

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 <i>System Operators</i>	Impact on <i>FSPs</i>
<i>System Operators</i> must use the standardised methodology to assess performance and calculate performance. They must ensure their systems use the sign convention set out, and provide <i>FSPs</i> with the relevant information to understand their payments.	<i>FSPs</i> should understand the methodology as it determines the <i>System Operators</i> 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 <i>working days</i> after the published date). Within 10 days of change	Track whether implementation is on track via our <i>Implementation tracker</i> .
<i>Flexibility Market Catalogue data</i>	Confirmation of use of standard or non-standard methodology	From 06/02/2026. Within 10 days of change	Provide an overview of the <i>sub-market</i> and the market as a whole via the <i>Flexibility Market Catalogue</i> .
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
<i>Implementation Date</i>	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.

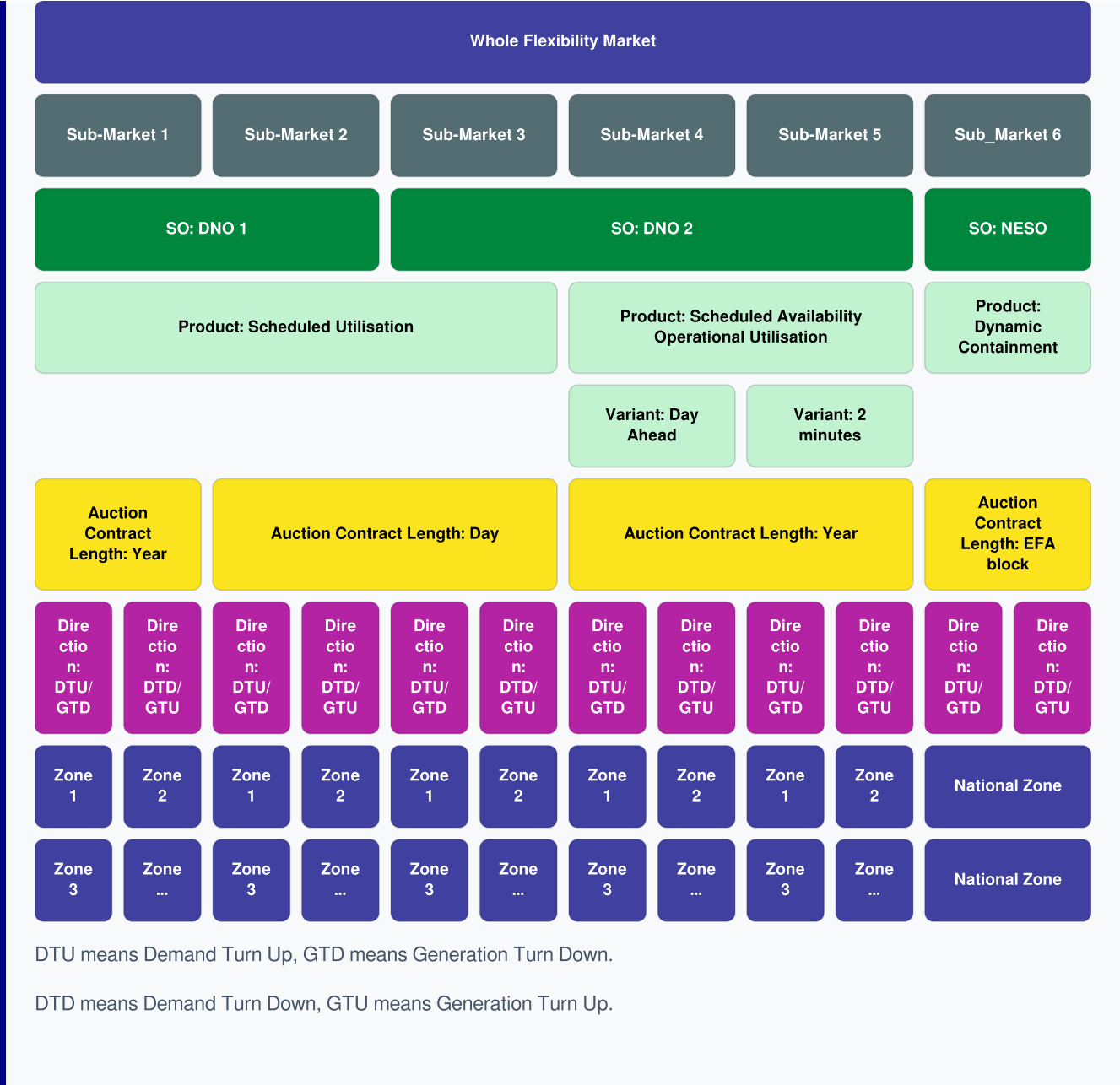
A *Sub-Market* means a specific segment of the overall *Flexibility Market*, distinguished by a specific *System Operator*, procuring a specific *Product* within a specific time period.

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



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.

 Verification and settlement process diagram showing the monthly 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 <i>Accepted Availability Window</i>	01/07/23 00:00	01/07/23 00:00
B	End Datetime	End date and time of the <i>Accepted Availability Window</i>	01/07/23 00:01	01/07/23 00:30
C	<i>Metered Time Period</i> (minutes/60)	The <i>Metered Time Period</i> 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.	0.01666667	0.5
D	<i>Availability Price</i>	The contracted	£2	£2

	£/MW/h	fee for the availability component of the service in £/MW/h		
E	<i>Contracted Capacity (MW)</i>	The <i>Available MW</i> 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	<i>Grace Factor</i>	Availability <i>Grace Factor</i>	5%	5%
H	<i>Utilisation Performance</i>	The calculated <i>Utilisation Performance</i> taking into account the <i>Grace Factor</i> in G.	85.33%	100% ^[1]
I	Pre- <i>Utilisation</i>	The payment	£0.17	£5.00

	<i>Performance</i> <i>Payment</i> £	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- <i>Utilisation</i> <i>Performance</i> <i>Payment</i>	The actual <i>Availability</i> <i>payment</i> 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 <i>Metered MW</i> of the asset in the minute in question.	-0.712	14
H	Delivered (MW)	The actual <i>delivered MW</i> 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	<i>Grace Factor</i> ^[3]	A utilisation <i>Grace Factor</i>	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	<i>Performance Multiplier</i> [4]	If the delivery % is outside the <i>Grace Factor</i> , then a <i>Performance Multiplier</i> is applied to reduce the % paid.	3	3
L	Payment Percentage	The percentage calculated for payment considering the <i>Grace Factor</i> and penalisation multiplier for the	67.28%	50%

		minute in question		
M	<i>Utilisation Payment</i> (£)	The actual <i>Utilisation Payment</i> 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:

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

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 remuneration 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:

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

GraceFactor: in respect of each **Flexible Unit**, s, for each month, represents the percentage of under delivery below 100% for which remuneration 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:

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

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*)

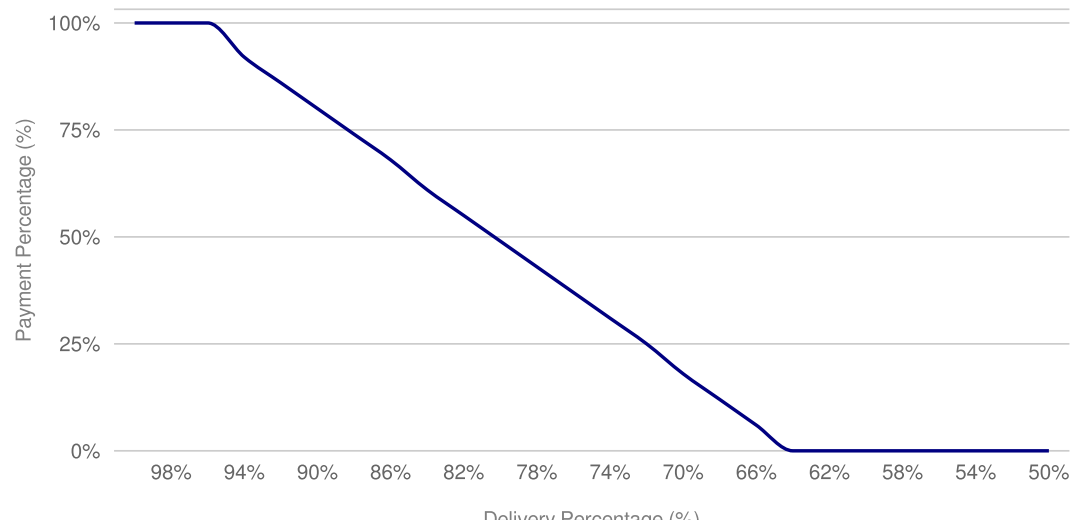
Delivery %	<i>Grace Factor</i>	<i>Performance Multiplier</i>	Calculated Payment % after <i>Grace Factor</i> and <i>Multiplier</i>
100%	5%	3	100%
99%	5%	3	100%
98%	5%	3	100%
97%	5%	3	100%
96%	5%	3	100%
95%	5%	3	100%
94%	5%	3	92%
93%	5%	3	89%
92%	5%	3	86%
91%	5%	3	83%
90%	5%	3	80%
89%	5%	3	77%
88%	5%	3	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



Category	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
52%	0

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

2.4

Required Factors

Category

Payment Percentage

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.

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

Table 7: Implementation tracking requirements

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

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.

Elxon 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 <i>Grace Factor</i>	the percentage of under delivery below 100% for which remuneration of 100% will be applied, relevant both to utilisation	As per Table 6
Availability <i>Grace Factor</i>	the percentage of under delivery below 100% for which remuneration of 100% will be applied, relevant both to availability	As per Table 6
<i>Performance Multiplier</i>	If the delivery % is outside the <i>Grace Factor</i> , then a <i>Performance Multiplier</i> 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 remuneration 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	<i>Derogation</i> Rule added		
2.2	17/02/2026	Final	<i>Derogation</i> Rule added		
2.3	12/05/2026	Final	<i>Derogation</i> 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	<i>Flexibility Market Rule</i>
Collection	<i>Sub-Market Alignment</i>
Audience	<i>DNOs, Flexibility Service Providers</i>
Expertise	Performance Management
Owner	<i>Market Facilitator</i>
Expected benefit	Aligned, simplified process reducing <i>FSP</i> costs associated with the process
Related end-to-end process reference	V.2 Process Verification Data V.3 Communicate Performance V.4 Communicate Consequences of Non-Delivery S.1 Generate Invoices S.2 Process Payments
References	
IsReferencedBy	
Published version number	2.3
Applicability	<i>All DNO sub-markets</i>
Published Date	04/02/2026

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