Distribution Flexibility Service

Procurement Report for SP Distribution PLC and SP Manweb PLC

May 2025

SP Energy Networks

Contents

Executive Summary

We are SP Energy Networks, we own and operate distribution networks in Southern and Central Scotland, Merseyside, Cheshire, Shropshire and North Wales. We are the only network operator to serve communities across all three governments: UK, Scottish, and Welsh. Each have bold ambitions to deliver their own sustainability and Net Zero targets. In our unique position to support these objectives, we recognise that each region has distinct opportunities and challenges. We will enable the communities we serve to meet their targets through our industry leading planning tools, processes and policies to embrace flexibility solutions, enable flexibility markets, and encourage greater flexibility market participation to unlock the network capacity to meet these needs.

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". Our RIIO-ED2 plan, that commenced in April 2023, began to deliver this through a combination of flexible, smart, innovative, and conventional reinforcement interventions. We will depend on new tools and capabilities developed as part of our RIIO-ED2 DSO Strategy, including greater flexibility utilisation from evolving flexibility markets and growing market participation.

We began our flexibility procurement in 2019, committed to fair and transparent processes. From 2020 to 2021, we tendered 1.5GW across 1,557 locations for the RIIO-ED2 period (2023-2028). Despite initial success, a significant downturn in Autumn 2021 led us to pause tenders in 2022 to understand market challenges. Partnering with Oxera, we identified barriers faced by providers. In 2023, we tendered for 273MW in Spring and 298MW in Autumn, accepting 13.5MW and 15.4MW respectively, but experienced low participation similar to Autumn 2021.

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

Over the past few years, we have seen a decline in participation in our flexibility tenders and a reduction in the overall capacity offered. After conducting an internal review and gathering feedback from various providers during the 2023/24 period, we launched a month-ahead flexibility market in June 2024. To test this new market, we decided not to run additional longer-term Spring and Autumn tenders for the 2024/25 period. Our requirements for the full ED2 period were published alongside the shorter-term requirements for our month-ahead tenders.

In the 2024/25 period, we successfully launched our month-ahead market and tendered for a total of 151.4MWs of Peak Flexibility with 24.7MW Contracted and 321.72MW dispatched across both our licence areas.(1) The feedback has been positive, with an increased level of dispatched flexibility demonstrating that shorter-term markets are a significant step forward for the procurement of flexibility.

Tender Month	MW Tendered	MW Contracted	MW Dispatched	MWh Tendered	MWh Contracted	MWh Dispatched
Jul-24	3.04	0.00	0	776.75	0.00	0.00
Aug -24	3.04	0.00	0.00	776.75	0.02	0.00
Sep-24	10.20	0.14	0.20	464.90	6.68	10.97
Oct-24	30.63	4.83	5.83	1107.87	76.22	82.17
Nov-24	37.20	7.63	7.07	1916.10	100.20	100.58
Dec-24	35.30	4.75	4.24	1802.15	88.71	61.96
Jan-25	17.00	4.38	3.95	1483.25	92.69	83.42
Feb-25	13.00	0.87	TBC	291.90	20.27	TBC

* The higher figure in dispatched, compared to tendered, is attributed to the utilisation of the Operational Flex contract.

This year, our focus will be on closely monitoring our month-ahead procurement model and developing automation for the tender process. These efforts will enhance our efficiency and support the further development of shorter-term markets in the near future. It has been shown that the month-ahead service increases market liquidity by ensuring convenience and increased opportunities to tender for new and existing FSPs. We hope that nearer-to-real-time tenders will reduce market barriers to entry, allowing FSPs to offer robust bid prices that reflect current market conditions and available assets. Additionally, we will launch ad hoc tenders to support our operational flexibility service.

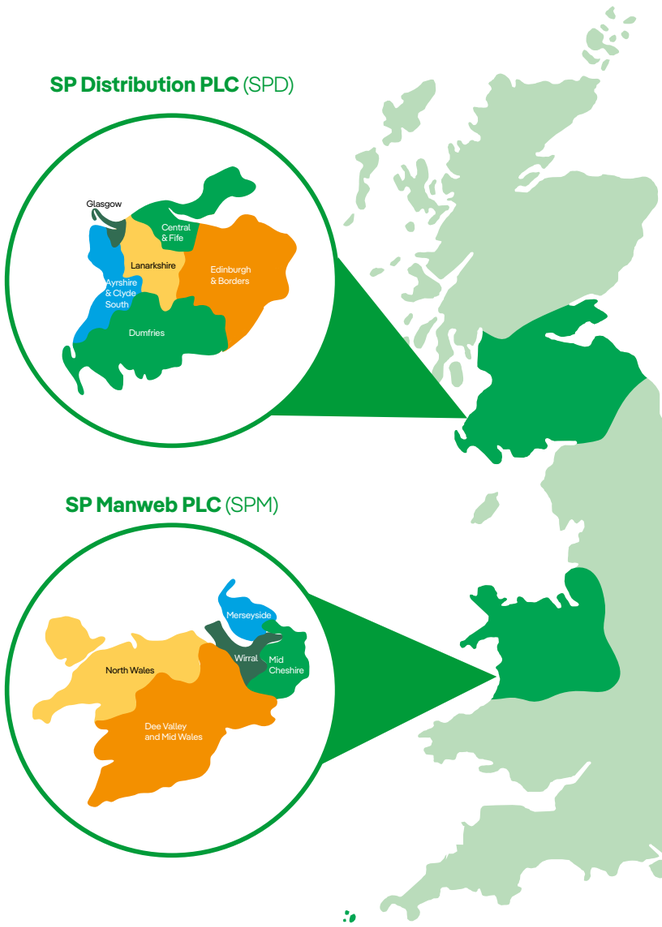
Stakeholder engagement remains crucial to market development, helping potential participants understand their offerings and stay informed about our processes and procedures. While overall participation in tendering activities still needs improvement, the month-ahead market has significantly enhanced our operations and made the flexibility procured more reliable. The contracted vs. dispatched volume has seen a notable increase compared to longer-term tenders, demonstrating the reliability of shorter-term markets. Looking ahead, we aim to explore week-ahead and day-ahead procurement models in response to stakeholder feedback favouring shorter-term tenders. These initiatives could increase market liquidity, provide more tender opportunities, and lower market barriers, creating a dynamic and responsive environment for effective provider participation.

(1) These figures represent the cumulative total tendered over an eight-month period. Note that the actual peak annual capacity tendered amounts to 56 MWs of flexibility, with 13.84MWs contracted..

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 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 the Distribution Flexibility Services which SPEN has tendered for, contracted and dispatched in the period of 12 months preceding the Annual Submission Date (1st April 2023), and is structured as per the guidance provided by Ofgem in February 2024.

1.2. Our Flexibility 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 Strategy[1] will give us, not least higher flexibility utilisation from more efficient, co-ordinated, and competitive flexibility markets.

Over the past couple of years, we developed the structure, policies, and procedures required to maximize future flexibility market participation and the benefits of flexibility procurement and operation by tendering in two tender cycles in the Spring and Autumn of 2023. We accepted 36MW of bidded capacity to support our network up until November 2025. However, we did not manage to fulfill our total required flexibility capacity through our longer term tendering activity.

Following stakeholder feedback, we identified some factors that affected potential FSPs' participation in the longer term tender rounds including but not limited to:

- Participation in other flexibility markets such as the ESO's Demand Flexibility Service, which had contractual exclusivity clauses that cause contract restrictions on stackability with other markets such as DNO flexibility markets.
- Preference for shorter-term tenders and commitments.
- Aggregators or smaller generators unable to meet the minimum MW threshold capacity of 0.5MW.

Over the past year, we developed our new month-ahead operating model, which was launched in June 2024. We ensured that the above feedback was incorporated into our process by:

- Reducing the minimum threshold capacity to 0MW to allow smaller generators and aggregators to participate.
- Working with NESO to ensure fairer contract conditions, creating an even playing field for providers to participate in DSO flexibility markets.
- Ensuring the delivery of the new Framework Agreement, developed in collaboration with the ENA Open Networks Project, to ensure that our Month Ahead Market was launched efficiently with appropriate processes in place by June 2024.

The monthly tender process has allowed for agile, closer to real-time tendering activity. The month-by-month tender windows provides more opportunities for new and existing FSPs to tender within a more suitable timeframe for their specific needs.

To date, we have found that providers are more engaged with shorter-term tenders. We have achieved a 85% dispatch vs. contracted rate in 24/25 (Year 2 of ED2) which is a significant improvement over the longer-term tenders contracted for 23/24 (Year 1 of ED2). However, some issues still exist in tendering for the shortfall of flexibility. Additional feedback indicates that providers will not participate if the market conditions are not economically viable for their specific assets.

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 summarise our requirements in a clearer format. We have sought feedback on our Market Prospectus document and will be publishing an updated version in Autumn 2025, 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, signaling the potential revenue opportunity to the market.

As outlined in our last Procurement Statement we have continued 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 EJPs submitted as part of the RIIO-ED2 Business Plan.

(1) Annex 4A.3 - DSO Strategy.pdf (spenergynetworks.co.uk)

1.3. Flexibility Activities in the Reporting Year

Activity	Details
Month Ahead Tenders (Scheduled Utilisation)	We facilitated 10 tender cycles in the reporting year from June 2024 – March 2025. We tendered for a total of 56MWs of Peak Flexibility with 13.84MW Contracted to support our network up until April 2025. 11.28MW was dispatched across both our licence areas.
Operational Flexibility Ad-Hoc Procurement	We also procured a total of X MWs to support planned outages and maintenance works in two locations.
Launch of new operating model	Following internal review and stakeholder feedback on and FSPs' preference for shorter-term and closer to real time flexibility markets, we decided that we will evolve our procurement strategy to a month-ahead operating model which launched in June 2024.
New Flexibility Framework Agreement	In May 2024, the ENA Open Networks project launched version 3 the overarching standardised agreement, moving towards alignment with the ESO process for procuring services. SPEN implemented this agreement in June 2024 before the launch of our new month ahead tender model.
Platforms	Over the past year, we have been undergoing a procurement process for a new platform provider, which we expect to finalise by the end of April 2025. To ensure minimal disruption to FSPs, we have extended our contract with Piclo until the new platform is ready for implementation in Q4 2025 – Q1 2026.
Investigating Barriers	We have been engaging with our stakeholders to understand the barriers to participation in our flexibility markets throughout 2024. Following the launch of our 2024 month-ahead tenders, we have closely monitored engagement (via one-to-one surgeries with providers) and participation, finding that the new model has allowed more FSPs, including startups, to participate regularly. This has reduced barriers to entry and increased the amount of dispatched flexibility by 85% compared to previous years.
Industry	SPEN actively participates in all workstreams within Open Networks, contributing to the development and alignment of procurement and use of Flexibility Services alongside other DNOs and the ESO to enhance whole system coordination. In 2024, our Flexibility Procurement Manager co-led the Standard Contract Technical Working Group with the ESO, ensuring the launch of version 3 of the Standard Agreement in May 2024. We align our processes with the best practices identified by the ENA working groups and implement new processes and transitions through the new Market Facilitator.
Team Structure	In 2024, we expanded our Flexibility team by adding 2 more full-time employees to incorporate new skills and resources necessary for achieving our ambitious flexibility forecasts. This expansion has enhanced our engagement capabilities, facilitated the implementation of our new month ahead tender operating model, and provided additional support to our two teams: the Flexibility Procurement team and the Flexibility Performance team.

2. Flexibility Procurement and Use Summary

2.1. Flexibility Services Procurement

From 2019 to Year 1 of ED2 (23/24) we procured the Flexibility Services via long term contracts, namely:

Tenders	Price Control Period	Period Cover
Spring 2019	ED1	2019/20
Autumn 2019	ED1	2020/21, 2021/22, 2022/23
Autumn 2020	ED2	2023/24, to 2027/28 inclusive
Spring 2021	ED2	2023/24, to 2027/28 inclusive
Autumn 2021	ED1 & ED2	2022/23 and 2023/24
Spring 2023	ED2	2023/24 to 2024/25
Autumn 2023	ED2	2023/24 to 2024/25

Over the past year we ran 10 tender rounds with a contract length of 1 Month for the 24/25 period:

Tenders	Price Control Period	Period Cover
Jul-24	ED2	July 1st – 31st 2024
Aug-24	ED2	August 1st – 31st 2024
Sep-24	ED2	September 1st – 30th 2024
Oct-24	ED2	October 1st – 31st 2024
Nov-24	ED2	November 1st – 30th 2024
Dec-25	ED2	December 1st – 31st 2024
Jan-25	ED2	January 1st – 31st 2025
Feb-25	ED2	February 1st – 31st 2025
Mar-25	ED2	March 1st – 31st 2025

We also tendered for two Operational Flexibility Services to support Planned and unplanned maintenance during 24/25:

Tenders	Price Control Period	Period Cover
Sep-24	ED2	October 7th – 13th 2024
Mar-24	ED2	April 18th – 22nd 2025

2.2. Flexibility Contracted for Use in the Reporting Year

The below tables demonstrates the flexible capacity tendered and contracted for use in the reporting year. The tendered figures include peak capacity figures tendered in previous years to use in the year 24/25.

Product	Voltage	Peak Capacity Required 24/25 (MW)[1]	Peak Capacity Procured in 24/25 (MW)[2]	Total Contracted in 24/25 (MW)	Total Capacity Dispatched (MWh)[3]	Comments
Scheduled Utilisation	All	151.4	24.7	24.7	321.72	100% tendered vs contracted. Overall requirement unmet.
Operational Utilisation & Variable Availaibility	33kV	5	5	5	14	Overall Requirement met

* This table represents the cumulative total MW figures tendered, contracted, and dispatched over the eight months of tendering. Full details are included with the template appended to this Report

The table provides a comprehensive overview of the peak capacity requirements, tendered capacities, contracted capacities, and dispatched capacities for the year 2024/25. In the Scheduled Utilisation category, the peak capacity required was 151.4 MW, with 24.7 MW procured and fully contracted, resulting in a total capacity dispatched of 321.72 MWh. Despite the 100% success rate in tendering and contracting, the overall requirement was unmet. However, this marks a significant improvement from the previous year, where the contracted vs. dispatched success rate was merely 11%. The new operating model has achieved a 100% success rate, demonstrating enhanced efficiency and effectiveness in meeting capacity requirements and ensuring that tendered capacities are fully contracted and dispatched.

In contrast, the Operational Utilisation & Variable Availability category for the 33kV product shows a peak capacity requirement of 5 MW, which was fully tendered and contracted, meeting the overall requirement with a total capacity dispatched of 14 MWh.

(1) The MW figures tendered refer to the amount that we went out to tender for.
(2) This is the total Peak Capacity Accepted as part of the tender bidding process.
(3) This is the total MWh amount of flexibility delivered by FSP following a dispatch instruction by SPEN.

2.3. Flexibility Not Contracted

We tendered for the following sites for services for use during the Reporting Year but were unable to place contracts:

Tenders	Licence	Constraint Location	Product	Voltage	Service Period	Capacity Required (MW)	Contracted Bid (MW)
Month Ahead 2024/25	SP Distribution plc	Georgre Sqaure Lane	Scheduled Utilistaion - Settlement Period	11	24/25	0.81	0
Month Ahead 2024/25	SP Distribution plc	Auchen Craig	Scheduled Utilistaion - Settlement Period	11	24/25	0.10	0
Month Ahead 2024/25	SP Distribution plc	Gibson	Scheduled Utilistaion - Settlement Period	11	24/25	0.10	0

In the 2023/24 reporting year, we experienced low levels of participation in tenders under the old operating model, which focused on longer-term contracts. Although FSPs submitted bids that we accepted, they were unable to recruit the forecasted assets with the required capacity as noted in their initial bids. Stakeholders indicated that shorter-term tenders were preferable, as they provided more accurate and robust bid prices and allowed participation in a range of market opportunities.

This year, we have seen higher levels of participation and more reliable contract execution from procurement to delivery. Several factors contributed to this improvement:

- Increased stakeholder engagement by the Flexibility procurement team with potential providers who have assets in the required locations.
- Monthly tenders provided more opportunities for providers to submit bids.
- FSPs were only able to bid with operational assets in the month-ahead tenders, eliminating situations where providers had over-forecasted their expected number of assets transitioning from development to operational status.

2.4. Flexibility Tenders Issued and Results

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 RIIO-ED2 period (2023 – 2028), looking to procure a total of 1.5GW across 1,557 locations.

Pre-2024 Operating Model Contracts:

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

Prior to 2024, we contracted with FSPs on a bilateral basis following the acceptance of bids, with most FSPs offering services from planned assets. We 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
MWs Tendered	116	250	960	1420	110.9

Through our month-ahead tenders launched in 2024, we aimed to enhance the contracted capacity by increasing the frequency of tender rounds conducted annually. This was achieved through our innovative monthly tender operating model. However, when assets were unavailable or there was insufficient capacity to address specific locational constraint we would monitor and feedback to our System Design and planning team to consider alternative solutions.

2024/25 Month Ahead Model Contracts:

Month	Number of Locations	MW Tendered [1]	MW Contracted	MW Dispatched and Delivered
Jul-24	1	3.04	0.00	0
Aug-24	1	3.04	0.00	0
Sep-24	5	10.20	0.14	0.20
Oct-24	16	30.63	4.83	5.83
Nov-24	19	37.20	7.63	7.07
Dec-25	19	35.30	4.75	4.24
Jan-25	13	17.00	6.43	3.95
Feb-25	10	13.00	0.87	6.96
Mar-25	6	2.00	2.14	TBC

We did not tender extensively for LV sites this year due to feedback from stakeholders indicating that previous prices below £80-100/MWh were not financially viable enough for them to participate in locations where the suggested ceiling price is lower than that figure, resulting in a low number of bids. Historically, the use case for LV sites involved deferred reinforcement solutions, which have typically been priced under £80/MWh per site.

However, we have trialled an additional real-time use case with the LV Support Room to utilise real-time data to determine whether flexibility could be employed to manage pre-fault constraints on a real-time basis and for a longer service period of 8 hours per day. This use case differs from deferred reinforcement and is intended to manage potential faults that may occur. This approach is becoming increasingly important as the integration of electric vehicles (EVs), heat pumps, and other emerging technologies continues to grow. By leveraging the developments within the LV Support Room, we aim to ensure the resilience and reliability of our LV networks, thereby supporting our transition to Net Zero.

(1) MW Tendered refers to the amount of MWs that SPEN requested through a tender process.

2.5. Tendered Flexibility Locations 2024

A list of all flexibility tenders issued in 2024/25 as well as our longer term requirements can be viewed on the Piclo Flex tender platform or on our Open Data Portal. The relevant postcodes relating to all substation locations listed in sections 2.5.1 and 2.5.2 as well as all the LV postcodes is available here. We also have an interactive map available on our Dynamic Purchasing System platform Piclo Flex that demonstrates the specific locations of all our requirements and competitions as well as future requirements.

2.5.1. SP MANWEB

The below table summarises the substations in which flexible capacity was required and tendered for in the 23/24 reporting year. These substations relate to EHV an HV locations only. Our list of LV locations in the MANWEB area that was tendered for in the past year can be viewed on the Piclo Flex tender platform or on our Open Data Portal.

Substation Location	Product Type	Postcodes
Acer Avenue	Scheduled Utilisation	All postcodes / location data relating to specific substation locations can be accessed on our interactive Open Data Portal map with locational postcodes available on our website here.
Edern	Scheduled Utilisation	
Sandbach	Scheduled Utilisation	
Johnstown	Scheduled Utilisation	
Middlewich	Scheduled Utilisation	
Forden	Scheduled Utilisation	
Smallwood	Scheduled Utilisation	
Manor Pk-Norton	Scheduled Utilisation	
Rossett	Scheduled Utilisation	
Orford-Padgate	Scheduled Utilisation	
British Oxygen-Windlehurst	Scheduled Utilisation	
Bromborough	Scheduled Utilisation	
Newtown-Morda-Oswestry	Scheduled Utilisation	
Formby - Southport	Scheduled Utilisation	
Lister Drive 132kV	Scheduled Utilisation	

2.5.2. SP Distribution

The below table summarises the SP Distribution licence area substations in which flexible capacity was required and tendered for in the 24/25 reporting year. These substations relate to EHV an HV locations only. Our list of LV locations in the SP Distribution area that was tendered for in the past year can be viewed on the Piclo Flex tender platform or on our Open Data Portal.

Substation Location	Product Type	Postcodes
Castle	Scheduled Utilisation	All postcodes / location data relating to specific substation locations can be accessed on our interactive Open Data Portal map with locational postcodes available on our website here.
Warout Road	Scheduled Utilisation	
Kingsland	Scheduled Utilisation	
Irvine	Scheduled Utilisation	
Bowhill	Scheduled Utilisation	
Mitchell Street	Scheduled Utilisation	
Lower London / Lochend	Scheduled Utilisation	
Levenbank	Scheduled Utilisation	
Hamilton	Scheduled Utilisation	
Ayton	Scheduled Utilisation	
Commercial Road	Scheduled Utilisation	
Larbert	Scheduled Utilisation	
Troon	Scheduled Utilisation	
Monktonhall	Scheduled Utilisation	
Tranent	Scheduled Utilisation	
Kirknewton	Scheduled Utilisation	
Stonehouse	Scheduled Utilisation	
Stranraer	Scheduled Utilisation	
St Andrews	Scheduled Utilisation	
Castlandhill	Scheduled Utilisation	
Elizabeth Street	Scheduled Utilisation	
Kaimes 33kV	Scheduled Utilisation	

2.6. Conflict management with the ESO

Two industry change programmes are supporting improved co-ordination between network operators.

First, the Open Networks project under the ENA has developed use cases and guidance on primacy i.e. under which circumstances does the needs of one network take precedence over another. By establishing the principles of primacy we can ensure that adverse interactions are minimised, allowing FSPs to participate in both NESO and DSO markets. In January 2025, the ENA Primacy Working Group published the Primacy Rules Framework to:

- 1. identify the NESO and DSO services or 'actions' that may give rise to a conflict;
- 2. define Primacy rules that can alleviate those conflicts; and;
- 3. carry out a whole system CBA to identify the overall impact of each primacy rule.

This document can be viewed on the ENA website here.

Second, Ofgem have now appointed Elexon as the market facilitator for local flexibility, responsible for 'delivering standardised, easily accessible, and transparent DSO markets'. This new industry body will also be responsible for ensuring co-ordination between NESO and DSO markets and is expected to be implemented by late 2025/early 2026.

You can read more about this here.

In addition, We're collaborating with NESO on their MW Dispatch products to improve whole system efficiency and market access. Previously, Constraint Management Zones (CMZs) could limit customer participation. We're integrating our systems to enable coordinated actions, allowing customers with assets located in specific CMZs to participate in both NESO and DSO markets. More information is available at:

- NESO MW Dispatch
- Our Decision Making Framework contains additional information on conflict management projects and coordination with the ESO.

3. Stakeholder Engagement

3.1. Stakeholder Engagement in the Reporting Year

We developed our stakeholder engagement strategy to reach as many potential and interested parties as possible, facilitating easy access to information on our tenders. This included developing policies and procedures for the identification, procurement, and operation of services.

Last year, we held multiple webinars to discuss our upcoming tenders and utilised our stakeholder engagement tool, Tractivity, along with LinkedIn to communicate with potential participants. We also attended various conferences to promote our work, share learnings from stakeholder feedback, and discuss various trials. These events complemented our one-to-one surgeries with providers, which we offer on request, providing regular progress updates and seeking feedback on our processes and approach to flexibility tenders.

We significantly increased our engagements over the past year, securing more active providers in our month-ahead market. The number of active participants grew from 4 to 8, with all 8 being dispatched throughout the year. Our new month-ahead model, complemented by consistent engagement, has enabled more FSPs, including new start-ups, to participate regularly in our flexibility market. This approach has strengthened our relationships with FSPs. Although the amount of Flexibility procured is lower than in previous years, the actual dispatched Flexibility has tripled, reaching nearly half a GWh in just six months.

The below table details the engagement we undertook:

Engagement	Dates	Details
Month Ahead Winter and Market Prospectus Webinar	18/11/2024	Live webinar to raise awareness of Winter months tender rounds for potential FSPs that showed an interest in participating in DNO flexibility markets. The webinar covered the following key areas: • Key Winter Month Ahead Market details • Summary of Market Prospectus • How to participate • Interactive Q&A
Piclo Conference	04/07/2024	In July last year, Piclo hosted the in-person Flex Forum in collaboration with leading grid operators SPEN, Northern Powergrid, Electricity North West and National Grid Electricity Distribution. Elexon and Bloomberg also attended to present on Flexibility markets research. FSPs got the chance to meet and collaborate with us through a series of panel discussions and collaborative roundtable sessions.
Energy Innovation Summit	29/10/2024 – 30/10/2024	We held a DSO Conference for all our stakeholders in Chester and Glasgow. The sessions focused on: • Collaborating with regional governments, local authorities, and stakeholders • Increasing capacity for customer connections, growth, and decarbonisation • Assisting customers in engaging with a flexible energy system • Ensuring easy access to accurate and timely data • Maintaining a reliable and decarbonised network
One to one surgeries	Various	Regular one-to-one surgeries with FSPs that are participating in the DNO flexibility markets to seek feedback on newly developed processes to ensure they don't negatively impact potential participants. We also held on-to-one surgeries with various stakeholders that are new to the DNO flexibility market and are interested in learning about SPENs offering.
Distributed Energy Show - Birmingham	12/03/2025 – 13/03/2024	Our flexibility team attended the Distributed Energy Show, where we sponsored a networking area to engage with potential future providers and interested stakeholders. Our Head of Flexibility participated in an interactive panel discussion on the future of flexibility markets, and our flexibility procurement manager chaired a panel discussion on financing a net zero world. We conducted numerous face-to-face meetings during the conference, resulting in several additional interested stakeholders.
Future of Utilities - London	14/11/2024	Our Head of Flexibility delivered a presentation at The Future of Utilities conference, a prominent UK-based event that convenes senior executives from the energy and water sectors to discuss the future of the utilities landscape, with an emphasis on innovation, collaboration, and transformation. The presentation included detailed insights into our new month-ahead operating model.
Community Energy Wales – Machynlleth, Mid Wales	11/06/2024	Our flexibility team attended the Community Energy Wales conference to engage in one-on-one discussions with potential stakeholders interested in our flexibility services. Additionally, our Wholesale Systems team presented a brief introduction to SPEN, highlighting our flexibility services and the potential benefits for community energy projects.
Community Energy England - Liverpool	19/06/2024	Our System Design team attended the Community Energy England conference to engage in one-on-one discussions with potential stakeholders interested in our flexibility services. Additionally, our Wholesale Systems team presented a brief introduction to SPEN, highlighting our flexibility services and the potential benefits for community energy projects.
SPEN – "What is DSO Flexibility?" Live Webinar	21/02/2025	This webinar targeted new providers and local authorities, offering insights into how DSO Flexibility can benefit local authorities, community energy groups, and asset owners/managers. It explained how energy resources can adjust usage to reduce grid pressure during peak times and support a stable, sustainable energy system. The session covered the importance of flexibility, ways to get involved, and included a case study on current participants, concluding with a Q&A session.
Community Energy: Innovation Workshop Live Webinar	12/02/2024	SPEN in partnership with Energy Saving Trust, held a community energy workshop on Innovation. The flexibility team presented on grid flexibility and future opportunities, alongside other experts discussions on innovation in community energy projects and funding options, featuring insights from community energy groups and renewables experts.

3.2. Tender Publication and Communication

We facilitated ten month-ahead tender rounds from June 2024 to March 2025. For each tender round, we launched the tender and engaged with stakeholders through social media and one-on-one surgeries. Prior to each tender launch, we notified providers via the Piclo platform and our own engagement channels that the upcoming month's tender was live.

3.2.1. Tender Pre-Qualification Engagement

Prior to the launch of our month ahead tender we conducted the following stakeholder engagement to advertise all our documents, engage on social media channels, via the Piclo platform, our Flexibility team mailbox and one-to-one surgeries.

Engagement	Location	Details
Publication of ITT Documents	SPEN Month Ahead Market Section on Flexibility Website	Updated tender documents including V3 Standard Agreement and Participation Guidance documents. Published in May ahead of the first bidding window opening in June.
Publication of Tender Requirements Data	Piclo Flex SPEN Flexibility Website ODS Platform	The requirements for month-ahead tenders, as well as updates to longer-term requirements, were updated prior to the tender launch on the SPEN Flexibility website and the Piclo Platform. The ODS platform provided a breakdown of revenue available per location as part of our Market Prospectus. These datasets included information on: • Total capacity required (MW) • Date and time flexible capacity is needed • Specific locations where flexible capacity is required on our network • Estimated utilization and availability of flexible capacity in hours, broken down by month • Expected revenue available per year and per location
Flexibility Opportunities Webinars	SPEN Engage Portal Events	Webinars were held prior to the launch of each of our tenders in which we discussed the tender requirements, pre-qualification process and facilitated a Q&A session.
Newsletters	Tractivity Register as a SPEN stakeholder	Newsletters were sent out to multiple stakeholders via our stakeholder engagement tool, Tractivity. These newsletters advertised the upcoming tenders and events.
LinkedIn posts	SPEN LinkedIn page	Multiple advertisements of pre and post tender engagement, calls for participants and pre-qualification deadline reminders were posted on SPENs LinkedIn page to target potential FSPs.
One to one surgeries	Various	Providers with further questions could request a one to one meeting with the flexibility team. Meetings were held with current as well as potential FSPs to further discuss requirements and processes. This was also an opportunity for SPEN to gain feedback on our current flexibility service and process.
Flexibility Team Mailbox	flexibility@ spenergynetworks.co.uk	Potential future participants also contacted the flexibility team via our mailbox to ask further questions around flexibility requirements, future tender processes and more.

3.2.2. Post Tender Engagement

Once the bidding window closed, we facilitated regular one to one feedback sessions with all participants. If an FSPs participates om our tender process, they are informed if they are successful or unsuccessful via email from the Piclo DPS system. We would then set up one to one meetings with successful providers to communicate the next stages of the post-tender process.

We also conducted various one-to-one surgeries with successful and unsuccessful bidders to provide feedback on the bids that were submitted as well as listen to any comments from potential flexibility providers at this stage of the process. Tender results are published promptly on the Piclo Flex platform once the tender process is completed.

3.3. Stakeholder Feedback

The key areas we sought feedback from stakeholders last year were on our longer term vs month ahead tendering cycles and continued barriers to entry for potential FSPs. We used this feedback to monitor our month ahead model going forward in 2025. The below details some of the areas we gained feedback from FSPs:

Engagement	Details
Shorter Term Markets	Stakeholders expressed a preference for participating in shorter-term markets. The Month Ahead Market was suitable for many providers with assets that require planning ahead for demand reduction or generation increase. Some stakeholders indicated a preference for even shorter-term markets, such as day-ahead or week-ahead. This is something we are looking to monitor and potentially develop in 2026.
Robust Pricing	The month-ahead model has enabled providers to submit more robust pricing, leading to increased engagement. Some providers, particularly larger generators and I&C demand assets noted that bidding on an even shorter-term basis would be preferable to streamline their choice of UK electricity market participation. This would make SPEN DSO flexibility more competitive with other markets, such as the Balancing Mechanism. We will monitor this throughout the year and start planning our shorter-term markets solution to support our current monthly tendering cycle structure.
Standardisation	Stakeholders raised concerns about DNO baselining and product differences as barriers to participation in the Flexibility Services markets. Resolving this challenge is prioritised, and further work will continue in 2025 to support this. We fully support further standardisation in the identified areas. In 2024, new aligned products were developed and implemented by SPEN from the launch of our month-ahead tender. Additional baselining work is also being conducted by the ENA Baselining Working Group and will continue until the transition to the market facilitator, which will further standardise baselining structures across all DNOs in 2025.
Contracting	Overall, we have received mainly positive feedback on the new version 3 of the Standardised Flexibility Agreement. FSPs appreciated the new process of signing the agreement once, allowing them to participate on a monthly basis without needing to sign a contract each time. However, some feedback has been received and passed on to the ENA Standard Agreement Working Group, particularly concerning the liabilities clause. The Working Group will reconvene in the coming year to improve this clause and explore further enhancements to reduce barriers to entry.
Requirements Data	We published a Market Prospectus in 2024 to provide a clearer summary of our requirements for the upcoming year as well as longer-term requirements. The Market Prospectus also provided FSPs with potential revenue forecasts for each of our constrained locations. This Market Prospectus was welcomed by FSPs, and initial feedback indicated that the revenue breakdown per location was a useful tool for forecasting potential opportunities for providers in both the short and long term. Providers noted that a calculator tool would also be helpful for calculating individual potential revenue for their specific assets in each location, which we will work on developing in 2025.

3.3.1. Detailed Provider Feedback

Over the course of the year, we have held one to one surgeries, webinars, and focus groups through the ENA TWGs 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 and have set ourselves key actions for the upcoming year:

- **INZAC** – Focus more engagement on new providers who do not have much flex experience, breaking things down to them and kick starting their flex journey.

- **SPEN Response:** We are launching a series of webinars and social media posts this year aimed at new and potential FSPs. In Q1, we are hosting a "What is Flex" webinar to educate interested parties in the basic concepts of Flex and inform them of ways that they can take part . Additionally, we have launched case studies on our part of the SP Energy networks website which highlight how providers with different technology types have taken part in our Month Ahead market. We also are planning and holding in person surgeries with local authorities where we will present the concepts and key topics around flexibility. We are also due to launch a professional Introduction to Flexibility on our website and social media channels.

- **Connected Response** – Can SPEN work with fuel poor and ToU tariff customers enhance their flexibility engagement and improve market participation?

- **SPEN Response:** We are currently in the middle of our Equiflex project which aims to promote equal access to flexibility services for everyone. Additionally, we have been working with fuel poor technology owners and associations to enable them to participate in flex by onboarding them onto our Piclo Platform.

- **Axle Energy** – Efficiency of Month Ahead End to End process – can SPEN uncover new ways to make the monthly model more efficient for providers.

- **SPEN Response:** We are integrating our internal systems with Piclo's API in order to smoothen out the procurement process and automate the competition creation and CMZ mapping processes which will allow for seamless operations. Additionally, we have a set monthly Account management process to cover Dispatch and Settlement that we always look to improve on by incorporating new tools from Piclo and through gaining monthly feedback from our active providers on how bidding, dispatch, and settlements are working for them.

- **Ohme Energy and Ovo Energy** – SPEN's nomination baseling approach is a barrier to participate for many domestic level assets.

- **SPEN Response:** We have now improved our baselining approach, allowing flex providers to choose between a fixed baseline value or a nominated value. We are looking to further improve on this by adopting a standardised approach that will be agreed upon by the ENA TWGs by April.

- **Grid Beyond & Grid Edge** – I&C customers find it hard to commit to flex requirements even a month in advance – they may require shorter windows.

- **SPEN Response:** We understand that different types of service windows and dispatch instruction windows suit different types of providers. Due to this, we are assessing the viability of the usage of different types of markets both shorter term than Month Ahead, and slightly longer term than Month Ahead. Our aim is to align this to markets in the UK in which providers are actively participating in today such as a Day Ahead/ Week Ahead/Half year ahead.

- **Flexitricity and EDF** – How can your products interact with NESO markets to allow VPPs to assess opportunities under the same conditions and time windows.

- **SPEN Response:** We aim to allow as much stackability as possible to our products and are continuously assessing Dynamic Pricing models, alignment to wholesale market time frames, and breaking down barriers to participating in DSO flex.

- **E.On Energy, EDF, SPRL** - Consistency of DNO Flexibility Market – Although some work has been carried out to improve standardisation of the DNO flexibility market by the ENA Open Networks project, stakeholders believe that market consistency within the DNO flexibility market remains a barrier to entry.

- **SPEN Response:** We recognise that standardisation across DNOs is key to reducing the barrier to entry for flexibility markets. Throughout 2024, the ENA Open Networks Flexibility Products Technical Working Group have collaborated with industry to establish a more detailed definition of the parameters that make up a Flexibility Service within the Distributed Network Companies. This comprehensive standardisation exercise was undertaken to develop proposals for alignment with the aim of eliminating the differences on the use of Flexibility Services between the companies. This year, we are aiming to standardise baselining approaches across DNO's, review our valuation tools, review our V3 agreement, and create common sets of APIs through the TWGs. Internally, we are also looking into further aligning our product models to the wider DSO markets and the NESO/Wholesale markets. SPEN is committed to collaborating with other DNOs and continue to seek stakeholder feedback on flexibility market standardisation to improve barriers to entry and increase the flexibility market's liquidity.

3.4. Engagement Channels

We ensured several channels were available to facilitate continuous engagement, including:

Channel	Description	Where
Website	The SPEN website hosts dedicated flexibility pages providing information and links to our Flexibility tenders, our participation guidance, policies and processes, and how to contact our Flexibility Team.	SP Energy Networks
Procurement Platform	The Piclo flex platform and provided ongoing engagement, this allowed potential FSPs and stakeholders to access our procurement policies and processes and step by step instruction on what is required at each tender stage, whether registering for the DPS, uploading assets or submitting bids. Our dedicated page on Piclo flex requests feedback and provides details on how stakeholders can request a one-to-one meeting with us.	www.picloflex.com piclo.energy
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 Piclo flex and the SPEN website, and included on all our external communications relating to Flexibility.	flexibility@spenergynetworks.com
Downloadable Documentation	To ensure potential FSPs and stakeholders were informed on how we identify, procure, dispatch, and settle Flexibility Services, we provide several downloadable documents. Example Downloadable Documents published in 2024 are available in appendix 2.	Various SPEN Profile on Piclo.energy
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 Piclo website and regularly posted on our Social Media channels and stakeholder engagement correspondence. Additionally, we have now published heat maps of our CMZs which custoemrs can interact with to view opportunities.	SPEN Open Data Portal
Social Media	We mainly use platforms such as LinkedIn to advertise and inform stakeholders of our procurement activities, promote conferences and trials. We publish our tender results, estimated revenue generated for provider and last month's dispatch volumes each month publicly on our LinkedIn page to encourage more providers to participate.	SPEN LinkedIn Page
Conferences	We attended relevant conferences and arranged specific events such as the SPEN DSO Events that were held in both our licence areas in March 2025.	SPEN DSO Events Piclo Conference All Energy Distributed Energy Show Flex Assure Event Various
SPEN Data	Additional datasets relating to our Long Term Development Statement and other useful data relating to our network planning was available to view on our Open Data Portal.	SPEN OpenData Portal

3.4. Engagement Channels

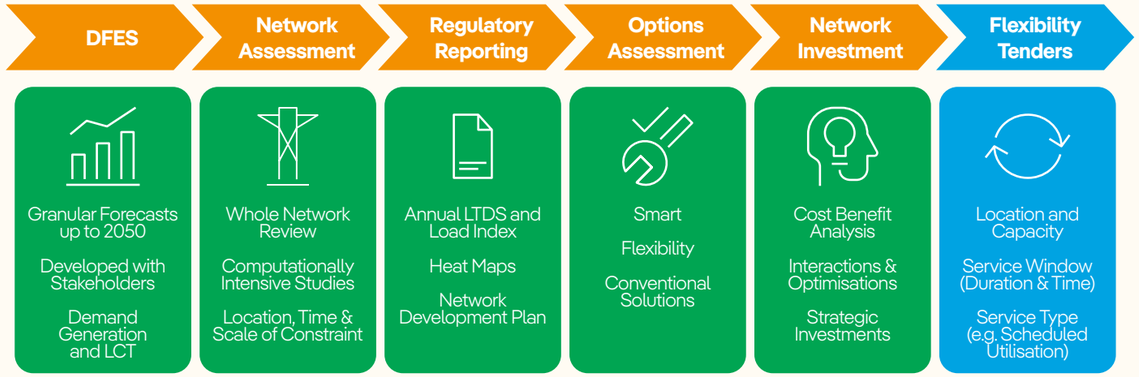
SPEN are represented on all workstreams within Open Networks, contributing to the development and alignment of procurement and use of Flexibility Services alongside other DNOs and the ESO to improve whole system coordination. From the start of 2023 until May 2024, our Flexibility Procurement Manager was co-lead with the ESO of the Standard Contract Technical Working Group who are worked towards implementing the Standard Framework Agreement in 2024. Our Flexibility Performance Manager was co-lead of the Products Technical Working Group who are implementing the new aligned Products that was introduced in February 2024. We ensure our processes are aligned with the good practices already identified and the new processes implemented.

4. Economic Viability

4.1. 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 address 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.

As part of our Decision-Making Framework, the stages we follow to determine the optimum solution for individual constraints are as follows:



Our full Decision Making Framework which provides further details on the overarching process we will follow to establish where, when, and how we should intervene to provide capacity for a constraint is available on our SPEN website.

4.2. Evaluation Approach

For each constraint location, we considered 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.

All load related intervention schemes are subject to technical scrutiny via our internal System Review Group, which is a forum for peer to peer review of proposed changes to the distribution network. It is an integral part of our authorisation process ensuring that projects submitted for financial authorisation have received the appropriate level of technical scrutiny.

All schemes are underpinned by robust Engineering Justification Papers (EJPs) and Cost Benefit Analysis (CBAs). Each EJP presents the needs case for the investment with relevant supporting evidence. A structured optioneering process is followed, outlining the list of possible solutions that were considered to manage the forecast constraint; which options were taken forward into detailed analysis; and why any solutions were discounted. The scope, cost, risks, benefits and other relevant factors are considered and summarised in the EJP.

The CBAs used the RIIO-ED2 Ofgem template to consider the Net Present Value associated with both capital and operational expenditure over 45 years. Each CBA has been carried out to deliver consistent and transparent modelling that is objective, accurate and of high quality. We will also be using the Common Evaluation Methodology to support our decision-making.

The outcome of this approach is summarised in our Distribution Network Options Assessments (DNOA) which can he found here. The DNOA documents provide a high level summary of the network requirement we are trying to address, the solutions considered and the justification for seeking reinforcement or procuring flexibility services (or a combination of both).

4.3. Economic Assessment

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.

Once we received tender responses, the bids were assessed in detail to confirm that it could technically manage the constraint. 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 were then fed into our optioneering and investment assessments and evaluated alongside all other options.

4.4. Bid Assessment

4.4.1. Pre-bidding window

Prior to any opening of a bidding window, we published our most up to date requirements for the short and longer term. We also published our guide prices and estimated hours of flexibility required at each location which enables providers to assess their bids to provide the most economic bid possible. These documents were readily available for our potential participants on the SPEN profile on the Piclo website as well as on the Piclo flex platform.

We apply a pay as bid approach and do not set fixed prices for any service. We calculated the ceiling price for each tendered constrained location to identify the most economic and quality outcome for our customers which is used to continue to provide pricing signals.

We used a variety of tools including the CEM model to support our economic assessment of each constrained location. We also assessed against other counterfactual solutions to ensure that we are providing the most suitable and economic reinforcement solution possible in a specific constrained location.

Where guide prices are provided, these are for individual constrained locations, and we provide a range to give FSPs an understanding of the potential level of revenue available to encourage market competition. 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 hours of utilisation. For LV constrained locations, we provide a single range guide price. Such guides are indicative only, when bids are received, they are 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.

4.4.2. Post-bidding window

After the bidding window has closed, for each bid submitted we assessed; the technical parameters, the overall value of the service offered, and competing bids. Once we know the cost and availability of flexibility services, we will compare it to other potential solutions and impartially identify the optimal intervention, or combination and sequence of interventions, for each individual constraint.

Guidance is published as part of any tender issued to ensure that potential bidders are aware of the evaluation criteria we apply. Further information is available on our SPEN profile on the Piclo website.

Operational — Can the services offered technically manage the constraint (e.g. is there sufficient capacity and are the assets available)

↓

Risk Assessment — Assessment of the risk associated with using the services offered (e.g. reliability and consequences of non-delivery)

↓

Cost — Assess the overall cost of using flexibility services and do they meet the econmic test as the lowest overall cost to our customers.

Consider the most efficicent mix from the bids received (e.g. costs of competing bids to provide the required capacity.

In accordance with Condition 31E, we publish the details all Flexibility Contracts entered into and have committed to updating the Condition 31E template after each tender round where appropriate.

Any updates to competitions and bid results are available on the piclo flex platform.

4.5. Supporting Methodologies

We have several tools available to help with the assessment process and supplement the flexibility assessment criteria. Some tools we use to support our quantitative assessment processes include, the CEM Tool, 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 depend on them individually.

We include details on the methodologies we use in our Decision Making Framework and other supporting documents as part of our downloadable documents listed in Appendix 2.

4.6. 2024/25 Cost Benefit Evaluation Results

Overall, we estimate that SPEN's procurement of flexibility in 2024/25 for new sites leads to a long-term net benefit to society of £3.9m.

The table quantifies the benefits of deferring reinforcement, showing significant net benefits to society. In the short term (Apr 24 – Mar 25), the net benefits are expected to be £3.0m, increasing to £3.2m for the rest of ED2 (Apr 24 – Mar 28). Over the long term (Apr 24 – Mar 83), the net benefits rise to £3.9m. The net present value (NPV) of bill savings per customer is £0.84. Costs of flexibility and non-traded emissions are minimal, ensuring substantial overall benefits to SPEN Customers.

Benefits quantification: Flexibility to defer reinforcement

	In-year Apr '24- Mar '25	Rest of ED2 Apr '24 - Mar '28	Long-term Apr '24 - Mar '83
Benefits from deferred reinforcement	£3.0m	£3.2m	£8.0m
Costs of flexibility	(£0.00m)	(£0.03m)	(£4.1m)
Net benefits to society reflected in customer bills	£3.0m	£3.2m	£3.9m
NPV of bill savings over the long-term (£ per customer)	-	-	£0.84
Costs of non-traded emissions	(£0.001m)	(£0.007m)	(£0.007m)
Total net benefits to society	**£3.0m**	**£3.2m**	**£3.9m**

Source: Frontier Economics DSO Panel Report prepared on behalf of SPEN
Note: Figures shown in 2024/25 prices

This year we have introduced an industry-leading benefits framework to identify, track, quantify, and monetise the benefits of our DSO activities. This framework, co-developed with Frontier Economics and our subject matter experts, integrates our expertise in network planning, development, operation, and market enablement with their specialist knowledge in economic appraisal. Key developments over 2024/25 include the introduction of a comprehensive benefits framework aligned with established economic appraisal methods, such as the HMT Green and Magenta Books, and standard industry methodologies like CEM. Notably, this framework is the first in the industry to monetise and report 'net' DSO benefits as standard, with Frontier Economics independently calculating the benefits of our DSO activities using the co-developed framework. Further information about the benefits of DSO Flexibility and the methodology behind the calculation measured in the above table can be viewed on SPEN's DSO Panel submission report available on the SPEN website.

4.7. Dispatch Principles

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

We updated our dispatch and settlement method in 2023 to make it easier for FSPs to participate in our end-to-end tender process. Previously, we used the Piclo platform for procurement and onboarded successful participants to the Flexible Power platform for dispatch and settlement. Since Autumn 2023, we are utilising the Piclo platform throughout the participant's tendering journey, from the first stages of our procurement process to the end stages of dispatch and settlement. Once assets are uploaded on to the Piclo platform they are then able to fully participate in our end-to-end end flex process of procurement, schedule, dispatch, verification and settlement which negates the need to onboard FSPs onto multiple platforms.

Further details on guidance relating to the Piclo platform can be accessed on the Piclo website along with a copy of our Dispatch Principles which are located on the SPEN profile on the Piclo website.

4.8. Dispatch Services

There have been no instances in the 2024/25 reporting year where alternative network management was deployed to manage a constraint where Flexibility Services were contracted for dispatch.

A series of NGED outages occurring over 2024 between the 132kV connection between Swansea North and Rhos placed the Aberystwyth / Rhydlydan 33kV group at 132kV single circuit risk. Identifying the risk to the network under these circumstances, the flexibility team worked closely with the SPM control centre and Statkraft to procure 20MW of standby generation availability to support the networks during these outages. This scheme also responded and dispatched generation during Storm Darragh which assisted in restoring 15,000 customers and reducing the return to service time for these customers by 40 hours. The Rheidol scheme has proved to be a useful tool for our control room to effectively manage outages, with further opportunities for operational flexibility available throughout 2025 / 2026 across our licence areas.

4.9. Market Assessment

Over the past year, we have assessed multiple aspects of the Market that mainly relate to our tender activity throughout the reporting year and how we can improve our processes and reduce future barriers to entry.

4.9.1. Assessment of Providers' Contract Length

Our main assessment of the market during the reporting year involved gathering feedback from our stakeholders to identify ongoing barriers to market participation and to refine our engagement strategy for the upcoming reporting year. Based on the feedback received, we found that current participants preferred shorter-term markets, which they found more accessible for offering increased flexibility services.

We have seen significant improvement in tender participation this year due to the implementation of our month-ahead market. In the next reporting year, we will continue to trial the month-ahead market and aim to develop it further. Additionally, we will explore the development of more shorter-term markets in the upcoming year.

4.9.2. Asset Availability Assessment

When tendering for services in the 23/24 reporting year, we experienced a reduction in the number of available assets contracted compared to those that received accepted bids during the procurement process. This was because we previously accepted bids for assets that were not yet operational, provided they would be operational by the service window start date. Initially, SPEN aimed to reduce market barriers by allowing bids for planned assets.

After reviewing this aspect of our procurement process and to enhance our flexibility offering, we concluded that for shorter-term markets, we would only accept operational assets at the pre-qualification stage. From June 2024, only operational assets were able to submit bids to participate in our month-ahead market.

Our intention with this development was to provide more accurate market signals regarding available capacity and to reduce the impact of inaccurate asset availability forecasting on future tendering activities. Initial stakeholder feedback has been positive, with most stakeholders appreciating that planned assets could still be uploaded to the Piclo platform and update their operational status when ready. This approach made the process more accessible and reduced the pressure on providers to ensure their assets were available by a specific contract date, increasing the reliability of flexibility services for both parties.

4.9.3. Market Prospectus

We acknowledge the importance of providing both short-term and long-term insights to stakeholders, offering a comprehensive view of how our market is evolving and the amount of flexibility we anticipate needing in the upcoming months and years. To support our transition to a shorter-term month-ahead market, enhance market confidence, and offer insights into potential revenue for providers based on constraint zone locations, we published our first Market Prospectus in 2024.

Following stakeholder feedback on the transparency of flexibility data, the Market Prospectus aims to summarise our requirements in a clearer format. We have actively sought feedback on the Market Prospectus document and will be publishing an updated version in autumn 2025, incorporating improvements based on the feedback received for the 24/25 version.

We hope that the Market Prospectus will improve transparency regarding our flexibility requirements for stakeholders and increase the visibility of these requirements, thereby signalling potential revenue opportunities to the market.

4.9.4. Streamlining of Procurement Process

In 2024, we initiated the development of an API designed to automate data exchange between our internal tender requirements, which will be published on our Open Data Portal, and the data necessary for our monthly tender competitions on the Piclo platform. This initiative aims to expedite data analysis and reduce disruptions in our tender process by eliminating the need for manual data uploads to the Piclo DPS. The project is currently in development, with the API scheduled to go live, supporting real-time tenders, in Summer 2025.

This development will be fundamental in moving towards even shorter-term tenders in the next year, which flexibility service providers have indicated they would like to see developed for more tender options. By streamlining the data submission process, the API will enable more efficient participation in tender competitions and reduce barriers to entry by providing even more opportunities for FSPs to submit tender bids.

4.9.5. Enhancing DSO Flexibility Market Transparency with Open Data

We have developed additional functionalities to enhance the transparency and flexibility of data available on our Open Data Portal. As part of our procurement process, we have implemented an API that integrates data from our Piclo DPS to publish on our Open Data Portal. This API now provides access to the following data:

- **Assets Registered for Flexibility Services**: This section allows users to discover the assets being offered on our network for flexibility services.
- **Historic Flexibility Competitions:** Users can view past flexibility competitions, including the opportunities that were made available and their respective locations.

- **Historic Flexibility Bids**: This section provides insights into the bids submitted in previous competitions, including details on what was offered and which bids were successful.

These enhancements are part of our ongoing commitment to transparency, providing stakeholders with valuable insights into the flexibility services available on our network.

4.9.6. Procurement Platform Development

Over the past two years, we contracted with Piclo to test their end-to-end platform. This trial has enabled us to develop a short-term flexibility market in 2024 and has also reduced the barriers for new Flexibility Service Providers (FSPs) having to sign up to multiple systems during the overarching flexibility procurement process.

We have been monitoring the technical requirements necessary to facilitate both short-term and long-term markets to inform our new platform development requirements for the next few years. Additionally, we have been closely observing the Flexibility Platform Provider market for new as well as established entrants.

The procurement process for a new platform provider began in Q4 2024, and we are currently in the assessment stage. Our goal is to award the tender by Q3 2025, with deployment expected within the same year. We aim to ensure the new platform is implemented with minimal disruption to flexibility service providers and other stakeholders, maintaining continuity and efficiency in our flexibility tender operations.

4.9.7. ESO Engagement & Considerations for the Total System

As customers connected to the distribution network increasingly respond to both distribution and transmission service requirements, we need to ensure that ESO and DSOs co-ordinate. By doing so we can maximise the market opportunities for FSPs, whilst also maintaining network security and facilitating the transition to Net Zero at lowest overall cost to customers. During the early stages of our procurement process during the options assessment we consider whether solutions are coordinated from a whole energy system perspective, or whether we need to engage with other stakeholders, for example adjacent DNOs and/or the transmission network operator connected to our distribution network.

The main coordination with the ESO comes 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 appropriately managed). However, even at the early network planning stage, we:

- Publish our contracting of flexibility services, both in our tender results and in our Network Development Plan. This informs stakeholders, such as the ESO, of the details of any flexibility services we plan to use.
- Identify where FSPs are committed to offering services to the ESO (FSPs are obliged to tell us), so we can manage any potential conflicts. If we are to unlock the full benefits of flexibility it is essential that we develop simple but effective processes and systems that allow the ESO and DSO to interact, allowing FSPs to unlock market value whilst maintaining network reliability

We are also coordinating on an industry level with the ESO to thoroughly ensure we take a Total System approach when assessing our flexibility solutions as well as the flexibility market as a whole. Some of our collaborative projects include:

Industry Change Programmes

- The Open Networks project under the ENA has been developing use cases and guidance on primacy i.e. under which circumstances does the needs of one network take precedence over another. By establishing the principles of primacy we can ensure that adverse interactions are minimised, allowing FSPs to participate in both ESO and DSO markets.
- Ofgem appointed Elexon in 2024 as the Local Flexibility Market Facilitator, responsible for delivering standardised, easily accessible, and transparent DSO markets. This new industry body will also be responsible for ensuring coordination between ESO and DSO markets and is expected to be implemented by late 2025/early 2026.

Technical Operational Data Facilitation

- We invested £0.5m to improve data transfer capabilities between our control room(s) and the ESO control room. We will also improve our network monitoring and modelling capabilities to better understand and communicate the real time availability of our networks, increasing the accuracy of our flexibility service requirements. This will increase the certainty of revenue for FSPs whilst also minimising the cost to our customers.

NESO Markets Collaboration

- We're collaborating with NESO on their MW Dispatch products to improve whole system efficiency and market access. Previously, Constraint Management Zones (CMZs) could limit customer participation. We're integrating our systems to enable coordinated actions, allowing customers with assets located in specific CMZs to participate in both NESO and DSO markets.

More information on our Total System market assessment approach can be found in or Decision Making Framework.

5. Carbon Reporting

5.1. Current Approach

SP Energy Networks' providers delivered 108050kWh of flexibility from Gas Reciprocating Engines and 227660kWh of flexibility from Demand Assets. The calculated direct carbon impact associated with flexibility services in regulatory year 2024/25 is 6538.67kgCO2e – which includes direct impacts of fuel combustion to produce electricity and also demand assets which reduced their electricity consumption. The total calculated consequential carbon impact associated with the collective flexibility services delivered is (negative) -14333.84kgCO2e – which includes displacement of grid generation at export. Net Carbon impact is therefore (negative) -7795.17kgCO2e.

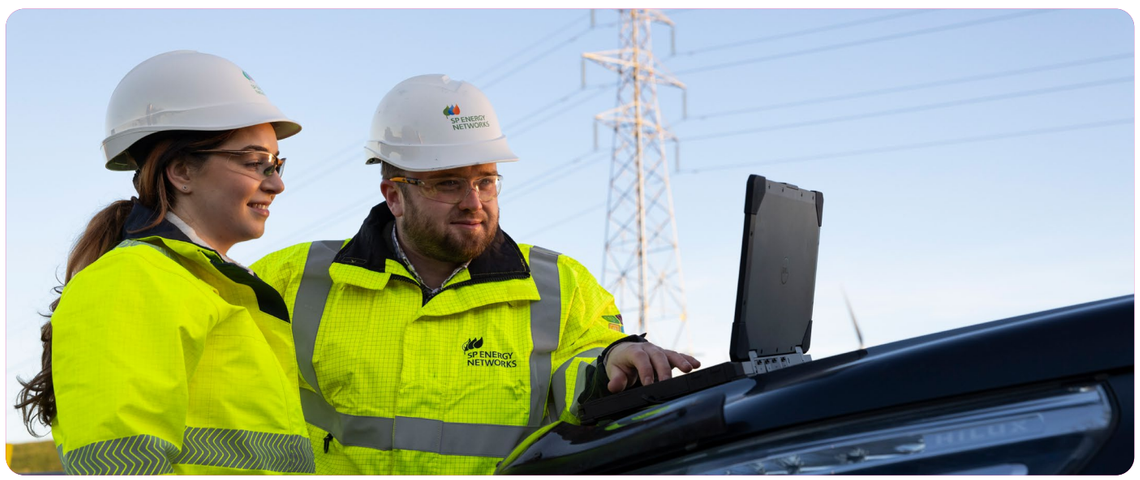
The carbon quantification calculation reported above has followed the collaborative methodology developed by UK DNOs as part of the Open Networks Project, Product 7, Workstream 1A. Details of the methodology can be accessed here.

LC31 Technology Category	LC31 Technology Sub-Category	Requested Energy (MWh)	Delivered Energy (MWh)	Direct Carbon Impact (kgCO2e)	Consequential Carbon Impact (kgCO2e)	Net impact (kgCO2e)
Fossil - Gas	Gas Reciprocation	108050	108050	61517.59	-26093.62	35423.97
Demand	Vehicle Charging	227660	227660	-54978.93	11759.78	-43219.15

5.2. Industrial Developments

SPEN were represented on the Carbon Reporting Methodology Technical Working Group. The TWG remit is to develop a methodology for DSOs to calculate and report the carbon impact of flexibility service actions. Updates were made to the Carbon Methodology in 2023 which broadly included:

- Clarifying the guidance where details are missing or unclear based on feedback from TWG members following implementation in 2022.
- Investigation of other areas identified in 2022 as areas for future development including grid intensity factors and use of asset-specific data.
- Producing an excel tool to help users implement the calculation for their own purposes.



6. Appendices

6.1. Glossary

Acronym	Description
CEM	Common Evaluation Methodology
DSO	Distribution System 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
ESO	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

6.2. 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
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.	Participation Guidance
Pricing Strategy	An explanation of our pricing strategy for Flexibility Services	Participation Guidance
Pre-qualification Requirements	Details of requirements FSPs must meet in order to participate.	Participation Guidance
Bid Assessment Criteria	An overview of how we assess bids received	Participation Guidance
Common Evaluation Methodology	Details of the Common Evaluation Methodology developed by Open Networks.	Participation Guidance
Flexibility Services Agreement	The current version of the Terms and Conditions	Participation Guidance
Operation		
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 – Piclo website
Participant Portal Guide	A guide on how use the portal including: declarations of availability and viewing statements	Provider Tutorials – Piclo website
Billing Guide & Payment Set Up	An overview of the monthly billing cycle and the form to send us your payment details.	Participation Guidance
Baselining Methodology	A presentation on the Baselining Methodology that applies.	Participation Guidance
Dispatch Principles	An explanation of how we dispatch when availability exceeds requirements.	Participation Guidance
Glossary	A helpful guide to the terms, acronyms and abbreviations used, as provided by the ENA.	Participation Guidance

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