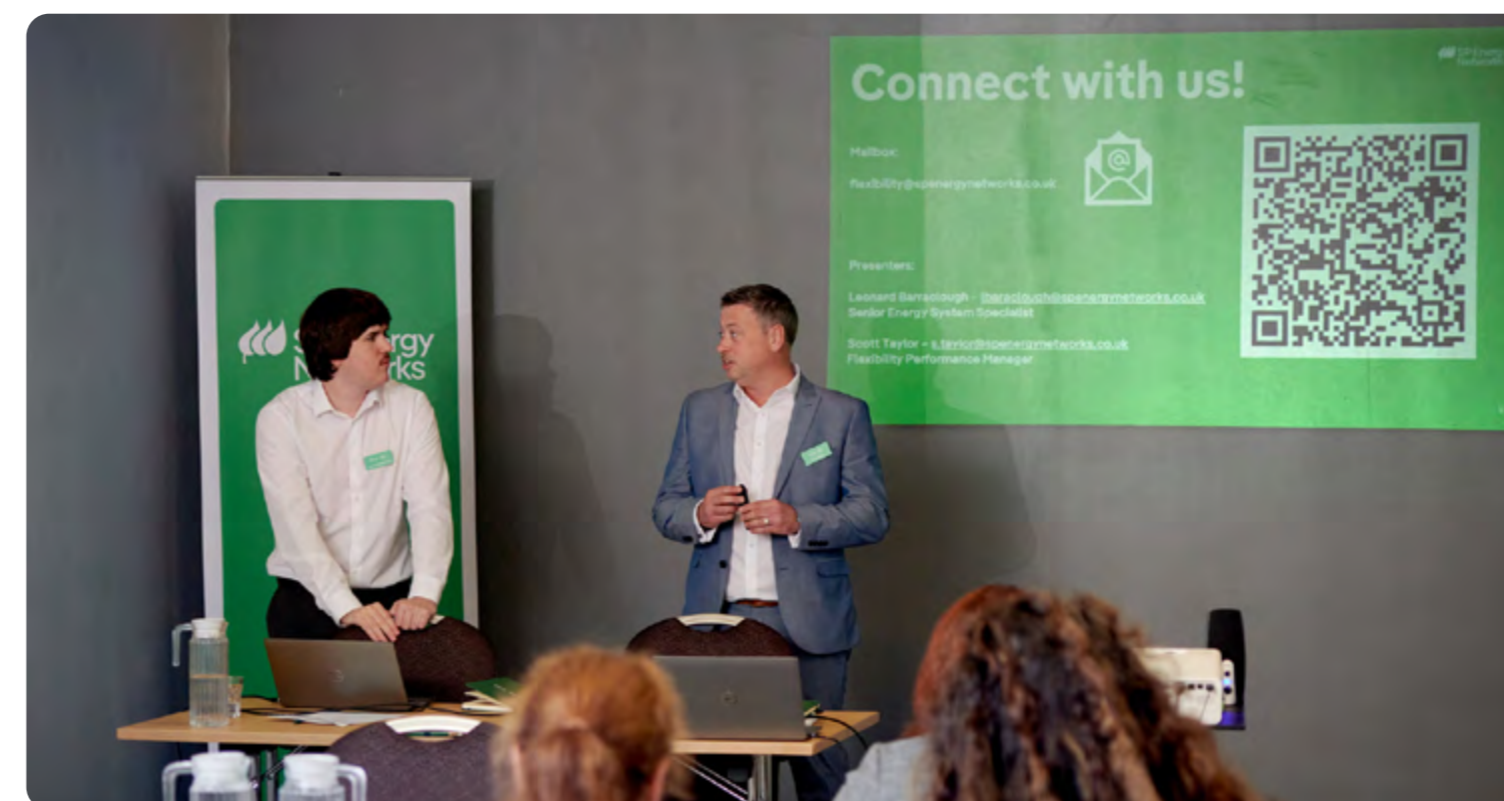
4.6. Planned Stakeholder Engagement

We will actively engage with stakeholders during the forthcoming reporting year, such engagement includes:

- **Annual SPEN Flexibility Summit** – A SPEN stakeholder event inviting FSPs, NESO and DSOs to share insights and developments related to flexibility services. The purpose of this event is for FSPs and DSOs to collaborate, so that we can reduce barriers to participation and continue to develop our whole system approach to flexibility services. The summit consists of several workshops and presentations, each covering a wide range of topics relating to flexibility services.
- **Innovation** – We are committed to partnering with early movers to help solve existing and future network challenges in relation to Flexibility Services. We’re working in partnership with industry peers, innovators, businesses and local communities to solve the complex challenges in the energy system. Read more about our portfolio of innovation projects and the mechanisms they’re funded via: [Our Innovation Projects - SP Energy Networks](#)
- **Conferences** such as All Energy, Utility Week amongst others, allow us to publicise our tenders and provide up to date information on our current priorities and the outcome of trials and stakeholder engagement that we have undertaken. This year we will be hosting our annual

Flexibility Summit in Glasgow, as well as a SPEN DSO Flex conference in September.

- **Councils and Enterprise organisations** within our licenced areas are becoming increasingly interested in how they can become involved in flexibility markets. Building on the work we done last year, we will continue to engage with Local Authorities in our licence areas through our Equiflex project, various workshops and at conferences. We will continue to engage with local enterprise, highlighting the very real and tangible benefits flexibility services could provide to their businesses.
- **Community Energy Groups** – liaising with community groups that are proactively seeking help to manage energy usage and costs allows us to raise the awareness of flexibility services and how they can take part in these markets.
- **International conferences (e.g. CIRED)** – allows us the opportunity to feed into the wider international debate regarding the procurement and utilisation of flexibility services and to listen to other countries experiences. In addition, a number of our potential providers have international owners and therefore we can reach a wide audience at such conferences.



4.7. Industry Engagement

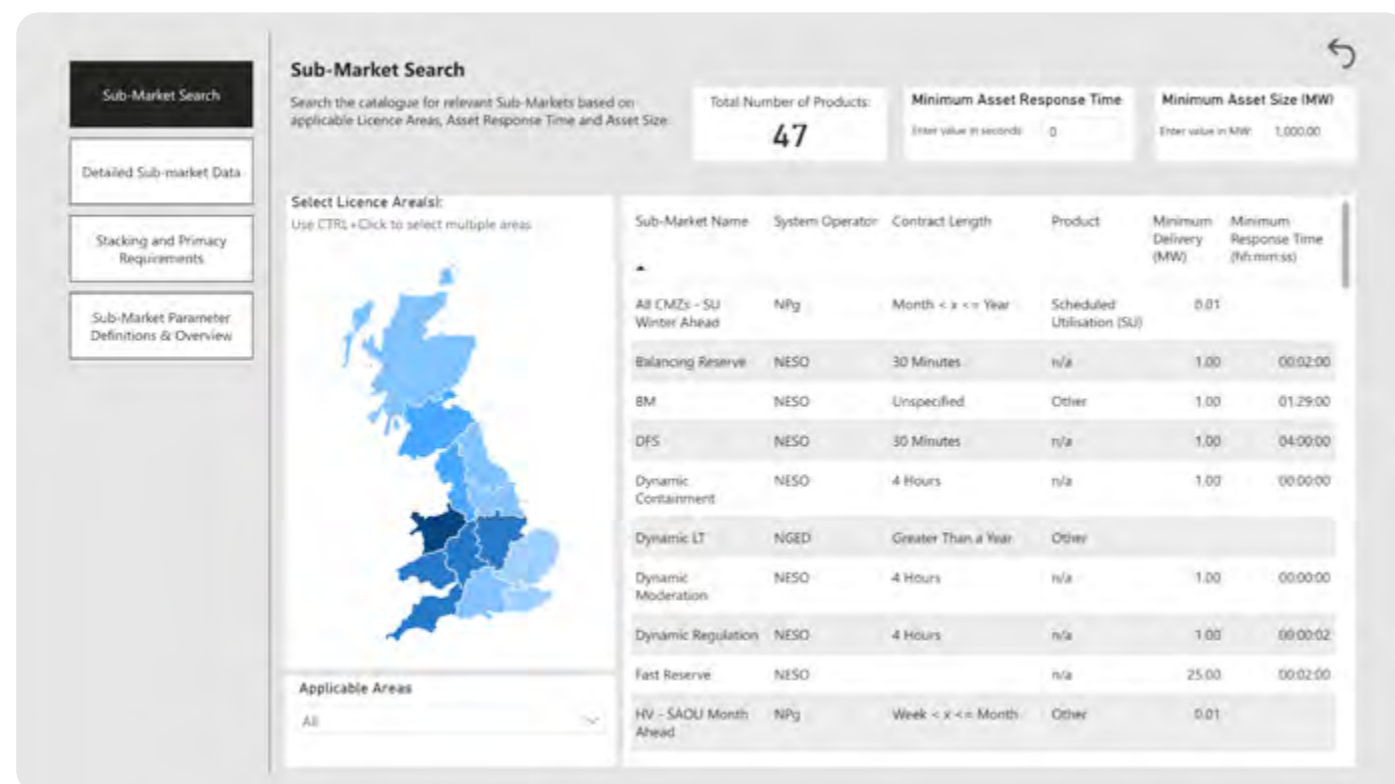
SPEN are represented on all workstreams within the Elexon led market facilitator function, contributing to the development and alignment of procurement and use of Flexibility Services alongside other DSOs and the NESO to improve whole system coordination.

In December 2025 Elexon published its first delivery plan setting out the roadmap for co-ordination and standardisation of flex markets. In 2026 they published a set of market rules that will under pin the Flexibility market and drive alignment and co-ordination across all markets.

Flexibility Market Rule	Fully implemented	Inclusion in market catalogue	KPI produced
FMR-CRM- Carbon Reporting Methodology	✓	✓	n/a
FMR-E2E-End to End process	□	□	✓
FMR-GLO-Market Facilitator Glossary	✓	✓	✓
FMR-PD-Product Definitions	✓	✓	n/a
FMR-PQC-Pre-Qualification Criteria	✓	✓	✓
FMR-PR-Primacy Rules	□	□	□
FMR-RSR-Revenue Stacking Requirements	✓	✓	✓
FMR-SBM-Standard Baseline Methodologies	✓	✓	✓
FMR-SMD-Sub-Market Definitions	✓	✓	✓
MR-VSM-Verification & Settlement Methodology	✓	✓	n/a

These rules will define how flexibility services operate in practice - covering everything from operational standards and data exchange protocols to service definitions and core methodologies.

We are fully supportive of a digitalised central repository that enhances visibility and helps our FSPs navigate Flexibility markets.



4.8. Removing barriers

2025–26 we have continued to monitor engagement and participation in our month ahead flexibility market following the launch of our updated tendering approach in 2024. Over this reporting period, our focus has been on understanding how effectively the revised model is supporting wider market participation and whether any barriers remain for different stakeholder groups. In particular, we have sought to understand:

- Does the updated month ahead tender model support increased uptake of flexibility services across all market segments?
- What barriers persist for different provider and customer groups within each licence area, including local authorities, community energy projects, and smaller or less established participants?
- Are further changes required to ensure our month ahead model enables flexibility to be procured at scale, and in the most economic and efficient way?

Monitoring over the past year shows that the month ahead model continues to support increasing participation from a broader range of FSPs. This includes new entrants and start ups who have been able to engage more easily under the simplified and more predictable tendering structure. As a result, we have strengthened our relationships with both established and emerging providers. Although the volume of flexibility procured has increased to 710 MW, significantly higher than in previous years, the volume of flexibility dispatched has also risen substantially—reaching 3.2 GWh over the past year, which is 719% higher than previous reporting periods. This demonstrates that the month ahead market continues to function effectively and remains a clear success. Providers have consistently reported that many of the previous barriers to entry have now been reduced. This has enabled organisations such as Equiwatt, Attune Power and Electric Miles to participate actively in our markets for the first time.

4.8.1 Expanding our focus on wider customer segments

Alongside monitoring engagement from FSPs, we have broadened our analysis to understand the barriers experienced by local authorities, housing associations, community energy groups, and other customer segments who may be less active in flexibility markets.

As part of this work, we published our Market Engagement Strategy, which outlines our commitment to:

- proactively identifying barriers faced by different stakeholder groups;
- improving engagement with less active market participants;
- ensuring that the design and operation of our services supports equitable access to flexibility opportunities across all segments.

This strategy will guide how we shape future engagement, ensuring that customer and stakeholder insights directly influence our ongoing flexibility development.

4.8.2 Monitoring barriers in operational flexibility and national coordination

We are also closely monitoring the barriers that some generators continue to face when participating in our operational flexibility services. Throughout 2025/2026, we have maintained active engagement with NESO and the Market Facilitator Working Groups to:

- track the development and evolution of stacking rules;
- ensure clarity and consistency across markets;
- explore how stacking arrangements can evolve to reduce participation barriers and better support the delivery of our operational flexibility requirements.

This work remains central to ensuring that FSPs can stack services efficiently across local and national markets, supporting whole system efficiency.

4.8.3 Product standardisation

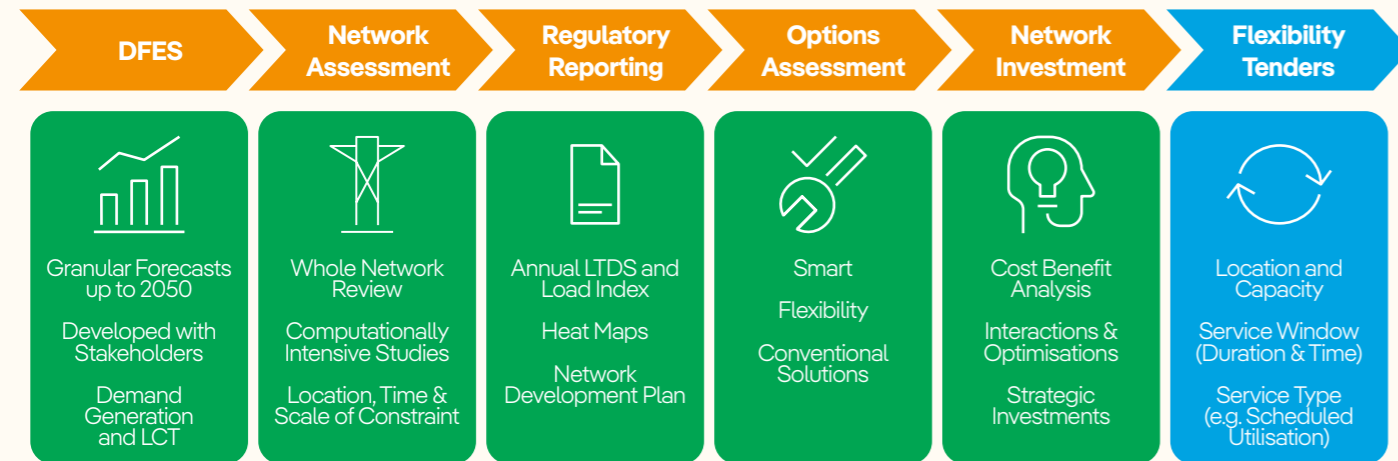
We continue to use the standardised tender Products developed by the ENA Open Networks Technical Working Group, which were aligned across DNOs during the 2023 product standardisation programme. Details of these products remain included in Section 2.6.2. This alignment continues to support a more consistent and accessible market experience for providers across networks. We have also contributed to the design and rollout of the Flexibility Markets Catalogue which provides an overview of all flexibility sub-markets in Great Britain's electricity system. It shows how each market works — who buys the service, how providers are paid, how the service is procured, and who can participate — so you can compare services and identify where you can engage.

4.8.4 Next steps

We will continue to monitor the performance of the month ahead tender model throughout 2026–27, gathering feedback from across our stakeholder base — FSPs, customers, community groups, generators, and other market participants. A summary of our updated findings and progress on market barrier reduction will be provided in our 2026 reporting year.

5. Detailed Quantitative Assessment

For network investment deferral - As part of our [Decision-Making Framework](#), the stages we follow to determine the optimum solution for individual constraints are as follows:



We will also be monitoring the flexibility capacity procured on a bi-annual basis to review the accepted capacity against our options assessment and network investment parameters.



5.1. Identifying Requirements

We have developed granular DFES forecasts which include demand and generation forecasts that are regionally reflective and have been stakeholder tested. They have been compared against Net Zero compliant scenarios from the NESO and the Climate Change Committee (CCC) sixth budget. Then, using our advanced analysis software, known as our Engineering Net Zero (ENZ) model, we apply these DFES forecasts to our network power-flow simulations. This comprehensively assesses the power-flows through each network in over 175,000 half hour periods from now to 2030 to establish the location, magnitude and timing of emerging constraints.

The network assessments are used to specify both the design requirements for smart/conventional options and detail the requirements included in flexibility tenders such as the location, service type (e.g. scheduled in advance product), service window and time, and capacity required. The level of service requirements and service windows are forecasted for each year as they change as network constraints evolve with increasing LCTs.

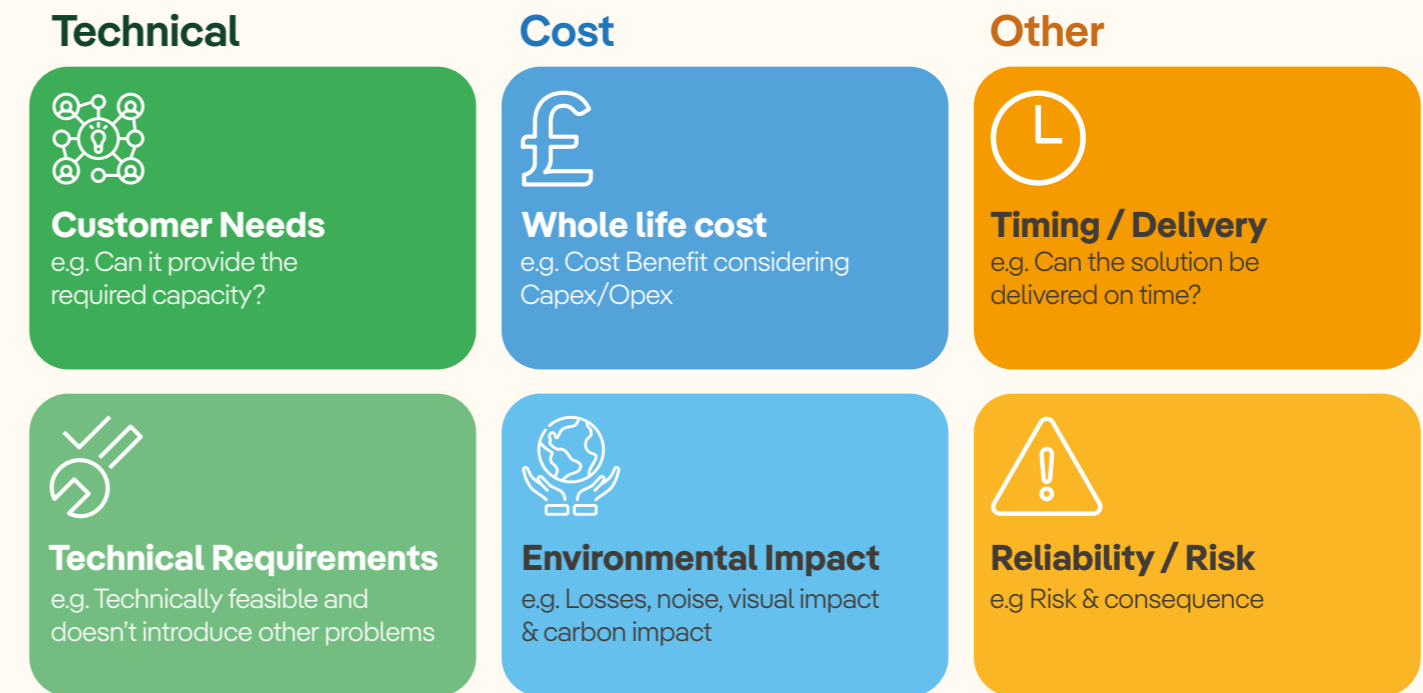
5.1.1. Requirements Data API Development

As part of our new requirements identification and publication process, we are developing a new way of uploading tender requirements on the Electron DPS. We are in the process of developing an API solution that will ensure that the final requirements data published on our Open Data Portal will be automatically uploaded to the Electron DPS each month when facilitating monthly tenders. This will streamline our requirements data DPS upload procedure and will enable an efficient monthly tendering process as the API will identify what data is needed for a specific month to progress with our bidding process.

5.2. Quantitative Assessment

For each constraint location, we consider a wide range of possible solutions to manage each individual network constraint. We use an impartial decision-making process to ensure that selected investment options are the best interventions to meet our customers' and stakeholders' priorities and offers the most efficient solution.

We consider potential solutions against a number of factors:



- Does it provide the required volume of capacity in the right location?**
If a solution can't provide sufficient capacity by itself, we will consider whether it can provide sufficient capacity in combination with another solution.
- Is it deliverable in the timescales required by customers?**
For example, a lengthy planning permission process may mean a particular solution cannot be delivered in the timescales required.
- Is it technically acceptable? Does it comply with technical standards and statutory limits?**
For example, a solution may provide sufficient thermal capacity, but if it causes voltage levels to exceed statutory limits then it is not an acceptable solution.
- What is the whole life cost of the solution?**
Here we consider both the upfront capital cost (CAPEX) and the ongoing operational cost (OPEX). The Common Evaluation Methodology Tool can also consider optionality value.
- What is its environmental impact?**
Here we consider the solution's impact on network losses, noise, visual impact, and carbon footprint.
- Whole systems considerations?**
Here we consider whether solutions are coordinated from a whole energy system perspective, or whether we need to engage with other stakeholders, for example the TO / adjacent DNOs.

We use these criteria to do a comparative assessment of the intervention options and identify which is best using a variety of tools.

5.3. Bid Assessment Methodology

We assess investment solutions and Flexibility Services on a like for like basis by employing a comparative assessment approach which means that the value of flexibility (i.e. the amount of money we have to spend on flexibility services) in any given scenario is determined by the cost and value of the counterfactual solution (e.g. a reinforcement), and not by the required volume of flexibility services.

The tender bids are assessed in detail to confirm that it could technically manage the constraint within the month. We assess the risk associated with using the flexibility and consider the most cost-efficient mix of tender responses (if responses are greater than the requested capacity). Competent bids are then assessed against the optioneering and investment parameters set prior to opening the bidding window and evaluated alongside all other options.

We have several tools available to help with the assessment process and supplement the assessment criteria. CEM is one tool that we use to support our quantitative assessment process. Other tools we use include, design studies, technical assessments, and CBAs for interventions at EHV and 132kV; we supplement these with a linear optimiser for LV and HV assessments. These tools are excellent at analysing some elements of the assessment criteria, but don't have the ability to assess other criteria such as deliverability. This means we use these tools to support the assessment criteria, rather than instead of them.

More detailed information on how we use these tools to help determine the most economic combination, sequence, and timing of solutions to meet the required level of network capacity at different voltages is available in Section 4.4. 'Stage 3 – Options Assessment' of our [Decision-Making Framework](#).

5.4. Evaluation Criteria

Once the bidding window has closed, we will assess all bids received against our published bid criteria. For each bid submitted, we will assess:



Guidance is published as part of any tender issued to ensure that potential bidders are aware of the evaluation criteria we will apply.

5.4.1. Supporting Methodologies

As part of our decision-making process, we will use the Common Evaluation Methodology along with other appropriate methods to assess the value once bids are received. We include details on this methodology in our Decision Making Framework as part of our downloadable documents listed in Appendix 2.



5.5. NESO Co-ordination

We are actively working with the National Energy System Operator (NESO) and Distribution System Operators (DSOs) to create a co-ordinated whole system approach to managing and operating our energy system.

5.5.1. Alignment of NESO & SPEN Products

We will continue to be active in a number of cross industry initiatives that will deliver a smarter, cleaner and more efficient energy system:

- **NESO DFS Demand Turn-up service** – Input into the service design from a local network perspective. Considering impacts and risk of conflict with localised DSO services.
- **Demand for Constraints**- Input into the service design and delivery of a future product that will incentivise additional flexible demand in areas with network constraints to increase their consumption of electricity following NESO instruction, reducing curtailment of renewable generation and alleviating thermal constraints.
- **Roll out of Primacy Rules** – Cross industry working group that improves efficiency of our market delivering the digital infrastructure and governance around greater visibility of services conflict.

We also recognise the importance of co-ordination and data exchange with the NESO and at the procurement stage:

- Whilst we do not require exclusivity we do request, as part of the contractual terms, that FSPs disclose the existence of any agreement or arrangement they may have in respect

of the assets that will provide the flexibility services that could reasonably impact their availability and/or ability to meet their contractual obligations.

- We encourage FSPs to stack services as long as there is no conflict as a result of the services delivered. We will comply with the primacy rules developed by the [EN Open Networks project](#).
- We publish our contracting of flexibility services, both in our tender results and in our Network Development Plan.

This informs stakeholders, such as the NESO, of the details of any flexibility services we plan to use. With regard to our longer-term flexibility contracts, the main operational coordination with the NESO needs to come at the point of scheduling/dispatch, as that is when the flexibility service will actually be used (and so could result in adverse system impact if not co-ordinated).

5.5.1. Growth of Demand Turn Up and Local Constraint Market (LCM)

As the NESO increasingly looks to Consumer Led flexibility to support its ambitions we believe it is essential to learn from both the Crowdflex and LCM projects. With the growth of requirements for Demand Turn-up services under the DFS market we believe it is increasingly important to understand the extent to which this can have an impact on the Distribution network. We have recently highlighted to Ofgem the need for industry consensus on the scale at which National Demand turn-up could result in unintended consequences at a local level. Although the threshold could be evaluated in the short term, in the longer term this will require a coordinated and systematised approach between NESO, DSOs and flexibility markets.

6. Development and Next Steps

We are committed to market development and during the Reporting Year, will undertake a number of assessments and trials to further facilitate the flexibility market and also identify new opportunities.

6.1. Flexibility Market Development

Key aspects of development that we will track in the upcoming year will include:

6.1.1. Regulatory and Institutional Governance

We are actively engaging in Ofgem consultations on the Future of Local Energy Institutions and Governance, Distributed Flexibility, Frameworks for Future Systems and Network Regulation, and updates to Data Best Practice and Digitalisation Strategy guidance. Establishing a clear and coherent regulatory position is essential to provide confidence and investment certainty, while we continue to lead progress in parallel. In addition, SPEN is working closely with the Market Facilitator, Electron, to improve regulatory processes and implement flexibility market rules. Our flexibility team plays an active role in shaping key market drivers, including updates to baselining rules, enhancements to the CEM tool, and other critical developments that support market functionality and transparency.

6.1.2. Expanding to Day Ahead and Demand Turn-Up (DTU) Market

Building on previous trials of DTU with Octopus Energy to manage generation constraints, we are working with NESO and our SPEN Control Room to define requirements impacting the B6 boundary and develop procurement zones, which will launch in the new year as part of a day-ahead market. Providers will register assets into relevant constraint zones and tender on a day-ahead basis to deliver DTU services. This service will also form part of a wider network assessment on the need for demand turn-up, currently being investigated by our flexibility team in collaboration with NESO and the Control Room. Following a successful trial in February, we are working with our new platform provider to transition DTU into a BAU model. Ahead of rollout in the 2026/27 regulatory period, we will engage stakeholders to gauge interest, seek feedback, and refine the offering.

6.1.3. MW Dispatch

In areas where we have implemented CMZs, NESO has historically restricted customers within these zones from participating in NESO markets. This restriction stems from the autonomous nature of CMZs, which could potentially lead to counterproductive actions. For instance, if NESO dispatches a generator, the CMZ might interpret this as available capacity and permit another generator to use it, leading to inefficiencies.

To address this issue, we are collaborating with NESO to eliminate this market limitation through system integration. Our goal is to ensure that these counter actions do not occur, thereby allowing customers to participate freely in both NESO and DSO markets. This integration will enhance market efficiency and provide greater flexibility for customers.

6.1.4. StormFlex – Keeping the lights on with Flexibility

Over the past year, SPEN has developed and deployed StormFlex, an innovative flexibility solution designed to maintain network resilience during severe weather and unplanned outages. Working with partners such as Statkraft, Conrad Energy, Welsh Power, AMP Clean Energy, Ohme, and others, we created a standardised process enabling our Control Room to dynamically call on flexibility across generation and demand assets. StormFlex has already delivered real benefits, restoring supply to thousands of customers significantly faster during major storms and proving its ability to contract and dispatch flexibility at short notice.

Our priority is to transition StormFlex into BAU operations and make participation worthwhile for providers. We will actively seek feedback through our Flex Market Engagement Strategy and use our location-based tool, which monitors where flexible assets are available on the network. An external version of this tool is available via our [ODS portal](#), helping providers identify opportunities to participate. This year, we will investigate further enhancements to improve service design and broaden participation, ensuring Storm Flex continues to deliver value for customers and partners during the most challenging conditions.

6.1.5. LCC Flex – Enabling Local Authority Participation in Flexibility Markets

Over the past year, SPEN, Liverpool City Council (LCC), and ENQUIP Energy have collaborated on LCC Flex, a project to identify and overcome technical, commercial, and organisational barriers for local authorities to participate in DSO and NESO flexibility markets. The project assessed LCC's assets, developed financial models, and created processes to enable flexibility participation while supporting decarbonisation goals. Key outcomes include LCC becoming the first local authority registered on Piclo Flex, with two major sites now active, and work to design a public-sector-friendly flexibility contract to remove procurement barriers.

6.1.5. Effect of Flexibility – Analysing flexibility impact

Over the past year, we have been working with our System Design team and control rooms in SPD and SPM to measure the effect of flexibility in real time on our distribution network. This work is in its initial stages with a total of 10 sites being analysed across both licence areas. The aim of effect of flexibility to become part of our end-to-end process, allowing us more options to validate the deployment of flexibility services in addition to baselining.

This work will continue throughout 2026/2027 and help inform the future development of our flexibility function within the business.



7. Appendices

7.1. Appendix 1 – Glossary

Acronym	Description
CEM	Common Evaluation Methodology
DSO	Distribution System Operator
DNO	Distribution Network Operator
DPS	Dynamic Purchasing System
EJP	Engineering Justification Paper
SPEN	SP Energy Networks
SPD	SP Distribution plc
SPM	SP MANWEB plc
FSP	Flexibility Service Provider
NESO	National Energy System Operator
LTDS	Long Term Development Statement
LCT	Low Carbon Technologies
LCM	Local Constraint Market
ENZ	Engineering Net Zero
DFES	Distribution Future Energy Scenario
ENA	Energy Networks Association
NDP	Network Development Plan
VPP	Virtual Power Plant

7.2. Appendix 2 – Downloadable Documents

Acronym	Description
Constrained Locations	
DFES	A copy of our current Distribution Future Energy Scenarios. Distribution Future Energy Scenarios - SP Energy Networks
NDA	Network Development Network Development Plan
LTDS	Long Term Development Statement Long Term Development Statement - SP Energy Networks

Acronym	Description
Procurement (all issued as part of our monthly tender ITT documentation)	
Procurement Process	Details the process all FSPs wishing to participate are required to follow SPEN website
Pricing Strategy	An explanation of our pricing strategy for Flexibility Services SPEN website
Pre-qualification Requirements	Details of requirements FSPs must meet in order to participate SPEN website
Bid Assessment Criteria	An overview of how we assess bids received SPEN website
Common Evaluation Methodology	Details of the Common Evaluation Methodology developed by Open Networks SPEN website
Flexibility Services Agreement	The current version of the Terms and Conditions SPEN website
Bid Assessment	
Guide to API Set-Up & Testing	A guide on how to build and test the Application Programme Interface and how to carry out necessary testing Provider Tutorials – Electron website
Participant Portal Guide	A guide on how use the portal including: declarations of availability and viewing statements Provider Tutorials – Electron website
Billing Guide & Payment Set Up	An overview of the monthly billing cycle and the form to send us your payment details. SPEN website
Baselining Methodology	A presentation on the Baselining Methodology that applies SPEN website
Dispatch Principles	An explanation of how we dispatch when availability exceeds requirements SPEN website
Glossary	A helpful guide to the terms, acronyms and abbreviations used, as provided by the ENA SPEN website

7.3. Appendix 3 – Tender Requirements

Our flexibility requirements for the ED2 period up to 2028 are available on the link below:

[SPD Long Term Visibility](#)

[SPM Long Term Visibility](#)

All short term and long term requirements are available on our Open Data Portal.

[Flexibility Landing Page](#)

Note: Although we endeavour to ensure that the attached requirements are as accurate as possible, and consistent with the information uploaded to our Platform and ODS Portal - variations may occur. This is possible for a number of reasons, for example; in light of updated or contemporaneous network analysis or counterfactual solution prices / suitability. As such, we confirm that information published on the platform and Open Data Portal will take precedence and should be treated as our formal tender requirements.

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