



Distribution Flexibility Service

Procurement Statement for SP Distribution PLC and SP Manweb PLC

April 2024

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.

During 2020 and 2021 we tendered flexibility services for all locations identified as requiring an intervention due to load growth during the RIIO-ED2 period (2023 to 2028). Amounting to a total of 1.5GW at 1,557 locations. In 2022, we reviewed our tendering activity and in 2023, we tendered for two 18 month periods in the Spring and Autumn. To date, we have accepted bids for over 700MW demonstrating our commitment to procurement of flexibility services.

This year, we will be introducing a new month ahead operating model following stakeholder feedback that shorter-term regular tenders are preferable for some FSPs that intend on participating in the DNO Flexibility markets. We believe that the month ahead service could potentially increase market liquidity by ensuring convenience and increased opportunity to tender when appropriate for new as well as existing FSPs. Additionally, we hope that nearer to real-time month ahead tenders will reduce elements of market barriers to entry, as FSPs will be able to offer robust bid prices that reflect current market prices. This reduces the forecasting risk of expected market prices in longer term flexibility competitions.

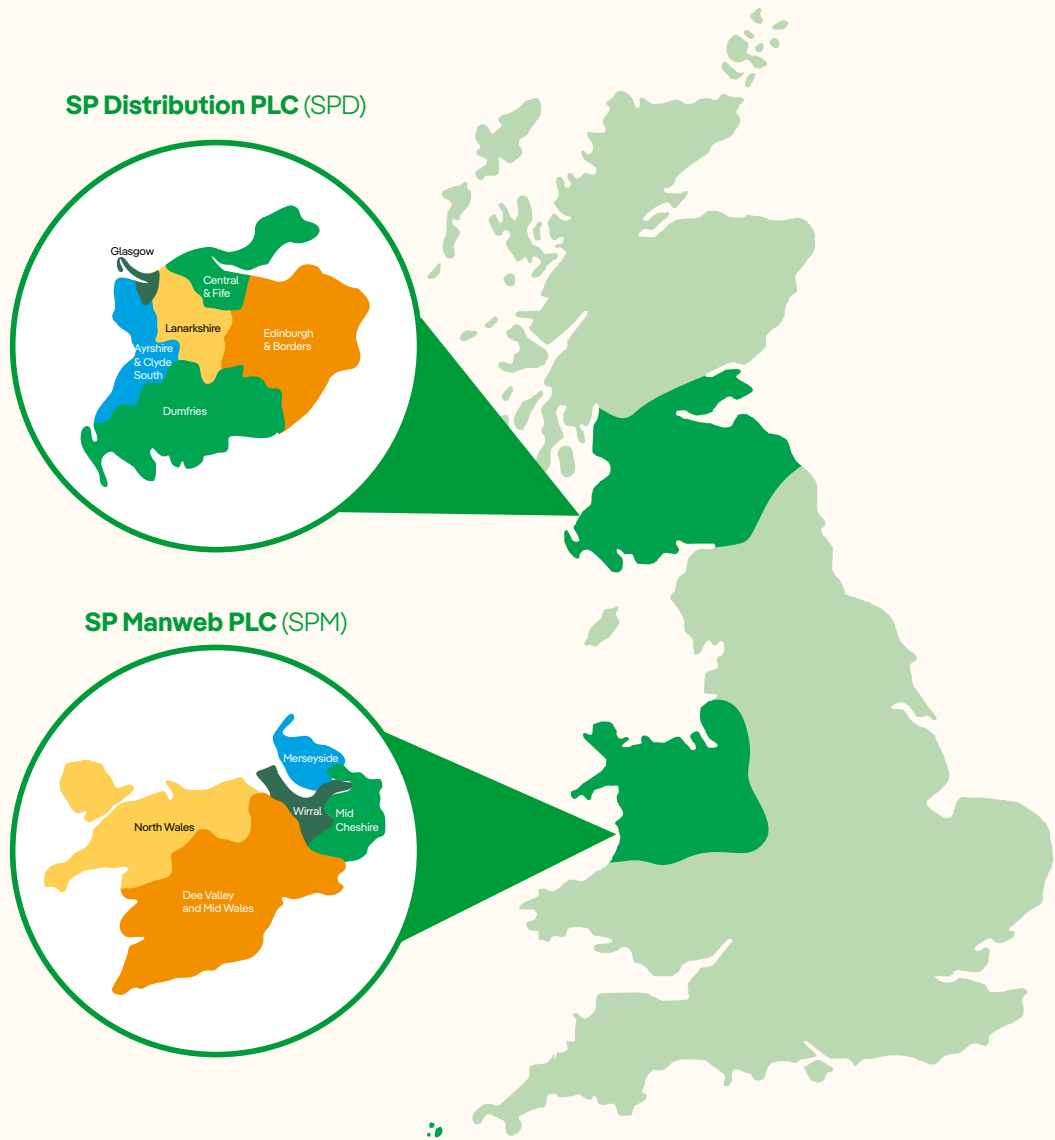
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1. Introduction

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 ESO 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 Updated 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 Strategy² will provide, not least higher flexibility utilisation from more efficient, co-ordinated, and competitive flexibility markets.

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 RIIO-ED2 period are significant both in the number of locations and volume of capacity required are shown in Figure 1.

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

Throughout 2023/24 we developed the structure, policies and procedures required to maximise the future flexibility market participation, and maximise the benefits of flexibility procurement and operation by tendering in two tender cycles

in the Spring and Autumn of 2023. We accepted 36MW of bids to support our network up until November 2025.

Following stakeholder feedback, we identified a number of factors that affected potential FSPs participation in the Spring and Autumn 2023 tender rounds including but not limited to:

- Participation in other flexibility markets such as the ESO’s Demand Flexibility Service which have 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

Going forward, we will be re-tendering for any shortfall in our existing network flexibility requirements and any new identified requirements from May 2024 onwards with shorter term and closer to real time tenders. Over the past few months, we have been developing our new monthly tender approach, which will be launched in June 2024. The monthly tender windows will allow more opportunity for new and existing FSPs to tender within a more suitable timeframe for their specific needs. We also hope that this operating model will improve market liquidity by allowing for increased dispatching of services on a more frequent and real-time basis.

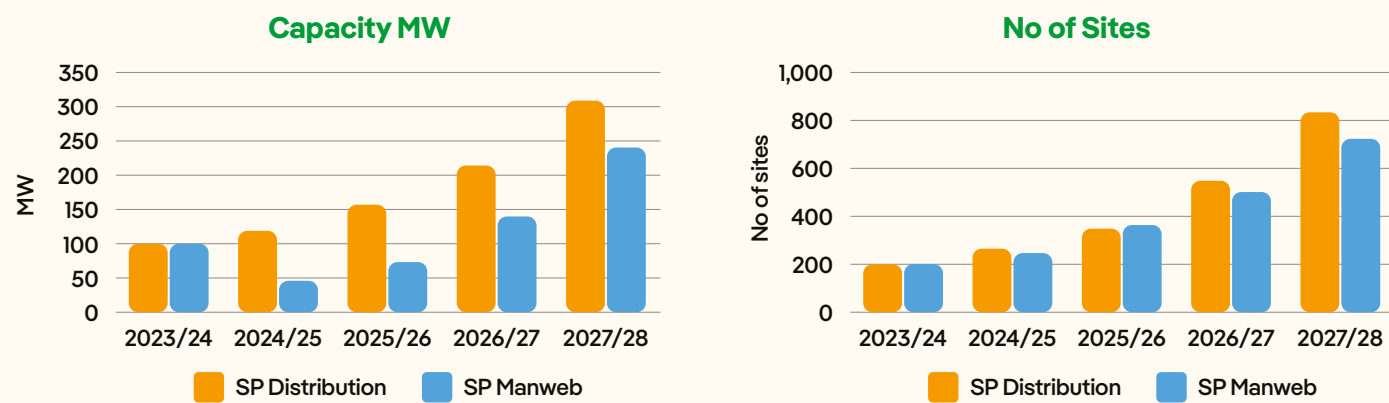


Figure 1 shows the increasing scale of flexibility capacity required and constraint locations year on year.

Ahead of the ED2 Price Control Period commencing, we expanded our Flexibility team to bring in new skills and the resources required to deliver our ambitious flexibility forecasts. We will be continuing our recruitment activity this year to expand our resources and facilitating our new agile tender operating model and further support our two teams:

- Flexibility Procurement team - responsible for the objective, transparent and market-based procurement of flexibility services to meet our business needs.
- Flexibility Performance team - responsible for the processes and operation of our flexibility services, including forecasting, contract management, budgeting, dispatch, verification and settlement.

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 allow them to

plan without the burden of submitting applications many years in advance. We will also publish a Market Prospectus this year. Following stakeholder feedback on transparency of flexibility data, the Market Prospectus aims to summarise our requirements in a clearer format. 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 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 EJPs submitted as part of the RIIO-ED2 Business Plan.

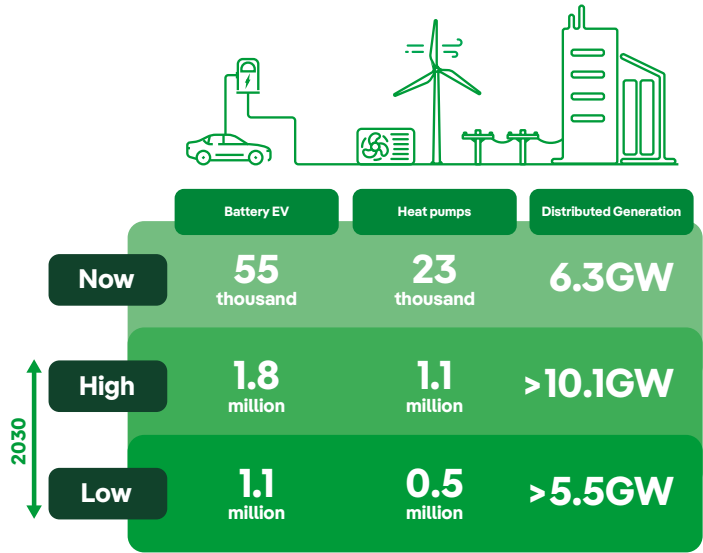
2. Flexibility Services Requirements

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

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. 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 loads, deferring potential investments associated with high uptake scenarios.

3. 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.

4. Accommodate New Connections
 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.

2.3. Decision Making Framework

We recognise the importance of transparently communicating how we decide whether we contract and dispatch flexibility services or carry out other network 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. Our approach is detailed in full in our Decision Making Framework which can be found [here](#).

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.

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.

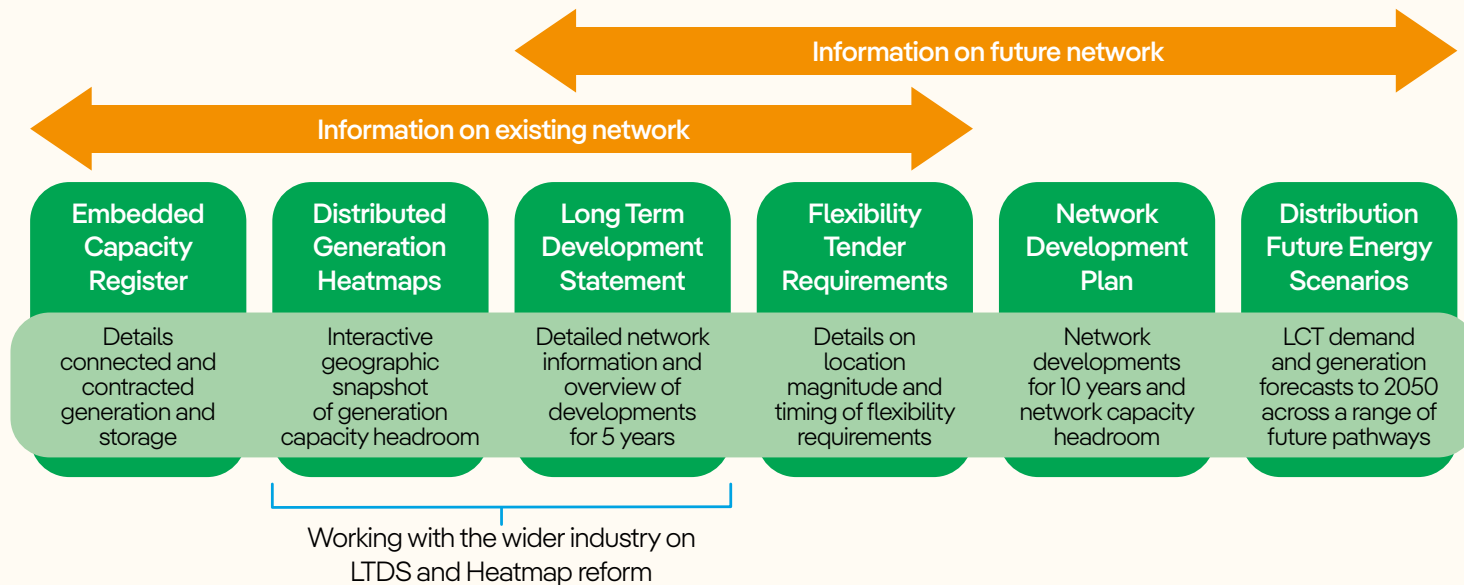


Figure 2 – Publications providing information on our existing and future networks

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.

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](#)

ED2 Period Flexibility Visibility Data: During our 2023 tender procurement round we published our flexibility requirements for the full RIIO-ED2 period to provide market visibility for FSPs up to 2028. This currently totals around 1.5GW across more than 1700 locations covering all voltage levels. This document is a clear demonstration of our commitment to utilising flexibility services to support our network in the long term future. As we seek to procure additional flexibility services in the future, we hope that the publication of ongoing flexibility visibility data will aid future flexibility market development and inform potential developers of new LTC projects of revenue potential from additional ancillary services markets. This data is published alongside our tender requirements on the Piclo Flex tender platform. [Visibility Data \(Piclo\)](#)

Market Prospectus: Further to our ED2 Period visibility data, we will be publishing a 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 provide long term certainty on our flexibility requirements and clarity on the market opportunity that they represent. The Market Prospectus will provide this information geographically and outline our long term requirements. 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.

Open Data Portal: This is our centralised repository for data that we will be sharing openly with our Customers and Stakeholders, allowing users to easily search our open data catalogue, along with detailed metadata and the ability to consume data via an API. All flexibility requirements data that we publish on this portal is processed through our Data Triage process, enabling thorough assessment of all potential sensitivities and identification, and implementation, of any required controls. [Open Data Portal](#).

2.5. Procurement Activities to Date

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.

Tenders	Spring 2019	Autumn 2019	Autumn 2020	Spring 2021	Autumn 2021	Autumn 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.

2.6. 2024/25 Procurement Strategy

2.6.1. Tenders

From June 2024 onwards, we will be operating monthly tender cycles in which we will procure month-ahead flexibility services.

2024-25 Delivery Year	SP Distribution	SP Manweb
Scheduled Utilisation	47.4 MW (295 Locations)	48.51 (272 Locations)
Operational Utilisation and Variable Availability	-	2.34 MW (1 Location)
Operational Utilisation	74.44 MW (3 Locations)	-
Operational Utilisation and Scheduled Availability	-	20 MW (1 Location)
Total	121.84 MW (298 Locations)	70.85 MW (274 Locations)

Any updates on our tender requirements for the Delivery Year will be issued on our Open [Data Portal](#) and on our [SPEN profile](#) on the Piclo website. We include estimated utilisation hours as part of our tender supporting information, informing potential FSPs of the likely usage, allowing 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.

A full list of our tender requirements for 2024-2025 as well as our longer term tender requirements is included in Appendix 3. Once tenders are issued, our monthly requirements can be viewed on [Piclo Flex](#).

2.6.2. Products

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

Product name	Payment Structure
Scheduled Utilisation	Utilisation payment only
Operational Utilisation	Utilisation payment only
Operational Utilisation + Scheduled Availability	Availability and utilisation payment
Operational Utilisation + Variable Availability	Availability and utilisation payment

In previous years, we procured the ENA products under Sustain, Secure, Restore and Dynamic. These products have now been updated under the 2023 Products Alignment Programme. Here are some definitions of how the new aligned products will be 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 profile 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 in order to restore network supplies following an unplanned outage/fault 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 DNO/ESO is only paying utilisation payments based upon the actual needs of the network.

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

Operational Utilisation + Variable Availability

This product allows for DNOs 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 DNO is only paying utilisation payments based upon the actual needs of the network.

An example use case for this product is when a DNO 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 to provide 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, and we will provide a range to give

FSPs an understanding of the potential level of revenue available. 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.

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 previously carried out tenders for long term service windows ranging from 18 months ahead of need through to 5 years ahead of need. Based on 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 10 Service Windows beginning from June 2024 to April 2025. The table below provides a summary timeline for our tender periods and service windows:

Tender	Service Window Open	Service Window Close
June 2024	July 1st 2024	July 31st 2024
July 2024	August 1st 2024	August 31st 2024
August 2024	September 1st 2024	September 30th 2024
September 2024	October 1st 2024	October 31st 2024
October 2024	November 1st 2024	November 31st 2024
November 2024	December 1st 2024	December 31st 2024
December 2024	January 1st 2025	January 31st 2025
January 2025	February 1st 2025	28th 2025
February 2025	March 1st 2025	March 31st 2025
March 2025	April 1st 2025	April 30th 2025

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

Although we are moving to shorter term month ahead tenders during the reporting year, we will publish all of our identified constraint requirements for the full R100-ED2 period (up to March 2028). This is to provide potential FSPs and stakeholders with visibility of all requirements and demonstrate our commitment to using flexibility services where it is appropriate to do so. These requirements are reviewed annually, and any new requirements will be added. These requirements are published in an excel format alongside our tender requirements on the [Piclo Flex platform](#).

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 shorter term network need, which will increase our agility in managing network constraints. 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 planning we are developing an internal database to identify potential flexibility providers 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.



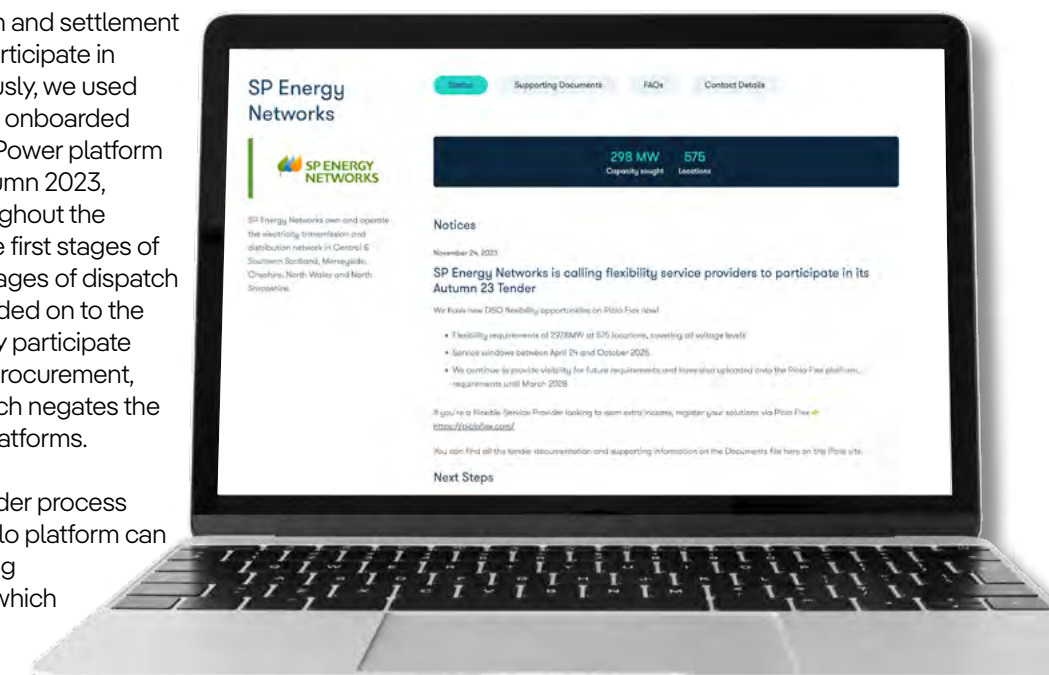
2.7. Dispatch and Settlement

We operate the dispatch of Flexibility Services in a fair and transparent manner, 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 have recently updated our dispatch and settlement method 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 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 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](#).



3. Tendering Process

3.1. Our new 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 are adapting our tendering processes to procure flexibility on a shorter-term month-ahead basis. Our

updated month-ahead approach will run in a gradually similar manner to existing routes to market. Therefore, it is our intention to attain whether shorter-term tenders will reduce barriers to the DSO flexibility market going forward.

3.2. Tender Platform

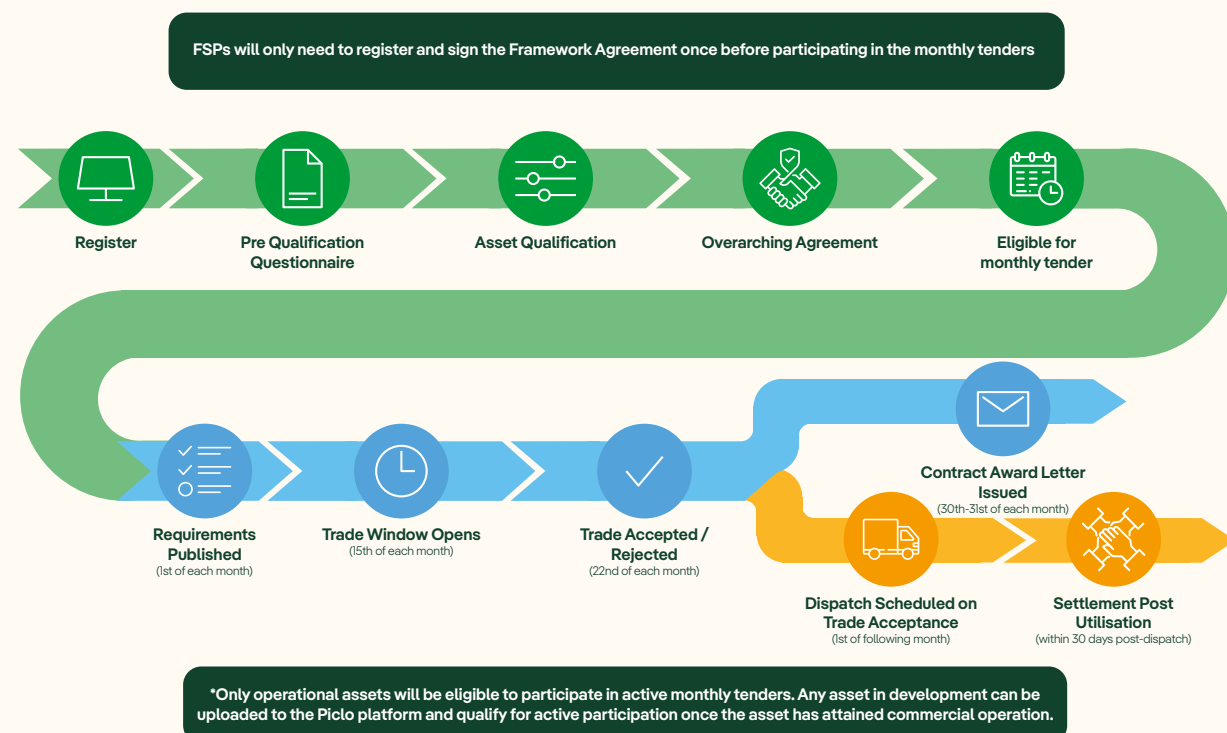
We use the Piclo Flex platform to facilitate our tenders. Piclo Flex is an independent marketplace for trading energy flexibility, it has more than 300 FSPs registered on its platform and is well recognised within the industry. Our continued relationship with Piclo has provided a consistent and simple process for FSPs to access our tenders. The platform hosts all our tender requirements, along with key Tender documentation, enabling FSPs to access information and user-support quickly and easily. Picloflex.com

prequalification process and issues invitations to pre-qualified FSPs to bid for the services required. A key activity that Piclo offer is their enhanced marketing and engagement function to further encourage and facilitate participation. They offer structured support to FSPs during the procurement process and beyond to ensure a smooth onboarding of assets, prequalification, and bidding. Further information on this is included in Section 4.

3.3. New Operating Model Tender Process

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

Piclo Flex operate a Dynamic Purchasing System (DPS) which enables FSPs to register on the site, facilitates the



3.3.1. ENA Framework Agreement

The ENA Open Networks project has been working to develop a framework agreement, moving towards alignment with the ESO process for procuring services. We will implement the ENA standard framework contract from June 2024, with the process as follows:

1. Flexibility Services Agreement terms and condition plus accompanying schedules are issued as part of the ITT documentation.
2. FSPs review, complete and return the Signature Page to SPEN to countersign.
3. FSPs can now participate in the individual tender competitions and submit bids.
4. 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 at our [SPEN Flexibility website](#) and [Piclo website](#).

3.4. Tender Documentation

For our new monthly tendering model we will be updating our tender documentation.

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 the services, and requirements we are looking to procure throughout the tender year
Part 3 – Company Policies	Provides access to SPEN policies potential FSPs are to comply with
Part 4 – Flexibility Framework Agreement	Provides a copy of the Terms and Conditions that the FSPs are requested to sign on to 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 will be available on [our website](#) and the SPEN profile on the [Piclo 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 operation. 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 Piclo Flex 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 available on the [Piclo Flex platform](#).

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	can offer the flexible capacity at a single price, or split the flexible capacity into smaller volumes but at different prices.
Service Windows	must be for whole Service Windows of the individual competition bidding for.
Service Duration	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 requires 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.

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 perform 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 the [Piclo 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 Piclo Flex, 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.

A new Framework Agreement has been developed in collaboration with the ENA Open Networks Project. We will be adopting the Framework Agreement once the document has been fully approved.



4. Stakeholder Engagement

Stakeholder engagement has been fundamental in the past year to understand our FSPs experiences of past tender activity and inform how we should evolve our tendering activity to increase market engagement. By introducing a new monthly tender model this year, we acted on our stakeholders' requests for shorter term markets. Stakeholder engagement will also be key in the upcoming year to facilitate market engagement with our new month ahead operating model.

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

Our live tenders are published on the Piclo Flex 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 [Piclo Flex Platform](#). Other tender information such as supporting tender documents is available on our [SPEN Profile](#) on the on the Piclo 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 and social media are used to highlight the launch of our ongoing tenders and are supported by our engagement strategy.

4.2. Engagement Strategy

4.2.1. SPEN Engagement Strategy

SPEN engages with stakeholders via:

- Press releases
- Easily accessible and downloadable information
- Posts on social media
- 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

We will provide regular social media posts, webinars and one-to-one surgeries with potential FSPs to advertise our tendering requirements. We will also be seeking regular feedback from FSPs on their experience of the short term tenders in order to gain meaningful insight into the operating model and act on any suggested changes if required.

4.2.2. Piclo Engagement Strategy

As well as facilitating our own engagement strategy, we also work in collaboration with other organisations such as Piclo to enhance our stakeholder engagement strategy.

Our platform provider, Piclo, provide support in helping create a liquid, efficient marketplace. This includes providing a regional team to help support SPEN's engagement, enrol and on-board FSPs onto the Piclo Flex platform, supporting the development of SPEN engagement strategies and materials to make sure that FSPs are aware of competitions and actively supporting the recruitment process. They also provide FSPs with support regarding competition enquiries and platform troubleshooting to ensure active participation in competitions, providing an efficient way of advising potential FSPs of any updates and/or clarifications during the pre-qualification stage. This includes automatic notification to registered FSPs, supporting our transparent and fair procurement process.

Piclo host a [dedicated profile page for SPEN](#) where we provide documents with specific details on how to participate and stay informed on SPEN flexibility events. This also includes the provision of self-help articles and FAQs to aid the FSP participation lifecycle. This service addresses FSP engagement, FSP asset registration and qualification, bid participation as well as general FSP support, enquiries and troubleshooting. Piclo also facilitate 'DSO forums' for all DSOs using the Piclo platform - to discuss issues and updates with the platform, sharing lessons learnt and to gather feedback from stakeholders.

4.2.3. New Monthly Operating Model Engagement Plan

As we will be introducing a new short term tender market this year, we are eager to continuously provide updated and transparent information on a regular basis to encourage new participation in our monthly tender programme. The new

model will require upskilling and education around our new tender processes and what changes FSPs will experience in comparison to our previous 18-month tender process.

For our new monthly tender operating model the engagement plan will include:

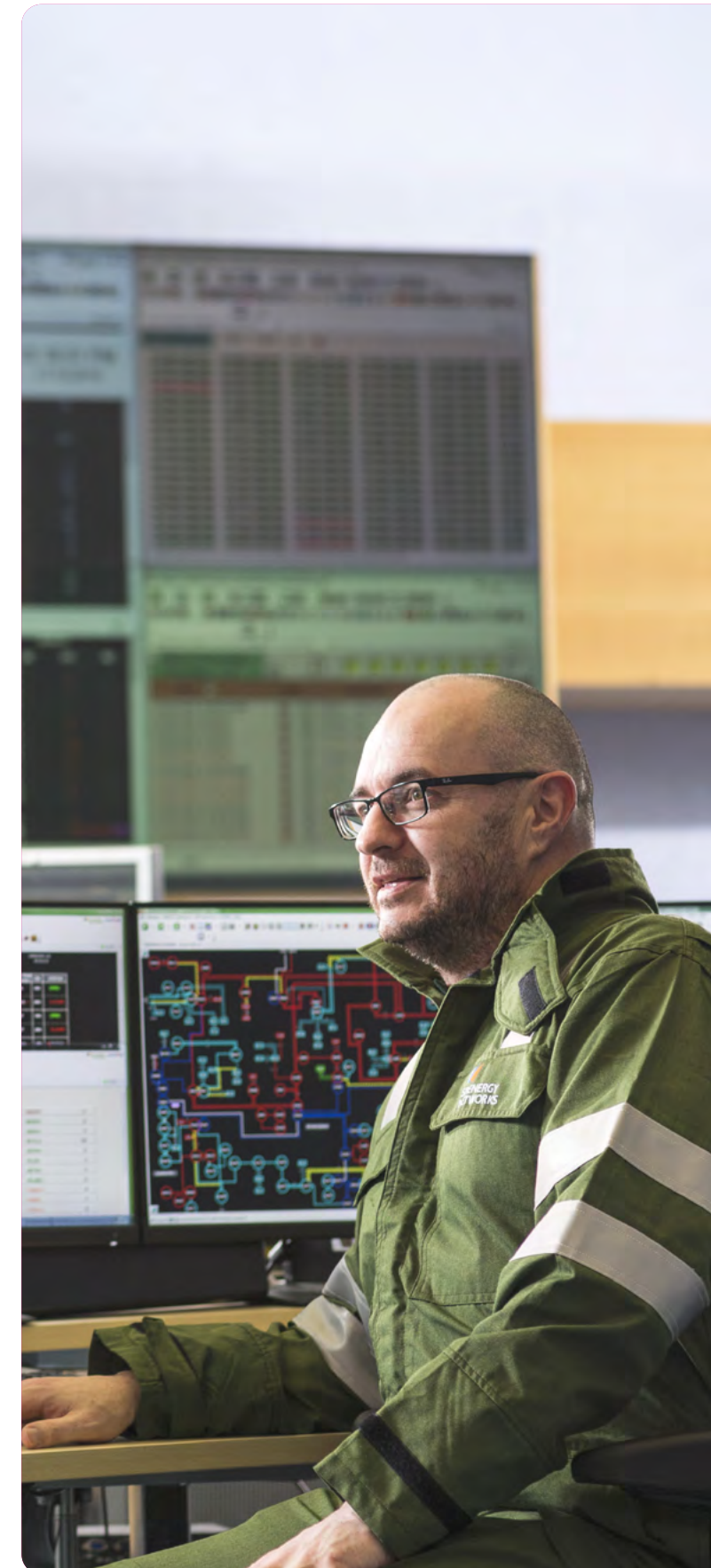
- Monthly Newsletters and social media posts to announce monthly competitions, contract awards and reminder of regular tender processes with relevant links on how to participate.
- Downloadable Documentation on our SPEN Flexibility website and Piclo's website to include updated tender information and processes.
- One-to-one surgeries with interested FSPs to inform potential participants of new processes prior to the launch of the monthly tenders.
- One-to-one surgeries with contracted FSPs following the monthly tender launch to seek feedback on participants' experiences of the new model.
- Blog to provide information on our new operating model 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.
- Introduce a Market Prospectus as a downloadable document via our SPEN Open Data Portal to demonstrate our short term and long term flexibility requirements at each constrained location

4.3. Stakeholder Feedback

We continuously seek feedback from stakeholders and have a number of routes available for this:

- Dedicated e-mail address - flexibility@spenergy.co.uk
- Support function at Piclo Flex
- One-to-one surgeries with FSPs
- Interactive webinars

We use the feedback from stakeholders to refine our processes and reduce barriers to participation.



4.3.1. INZAC Meeting Feedback

In November 2023, our Independent Net Zero Advisory Council (INZAC) met to reflect and provide suggestions to SPEN about our current Flexibility procurement activities. The INZAC brings together 15 external experts to provide challenge and specialist knowledge. With a wealth of experience and expertise from across the energy industry and beyond, the INZAC has a critical role in overseeing and challenging SPEN's efforts to enable the path to Net Zero for the customers and communities it serves.

Some suggestions that were highlighted at the November 2023 meeting include;

- **Growing market participation** – improve communications strategy to include more engaging language, materials, and develop a ‘sales’ approach.

SPEN Response: We will be improving our communications strategy this year by increasing proactive regular communications relating to our monthly tenders and develop a market prospectus to clearly communicate our tender requirements to new and existing market participants. We will also develop an internal market prospectus to identify connected assets at various constraint zones. This will enable us to develop a ‘sales’ approach by conducting one-to-one surgeries with both existing and new participants to the market.

- **ENZ Model data** – suggestions were made around interoperability with external systems as well as development of automation in the interaction with multiple external systems including systems utilised by the FSO and other software used by system design engineers.

SPEN Response: SPEN have developed the ENZ model to support planning and contingency analysis for the entire network. The model uses micro-level forecasts, asset data and detailed modelling to identify constraints. For each constraint, the model finds the most economic combination, sequence, and timing of solutions considering flexibility, smart and reinforcement options. One of the key inputs for the ENZ model is our Distribution Future Energy Scenarios (DFES), combined with granular LCT forecasts yielding from our EV-Up and Heat-Up models. In order to continuously improve the accuracy of the ENZ model, including location and the timing of flexibility requirements, inputs are being refreshed with the latest forecasts (DFES, EV-Up and Heat-Up).

At the next stage, we will develop our ENZ model into a real-time analytical platform – the ENZ platform. This will integrate four previously independent data sources (network monitoring, smart meters, enhanced forecasting, asset condition), and use them for automated power flow studies for the entire network in real-time. This produces network analytics to tell us what is happening on the

network right now, and what will happen in operational and planning timescales. This means we can make real-time data-driven planning and operational decisions, as well as facilitate a more informed and automated Flexibility procurement process (for pre-tender / network modelling).

The ENZ Platform will be integrated into SPEN Corporate Systems to allow for full data transfer and business-wide access to ENZ analysis and user-friendly visualisation of the results across different operational and planning timelines.

- **Third Party Flexibility** – Can SPEN work with Third Party Flexibility providers to enhance their flexibility engagement and improve market participation?

SPEN Response: We are currently working with multiple Third Party Flexibility providers that are active in the DNO flexibility market. We look forward to continuing our relationship with our current Third Party providers. We are eager to further develop relationships with Third Party Providers that are new to our DNO flexibility market. As part of our communications strategy for this year we intend on facilitating one-to-one surgeries with more providers to seek feedback on how we can improve our systems, processes and communications to further engage with Third Party Flexibility Providers’ customers.

- **Enhancing Flexibility Asset Types** – SPEN could consider alternative energy assets for future flexibility tenders.

SPEN Response: This year we will be taking part in the Equinox Trial 3 project to explore how heat pumps can support our future flexibility requirements. This project will take place in the Autumn, and we expect to learn how we can apply the project findings in our future flexibility strategy. We are also open to explore other options and work with industrial and commercial assets in the future to see how we can adapt our flexibility strategy to improve market accessibility for industrial and commercial companies that have flexibility potential.

- **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, INZAC 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 2023, 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. These differences were highlighted by Flexibility Service Providers in the Open Networks 2022 Consultation as being a barrier to participation in the Flexibility Services markets and as such the resolution of this challenge was prioritised as a key outcome of Open Networks in 2023. In 2024, SPEN will be using the new Products developed by the ENA to improve consistency in the DNO flexibility market.

Additionally, we will be launching our new tender process utilising the new Standard Framework Flexibility Services Agreement that will be standardised across all DNOs when we launch our month-ahead tenders in June 2024.

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.

4.4. Post Tender Launch Review

Following our tender launch, 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 Learnt” exercises with Piclo 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.	SP Energy Networks
Procurement Platform	Working with the Picloflex platform 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.	www.picloflex.com
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.	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 Piclo website and regularly posted on our Social Media channels and stakeholder engagement correspondence.	SPEN Open Data Portal
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	Piclo and SPEN develop and publish blogs to provide information on how to get involved in our tenders.	Piclo.energy SPEN website
Conferences	We attend relevant conferences and arrange specific events alongside other DNOs and Piclo including our DSO event that was held in February and March 2024.	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
Piclo Mailing List	Piclo have an extensive mailing list to contact potential providers when our tenders are launched.	www.picloflex.com

4.6. Planned Stakeholder Engagement

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

- **DSO Event** – A SPEN stakeholder event inviting feedback from FSPs and covering: our flexibility processes, priorities and discussions on any market barriers. The day will be a number of workshops largely focusing on the different aspects of SPENs activities one of which will include Flexibility procurement and processes.
- **Trials** – we will work with stakeholders to trial appropriate new products and processes to facilitate market development. We will be taking part in the Equinox project's third trial in the Autumn which will look at how Heat Pumps can provide flexibility services in the future.
- **Conferences**, including the DSO Conference 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.
- **Councils and Enterprise organisations** within our licenced areas are becoming increasingly interested in how they can become involved in flexibility markets which enables us to reach more potential participants who may not have previously been aware of what they can offer.
- **Community 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 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.

For 2023, our Flexibility Procurement Manager was co-lead with the ESO of the Standard Contract Technical Working Group, and our Flexibility Performance Manager was co-lead of the Products Technical Working Group. We ensure our processes are aligned with the good practices already identified and the new processes implemented.

4.8. Investigating Barriers

Following the reduced response to our previous tenders from 2021-2023, we have continuously engaged with stakeholders and funded Oxera to undertake independent research on our behalf to understand the barriers faced by FSPs. Following feedback that stakeholders would rather participate in shorter term tenders, we decided to facilitate this change to a month-ahead market in 2024.

Following the launch of our 2024 month-ahead tenders we will be closely monitoring engagement and participation with our new tendering model. We will be seeking to understand the following;

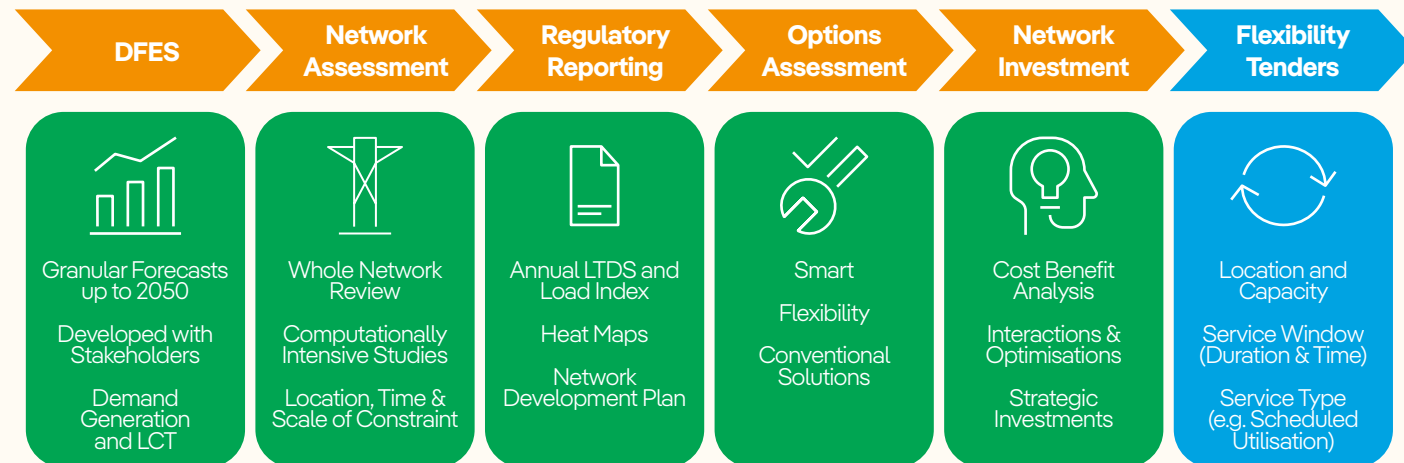
- Will the new tender model improve the uptake of flexibility services?
- Are there any remaining barriers faced by various provider types in each licence area?
- Does SPEN need to consider any changes to the new month-ahead tendering model to procure flexibility services at scale and in the most economic and efficient manner possible?

Alongside trialling our new tender model, we will be utilising the updated tender Products developed by the ENAs Open Networks Technical Working Group on product standardisation. This comprehensive standardisation exercise was undertaken in 2023 to develop proposals for alignment with the aim of eliminating the differences on the use of Flexibility Services between various DNOs. Definitions and information on the updated ENA products are highlighted in section 2.6.2.

We will monitor the progress of our new month-ahead tender launch, continuously seek and collate feedback from various stakeholders and provide a summary of our progress and findings on market barriers to entry in the 2025 reporting year.

5. Detailed Quantitative Assessment

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

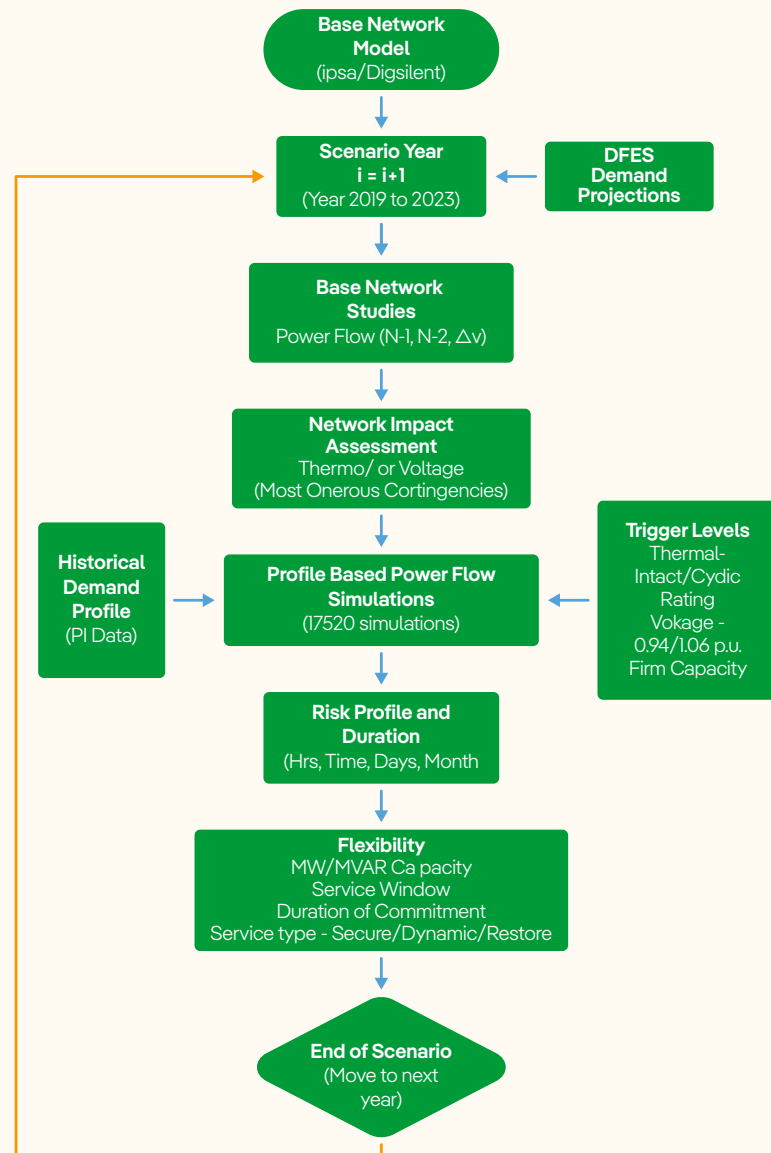


We will also be monitoring the flexibility capacity procured on a bi-annual basis to review the accepted capacity against our options assessment and network investment parameters.

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 ESO 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 also 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.



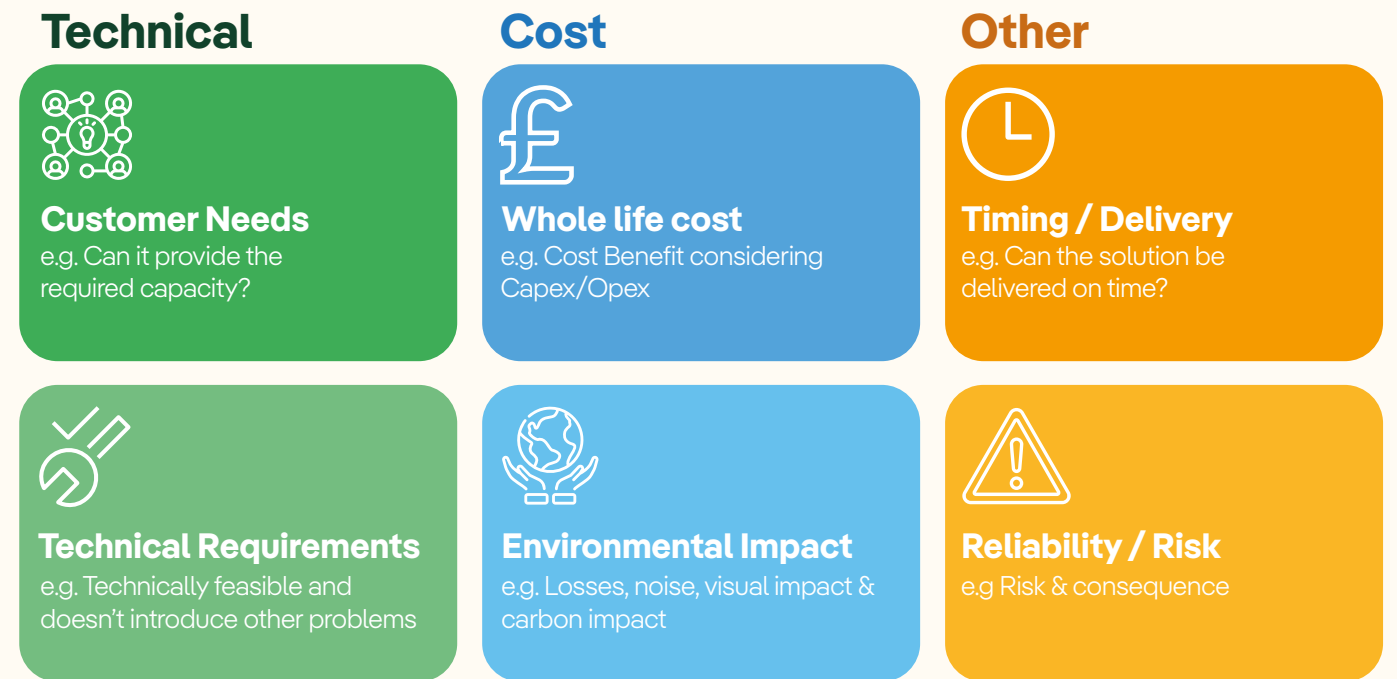
5.1.1. Requirements Data API Development

As part of our new requirements identification and publication process, we are developing a new way of uploading tender requirements on the Piclo 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 Piclo 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.

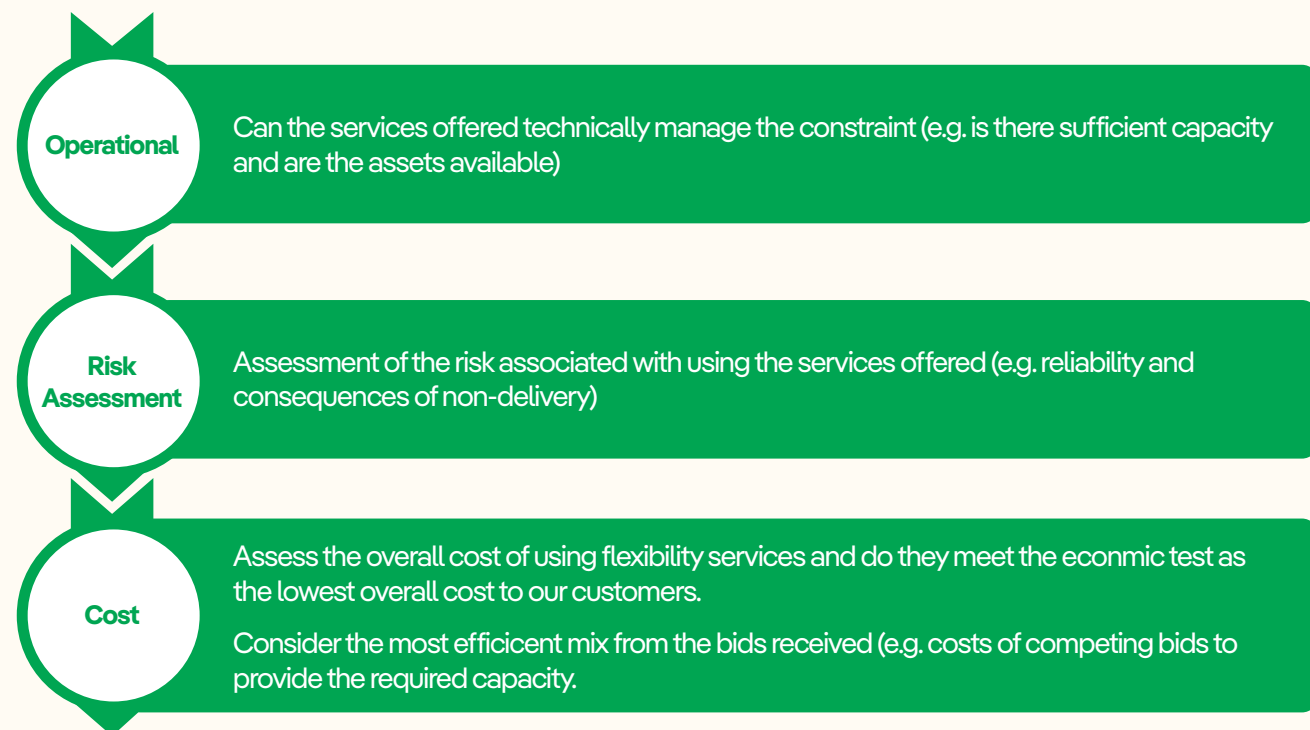
The tender bids are assessed in detail to confirm that it could technically manage the constraint within the particular month. We assess the risk associated with using the flexibility and consider the most cost-efficient mix of tender responses (if responses are greater than the requested capacity). 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 on page 14. '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. Further information is available [here](#).



5.5. 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.

5.6. ESO Co-ordination

We recognise the importance of co-ordination and data exchange with the NGEESO 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 ENA Open Networks project. [Click Here](#).
- 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. With regard to our longer-term flexibility contracts, the main operational coordination with the ESO 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).

5.6.1. Local Constraint Market (LCM)

The LCM project is led by the ESO who is looking to source distribution connected flexibility to manage local constraints on the transmission network, focusing on specific transmission constraints, with assets across Scotland eligible to participate. It is a day ahead and intraday market with procurement, dispatch and settlement, with the objective to reduce costs to consumers and reduce use of the balancing mechanism as a tool for alleviating constraints. The initial project will be hosted on the Piclo Flex platform.

The first tender covered the whole of Scotland, and we have been working with the ESO to ensure this constraint can be managed optimally. Further information can be found at: [ESO LCM](#).

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. Industry Developments

6.1.1. Regulatory and Institutional Governance

We recognise that in order to improve market confidence a clear and coherent regulatory position on flexibility markets needs to be developed. Ofgem have engaged extensively in the last year on their plans to address potential barriers to flexibility market participation. We have actively engaged with Ofgem throughout these discussions and have responded to the following consultations that will be pertinent to the future of flexibility markets in the UK:

- [The Future of local energy institutions and governance](#)
- [The Future of Distributed Flexibility](#)
- [Frameworks for future systems and network regulation](#)
- [Updates to Data Best Practice Guidance](#)
- [Digitalisation Strategy and Action Plan Guidance](#)

The next year will be crucial in forming both the governance structure and technical standardisation that will support the growth of flexibility markets in the UK. We urge our stakeholders to engage and provide their views to help shape the future landscape of flexibility markets.

6.1.2. ESO Coordination

Ensuring information is shared in real time, and there are clear and mandatory primacy rule obligations, is an important requirement to facilitate near real time markets and will be an integral part of the processes we develop. We are working closely with the ENA Open Networks project to implement Primacy rules that will govern the interactions between ESO and DSO flexibility markets.

6.1.3. Open Data API Development

We are introducing an API to facilitate data automation between our internal tender requirements that will be published on our Open Data Portal and the data required to facilitate our monthly tender competitions on the Piclo platform. This development will enable quicker data analysis and minimise disruptions in our tender process by avoiding manual processes to upload our requirements data on the Piclo DPS. This project is currently under development, and we will be going live with the API with real-time tenders in Q4 of 2024.

6.1.4. Equinox Trial

EQUINOX is a Network Innovation Competition funded project looking at the decarbonisation of heating in the UK. It will trial three commercial methods with heat pump customers to determine the signalling needed to get customers to change their behaviours as part of a flexible energy system.

- We entered into a collaboration agreement with National Grid Energy Distribution to become a project partner to undertake the third trial due to take place in Autumn 2024. SPEN will access a sufficient customer base, as well as input into the commercial arrangements and technical integration and assess their effectiveness. Further information can be found at: [Equinox Project](#).

6.2. Planned SPEN Developments

6.2.1. Expanding on our Demand Shift trial

It is our intention to expand upon our Demand Shift trial with Octopus Energy, developing a new product in 2024/25 to manage generation constraints through either demand turn-up or generation turn-down. This new service will be incorporated into our monthly tender process and we will also coordinate with other DSO's to drive standardisation for this product.

6.2.2. Enabling Connections through Flexibility

Recognising the challenges that our industry faces with regard to network access we plan to explore how we could support network connections through the use of flexibility

services. In 2024/25 we will develop a trial to demonstrate how this could be achieved in practice and outline our views on the economic principles that would support this approach.

6.2.3. Equiflex project

This year we will commence our Equiflex Strategic Innovation Funding (SIF) project, which aims to promote equal access to flexibility services for everyone. In partnership with Frazer-Nash Consulting Ltd, Energy Action Scotland and East Ayrshire Council, we will investigate flexibility options, barriers to access and build a toolkit to advise stakeholders on how they can participate in the flexibility market. This will help ensure all customers are afforded an equal opportunity to access the potential savings associated with participating in the flexibility market. [Equiflex Strategic Innovation Funding](#)



7. Appendices

7.1. Appendix 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

7.2. Appendix 2 – Downloadable Documents

Title	Description	Where
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

Title	Description	Where
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 Profile on Piclo Website
Pricing Strategy	An explanation of our pricing strategy for Flexibility Services	SPEN Profile on Piclo Website
Pre-qualification Requirements	Details of requirements FSPs must meet in order to participate.	SPEN Profile on Piclo Website
Bid Assessment Criteria	An overview of how we assess bids received	SPEN Profile on Piclo Website
Common Evaluation Methodology	Details of the Common Evaluation Methodology developed by Open Networks.	SPEN Profile on Piclo Website
Flexibility Services Agreement	The current version of the Terms and Conditions	SPEN Profile on Piclo Website
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.	SPEN Profile on Piclo Website
Baselining Methodology	A presentation on the Baselining Methodology that applies.	SPEN Profile on Piclo Website
Dispatch Principles	An explanation of how we dispatch when availability exceeds requirements.	SPEN Profile on Piclo Website
Glossary	A helpful guide to the terms, acronyms and abbreviations used, as provided by the ENA.	SPEN Profile on Piclo Website

7.3. Appendix 3 – Tender Requirements

[The attached excel file includes the requirements that will be tendered during the Delivery Year.](#)

[The attached excel file includes the estimated utilisation and availability hours for each site](#)

[Visibility of our longer-term up to 2028 requirements are available here](#)

All short term and long term requirements are available [Piclo Flex platform](#).

Note: Although we endeavor to ensure that the attached requirements are as accurate as possible, and consistent with the information uploaded to Piclo Flex - 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 Piclo Flex platform will take precedence and should be treated as our formal tender requirements.

SP Energy Networks
320 St Vincent Street, Glasgow G2 5AD
www.spenergynetworks.co.uk

