ELEXON

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## 0.0

*Sections 1, 2, 3 and 4 form the legally binding Flexibility Market Rule.*

*Defined terms capitalised in this document shall have the meaning given in Section 4.*

Guidance

## Summary of Verification & Settlement Methodology requirements

*This section is provided as guidance to the Flexibility Market Rule. Therefore, it is not legally binding and falls outside of the formal change management process.*

**Context**

The Verification & Settlement of *flexibility services* involves assessing the performance of providers and determining how much they should get paid. This rule establishes a standardised process and methodology for that process to reduce complexity and increase consistency in the payments received for *FSPs*. The rule comes into force in February 2026 across *DNO sub-markets*.

**Verification & Settlement Requirements**

The rule sets out a monthly cycle to which *DNOs* must operate their verification and settlement processes.

It also sets out an aligned methodology for assessing delivery and common factors to be used, and a sign convention for the calculations. For utilisation, this is based on a clawback of payment for under-delivery (below an agreed *grace factor*). Where *availability payments* are due, performance across the utilisation events is used to determine payment.

Finally, the rule sets out requirements on the information that *DNOs* must provide to *FSPs* to provide feedback on performance.

Alongside the standard implementation tracking, *DNOs* must also report on whether they use any non-standard figures, and formulae. The number of variations will be tracked by the *Market Facilitator*.

We believe the impact of these requirements to be:

| **Impact on *System Operators*** | **Impact on *FSPs*** |
|---|---|
| *System Operators* must use the standardised methodology to assess performance and calculate performance.<br><br>They must ensure their systems use the sign convention set out, and provide *FSPs* with the relevant information to understand their payments. | *FSPs* should understand the methodology as it determines the *System Operators* view of successful delivery, and ultimately their payment. |

***Implementation monitoring* requirements**

The key requirements are laid out below. A view across the rules is available in our deadline tracker.

| Category | Requirement | Trigger for data submission | What we will do with it |
|---|---|---|---|
| **Implementation tracking** | Basic tracking of implementation status and target date | From 14/01/2026 (20 *working days* after the published date).<br>Within 10 days of change | Track whether implementation is on track via our *Implementation tracker*. |
| ***Flexibility Market Catalogue* data** | Confirmation of use of standard or non-standard methodology | From 06/02/2026.<br>Within 10 days of change | Provide an overview of the *sub-market* and the market as a whole via the *Flexibility Market Catalogue*. |
| **Effectiveness monitoring data** | - | - | - |

***Derogations* against this Rule**

The following *derogations* are in place:

| Who | What | For how long | Why |
|---|---|---|---|
| UKPN | Section 2.3 and Section 2.4 | Until 31/07/2026 | To allow for comprehensive implementation |
| SSEN | The full requirements for LMA Interim Payment Service | Until 01/02/2027 | To prevent blockers to LMA Interim Service settlement |
| NPg | The full requirements for Empower Flex product | Until 31/03/2027 | To prevent blockers to Empower Flex product settlement |

# 1 Applicability of this Flexibility Market Rule

**1.0** This *Flexibility Market Rule* applies to all *DNO Sub-Markets* within the *Market Facilitator* scope.

*Innovation trials* are not bound by this *Flexibility Market Rule*.

All *DNOs* shall adhere to the monthly self-billing or invoicing process as set out in section 2.1 across all their *Sub-markets* no later than the *Implementation Date*

All *DNOs* shall use the standard verification and settlement methodology set out in sections 2.2 & 2.3, with the required factors set out in section 2.4 across all their *Sub-markets* no later than the *Implementation Date*.

All *DNOs* shall provide their *FSPs* with the performance data feedback as set out in section 2.5 across all their *Sub-markets* no later than the *Implementation Date*.

Variations to this rule are only permitted with an approved *Derogation* from the *Market Facilitator*.

The core dates for this *Flexibility Market Rule* are laid out below.

*Table 1: Flexibility Market Rule dates*

| | |
|---|---|
| **Published Date** | 04/02/2026 |
| ***Implementation Date*** | 06/02/2026 |
| **End Date** | - |

Guidance

## Explainer: What is a Sub-Market?

*This section is provided as guidance to the Flexibility Market Rule. Therefore, it is not legally binding and falls outside of the formal change management process.*

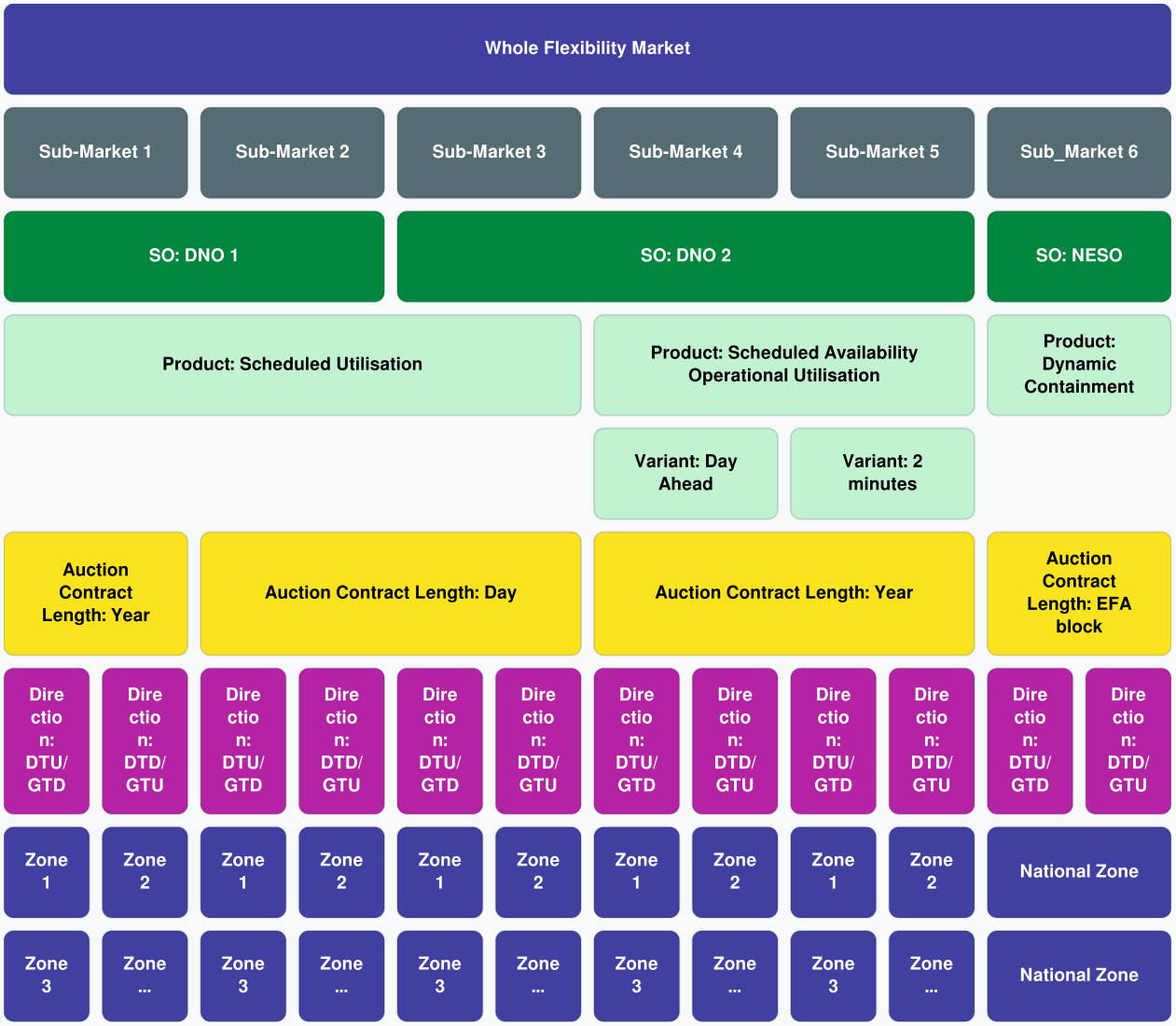
A *Sub-Market* means a specific segment of the overall *Flexibility Market*, distinguished by a specific *System Operator*, procuring a specific Product within a specific time period.

A *Sub-market* may be built of multiple distinct geographic zones, operating in different directions, clearing different volumes at different prices.

The diagram below visualises the definition.

**Flexibility Market Structure**

FMR




DTU means Demand Turn Up, GTD means Generation Turn Down.

DTD means Demand Turn Down, GTU means Generation Turn Up.

# 2 Verification and Settlement requirements

## 2.1 Verification and settlement process

The verification and settlement process shall repeat monthly, and follow the process set out in Figure 1 below.

two options are available, for either a Self-billing or invoicing process.

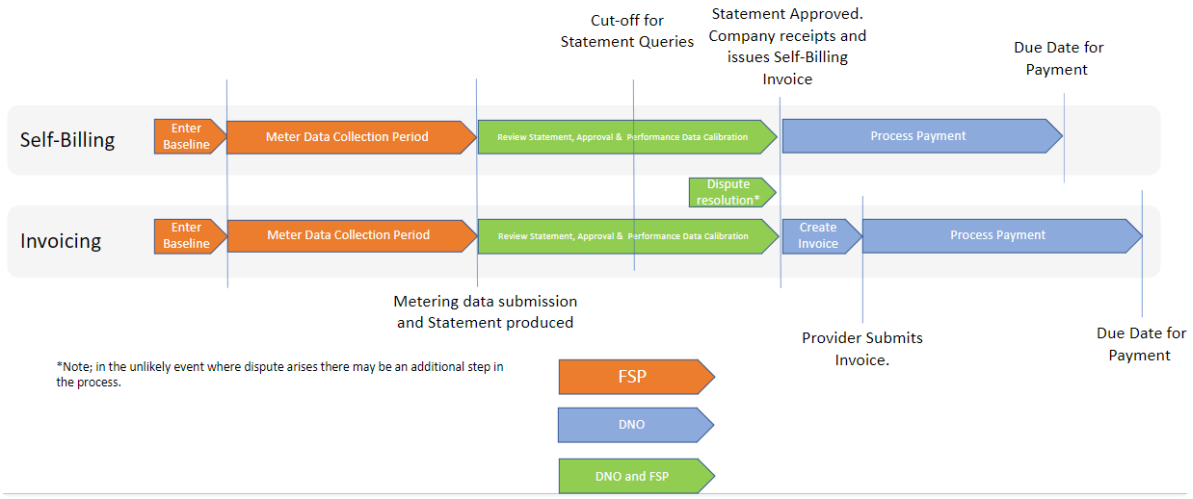



Figure 1: Verification and Settlement Process

Exact dates will vary by *DNO*.

## 2.2 Overview of the Verification and Settlement Methodology

Calculation of Charges

- There are two types of *Flexibility Services* payments: *Utilisation Payments* and *Availability Payments*. The application of the payment type depends on the *Flexibility Service* product being delivered.
- *Utilisation Payments* are made when a *Utilisation Instruction* is issued by *the Company*. *Utilisation Payments* are considered in terms of:

a) for every *metered time period*, energy delivered (MWh), supplied by the Provider and multiplied by the Utilisation Fee (£/MWh);

or (for the *Peak Reduction* product)

b) the capacity (MW) delivered multiplied by the Utilisation Fee (£/MW) over a period-of-time.

- Where the Provider has not fully met the volume of the *Utilisation Instruction*, a *Performance Multiplier* is applied to determine *Utilisation Performance* and how much delivery is eligible for payment.
- *The Company* shall calculate *Utilisation Performance* for each of the *flexibility* products it procures with the factors set out via the *Sub-Market* definitions in section 4;

***Availability Payments***

- Where Availability is applicable to a *flexibility service*, payments are paid for every *Accepted Availability Window* in respect of the contracted DER. *Availability Payments* are subject to a Monthly *Utilisation Performance* Factor.
- Availability is determined by:

(a) for every *metered time period*, the Agreed Availability Capacity (MW) multiplied by the Availability Fee.

- Where a Service Provider declares Unavailability, or was not Available at the time of delivery, then no *Availability Payment* will be made for that *metered time period*.
- *Availability Performance* is calculated monthly, and *Availability Payments* are recovered should the delivered capacity be lower than the agreed delivery capacity. To determine the recovery, the Provider's calculated Monthly *Utilisation Performance* Factor is applied to the *Availability Payment*.

## 2.3 Detailed Methodology

### 2.3.1 Signage used in calculations

The signage used in calculations shall be as in Table 2: below

Table 2: Signage for Settlement Calculations

| **Response Type** | **Direction** | **Baseline Value** | **Meter Readings** | **Dispatched Capacity** |
|---|---|---|---|---|
| Demand | Turn Down | Negative | Negative | Positive |
| Demand | Turn Up | Negative | Negative | Negative |
| Generation | Turn Down | Positive | Positive | Negative |
| Generation | Turn Up | Positive | Positive | Positive |

### 2.3.2 Payment Calculations for *Turnup/Turndown Services*

#### 2.3.2.1 *Availability Payments*

Where the contracted *Flexibility Service* includes Availability, payments are applicable to the *FSP* in respect of *Accepted Availability Windows*, whereby the *FSP* is ready and available to supply the *Utilised MW* in the event of a *Utilisation Instruction*.

When applicable, Availability will be calculated, based on performance on a minute or 30-minute granularity. The *Availability Payment* due is subject to *Utilisation Performance* and a *Grace Factor* can be applied at *the Company*'s discretion to calculate the total *Availability Percentage* due.

*Utilisation Performance* is calculated as an average across the Utilisation Events within month, as detailed in section 2.3.2.2 of this document. Where a *grace factor* is applied to this average, *the Company* may pay up to 100% of availability for the month where average delivery falls within the *grace factor* band. For example, if the *Grace Factor* is defined as 5%, and *Utilisation Performance* is determined to be 95% then 100% of the *Availability Payment* is due.

If there are no utilisation events in the month then full availability is paid.

The parameters to calculate the *Availability Payments* are detailed below. There are two examples shown, minute by minute and 30-minute granularity. The calculations are the same in both instances however minute by minute granularity would allow the MW or price to change (if needed) on a greater granularity level than 30-minute granularity

Table 3: Parameters used in Availability Calculations

| ID | Parameter | Description | Example 1, 1 minute granularity | Example 2, 30-minute granularity |
|---|---|---|---|---|
| **A** | Start Datetime | Start date and time of the *Accepted Availability Window* | 01/07/23 00:00 | 01/07/23 00:00 |
| **B** | End Datetime | End date and time of the *Accepted Availability Window* | 01/07/23 00:01 | 01/07/23 00:30 |
| **C** | *Metered Time Period* (minutes/60) | The *Metered Time Period* divided by sixty. In the datetime in example one the period is 1 minute so 1/60, while in example 2 the period is 30 minutes. | 0.016666667 | 0.5 |
| **D** | *Availability Price* | The contracted | £2 | £2 |

| | | | | |
|---|---|---|---|---|
| | £/MW/h | fee for the availability component of the service in £/MW/h | | |
| **E** | *Contracted Capacity* (MW) | The *Available MW* the service provider has been accepted to supply | 5 | 5 |
| **F** | Availability (1,0) | 1 if the service was available, 0 if not available for the period | 1 | 1 |
| **G** | *Grace Factor* | Availability *Grace Factor* | 5% | 5% |
| **H** | *Utilisation Performance* | The calculated *Utilisation Performance* taking into account the *Grace Factor* in G. | 85.33% | 100%*[1]* |
| **I** | Pre-*Utilisation* | The payment | £0.17 | £5.00 |

| | | | | |
|---|---|---|---|---|
| | *Performance* Payment £ | for the availability period without any performance applied Using the data above the value shown in the next columns is calculated by (C*D*E*F) | | |
| **J** | Post-*Utilisation Performance* Payment | The actual *Availability payment* value using the applied performance %, values calculated by (C*D*E*F*H) | £0.14 | £5.00 |

**Detailed Availability Formula**

The ***Availability Payment*** $(AP_{sm})$, to be made by ***The Company*** to the ***Flexibility Service Provider*** in respect of the ***Accepted Availability Window*****(s)** in calendar month, m, for ***Flexible Unit*****,** s, shall be calculated in accordance with the following formula:

$$AP_{sm} = \sum_{j=1}^{j=t} AC_{sj} \times AVP_{sj} \times CC_{sj} \times SA_{sj} \times MPF_{sm}$$

t represents the number of ***Metered Time Periods***

$AC_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period*****,** j, means the ***Availability Price*** in £/MW/h.

$AVP_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period*****,** j, means the **Availability Period** in minutes/60.

$CC_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period*****,** j, means the ***Contracted Capacity*** in MW

$SA_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period***, j, is 0 where the ***Flexible Unit*** is declared (or redeclared) unavailable or ***The Company*** deem unavailable, otherwise 1.

$MPF_{sm}$ in respect of each ***Flexible Unit***, s, and each calendar month, m, means the **Monthly *Utilisation Performance* Factor** and is 1 where:

a) there are no Dispatch Events in a month.

b) the Monthly *Utilisation Performance* Factor is not being applied by *The Company*.

c) the calculated Monthly *Utilisation Performance* Factor is 100% or within the *Grace Factor* applied by *The Company*.

otherwise, is calculated using the formula below:

For a ***Flexible Unit***, s, for each calendar month, m:

$$MPF_{sm} = \frac{1}{p}\sum_{e=1}^{e=p}\frac{1}{n}\sum_{k=1}^{k=n}\max(\min((\frac{(MM_{ek}-BM_{ek})}{DC_{ek}}),1),0)$$

$BM_{ek}$ in respect of each **Dispatch Event**, e, and each Minute, k, $BM_{ek}$ represents the ***Baseline MW*** with the signage negative for a demand unit and positive for a generation unit.

$MM_{ek}$ in respect of each **Dispatch Event**, e, and each Minute, k, $MM_{ek}$ represents the ***Metered MW*** with the signage negative for a demand unit and positive for a generation unit.

$DC_{ek}$ in respect of each **Dispatch Event**, e, and each Minute, k, $DC_{ek}$ represents the **Dispatched MW** with the signage positive for a demand reducing asset or a generation increase asset and the signage negative for a demand increasing asset or generation reducing asset.

n represents the number of minutes for each **Dispatch Event**

p represents the number of **Dispatch Events** in a calendar month for a ***Flexible Unit***

#### 2.3.2.2 *Utilisation Payments*

*Utilisation payments* are paid to the *FSP* for the energy delivered during a Utilisation Event.

Utilisation will be calculated, if applicable, on a minute granularity, the payment is subject to a performance metric known as a *Performance Multiplier* which applies after, if applicable, a *Grace Factor*.

The parameters to calculate the *Utilisation Payments* are detailed in Table 4. Two examples are detailed a Demand turndown asset and a Generation turnup asset, note the signage used differs dependent on asset type and is shown in Table 4.

Table 4: Parameters used in Utilisation Calculations

| ID | Parameter | Description | Example 1, 1 minute granularity Demand Reducer | Example 2, 1 minute granularity Generation Increase |
|---|---|---|---|---|
| A | Start Datetime | Start date and time of the Utilisation Event | 01/07/23 00:00 | 01/07/23 00:00 |
| B | End Datetime | End date and time of the Utilisation Event | 01/07/23 00:01 | 01/07/23 00:01 |
| C | Dispatched Capacity (MW) | The Utilisation MW instructed. | 5 | 5 |
| D | *Utilisation Price* £/MWh | The contracted fee for the utilisation component of the service in £/MWh | £25 | £25 |
| E | Utilisation Period (minutes/60) | The duration of the Utilisation Event | 0.016666667 | 0.016666667 |

| | | | | |
|---|---|---|---|---|
| | | divided by sixty. | | |
| F | Baseline (MW) | The baseline of the asset in the minute in question. | -5 | 10 |
| G | Metered (MW) | The actual *Metered MW* of the asset in the minute in question. | -0.712 | 14 |
| H | Delivered (MW) | The actual *delivered MW* of the asset in the minute in question. Calculated by G-F | 4.288 | 4 |
| I | Delivery Percentage*[2]* | The actual delivery percentage in the minute in question, calculated by H/C | 85.76% | 80% |
| J | *Grace Factor[3]* | A utilisation *Grace Factor* | 5% | 5% |

| | | | | |
|---|---|---|---|---|
| | | applied to the MW delivered, if the delivered % is within this tolerance then full payment is made for the minute in question. | | |
| K | *Performance Multiplier[4]* | If the delivery % is outside the *Grace Factor*, then a *Performance Multiplier* is applied to reduce the % paid. | 3 | 3 |
| L | Payment Percentage | The percentage calculated for payment considering the *Grace Factor* and penalisation multiplier for the | 67.28% | 50% |

| | | | | |
|---|---|---|---|---|
| | | minute in question | | |
| M | *Utilisation Payment* (£) | The actual *Utilisation Payment* value for the minute in question considering the applied performance % calculated by (D*E*C*L) | £1.40 | £1.04 |

**Detailed Utilisation Formula**

The ***Utilisation Payment*** ($UP_{sm}$), made by ***The Company*** to the ***Flexibility Service Provider*** in respect of the **Utilisation Events(s)** in calendar month, m, for ***Flexible Unit*****,** s, shall be calculated in accordance with the following formula:

$$UP_{sm} = \sum_{j=1}^{j=t} UF_{sj} \times UVP_{sj} \times UC_{sj} \times PM_{sj}$$

t represents the number of ***Metered Time Periods***

$UF_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period***, j, means the ***Utilisation Price*** in £/MWh.

$UVP_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period***, j, means the **Utilisation Period** in minutes/60.

$UC_{sj}$ in respect of each ***Flexible Unit***, s, for each ***Metered Time Period***, j, means the delivered/utilised MW calculated as below:

$$\max\left(\max\left(\min\left(\left(\frac{MM_{sj} - BM_{sj}}{DC_{sj}}\right), POD_{sj}\right), 0\right) * |DC_{sj}|, |DC_{sj}|\right)$$

$BM_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period***, j, $BM_{sj}$represents the ***Baseline MW*** with the signage negative for a

demand unit and positive for a generation unit.

$MM_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period***, j, $MM_{sj}$ represents the ***Metered MW*** with the signage negative for a demand unit and positive for a generation unit.

$DC_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period***, j, $DC_{sj}$ represents the ***Utilised MW*** with the signage positive for a demand reducing asset or a generation increase asset and the signage negative for a demand increasing asset or generation reducing asset.

$POD_{sj}$ in respect of each ***Flexible Unit***, s, and each ***Metered Time Period***, j, $POD_{sj}$ represents Payable Over Delivery, the percentage over delivery beyond 100% for which remuneration will be allowed. A POD value of 1 will not allow payment for any over delivery whilst a POD value of 1.1 will allow payment for up to 10% over delivery.

$PM_{sj}$ in respect of each ***Flexible Unit***, s, for each ***Metered Time Period***, j, means ***Performance Multiplier*** calculated using the formula below:

$$PM_{sj} = IF\left(\text{Delivery\%} \geq (1 - GraceFactor), 1, \max\left(0, (1 - GraceFactor) - ((1 - GraceFactor - \text{Delivery\%} * (\text{Mutiplier\%} * 100)))\right)\right)$$

**Delivery%** in respect of each ***Flexible Unit***, s, for each ***Metered Time Period***, j, means the actual MW delivered divided by the dispatched MW expressed as a percentage.

**GraceFactor**: in respect of each ***Flexible Unit***, s, for each ***Metered Time Period***, j, represents the percentage of under delivery below 100% for which renumeration of 100% will be applied.

**Multiplier%**: in respect of each ***Flexible Unit***, s, for each ***Metered Time Period***, j, represents a multiplier applied to under delivery expressed as a percentage.

### 2.3.3 Payment Calculations for *Peak Reduction Services*

#### Utilisation Calculations

*Flexibility* providers commit to reduce their highest demand peaks during pre-contracted windows. Payments are for utilisation only.

#### Detailed Utilisation Formula

The ***Utilisation Payment*** ($SP_{sm}$), made by ***The Company*** to the ***Flexibility Service Provider*** in respect of a calendar month, m, for ***Flexible Unit,*** s, shall be calculated in accordance with the following formula:

$$SP_{sm} = CC_s \times UF_s \times H_{sm} \times PM_{sm}$$

$CC_s$ in respect of each ***Flexible Unit***, s, means the ***Contracted Capacity*** in MW.

$H_{sm}$ in respect of each ***Flexible Unit***, s, and month, m, means the number of service hours awarded in the month in hours.

$UF_s$ in respect of each ***Flexible Unit***, s, means the Utilisation Fee in £/MW/h

$PM_{sm}$ in respect of each ***Flexible Unit***, s, for each **Month**, m, means ***Performance Multiplier*** calculated using the formula below:

$$PM_{sm} = IF\left(Delivery\% \geq (1 - GraceFactor), 1, \max\left(0, (1 - GraceFactor) - ((1 - GraceFactor - Delivery\%) * (Mutiplier\% * 100))\right)\right)$$

**GraceFactor**: in respect of each ***Flexible Unit***, s, for each month, represents the percentage of under delivery below 100% for which renumeration of 100% will be applied.

**Multiplier%**: in respect of each ***Flexible Unit***, s, for each **month,** j, represents a multiplier applied to under delivery expressed as a percentage.

**Delivery%** in respect of each ***Flexible Unit***, s, and month, m, is calculated as below:

$$Delivery\% = \frac{(\min(MM_{sj}, MM_{s,j+1}, ..., MM_{s,j+n})) - (\min(BM_{sj}, BM_{s,j+1}, ..., BM_{s,j+n}))}{CC_{sm}}$$

$BM_{sj}$ in respect of each ***Flexible Unit***, s, and each **Settlement Period**, j, $BM_{sj}$ represents the ***Baseline MW*** with the signage negative for a demand unit and positive for a generation unit.

$MM_{sj}$ in respect of each ***Flexible Unit***, s, and each **Settlement Period**, j, $MM_{sj}$ represents the ***Metered MW*** with the signage negative for a demand unit and positive for a generation unit.

$CC_{sm}$ in respect of each ***Flexible Unit***, s, and each **Month**, m, $CC_{sm}$ represents the **Contracted MW** with the signage positive for a demand reducing asset or a generation increase asset and the signage negative for a demand increasing asset or generation reducing asset.

n represents the number of dispatched settlement periods

### 2.3.4 Further Information

The table below shows the impact on *Utilisation Payments* when there is less than 100% delivery. The table shows a *Grace Factor* of 5% and a *Performance Multiplier* of 3 and as can be seen (final column) the payable delivery tapers away to zero once the delivery percentage hits 63%.

Table 5: Impact on payment with changing delivery percentage (*Turnup/Turndown Service*)

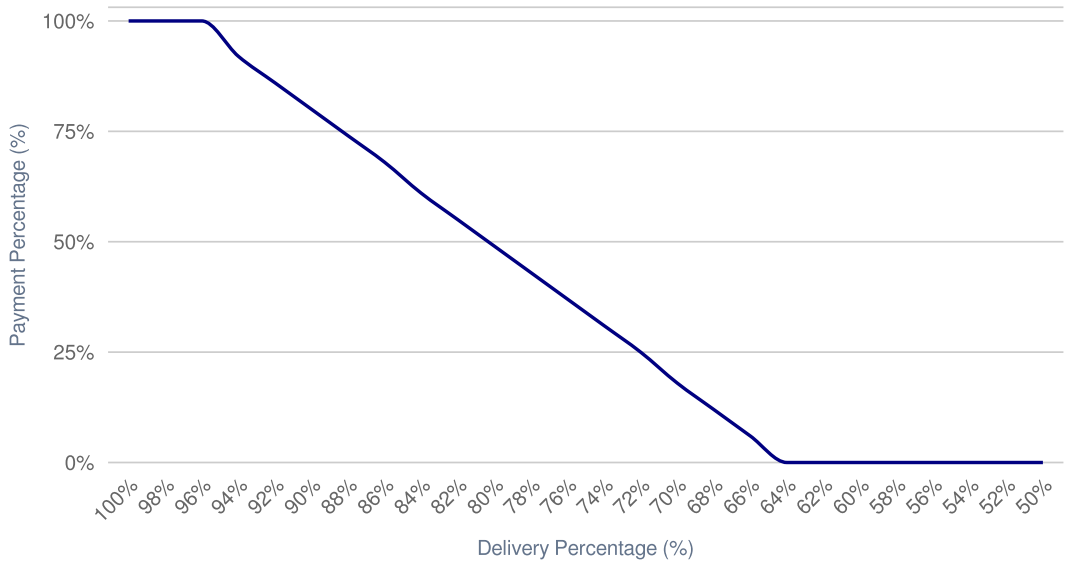
| **Delivery %** | ***Grace Factor*** | ***Performance Multiplier*** | **Calculated Payment % after *Grace Factor* and Multiplier** |
|---|---|---|---|
| 100% | 5% | 3 | 100% |
| 99% | 5% | 3 | 100% |
| 98% | 5% | 3 | 100% |
| 97% | 5% | 3 | 100% |
| 96% | 5% | 3 | 100% |
| 95% | 5% | 3 | 100% |
| 94% | 5% | 3 | 92% |
| 93% | 5% | 3 | 89% |
| 92% | 5% | 3 | 86% |
| 91% | 5% | 3 | 83% |
| 90% | 5% | 3 | 80% |
| 89% | 5% | 3 | 77% |
| 88% | 5% | 3 | 74% |
| 87% | 5% | 3 | 71% |
| 86% | 5% | 3 | 68% |

| | | | |
|---|---|---|---|
| 85% | 5% | 3 | 65% |
| 84% | 5% | 3 | 62% |
| 83% | 5% | 3 | 59% |
| 82% | 5% | 3 | 56% |
| 81% | 5% | 3 | 53% |
| 80% | 5% | 3 | 50% |
| 79% | 5% | 3 | 47% |
| 78% | 5% | 3 | 44% |
| 77% | 5% | 3 | 41% |
| 76% | 5% | 3 | 38% |
| 75% | 5% | 3 | 35% |
| 74% | 5% | 3 | 32% |
| 73% | 5% | 3 | 29% |
| 72% | 5% | 3 | 26% |
| 71% | 5% | 3 | 23% |
| 70% | 5% | 3 | 20% |
| 69% | 5% | 3 | 17% |

| | | | |
|---|---|---|---|
| 68% | 5% | 3 | 14% |
| 67% | 5% | 3 | 11% |
| 66% | 5% | 3 | 8% |
| 65% | 5% | 3 | 5% |
| 64% | 5% | 3 | 2% |
| 63% | 5% | 3 | 0% |
| 62% | 5% | 3 | 0% |
| 61% | 5% | 3 | 0% |
| 60% | 5% | 3 | 0% |
| 59% | 5% | 3 | 0% |
| 58% | 5% | 3 | 0% |
| 57% | 5% | 3 | 0% |
| 56% | 5% | 3 | 0% |
| 55% | 5% | 3 | 0% |
| 54% | 5% | 3 | 0% |
| 53% | 5% | 3 | 0% |
| 52% | 5% | 3 | 0% |

| | | | |
|---|---|---|---|
| 51% | 5% | 3 | 0% |
| 50% | 5% | 3 | 0% |

**Utilisation Payment based on delivery**




Line chart. Horizontal axis: Delivery Percentage. Vertical axis: Payment Percentage.

**Utilisation Payment based on delivery**

| Delivery Percentage | Payment Percentage |
|---|---|
| **100%** | 100% |
| **98%** | 100% |
| **96%** | 100% |
| **94%** | 92% |
| **92%** | 86% |
| **90%** | 80% |
| **88%** | 74% |
| **86%** | 68% |
| **84%** | 61% |
| **82%** | 55% |
| **80%** | 49% |
| **78%** | 43% |
| **76%** | 37% |
| **74%** | 31% |
| **72%** | 25% |
| **70%** | 18% |
| **68%** | 12% |
| **66%** | 6% |
| **64%** | 0% |
| **62%** | 0% |
| **60%** | 0% |
| **58%** | 0% |
| **56%** | 0% |
| **54%** | 0% |

| Delivery Percentage | Payment Percentage |
|---|---|
| 52% | 0% |
| 50% | 0% |

Figure 2: Indicative Visual representation Impact on payment with changing delivery percentage (Turnup/Turndown)

## 2.4 Required Factors

The required factors for the various *DNO* products are set out in Table 6 below.

*Table 6: Required factors for the verification and settlement methodology*

| **Parameter** | ***Peak Reduction*** **(PR)** | ***Scheduled Utilisation*** **(SU)** | **Scheduled Availability,** ***Operational Utilisation*** **(SAOU)** | **Variable Availability,** ***Operational Utilisation*** **(VAOU)** | ***Operational Utilisation*** **(OU)** |
|---|---|---|---|---|---|
| **Utilisation** ***Grace Factor*** | 5% | 5% | 5% | 5% | 10% |
| **Availability** ***Grace Factor*** | N/A | N/A | 5% | 5% | N/A |
| ***Performance Multiplier*** | 3 | 3 | 3 | 3 | 2 |
| **Payable Over-delivery** | 0 | 0 | 0 | 0 | 0 |

The factors used by *DNOs* shall be provided to the *market facilitator* as per section 3. These will be published in the *Flexibility Market Catalogue*

### 2.5 Performance Data Feedback

Performance report/Initial Statements provided by *DNOs* should be accompanied by the following details:

(a) The period(s) during which the *Flexibility Services* were made available to *the Company* and, if applicable, where utilised;

(b) Availability charges (if any), reflecting any reduction for periods of where the service was unavailable or had reduced capacity;

(c) Utilisation charges (if any) reflecting any reductions for periods of where the service was unavailable or reduced, including any *utilisation payment* cap;

(d) Summary of the relevant Charges (if any); and

(e) The event and zone/service the performance data relates to.

## 3 Market Information

### 3.1 Implementation tracking

The *DNOs* must provide the *Market Facilitator* with the data set out in Table 7 for each *Sub-Market* in scope of this *Flexibility Market Rule*. The data provided should accurately reflect their implementation of the rule within each *Sub-Market*.

The expected values required for compliance are also set out in Table 7.

Initial data shall be sent no later than 20 *working days* after the Published Date of this *Flexibility Market Rule*.

Updates shall be sent as soon as reasonably practical, and no later than 10 *working days* after any changes to the values.

Elexon reserves the right to publish this data within its *Implementation Tracker*.

*Table 7: Implementation tracking requirements*

| | Parameter | Required value (per *Sub-Market*) |
|---|---|---|
| **FMR-MRS Version 1.0** | Implementation Status | Dependent on date:<br>• Before *Implementation Date*: Not yet started, Implementing, Paused, Implemented<br>• Between *Implementation Date* and End Date: Implemented<br>• After End Date: Superseded |
| | Target *Implementation Date* | No later than *Implementation Date* |

### 3.2 Flexibility Market Catalogue data

The *DNOs* must update the *Market Facilitator* with the data set out in Table 8 below for each *Sub-Market* in scope of this rule. This should accurately reflect their implementation of each *Sub-Market*.

The expected values required for compliance are also set out in Table 8.

Initial data shall be sent no later than the *Implementation Date* of this *Flexibility Market Rule*.

Updates shall be sent as soon as reasonably practical, and no later than 10 *working days* after any changes to the values.

*DNOs* shall also publish this information themselves.

Elexon reserves the right to publish this data within its *Flexibility Market Catalogue*.

Table 8: *Sub-Market* definitions

| Parameter | Description | Required Values |
|---|---|---|
| Verification and Settlement Cycle | How often is the verification and settlement process run | Monthly |
| Settlement Process | Which type of settlement process is being used. | Self-billing/ Invoicing |
| Utilisation *Grace Factor* | the percentage of under delivery below 100% for which renumeration of 100% will be applied, relevant both to utilisation | As per Table 6 |
| Availability *Grace Factor* | the percentage of under delivery below 100% for which renumeration of 100% will be applied, relevant both to availability | As per Table 6 |
| *Performance Multiplier* | If the delivery % is outside the *Grace Factor*, then a *Performance Multiplier* is applied to reduce the percentage paid. | As per Table 6 |
| Payable Over-delivery | The volume of over-delivery that will be paid | As per Table 6 |

### 3.3 Effectiveness monitoring

There are no *market facilitator* metrics for this rule

# 4 Glossary

**4.0** The following definitions are specific to this *Flexibility Market Rule*. These are supplemented by the definitions in the *Market Facilitator Glossary*. If there is an inconsistency between definitions, the definition in this document shall prevail.

## Glossary

| Term | Aliases | Definition |
|---|---|---|
| **Accepted Availability Window** | – | a Committed Availability Window in respect of a Flexible Unit which is notified by the Company in the form of an award as being required by the Company for the Company's Flexibility Services |
| **Availability Payment** | – | payment made by the Company to a Flexibility Service Provider for the period the Flexibility Service Provider was awarded an Availability Window |
| **Availability Percentage** | – | the calculated percentage of monthly Availability Payment due, following the application of Utilisation Performance and any applicable availability Grace Factor |
| **Availability Price** | – | the contracted fee £/MW/h in respect of availability |
| **Availability Performance** | – | the overall monthly utilisation delivery performance calculated as a percentage for application to all availability payments at the point of invoicing |
| **Availability Refinement Period** | – | the period defined within the flexibility service parameters where a refinement of the availability window and capacity is agreed |
| **Available MW** | – | the MW value the Company has awarded the FSP within an Accepted Availability Window |
| **Baseline MW** | – | the baseline value of the Flexible Unit at the minute in question. A Demand asset is represented by a negative number with a generation asset a positive number |
| **The Company** | – | the Licensee with whom the FSP is contracted to provide flexibility services |

| Term | Aliases | Definition |
|---|---|---|
| **Contracted Capacity** | – | the target net MW of Demand Response in respect of an awarded Service Window, confirmed to the FSP at time of award or following a refinement window (if applicable for the contracted flexibility service) |
| **Delivered MW** | – | the MW value calculated as delivered following the application of the Baseline MW to the Metered MW |
| **Flexible Unit** | – | one or more Energy Resources that are aggregated, regarded as a single entity, and metered on a single metering output and, as such, is providing a flexibility service |
| **Grace Factor** | – | the percentage of under delivery below 100% for which renumeration of 100% will be applied, relevant both to utilisation and availability performance at the Company's discretion |
| **Metered MW** | – | the actual metered MW value of the Flexible Unit at the minute in question. A Demand asset is represented by a negative number with a generation asset a positive number |
| **Metered Time Period** | – | the time period used in the payment calculations, this will either be minute by minute or 30-minute granularity |
| **Peak Reduction Service** | – | a flexibility service where FSPs commit to reduce their highest demand peaks during pre-contracted windows |
| **Turnup/Turndown Service** | – | flexibility services that require FSPs to change their energy import or export behaviour during pre-scheduled windows or in response to a Utilisation Instruction |

| Term | Aliases | Definition |
|---|---|---|
| **Utilisation Event or Utilisation Period** | – | a utilisation request to deliver flexibility services, inclusive of a specified start and end time |
| **Utilisation Instruction** | – | an instruction by the Company to the FSP to deliver Flexibility Services |
| **Utilisation Payment** | – | the amount payable by the Company to the Provider for the utilisation of any Flexibility Service |
| **Utilisation Performance** | – | the calculated performance per utilisation event after any factors have been applied |
| **Utilisation Price** | – | the contracted fee £/MWh in respect of utilisation |
| **Utilised MW** | – | the MW value instructed within a Utilisation Event; (Represented by a positive number for a demand reducer / generation increase asset and a negative number for a demand increase/generation reduction asset |
| **Performance Multiplier** | – | the factor by which any percentage of under delivery below the grace factor will be multiplied by in order to calculate payable delivery |

## FMR: Verification & Settlement Methodology - Amendment record

**Guidance**

*This section is provided as guidance to the Flexibility Market Rule. Therefore, it is not legally binding and falls outside of the formal change management process.*

| Version | Last Updated Date | Document Status | Description of Changes | Change Proposal Reference | *Market Facilitator* Decision Report Ref |
|---|---|---|---|---|---|
| 1.0 | 12/12/2025 | Final | Document Published | | |
| 2.0 | 05/02/2026 | Final | Housekeeping change | CP002 | CP002 |
| 2.1 | 05/02/2026 | Final | *Derogation* Rule added | | |
| 2.2 | 17/02/2026 | Final | *Derogation* Rule added | | |
| 2.3 | 12/05/2026 | Final | *Derogation* Rule added | | |

### 4.0.2 Annex 1: Associated meta-data

**Guidance**

*This annex is provided as guidance to the Flexibility Market Rule. Therefore, it is not legally binding and falls outside of the formal change management process.*

| | |
|---|---|
| **Identifier** | FMR-VSM |
| **Title** | Verification and Settlement |
| **Type** | *Flexibility Market Rule* |
| **Collection** | *Sub-Market* Alignment |
| **Audience** | *DNOs*, *Flexibility Service Providers* |
| **Expertise** | Performance Management |
| **Owner** | *Market Facilitator* |
| **Expected benefit** | Aligned, simplified process reducing *FSP* costs associated with the process |
| **Related end-to-end process reference** | V.2 Process Verification Data<br>V.3 Communicate Performance<br>V.4 Communicate Consequences of Non-Delivery<br>S.1 Generate Invoices<br>S.2 Process Payments |
| **References** | |
| **IsReferencedBy** | |
| **Published version number** | 2.3 |
| **Applicability** | All *DNO sub-markets* |
| **Published Date** | 04/02/2026 |

| | |
|---|---|
| ***Implementation Date*** | 06/02/2026 |
| **End Date** | - |
| **Terms of variations** | Approved *Derogation* |
| **IsReplacedBy** | N/A |
| **Replaces** | N/A |
| **Status** | Final |
| **Change since last version** | Housekeeping change – update to *sub-market* guidance |
| **Description** | **What?** This rule aligns the verification and settlement processes for *DNOs*<br>**How?** The process and methodologies used for the verification and settlement of *flexibility services* must be followed as defined. Variations are permitted, but only if submitted to the *Market Facilitator*<br>**Who?** This rule impact all *DNOs*, and in turn their *Flexibility Service Providers*.<br>**When?** This rule comes into force in February 2026<br>**Why?** This rule aims to align and simplify the verification and settlement process, reducing the complexity and costs incurred by *Flexibility Service Providers* |