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## Distribution System Operation Incentive Governance Document

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Publication date:	17 February 2023
Contact:	Mike Duncan
Team:	DSO Regulation
Telephone:	0141 341 3997
Email:	<a href="mailto:RIIOED2@ofgem.gov.uk">RIIOED2@ofgem.gov.uk</a>

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### Overview

This document is version 1.0 of the Distribution System Operation (DSO) Incentive Governance Document referred to under Special Condition 4.8 of the Electricity Distribution Licence.

It covers the arrangements for the DSO Incentive in RIIO-ED2. The purpose of the DSO Incentive is to drive licensees to more efficiently develop and use their network, taking into account flexible alternatives to network reinforcement.

This document is directed at licensees as well as their stakeholders. The purpose of this document is to set out the processes and requirements involved in the DSO incentive. It defines the processes and criteria used to assess performance; the reporting requirements; and the methodology we will use to determine an incentive reward or penalty.

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## Version history

Version	Changes	Purpose	Publication date
0.1	N/A	Publication of draft DSO Incentive Governance Document as part of RIIO-ED2 Informal Licence Drafting Consultation.	12 October 2022
0.2	Updates to definitions, the DSO Stakeholder Satisfaction Survey approach, the DSO Performance Panel assessment processes and Outturn Performance Metrics.	To align with decisions in RIIO-ED2 Final Determinations and respond to feedback from initial consultation.	14 December 2022
1.0	Updates to the DSO Stakeholder Satisfaction Survey approach, the DSO Performance Panel assessment process and Outturn Performance Metrics.	To address issues raised in responses to the RIIO-ED2 Statutory Licence Consultation.	17 February 2023

## **Associated documents**

Electricity Distribution Licence – Special Condition 4.8 (Distribution System Operation output delivery incentive): <https://epr.ofgem.gov.uk/Document>

RIIO-ED2 Final Determinations – Core Methodology Document, Chapter 4, Regulating Distribution System Operation functions: <https://www.ofgem.gov.uk/publications/riio-ed2-final-determinations>

Electricity Distribution Standard Licence Condition 31E – Procurement and Use of Flexibility Reporting Guidance: <https://www.ofgem.gov.uk/publications/decision-procurement-and-use-flexibility-reporting-guidance-electricity-distribution-licensees-0>

RIIO-ED2 LRE Volume Drivers Governance Document:  
<https://www.ofgem.gov.uk/sites/default/files/2023-02/RIIO-ED2%20Licence%20Instruments%20and%20Associated%20Documents.zip>

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## 1. Introduction

### Purpose of this incentive

- 1.1 The aim of the Distribution System Operation (DSO) incentive is to drive licensees to more efficiently develop and use their network, taking into account flexible alternatives to network reinforcement.
- 1.2 For the purposes of the Distribution System Operation Incentive Governance Document (the "Governance Document"), DSO is defined as the engagements undertaken by the licensee pursuant to the operation of the Distribution System for planning and network development, network operation and market development as set out in Appendix 1.
- 1.3 Specifically, the DSO incentive framework is intended to evaluate performance against the Baseline Expectations for DSO that are set out in Appendix 1 (and which were originally set out in our Business Plan Guidance<sup>1</sup>) as well as the associated delivery of DSO benefits that emanate from these activities. It leverages the opportunities to embed robust performance measures, capture stakeholder views and incorporate a more holistic assessment from a performance panel of technical and industry experts. See Chapter 2 for further information.

### Purpose of this document

- 1.4 This Governance Document sets out how the DSO incentive is exercised and is issued by Ofgem under Part F of Special Condition 4.8 (DSO output delivery incentive (DSOI<sub>t</sub>)) of the Electricity Distribution Licence. As set out in Special Condition 4.8.14, we may make provision about the governance of the output delivery incentive in the Governance Document, including:
  - the Evaluation Criteria against which the performance of the licensee will be assessed.
  - the process and procedures that will be in place for assessing the performance of the licensee.

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<sup>1</sup> [RIIO-ED2 Business Plan Guidance](#), Appendix 4.

- the requirements the licensee must fulfil as part of the assessment process, including the information the licensee must provide to determine the value of the DSO Stakeholder Satisfaction Survey and Outturn Performance Metrics components<sup>2</sup> of the DSO Incentive, and its attendance at DSO Performance Panel meetings.
- the information that will be used for the performance assessment, including how reporting will be used in that evaluation.
- the methodology the Authority will use to determine an incentive reward or penalty, including the manner and process by which the licensee's DSO Performance Panel Submission will be used by the Authority to determine the value of the DSO Performance Panel assessment component<sup>3</sup> of the DSO Incentive.
- the role of the DSO Performance Panel.
- the process for the appointment, by the Authority, of persons who will make up the DSO Performance Panel.

1.5 This document may be revised and reissued in accordance with Part A of Special Condition 1.3 of the Electricity Distribution Licence (Common procedure).

## **Compliance**

1.6 Licensees are required to comply with the provisions of the Governance Document, as if it were a condition of their licence. However, we have also attempted to make this document accessible and informative to a range of stakeholders.

1.7 This Governance Document is subordinate to the licence. This Governance Document does not change any definition or obligations contained within the licence and in the event of any ambiguity over the Governance Document, the licence will take precedence.

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<sup>2</sup> These correspond to: the DSO Stakeholder Satisfaction Survey term (DSOS<sub>t</sub>), the Flexibility Reinforcement Deferral Outturn Performance Metric term (FD<sub>t</sub>), the Secondary Network Visibility Outturn Performance Metric term (NV<sub>t</sub>) and the Curtailment Efficiency Outturn Performance Metric (CE<sub>t</sub>) terms as defined in Special Condition 4.8.

<sup>3</sup> This corresponds to the DSO Performance Panel assessment term (DSOP<sub>t</sub>) as defined in Special Condition 4.8.

## 2. DSO incentive framework

### The DSO roles framework

2.1. As outlined in paragraph 1.3, the DSO incentive framework is intended to evaluate performance against the Baseline Expectations for DSO as well as the associated delivery of DSO benefits that emanate from these activities. The DSO Baseline Expectations are set out in full in Appendix 1 and correspond to the three DSO roles and five DSO activities set out in Table 1 below. The DSO roles and Baseline Expectations underpin the design of the DSO incentive framework.

**Table 1: DSO roles and activities**

<b>Role</b>	<b>Activity</b>
Role 1: Planning and network development	1.1. Plan efficiently in the context of uncertainty, taking account of whole system outcomes, and promote planning data availability.
Role 2: Network operation	2.1. Promote operational network visibility and data availability
	2.2. Facilitate efficient dispatch of distribution flexibility services
Role 3: Market development	3.1. Provide accurate, user-friendly and comprehensive market information
	3.2. Embed simple, fair and transparent rules and processes for procuring distribution flexibility services

### The DSO incentive Evaluation Criteria

2.2. The DSO incentive is made up of three Evaluation Criteria, weighted as per Table 2 below. These are:

- The DSO Stakeholder Satisfaction Survey, which intends to drive distribution network companies<sup>4</sup> to become more responsive to their stakeholders' needs and improve service levels.
- The DSO Performance Panel assessment that helps to reduce the information asymmetry between distribution network companies and Ofgem, brings in additional expert views, and provides industry with a platform to hold distribution network companies to account.

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<sup>4</sup> We use the term distribution network companies throughout this Governance Document to refer to ENWL, NGED, NPg, SPEN, SSEN and UKPN.

- The Outturn Performance Metrics, which facilitate comparison between licence areas<sup>5</sup> and performance tracking over time against a set of key outcomes.
- 2.3. Combined, these three Evaluation Criteria are intended to capture stakeholder views, incorporate a more holistic assessment from a performance panel of technical and industry experts, and embed robust performance measures. Further information on each of the Evaluation Criteria can be found in Chapters 3, 4 and 5.

**Table 2: DSO incentive Evaluation Criteria weightings**

<b>Evaluation Criteria</b>	<b>% of total incentive value</b>
DSO Stakeholder Satisfaction Survey	40%
DSO Performance Panel assessment	40%
Outturn Performance Metrics	20%

## Reporting cycle

- 2.4. In this paragraph, we provide an overview of the reporting cycle for the DSO incentive in RIIO-ED2. For each Regulatory Year, starting 1 April 2024, the chronological steps are as follows:
- By 30 April: distribution network companies publish their DSO Performance Panel Submission (see Chapter 4).
  - 10 working-days ahead of the DSO Performance Panel Session: written supplementary questions sent to distribution network companies (see Chapter 4).
  - June/July: DSO Performance Panel Sessions (see Chapter 4).
  - By 31 July: outturn metric performance, DSO Stakeholder Satisfaction Survey results, and Regularly Reported Evidence (RRE) submitted as part of the RIIO-ED2 Regulatory Reporting Pack (RRP) (see Chapters 3 and 4).
  - By 30 September: Ofgem publishes the DSO Incentive Report (see Chapter 7).

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<sup>5</sup> We use the term licence areas throughout this Governance Document to refer to ENWL, NPgN, NPgY, WMID, EMID, SWALES, SWEST, LPN, SPN, EPN, SPD, SPMW, SSEH and SSES.

### **3. DSO Stakeholder Satisfaction Survey**

- 3.1. Proactive stakeholder engagement is necessary for efficient business practice. The aim of the DSO Stakeholder Satisfaction Survey criterion is to encourage distribution network companies to engage proactively with DSO Stakeholders on relevant issues, business activities and other developments in order to become more responsive to their stakeholders' needs and improve service levels. We expect that each distribution network company will use this feedback to inform their current business operations and in planning for future decision making.
- 3.2. For the purposes of the DSO incentive, DSO Stakeholders are defined as individuals or organisations that affect or can be affected by the DSO activities<sup>6</sup> of the distribution network company. They may have a direct or indirect interest in DSO activities, and their interaction could vary in frequency.

#### **Form of the DSO Stakeholder Survey**

- 3.3. Each of the six distribution network companies is required to commission their own online survey from an independent and reputable market research company (the "Independent Third Party"), which will undertake the DSO Stakeholder Satisfaction Survey on their behalf. The same Independent Third Party must be appointed by all distribution network companies. The Independent Third Party must be Market Research Society<sup>7</sup> accredited.
- 3.4. The Independent Third Party must use the questionnaire in Appendix 2 of this Governance Document. Any proposed changes to the questionnaire in Appendix 2 (including the addition of questions) must be agreed with Ofgem and all other distribution network companies. Amendments to the questionnaire in Appendix 2 do not constitute a modification to the Governance Document.
- 3.5. For each scored question in Appendix 2, distribution network companies must provide a bullet point list of relevant deliverables. This deliverables text must adhere to the following guidelines:

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<sup>6</sup> The five DSO activities are set out in Table 1.

<sup>7</sup> The Market Research Society is a professional body for market research. See here for more details: [www.mrs.org.uk](http://www.mrs.org.uk)

- The total text must not exceed a word count of 150.
  - Embedded URLs are acceptable, but these must redirect to the distribution network company's website.
- 3.6. Starting from 1 March 2024, each distribution network company must submit its bullet point list of deliverables to Ofgem via email (RIIOED2@ofgem.gov.uk) by 10 March. Before approving the list of deliverables, Ofgem may request supporting information or text amendments if any of the information is deemed to be inaccurate or otherwise misleading.
- 3.7. Each distribution network company must satisfy itself that the Independent Third Party is undertaking the DSO Stakeholder Satisfaction Survey in compliance with relevant data protection and other information legislation.
- 3.8. The Independent Third Party will send the DSO Stakeholder Satisfaction Survey to each distribution network company's DSO Stakeholders upon instruction by the distribution network company. Starting from 1 April 2024, the DSO Stakeholder Satisfaction Survey will be issued by no earlier than 1 April and no later than 20 April each year. Any completed DSO Stakeholder Satisfaction Surveys must be submitted by 31 May each year.
- 3.9. The Independent Third Party is required to remove any additional responses from a DSO Stakeholder that has already completed a distribution network company's DSO Stakeholder Satisfaction Survey in the Regulatory Year. In such cases, the Independent Third Party must ask the DSO Stakeholder to confirm which responses should be disregarded.
- 3.10. The DSO Stakeholder Satisfaction Survey will measure DSO Stakeholder satisfaction through 5 scored questions, set out in Appendix 2. The scored questions will be preceded by mandatory screening questions, and followed by non-mandatory unscored free text questions. The screening questions will allow both Ofgem and distribution network companies to gain further insight into their DSO Stakeholders' demographic, understand which scored questions are most relevant to each DSO Stakeholder type and give more background to the unscored free text answers. The scored questions are not mandatory as we recognise that DSO Stakeholders may interact with only some functions and services.

## **Procedures to mitigate the risk of bias**

- 3.11. Distribution network companies must maintain systems, processes and procedures as are reasonably necessary to mitigate the risk of bias in the results of the DSO Stakeholder Satisfaction Survey.
- 3.12. These systems, processes and procedures must include, but are not limited to, systems, processes and procedures that meet the requirements specified below:
- Distribution network companies must not gather or process DSO Stakeholder data in a manner that could reasonably be expected to bias the results of the DSO Stakeholder Satisfaction survey.
  - If the distribution network company wishes to contact DSO Stakeholders to confirm whether or not they would like to participate in the DSO Stakeholder Satisfaction Survey, they must contact the entirety of their DSO Stakeholder Satisfaction Survey population prior to providing the required data to the Independent Third Party. Distribution network companies must not share DSO Stakeholder contacts selectively in a way that might affect the results of the DSO Stakeholder Satisfaction Survey.
  - Distribution network companies (and their appointed Independent Third Party) must not use any financial or non-financial incentives to encourage DSO Stakeholders to take part in the DSO Stakeholder Satisfaction Survey.

## **DSO Stakeholder Satisfaction Survey population**

- 3.13. DSO Stakeholders range from customers through to flexibility market participants, local authorities, and other system operators. The exact survey participants will be determined by a DSO Stakeholder contacts database. We expect distribution network companies to maintain up to date contact details of their DSO Stakeholders.
- 3.14. The DSO Stakeholder Satisfaction Survey will be targeted at senior managers, decision makers and experts, and include a wide selection of relevant stakeholders who have had material interactions with DSO functions and services.
- 3.15. We expect distribution network companies to take a proactive approach to engaging with their DSO Stakeholders so as to drive up the response rate to the

DSO Stakeholder Satisfaction Survey. Subject to 3.16, to avoid any bias, the data provided by the distribution network company to the Independent Third Party must contain, at a minimum, the contact details of:

- All the companies that have registered interest through a flexibility platform or participated in a local flexibility tender exercise in the distribution network company's licence area(s).
- All the local authorities, combined authorities and Greater London Authority (as appropriate) in the distribution network company's licence area(s).
- All the Distributed Generators, electricity storage services and any customers with a Flexible Connection in the distribution network company's licence area(s).
- The GB System Operator and any IDNO Parties in the distribution network company's licence area(s).
- The NTS System Operator and DN Operator(s) in the distribution network company's licence area(s).
- Consumer advocacy groups, including Citizens Advice and Consumer Scotland (as appropriate), and energy industry trade associations.
- All DSO Stakeholders who contact the distribution network company to enquire about or provide data relating to DSO activities.

3.16. Distribution network companies may exclude contacts from the DSO Stakeholder Satisfaction Survey where the interaction relates to:

- Any records where providing the DSO Stakeholder details would be in breach of data protection law or Section 105 of the Utilities Act 2000.
- DSO Stakeholders who have stated that they do not want to participate in any form of market research.

3.17. In these cases, the distribution network company does not need to provide the relevant DSO Stakeholder's details to the Independent Third Party.

3.18. An individual or organisation may complete a DSO Stakeholder Satisfaction Survey for any of the distribution network companies it is identified as a DSO Stakeholder for. Licensees are excluded from completing the DSO Stakeholder Satisfaction Survey.

- 3.19. A DSO Stakeholder with multiple points of contact for interactions and/or multiple interactions within the Regulatory Year with a distribution network company's DSO functions will be considered as a single unique DSO Stakeholder.
- 3.20. Different legal entities within the same company group structure will be considered as separate unique DSO Stakeholders and must complete either separate surveys for each different legal entity or a single survey as a whole company group.
- 3.21. A DSO Stakeholder that has interacted with DSO functions provided by more than one licensee within the same distribution network company shall only be surveyed once for that distribution network company.

### **Calculating the results of the DSO Stakeholder Satisfaction Survey**

- 3.22. The DSO Stakeholder Satisfaction Survey has five detailed questions asking DSO Stakeholders to score their experience. Each of the scored DSO Stakeholder Satisfaction Survey questions will ask DSO Stakeholders to score their experience on a scale of one to 10. A score of one indicates that the DSO Stakeholder is very dissatisfied and a score of ten indicates that the DSO Stakeholder is very satisfied. DSO Stakeholders will also have the ability to indicate if the scored question is not applicable.
- 3.23. The average (mean) score will be based on the average (mean) score for each of the five scored DSO Stakeholder Satisfaction Survey questions. An example is provided in Table 9 in Appendix 3 for clarity.
- 3.24. Distribution network companies are required to submit their DSO Stakeholder Satisfaction Survey results in their RRP. Specific reporting requirements will be set out in the RIIO-ED2 Regulatory Instructions and Guidance (RIGs).

### **Data administration**

- 3.25. For the purposes of data administration, the information provided to the Independent Third Party must meet the following parameters:

- The contact details provided by distribution network companies to the Independent Third Party must be those of a DSO Stakeholder.
  - The services exchanged between the DSO Stakeholder and distribution network company must be in respect of the relevant Distribution System.
  - The services must relate to Distribution System Operation (see Appendix 1).
- 3.26. For each unique DSO Stakeholder included in the sample, distribution network companies must provide the Independent Third Party with:
- the distribution network company's name that the DSO Stakeholder will recognise.
  - a contact email address and a contact telephone number (where known).
  - the DSO Stakeholder's name (where known).
- 3.27. All mandatory screening questions and scored questions responses are non-confidential. All unscored free text answers will remain confidential to the distribution network company, unless the DSO Stakeholder states that their answer is non-confidential.

### **Targets for the DSO Stakeholder Satisfaction Survey**

- 3.28. Distribution network companies have a common DSO Stakeholder Satisfaction Survey target, as set out in Part B of Special Condition 4.8. The target score for the DSO Stakeholder Satisfaction Survey will be set at 7.70/10, but with a lower deadband at 7.50/10 and an upper deadband at 7.90/10. The maximum reward will apply to a score greater than or equal to 9.00/10, and maximum penalty will apply to a score less than or equal to 6.40/10.
- 3.29. Ofgem may keep the target score and deadbands under review, and will consult on any changes before implementing these changes through (i) the statutory modification process (for the changes to the Electricity Distribution Licence); and (ii) amendment of this Governance Document in line with Part A of Special Condition 1.3 (Common procedure).

## **Minimum response rate process**

- 3.30. There will be a minimum response rate for each mandatory DSO Stakeholder Satisfaction Survey question to ensure that any reward or penalties incurred under the DSO Stakeholder Satisfaction Survey are based on a robust sample size.
- 3.31. The minimum response rate threshold will be set at 5% (rounded to the nearest integer) of the distribution network company's DSO Stakeholder population. For example, if the Independent Third Party identifies 200 DSO Stakeholders that will be recipients of the survey, the minimum response rate will be set at 10.
- 3.32. If the total number of responses that include a score for a given question is less than the minimum response rate threshold, the question's average (mean) score will be excluded from the score calculation described in Appendix 3. If this minimum response rate threshold is not met for 3 or more questions, the distribution network company's DSO Stakeholder Satisfaction Survey score will be set at 7.50, such that no reward nor penalty is incurred.

## 4. DSO Performance Panel assessment

- 4.1. The DSO Performance Panel assessment criterion is underpinned by the following elements:
- A DSO Performance Panel, made up of independent experts and DSO Stakeholder representatives.
  - A DSO Performance Panel Submission, published and submitted each year by the distribution network company by 30 April and relating to the previous Regulatory Year.
  - A DSO Performance Panel Session, where the distribution network company has an opportunity to present to, and respond to questions from, the DSO Performance Panel.
  - A DSO Performance Panel score, which is based on an assessment against the DSO Performance Panel assessment criteria and the guidance set out in Appendix 6.

### Purpose and role

- 4.2. The DSO Performance Panel is an independent panel of experts and DSO Stakeholder representatives, who will have a role in challenging and evaluating distribution network companies' performance in RIIO-ED2 against a set of criteria based on the Baseline Expectations for DSO and the associated delivery of DSO benefits. The DSO Performance Panel provides industry with a platform to hold the distribution network companies to account, adding greater transparency to the DSO incentive decision making process.
- 4.3. The DSO Performance Panel's performance evaluation will form a recommendation to Ofgem, who will review the available evidence to determine a financial penalty or reward for the distribution network companies for the relevant Regulatory Year, in accordance with Part C of Special Condition 4.8.
- 4.4. The terms of reference for the DSO Performance Panel are found in Appendix 5.

## **DSO Performance Panel assessment processes**

### **DSO Performance Panel Submission and Session**

- 4.5. As set out in Part E of Special Condition 4.8, each distribution network company is required to prepare and publish an annual DSO Performance Panel Submission. The DSO Performance Panel Submission is an opportunity for distribution network companies to explain how they met the DSO Performance Panel assessment criteria through their DSO activities within the previous Regulatory Year. Reasonable notice will be given to distribution network companies regarding the schedule for the DSO Performance Panel Session. See Chapter 7 for further information on the DSO Performance Panel Submission.
- 4.6. We will also publish an annual call for evidence by the end of March of the previous Regulatory Year to request DSO Stakeholders' feedback on any areas of distribution network company performance with respect to the DSO Performance Panel assessment criteria that they wish to highlight. Ofgem will then publish non-confidential responses on our website by mid May and the DSO Performance Panel Secretariat will summarise the responses so that they are available to the DSO Performance Panel. The DSO Performance Panel Secretariat will ensure that only responses relevant to the DSO Performance Panel assessment criteria are included in the summary. The call for evidence summary will act to reduce the information asymmetry between the distribution network companies and the DSO Performance Panel. The DSO Performance Panel may contact DSO Stakeholders or distribution network companies to seek clarifications on call for evidence submissions.
- 4.7. Each distribution network company will then have the opportunity to take part in a 40-minute DSO Performance Panel Session. Distribution network companies will be asked to give a 10-minute presentation as part of their DSO Performance Panel Session. The presentation will be based on written supplementary questions provided by the DSO Performance Panel to the distribution network company, no later than 10 working days prior to the DSO Performance Panel Session. The DSO Performance Panel will be able to ask a maximum of 6 written supplementary questions.

- 4.8. The presentation will be followed by a 30-minute question and answer session. During the DSO Performance Panel Session, the DSO Performance Panel may ask additional questions to inform its assessment. Ofgem will perform a secretariat role at the DSO Performance Panel Session. Additional information regarding the format of the presentations and question and answer sessions will be provided in advance of the written supplementary questions being received.
- 4.9. The DSO Performance Panel Submission and responses provided at the DSO Performance Panel Session will form the basis of the DSO Performance Panel’s performance evaluation.

**DSO Performance Panel assessment criteria**

- 4.10. The DSO Performance Panel will assess the distribution network companies against the DSO Performance Panel assessment criteria set out in Table 3. The criteria are based on a consolidated view of Baseline Expectations. These criteria are accorded different weights, which have been set in line with the number of Baseline Expectations that relate to the activity and their relative importance in delivering improved outcomes for network users. Guidance on how to interpret the criteria is set out in Appendix 6.

**Table 3: DSO Performance Panel assessment criteria and weightings**

<b>No.</b>	<b>DSO Performance Panel assessment criterion</b>	<b>Weighting</b>
1	Delivery of DSO benefits	30%
2	Data and information provision	20%
3	Flexibility market development	20%
4	Options assessment and conflict of interest mitigation	20%
5	Distributed energy resources (DER) dispatch decision making framework	10%

- 4.11. Distribution network companies may make reference, in their DSO Performance Panel Submission, to other publications where they have relevance to the DSO Performance Panel assessment criteria. These include:
- The annual Distribution Flexibility Services Procurement Statement and the Distribution Flexibility Services Procurement Report they submit under Standard Licence Condition 31E, which provide additional evidence on the

flexibility the licensee has tendered for, contracted and dispatched in the past 12 months.

- The licensees’ biennial Digitalisation Strategies and biannual Digitalisation Action Plans.
- The RRE performance as defined in Appendix 4.

## DSO Performance Panel scoring guidance

4.12. When a distribution network company clearly demonstrates that its performance against the DSO Performance Panel assessment criteria has gone beyond Baseline Expectations (see Appendix 1), then this should be reflected in an incentive reward. Equally, where a distribution network company has clearly failed to demonstrate that it has taken the necessary actions against the DSO Performance Panel assessment criteria to meet Baseline Expectations, then this should result in an incentive penalty.

4.13. Using the scoring reference points in Table 4 below, each DSO Performance Panel Member will be asked to provide one score out of 10 for each DSO Performance Panel assessment criterion. An overall weighted average (mean) score will then be calculated based on the average (mean) of all DSO Performance Panel Member scores for the criterion and the weight that is applied to that criterion. An illustrative worked example is provided in Table 16 in Appendix 7.

**Table 4: DSO Performance Panel scoring reference points**

Score	1-2	3-4	5-6	7-8	9+
Description	Poor	Weak	Average	Good	Excellent
Relationship with DSO Baseline Expectations	Below Baseline Expectations	Below Baseline Expectations	Meeting Baseline Expectations	Exceeding Baseline Expectations	Exceeding Baseline Expectations

4.14. In reaching their scores, DSO Performance Panel Members will be asked to assess performance in the round for each criterion considering the DSO Performance Panel Submission, the responses to the call for evidence, the presentation provided by the distribution network company at the DSO Performance Panel Session and the answers provided to the question-and-answer session at the DSO Performance Panel Session. The guidance set out in Appendix 6 provides a more

detailed breakdown by DSO Performance Panel assessment criterion of performance expectations for each scoring reference point. This is intended to provide more clarity to distribution network companies and drive consistency across the DSO Performance Panel assessment process.

- 4.15. In their DSO Performance Panel Submissions, we expect distribution network companies to build on and highlight progress they have made, and are making, on their activities from the previous Regulatory Year. The DSO Performance Panel will be asked only to take account of evidence if it relates to new activities delivered by the distribution network companies to improve performance within that Regulatory Year. However, that does not preclude implementing additional steps to go above and beyond expectations in pre-existing activities.
- 4.16. We expect 'BAU innovation'<sup>8</sup> to be a core part of DSO activities within the previous Regulatory Year. However, undertaking innovation projects does not automatically qualify as exceeding Baseline Expectations. The DSO Performance Panel Submissions should clearly identify the driver for activities where that driver has come from an Ofgem, Government or other statutory body incentive.<sup>9</sup> The DSO Performance Panel will assess whether it is appropriate to reward these activities under the DSO incentive, if funded through Totex Allowance, or whether they are appropriately incentivised by a separate primary driver, such as dedicated innovation funding. Where the DSO Performance Panel decides that an activity is appropriately incentivised by such primary drivers, this will be set out in the DSO Incentive Report as part of the DSO Performance Panel report (see Appendix 5).

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<sup>8</sup> 'BAU innovation' is any innovation that is not dependent on, or funded via, ringfenced innovation stimulus funds (eg innovation funded through the main price control Totex Allowance).

<sup>9</sup> Examples would include activities that form part of a Strategic Innovation Fund (SIF) or Network Innovation Allowance (NIA) project.

## 5. Outturn Performance Metrics

- 5.1. Licensees are required to regularly report on Outturn Performance Metrics to enable DSO Stakeholders to track their performance over the course of the regulatory period. The full list of Outturn Performance Metrics, including the formula and calculation method, are set out in Table 5, Table 6 and Table 7.
- 5.2. The value of the reward or penalty associated with the Outturn Performance Metrics will be calculated mechanistically in accordance with the relevant parts of Special Condition 4.8 once these are consulted on, drafted, and added to Special Condition 4.8 of the Electricity Distribution Licence via the statutory modification process.<sup>10</sup>
- 5.3. Licensees are required to submit their annual outturn data for each Outturn Performance Metric performance in their RRP. Specific reporting requirements for the Outturn Performance Metrics will be set out in the RIIO-ED2 RIGs.
- 5.4. For the Regulatory Year commencing on 1 April 2023, the financial incentive value associated with the Outturn Performance Metrics will be zero. We expect to consult on targets and formulae<sup>11</sup> for the Outturn Performance Metrics in 2023 with a view to establishing these for the Regulatory Year commencing on 1 April 2024.

**Table 5: Flexibility Reinforcement Deferral Outturn Performance Metric**

Purpose	To validate a licensee's commitment to considering flexibility as its preferred option (when economically feasible) to run efficient and safe electricity distribution networks.
Parameters	Penalty/reward with deadband.
Definition	Flexibility Reinforcement Deferral (DFt) = $\frac{\sum D_i}{\sum D_i + R_i} * 100$

<sup>10</sup> We have decided not to implement targets for the outturn performance metrics in Year 1 of RIIO-ED2 and, as such, there will be no financial reward / penalty associated with performance against them in Year 1. Instead, we will require the licensees to gather performance data on the metrics before applying a financial reward / penalty to performance from Year 2 onwards subject to licence area specific targets being set. We intend to set targets and specific formulae (NB. please see footnote [10] below) for the outturn performance metrics within the licence condition via the statutory modification process.

<sup>11</sup> For the avoidance of doubt, the reference here (and elsewhere in this Governance Document) to consulting on formulae is referring to consulting on the values of the constituent parts of the formula for calculating the DSO outturn performance metrics term (DSOM<sub>t</sub>) (i.e. FD<sub>t</sub>, NV<sub>t</sub> & CE<sub>t</sub>) rather than wholesale consultation on amending the mechanics of how the formula for calculating DSOM<sub>t</sub> works in practice.

	<p>Where:</p> <ul style="list-style-type: none"> <li>• <math>D_i</math> is the MVA capacity of reinforcement under deferral at site <math>i</math> through the procurement of Distribution Flexibility Services.</li> <li>• <math>R_i</math> is the MVA capacity released through conventional reinforcement at site <math>i</math>.</li> </ul>
Method	<ul style="list-style-type: none"> <li>• The metric will cover all instances where a constraint was identified in the Regulatory Year that required some form of intervention.</li> <li>• It will report on interventions on the primary network (ie 33kV and above) and secondary network (ie Low Voltage and High Voltage).</li> <li>• There will be separate reporting in the RRP for the primary network and secondary network to provide visibility of activity levels.</li> <li>• However, each licensee will report an aggregated Flexibility Reinforcement Deferral % across the primary network and secondary network.</li> </ul>
Reporting frequency	Outturn will be reported on an annual basis through the RRP.

**Table 6: Secondary Network Visibility Outturn Performance Metric**

Purpose	To promote visibility and accuracy of utilisation of assets on the secondary network (ie Low Voltage and High Voltage).
Parameters	Penalty/reward with deadband.
Definition	<p><i>Secondary Network Visibility</i> (<math>NV_t</math>) = <math>\frac{A_m W_m + A_u W_u}{W_m + W_u} * 100</math></p> <p>Where:</p> <ul style="list-style-type: none"> <li>• <math>A_m</math> is the overall accuracy score of monitored substations.</li> <li>• <math>W_m</math> is the weight applied to the overall accuracy score of monitored substations</li> <li>• <math>A_u</math> is the overall accuracy score of unmonitored substations.</li> <li>• <math>W_u</math> is the weight applied to the overall accuracy score of unmonitored substations.</li> </ul> <p>The weights will accord with the number of Ground Mounted Transformers (GMT) and Pole Mounted Transformers (PMT) substations that have installed monitoring.</p> <p>For GMT and PMT substations that are <u>monitored</u>, the overall accuracy score will be calculated as:</p> $A_m = \frac{\sum M_i W_i}{\sum W_i}$ <p>Where:</p> <ul style="list-style-type: none"> <li>• <math>M_i</math> is the accuracy score of monitored substations in utilisation band <math>i</math>.</li> <li>• <math>W_i</math> is % weight applied to the utilisation band <math>i</math>.</li> </ul> <p>In turn, <math>M_i</math> will be calculated as 1 – Mean Absolute Percentage Error (MAPE):</p>

	$M_i = 1 - \left[ \frac{1}{n} \sum_{i=1}^n \frac{A_i - F_i}{A_i} \right]$ <p>Where:</p> <ul style="list-style-type: none"> <li>• <math>n</math> is the number of substations in utilisation band <math>i</math>.</li> <li>• <math>A_i</math> is the actual utilisation (ie annual peak demand as a % of the substation's firm capacity) monitored at substation <math>i</math>.</li> <li>• <math>F_i</math> is the year-ahead forecast utilisation of substation <math>i</math>.<sup>12</sup></li> </ul> <p>For <u>unmonitored</u> GMT and PMT substations, the overall accuracy score will be calculated as:</p> $A_u = \frac{\sum U_i W_i}{\sum W_i}$ <p>Where:</p> <ul style="list-style-type: none"> <li>• <math>U_i</math> is the accuracy score of unmonitored substations in utilisation band <math>i</math>.</li> <li>• <math>W_i</math> is % weight applied to the utilisation band <math>i</math>.</li> </ul> <p>In turn, <math>U_i</math> will be calculated as <math>1 - \text{MAPE}</math>, but where the MAPE is the mean MAPE of a set number of iterations of an associated model that estimates unmonitored substations and is validated using monitored substations.</p>
Method	<ul style="list-style-type: none"> <li>• Licensees should report the accuracy score for each of the seven utilisation bands (0-20%, 20-40%, 40-60%, 60-80%, 80-100%, 100-120%, &gt; 120%).</li> <li>• Greater weighting will be applied to higher utilisation bands, where investment decisions are more likely to be taken. The weights will be: 0-20% = 0.1, 20-40% = 0.1, 40-60% = 0.1, 60-80% = 0.1, 80-100% = 0.2, 100-120%, = 0.2 &gt; 120% = 0.2.</li> <li>• The utilisation band for each substation will be determined by the actual utilisation in the reporting year.</li> <li>• Substations that were reinforced in the year will be excluded from the metric as this will have a material impact on utilisation projections.</li> <li>• For unmonitored substations, licensees must develop a joint method statement to ensure that accuracy scores are measured consistently across all licensees:             <ul style="list-style-type: none"> <li>○ The method statement must be independently audited to confirm that the methodology used by each licensee (or a common methodology used by some or all licensees to calculate accuracy scores produce consistent results.</li> <li>○ The audit will include validation of the source data used, the modelling and calculations used (including the number of model iterations and training/testing splits) and the final outputs being correctly recorded.</li> <li>○ The method statement must be submitted prior to the RRP submission for the Regulatory Year ending 31 March 2024.</li> </ul> </li> <li>• The metric target and outturn performance should cover both GMT and PMT substations, and reward/penalty will be applied to this</li> </ul>

<sup>12</sup> This a forecast of the substation's peak utilisation for the Regulatory Year ahead, ie up to 31 March 2025 for the RRP submission at the end of the Regulatory Year ending 31 March 2024, and each 31 March after the RRP submission thereafter.

	aggregate performance. However, each licensee will also report GMT and PMT performance separately as a memo table.
Reporting frequency	Outturn will be reported on an annual basis through the RRP.

**Table 7: Curtailment Efficiency Outturn Performance Metric**

Purpose	To limit Curtailment of users on Curtailable Connections resulting from actions taken by the licensee to restrict the conditions of a connection (import and/or export capacity) in response to a constraint on the Distribution System.
Parameters	Reward only with deadband.
Definition	<p>The Full Export Curtailment Hours shall be calculated as follows at the end of each Regulatory Year:</p> $= \sum_{i=1}^n (de_i \times civ_i) \div (cec \times h_i)$ <p>Where:</p> <ul style="list-style-type: none"> <li>• <i>de</i> is the duration of each period of Curtailment (in hours, partial or full) determined from the time the user is instructed by the licensee to Curtail its Maximum Export Capacity to the time it is notified that there is no longer a requirement to Curtail.</li> <li>• <i>n</i> is the number of Curtailment instructions in the Regulatory Year.</li> <li>• <i>civ</i> is the curtailment instruction value (ie value by which the licensee instructs the user to limit its Maximum Export Capacity).</li> <li>• <i>cec</i> is curtailable export capacity (ie the Maximum Export Capacity less the non-curtailable export capacity).</li> <li>• <i>h<sub>i</sub></i> is the number of hours the user was connected to the Distribution System in the Regulatory Year.</li> </ul> <p>The Full Import Curtailment Hours shall be calculated as follows at the end of each Regulatory Year:</p> $= \sum_{i=1}^n (di_i \times civ_i) \div (cic \times h_i)$ <p>Where:</p> <ul style="list-style-type: none"> <li>• <i>di</i> is the duration of each period of Curtailment (in hours, partial or full) determined from the time the user is instructed by the licensee to Curtail its Maximum Import Capacity to the time it is notified that there is no longer a requirement to Curtail.</li> <li>• <i>n</i> is the number of Curtailment instructions in the Regulatory Year.</li> <li>• <i>civ</i> is the curtailment instruction value (ie value by which the licensee instructs the user to limit its Maximum Import Capacity).</li> <li>• <i>cic</i> is curtailable import capacity (ie the Maximum Import Capacity less the non-curtailable import capacity).</li> <li>• <i>h<sub>i</sub></i> is the number of hours the user was connected to Distribution System in the Regulatory Year.</li> </ul>
Method	The licensee will report Curtailment which captures any action taken by the licensee to restrict the conditions of a connection except where this restriction is caused by:

	<ul style="list-style-type: none"> <li>• an Interruption to the customer’s supply; and/or</li> <li>• curtailment as a result of constraints on the transmission network.</li> </ul> <p>The licensee should measure Curtailment by assessing the number of Curtailment instructions it issued to a customer in the Regulatory Year and by:</p> <ul style="list-style-type: none"> <li>• measuring the duration (in hours, partial or full) of each period of Curtailment.</li> <li>• multiplying the duration by the curtailment instruction value.</li> <li>• dividing by the curtailable import capacity/curtailable export capacity (as applicable).</li> <li>• dividing by the number of hours the user was connected to the Distribution System.</li> </ul> <p>For reporting the annual curtailment % on a licence area basis, each licensee will report an aggregated annual curtailment % based on the ratios of Curtailment to Maximum Import/Export Capacity for all users.</p>
Reporting frequency	Outturn will be reported on an annual basis through the RRP.

## 6. Methodology for determining an award

- 6.1. Performance against each Evaluation Criterion is calculated independently of the other criteria and then the rewards/penalties are added together to determine the overall reward/penalty in accordance with Part A of Special Condition 4.8.
- 6.2. The reward or penalty associated with the DSO Stakeholder Satisfaction Survey criterion is calculated mechanistically in accordance with the formulae set out in Part B of Special Condition 4.8.
- 6.3. For the DSO Performance Panel assessment criterion, the final decision on an appropriate reward or penalty for each distribution network company will lie with Ofgem. Ofgem will form views based on the DSO Performance Panel's recommendation, which will in turn be based on the DSO Performance Panel Submission, the responses to the call for evidence, the presentation provided by the distribution network company at the DSO Performance Panel Session, and the answers provided to the question-and-answer session at the DSO Performance Panel Session. The processes underpinning the DSO Performance Panel scoring are explained in Chapter 4 and a worked example of how the score is calculated is provided in Appendix 7. The reward or penalty is calculated in accordance with the formula described in Part C of Special Condition 4.8. Where Ofgem's decision is different to the DSO Performance Panel's recommendation, rationale will be provided within the DSO Incentive Report.
- 6.4. The values of the rewards or penalties for the individual Outturn Performance Metrics will be calculated mechanistically in accordance with the formula and targets set out in the relevant parts of Special Condition 4.8 once these are consulted on, drafted, and added to Special Condition 4.8 of the Electricity Distribution Licence via the statutory modification process.<sup>13</sup> These values will then be summated in accordance with the formula in Part D of Special Condition

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<sup>13</sup> We have decided not to implement targets for the outturn performance metrics in Year 1 of RIIO-ED2 and, as such, there will be no financial reward / penalty associated with performance against them in Year 1. Instead, we will require licensees to gather performance data on the metrics before applying a financial reward / penalty to performance from Year 2 onwards subject to licence area specific targets being set. We intend to set targets and specific formulae (NB. please see footnote [10] above) for the outturn performance metrics within the licence condition via the statutory modification process.

4.8 to determine the overall reward or penalty for the Outturn Performance Metrics criterion for each licensee.

## 7. Reporting and publications

### Timescales for reporting

7.1. Table 8 below sets out the reporting requirement timescales. This applies from 1 April 2024.

**Table 8: DSO incentive reporting requirements**

Output	Reporting deadline	Notes
DSO Performance Panel Submission	30 April	Submitted via email to RIIOED2@ofgem.gov.uk and published on the distribution network company's website
DSO Stakeholder Satisfaction Survey	31 July	Submitted as part of the RRP
Outturn Performance Metrics	31 July	Submitted as part of the RRP
RRE	31 July	Submitted as part of the RRP

### Reporting guidance

7.2. The specific requirements of the outturn data submitted as part of the RRP, noted in Table 8 above, will be set out in the RIIO-ED2 RIGs.

#### DSO Performance Panel Submission

7.3. In accordance with Part E of Special Condition 4.8, distribution network companies are required to prepare and publish a DSO Performance Panel Submission explaining their performance against the DSO Performance Panel assessment criteria.

7.4. When compiling their DSO Performance Panel Submission, distribution network companies must ensure that:

- Reporting is accessible and easy to understand, and gives prominence to the most pertinent information.

- Due care and attention are taken to ensuring that the DSO Performance Panel Submission is, to the best of the distribution network company's knowledge at the time of submission, accurate and complete.
  - The DSO Performance Panel Submission provides a fair and complete picture of the distribution network company's performance, including both areas of out-and under-performance.
  - The DSO Performance Panel Submission includes all relevant justification the distribution network company wishes the DSO Performance Panel to consider, as no other written evidence will be submitted by the distribution network company to the DSO Performance Panel.
  - The distribution network company takes on board Ofgem's and/or relevant DSO Stakeholders' feedback on the DSO Performance Panel Submission and factor this into the development of future versions (or provides a reasonable explanation for why feedback cannot be actioned).
  - Where material amendments are made to any information reported, these amendments are clearly communicated to DSO Stakeholders and Ofgem, and are clearly identified.
  - Where a distribution network company identifies that inaccurate information is being reported, Ofgem must be notified, and corrections made as soon as practically possible.
- 7.5. The content of the DSO Performance Panel Submission must be in line with both the above criteria and in accordance with the DSO Performance Panel assessment criteria in Table 3.
- 7.6. The DSO Performance Panel Submission structure should include 5 sections in line with the criteria set out in Table 3. It should be no longer than 30 A4 pages (excluding cover pages, content pages and blank pages). Embedded URLs are acceptable.
- 7.7. Beyond these requirements, distribution network companies will have flexibility as to how they gather and present relevant evidence in the DSO Performance Panel Submission.

## **Regularly Reported Evidence**

7.8. RRE reported in the RRP will be used to gather further DSO performance data to inform the development of future outturn performance metrics.

## **DSO Incentive Report**

7.9. Starting from 1 April 2024, Ofgem will publish a DSO Incentive Report by 30 September each year. This report will include:

- Distribution network companies' DSO Stakeholder Satisfaction Survey scores, ranked, including a breakdown by question, and the associated financial reward/penalty for each distribution network companies.
- Distribution network companies' DSO Performance Panel scores, ranked, including a breakdown by DSO Performance Panel assessment criteria, and the associated financial/reward for each distribution network company.
- Detailed DSO Performance Panel feedback for each distribution network company. This will explain how the scores were decided, subject to redaction of confidential information. If Ofgem deviated from the DSO Performance Panel's recommended score then reasoning will be provided.
- Licensees' performance against each Outturn Performance Metric, ranked, and the associated financial reward/penalty for each licensee.
- The overall financial reward or penalty each distribution network company will receive for the DSO incentive.

## Appendix 1 – DSO Baseline Expectations

The following Baseline Expectations for DSO roles and activities were originally included in the RIIO-ED2 Business Plan Guidance.<sup>14</sup>

### Role 1: Planning and network development

*Activity 1.1: Plan efficiently in the context of uncertainty, taking account of whole system outcomes, and promote planning data availability*

The purpose of this activity is to ensure that DNOs' planning processes are clear, that high quality, data-driven decisions are made, and that DNOs provide stakeholders with relevant information to inform their own decision-making.

Our Baseline Expectations are:

- **1.1.1** DNOs to define and develop enhanced forecasting, simulation and network modelling capabilities, with processes in place to drive continual improvement to meet network and user needs.
  - We expect increased monitoring equipment to be rolled out across their network where it has demonstrable net value for network planning. We expect demonstrable value to include a rigorous presentation and analysis of needs and use of data for networks and non-networks parties, well established functional and technical specifications, and cost-effectiveness analysis.
  - DNOs should also explore all reasonable options to use data from third parties, including harnessing smart meter data subject to data sharing agreements, to improve their simulated forecasting.
- **1.1.2** We expect DNOs to submit a network visibility strategy and this should cover the use of all sources of network data including direct measurement from monitoring roll-out, smart meter data, data analysis and modelling, and any other third party data sources. The strategy should explain how network monitoring for planning purposes will inform planning decisions, including the use of flexibility; clear justifications for where and when monitoring is rolled-out, including explanations of any targeting for equipment deployment; and the specifications of equipment, including detail on the data captured, frequency of polling, and the

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<sup>14</sup> See Appendix 4 in [RIIO-ED2 Business Plan Guidance](#).

mode of communicating data. Note, companies may wish to combine this strategy with network monitoring and visibility for network operations under role 2.

- **1.1.3** DNOs to have in place standard and effective processes for sharing network planning information with other network licensees, including the GB System Operator, network users and other interested parties, for example to enable innovation and support the development of local authority and devolved government plans for decarbonisation.
  - As part of this, we expect DNOs to liaise with their network users to collate and share data, to publish comprehensive and comparable heat maps that provide network users high value information about where to connect, and to inform their operations.
  - These geographic information system datasets should be available for download or for access independently of DNO websites (for example, via Web Map Service server connections). Ofgem-led reforms to the Long Term Development Statement (LTDS) will seek to licence minimum standards against these improvements.
- **1.1.4** DNOs to have in place transparent and robust processes for identifying and assessing options to resolve network needs, using competition where efficient.
  - This should include demonstrable cross-sector<sup>15</sup> engagement, optioneering, and planning with sectors or vectors other than their own.
  - DNOs should consider flexibility and promoting energy efficiency in addition to innovative use of existing network assets and traditional reinforcement. The process of identifying options should include engaging with other network licence holders and current and prospective network users. Options must be fairly compared against one another, with flexibility used where it is economic and efficient compared to investing in traditional reinforcement or technological solutions. We expect a consistent approach for valuing flexibility, taking into account the option value it provides in the context of uncertainty. DNOs must ensure transparency in their approach to allow scrutiny of decision-making.

## **Role 2: Network operation**

### *Activity 2.1: Promote operational network visibility and data availability*

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<sup>15</sup> 'Sector' refers to the distribution, transmission and operation of a single energy source. For example, the 'gas sector' includes the firms responsible for gas transmission, distribution, and system operation. By 'cross-sector', we refer to any licensee in one energy source sector, eg electricity, working with any licensee in another energy source sector, eg gas.

The purpose of this activity is to ensure that DNOs are able to share relevant data on network operations to stakeholders, and to ensure that DNOs have sufficient network knowledge to operate their network under safe and reliable conditions.

Our Baseline Expectations are:

- **2.1.1** DNOs to improve network visibility and identification and sharing of operability constraints, including publishing this data to help avoid conflicting actions being taken by other network and system operators. DNOs must take reasonable steps to access and subsequently share, including by publishing, data and operability constraint information in a timely manner.
- **2.1.2** We expect DNOs to submit a network visibility strategy and this should cover the use of all sources of network data including direct measurement from monitoring roll-out, smart meter data, data analysis and modelling, and any other third party data sources. The strategy should explain how network monitoring for operational purposes will inform operational decisions, including enabling the management and delivery of flexibility services; clear justifications for where and when monitoring is rolled-out, including explanations of any targeting for equipment deployment; and the specifications of equipment, including detail on the data captured, frequency of polling, and the mode of communicating data. Note, companies may wish to combine this strategy with network monitoring and visibility for network planning under role 1.
- **2.1.3** DNOs to provide the GB System Operator with information across timescales about the DER it is planning to instruct to dispatch. Data should include contracted parties, availability and information on scheduled and unscheduled utilisation. Sharing this information in a timely manner should enable the GB System Operator to identify which DER are available for its own needs and improve the ability of DER to stack value across markets.
- **2.1.4** DNOs to gather sufficient information on DER characteristics and parameters to provide information and inform decisions to secure against events that could lead to disconnection of DER.
- **2.1.5** DNOs to make available operational data that supports network users and other relevant stakeholders to make better decisions about how to use the network. Data should be readily available in agreed and common data formats. This could include, but is not limited to:
  - working network configuration data.
  - losses recorded at substation level.
  - outages both planned and unplanned.

- as recorded historic Feeder MW/MVA Utilisation and calculated headroom/footroom.
- utilisation and curtailment of areas under the control of capacity management systems such as Active Network Management systems.

*Activity 2.2: Facilitate efficient dispatch of distribution flexibility services*

This activity is about defining and developing system operability capabilities and the actions network companies take to operate the Distribution System safely. The aim is to ensure DNOs facilitate dispatch of DER that is economic and efficient.

Our Baseline Expectations are:

- **2.2.1** DNOs to have and regularly review a decision-making framework for when DER are instructed to dispatch in real-time. The decision-making process, including alternatives considered, should be transparent. This should promote coordination across services (including curtailment as part of non-firm connection agreements and ESO flexibility services), maximise liquidity, avoid market fragmentation and ensure dispatch results in the best outcome for the whole system; this includes service provision to the GB System Operator and other distribution networks.
  - As part of this decision-making framework, there must be rules in place for coordinating dispatch instructions for DSO and ESO flexibility services. This could be through primacy rules or more comprehensive optimisation processes that better enable stacking of revenues for DER. The rules should be transparent, objective, and promote whole system efficiencies.
- **2.2.2** DNOs shall facilitate secondary trading of distribution flexibility services and curtailment obligations. In this context, facilitating means providing the relevant operational data, ensuring the DNO has processes in place to collect the relevant data about the trade, and making the operational parameters clear (and justified in the context of network reliability and efficiency).
- **2.2.3** DNOs to introduce clear processes for the design, development, and communication of the decision-making framework. These should include transparent and participatory processes for stakeholder input.
- **2.2.4** DNOs to develop efficient, scalable dispatch instruction infrastructure and avoid proprietary systems.
  - We expect clear definitions of different types of dispatch instruction for distribution flexibility services and transparent rules about when and in which

markets they should be used. Circumstances for different dispatch instructions should be well-justified. Definitions of these circumstances should be developed with input and cooperation from network users. The application of hard dispatch controls shall be for the improved reliance on market-based mechanisms, not to the detriment of their development. Capabilities in network operations, for example in dispatch instructions and associated system architectures shall not be hard coded to the DNO. These must be developed so that they can be cost effectively assigned to another party in future if this is needed.

### **Role 3: Market development**

#### *Activity 3.1: Provide accurate, user-friendly and comprehensive market information*

The purpose of this activity is to ensure that DNOs sufficiently inform stakeholders of information that will assist them in participating in, managing or otherwise engaging with markets in the long and short term. We recognise there are overlaps across other activities, but at the same time believe this information is sufficiently critical to warrant its own statement, and to also include wider information than that mentioned in prior activities.

Our Baseline Expectations are:

- **3.1.1** DNOs collate and publish as much relevant data and information as reasonable that will help market participants identify and value opportunities to provide network services to DNOs and take market actions that support efficient whole system outcomes. Relevant data and information include planning and operational data (such as that set out in Activity 1.1 and 2.1). This should be provided with sufficient lead times to enable wider participation in distribution flexibility services markets. It also includes information on historic and future distribution flexibility services market actions. This should include tender results, prices bid and paid, the carbon content of aggregated units, how often DER is dispatched (and volumes) and other actions taken by the DNO (with anonymisation as required), including curtailment as part of non-firm connection agreements. The information should include all requirements set out in licence conditions to support DER to identify revenue opportunities. This increases the accessibility of tendering for distribution flexibility services for flexibility providers (while also taking account of DNOs flexibility needs).

- **3.1.2** DNOs should, with stakeholder input, develop robust strategies for how they will collate and publish more helpful information, wherever possible consistently and in coordination with other network licence holders, and communicate this clearly.
- **3.1.3** DNOs should regularly and actively engage with market participants to understand what data and information is helpful to support market development. While there will be minimum legal requirements set out in licences, we expect DNOs to use their stakeholder engagement to consider the most effective format and frequency of publishing that data to ensure it is user-friendly. The information must be easily accessible and navigable. We expect this includes publishing data in machine-readable formats.
- **3.1.4** DNOs should, where reasonable, tailor both their information provision and engagement approaches to reflect different needs of potential market participants, including groups in vulnerable situations. In many instances, collaboration across DNOs in engagement is expected to reduce duplication, make it easier for stakeholders to engage and avoid stakeholder fatigue.
- **3.1.5** DNOs should seek to ensure the information they publish is as accurate and unbiased as reasonable (ie correct at time of publication, as close as possible to the actual value and not skewed in any direction).

*Activity 3.2: Embed simple, fair and transparent rules and processes for procuring distribution flexibility services*

The purpose of this activity is to ensure distribution flexibility service market design leads to good competitive outcomes, including downward pressure on prices and innovative services.

Our Baseline Expectations are:

- **3.2.1** DNOs to have clear processes in place for developing and amending distribution flexibility services products, contracts, and qualification criteria, that are, wherever possible, standardised.<sup>16</sup> The processes should be transparent and participatory, involving other DNOs, the GB System Operator, and current and potential distribution flexibility service providers.

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<sup>16</sup> Standardisation of the technical parameters of the product, processes and the applicable contracts, not just in branding, with clear justification for any deviations, as well as data standards and methods for sharing this information.

- DNOs should also coordinate and engage with third party platform providers, who can offer system value by providing new routes to market and driving whole system outcomes. DNOs should not prevent the emergence of this sector and should enable third party platforms to 'plug-in' to DNOs' flexibility procurement processes. Products and contracts should be adaptive to reflect prevailing system needs, type, and availability of flexible resources. The objective of these processes is to enable as wide participation in distribution flexibility services markets as possible.
- **3.2.2** DNOs should identify the optimum combination of longer and shorter term lengths of markets and contract lengths reflecting the network need. Needs should be neutrally defined, to allow for a range of flexibility providers to participate. This will help improve market liquidity and the opportunities for innovation and dynamic competition. Individual decisions and frameworks for deciding market timeframes and contract lengths should be transparent, informed by stakeholders and justified as being the most economic and efficient solution. Notwithstanding, deviations from the standard should be justified with clear governance processes for managing change that should be clearly communicated.
  - DNOs should have clear, comprehensive and transparent mechanisms and associated commercial structures for coordinating distribution flexibility services and ESO flexibility services procurement. DNOs shall not act as the commercial route for DER accessing ESO flexibility services. Transparent (and possibly tripartite) commercial agreements may be required to reflect the potential effects of DER dispatch on Distribution System operability and the role of DNOs in setting dispatch parameters (as set out in Activity 2.1 and 2.2). These agreements should remove exclusivity clauses as far as possible, including with regard to non-firm connections. Coordination on dispatch parameters should enable a closer to real-time understanding of what DER needs to be armed and available for a particular service, and what can be available to provide other services.
  - DNOs should consider arrangements to support DERs to provide services that meet both DNO and GB System Operator needs.
- **3.2.3** DNOs should make available the necessary data to enable secondary trading, for example capacity and other peer-to-peer trading. Enabling includes defining, communicating and justifying the parameters in which these trades can take place for operability purposes.
- **3.2.4** Market support services, such as pre-qualification, credit-checking and settlement must enable simple and cost-efficient participation in markets. DNOs

should enable, and never prevent, the opportunity for third parties to provide these services where they could do so more efficiently.

- **3.2.5** DNOs to introduce other proportionate measures, developed with robust stakeholder engagement, to identify and address actual and perceived conflicts between its DSO and network ownership roles or other business interests.<sup>17</sup> The introduction of such measures should enable DNOs to efficiently plan, develop and use their network, taking into account and using flexible alternatives to network reinforcement where efficient for the system, in a visibly neutral way. At a minimum, this should include demonstrable executive-level accountability and board-level visibility of key DSO decisions across the planning, operation and market facilitation functions. This should also include clear and separate decision-making frameworks, supported by independent oversight, such as external auditing, to promote transparency and enable scrutiny. Additionally, to support the justification of DNOs' proposals as proportionate, we expect DNOs to set out conflict mitigation options that were considered but not proposed, including legal separation if this is not part of the DNO's suite of proposals. As part of their justification, DNOs should include the available supporting information on the likely costs, timings and implications of these alternative options or a narration of initial views.

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<sup>17</sup> Other business interests could include services DNOs are able to provide outside of their regulated income. In December 2022, we published our decision on DNOs using remote voltage control to provide the ESO with balancing services (CLASS) in RIIO-ED2.

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## Appendix 2 – DSO Stakeholder Satisfaction Survey script

The purpose of the Distribution System Operation (DSO) Stakeholder Satisfaction Survey is to drive distribution network companies to become more responsive to the needs of DSO Stakeholders and improve service levels. The scored part of the survey will be used to assess [distribution network company name]'s performance against a target, and determine a financial penalty or reward. Also [distribution network company name] will use the survey to inform their current business operations and in planning for future decision making.

### Section 1 – DSO Stakeholder Satisfaction Survey screening questions

This section of the survey will take about 3 minutes. You must answer each question in this section. The following questions allow both Ofgem and [distribution network company name] to gain further insight into their DSO Stakeholders' demographic and give more background to scores and answers in the Section 2.

#### Question 1.

Please select the DSO Stakeholder category which best describes your interaction with the distribution network company in the period of 1 April [year - 1] to 31 March [year] (you may only select one option):

- |   |  |
|---|--|
| <input type="checkbox"/> Academia                               | <input type="checkbox"/> Consultancy                           |
| <input type="checkbox"/> Consumer advocacy group                | <input type="checkbox"/> Customer with a flexible connection   |
| <input type="checkbox"/> Distributed generator                  | <input type="checkbox"/> Electricity storage provider          |
| <input type="checkbox"/> Electricity network or system provider | <input type="checkbox"/> Flexibility aggregator                |
| <input type="checkbox"/> Gas network or system operator         | <input type="checkbox"/> Industrial & Commercial customer      |
| <input type="checkbox"/> Local or combined authority            | <input type="checkbox"/> Supply chain company                  |
| <input type="checkbox"/> Trade association                      | <input type="checkbox"/> Other (enter brief description below) |

Question 2.

Please describe your familiarity with the three DSO roles of planning and network development; network operation; and market development (you may only select one option):

- I am not aware of DSO roles and I am not interested.
- I am not aware of DSO roles and I am interested in gaining an understanding.
- I am aware of DSO roles, but I have little or no understanding.
- I am very familiar with DSO roles and have a good understanding.

Question 3.

Please tell us how often you have interacted with [distribution network company name] for DSO Stakeholder activities, in the period of 1 April [year - 1] to 31 March [year] (you may only select one option):

- Daily
- Weekly
- Monthly
- Quarterly
- Annually

**Section 2 – DSO Stakeholder Satisfaction Survey scored questions and unscored free-text questions**

This section of the survey will take up to 10 minutes. For each question, please provide your satisfaction rating on a scale from 1 to 10, where 1 is very dissatisfied and 10 is very satisfied. Your rating will count towards [distribution network company name]'s overall score for the DSO Stakeholder Satisfaction Survey criteria of the RIIO-ED2 DSO Incentive.

For each question, you are also provided with an opportunity to submit a free-text answer (subject to a maximum word count of 200 words). Please note the free-text answer will not affect the given satisfaction rating. The purpose of the free-text answer is such that [distribution network company name] can gain further insight to drive

improvements in DSO performance. These answers will remain confidential to [distribution network company name]. If you are happy for your answer to be non-confidential, please tick the check box provided. At the end of this section, there will be an opportunity to submit additional comments (subject to a maximum word count of 200 words).

You must provide a satisfaction rating for at least one of the following questions. For any questions that you think do not apply to your interaction with [distribution network company name], please tick the 'N/A' check box.

Question 1. Our coordination with other network and system operators

Our three DSO roles require us to coordinate our planning and network development, network operation, and market development activities, adhering to industry best practice, with those of other network and system operators. This is to avoid market fragmentation and conflicting actions, as well as to ensure that all resources are effectively utilised in our operations. Our recent activities in this area include:

[Each distribution network company to input a short list of deliverables implemented in the last 12 months that relate to the question, not exceeding an additional 150 words].

**Overall, from your experience in this area in the last 12 months, how would you rate our DSO performance?**

Very dissatisfied 1 2 3 4 5 6 7 8 9 10 Very satisfied  
N/A

Please provide any feedback you may have on this topic in the text box below. If you provided an answer for this scored question, please can you explain what we could have done better to improve our rating?

My answer is not confidential.

Question 2. Our provision of data and information

Our three DSO roles require us to provide accurate network planning information, operational data and market information in a format that meets the needs of network users and other stakeholders. Our recent activities in this area include:

[Each distribution network company to input a short list of deliverables implemented in the last 12 months that relate to the question, not exceeding an additional 150 words].

**Overall, from your experience in this area in the last 12 months, how would you rate our DSO performance?**

Very dissatisfied 1 2 3 4 5 6 7 8 9 10 Very satisfied  
N/A

Please provide any feedback you may have on this topic in the text box below. If you provided an answer for this scored question, please can you explain what we could have done better to improve our rating?

My answer is not confidential.

Question 3. Our support to flexibility market development

One of our DSO roles is to develop the market for distribution flexibility services and coordinate this with the GB System Operator's procurement of flexibility services. Our recent activities in this area include:

[Each distribution network company to input a short list of deliverables implemented in the last 12 months that relate to the question, not exceeding an additional 150 words].

**Overall, from your experience in this area in the last 12 months, how would you rate our DSO performance?**

Very dissatisfied 1 2 3 4 5 6 7 8 9 10 Very satisfied  
N/A

Please provide any feedback you may have on this topic in the text box below. If you provided an answer for this scored question, please can you explain what we could have done better to improve our rating?

My answer is not confidential.

#### Question 4. Our decision making framework

It is important that we plan, develop and use the distribution network in a way that identifies and addresses actual and perceived conflicts between DSO and our network ownership roles or other business interests. Our recent activities in this area include:

[Each distribution network company to input a short list of deliverables implemented in the last 12 months that relate to the question, not exceeding an additional 150 words].

**Overall, from your experience in this area in the last 12 months, how would you rate our DSO performance?**

Very dissatisfied 1 2 3 4 5 6 7 8 9 10 Very satisfied  
N/A

Please provide any feedback you may have on this topic in the text box below. If you provided an answer for this scored question, please can you explain what we could have done better to improve our rating?

My answer is not confidential.

#### Question 5. Our approach to network planning

One of our DSO roles is to engage across sectors to support the development of local authority and devolved government plans for decarbonisation. Our recent activities in this area include:

[Each distribution network company to input a short list of deliverables implemented in the last 12 months that relate to the question, not exceeding an additional 150 words].

**Overall, from your experience in this area in the last 12 months, how would you rate our DSO performance?**

Very dissatisfied 1 2 3 4 5 6 7 8 9 10 Very satisfied  
N/A

Please provide any feedback you may have on this topic in the text box below. If you provided an answer for this scored question, please can you explain what we could have done better to improve our rating?

My answer is not confidential.

**Additional comments**

Please add here any additional comments you may have on [distribution network company]'s DSO activities.

My answer is not confidential.

## Appendix 3 – DSO Stakeholder Satisfaction Survey score calculation

**Table 9: Example DSO Stakeholder Satisfaction Survey score calculation**

Question	Respondent number										Response rate	Average score
	1	2	3	4	5	6	7	8	9	10		
1. Coordination	9	8	7	-	9	8	5	6	8	7	9	7.44
2. Data and information provision	7	7	8	6	7	6	6	5	4	5	10	6.10
3. Flexibility market development	6	5	6	7	6	6	3	4	6	5	10	5.40
4. Decision making	4	-	5	6	-	6	5	4	-	6	7	5.14
5. Network planning	8	8	7	6	9	7	6	5	9	7	10	7.20
Score												6.23

The score used for Part B of Special Condition 4.8 is the average (mean) of all questions' average (mean). In this example, we assume the Independent Third Party identified 200 DSO Stakeholders that were recipients of the DSO Stakeholder Satisfaction Survey. Therefore the threshold was 10 responses per question. This means the score is 6.23 (rounded to 2 decimal points), as the average (mean) from questions 1 and 4 were excluded from calculations due to the failure to meet the response rate threshold.

## Appendix 4 – Regularly Reported Evidence

**Table 10: Regularly Reported Evidence**

<b>RRE 1: Flexible Connections</b>	
Purpose	Provides visibility of the volumes of Flexible Connections .
Method	Reports the number of users on Flexible Connections along with their curtailable export capacity and/or curtailable import capacity in MW.
Reporting frequency	Annual
<b>RRE 2: Primary network forecasting accuracy</b>	
Purpose	Aligns with DSO role to plan efficiently in the context of uncertainty.
Method	Compares the accuracy of the forecast maximum demand MW in the September Long Term Development Statement (LTDS) with the outturn reported in the Load Index (LI) reporting pack for each primary substation.
Reporting frequency	Annual
<b>RRE 3: Transformer utilisation</b>	
Purpose	Assesses whether a decision to reinforce is justified by high asset utilisation.
Method	<p>Reports:</p> <ul style="list-style-type: none"> <li>• PMT gross capacity additions (HV + LV combined, MVA) within the respective 20% forecast utilisation bands<sup>18</sup></li> <li>• GMT gross capacity additions (HV + LV combined, MVA) within the respective 20% forecast utilisation bands</li> </ul> <p>The RRE is the same as Metric 1: Transformer utilisation which is set out in further detail in the RIIO-ED2 LRE Volume Drivers Governance Document.</p>
Reporting frequency	Annual
<b>RRE 4: Network Options Assessment outcomes</b>	
Purpose	Reports the outcomes of key licensee investment decisions.
Method	Reports the outcomes from the Common Evaluation Methodology (CEM) <sup>19</sup> Cost Benefit Analysis (CBA) tool <sup>20</sup> , on whether to defer conventional reinforcement using flexibility services, for relevant reinforcement schemes as a % of the total against standardised categories (ie flexibility, reinforce and flexibility, reinforce, signal future requirements, do nothing).
Reporting frequency	Annual

<sup>18</sup> The 20% bands are those outlined in the RRP: 0 – 20%, 20% – 40%, 40% – 60%, 60% – 80%, 80% – 100%, 100% – 120% and >120%.

<sup>19</sup> [Microsoft Word - CEM Tool User Guide v2.0 \(energynetworks.org\)](https://www.energynetworks.org/assets/images/Resource%20library/ON22-WS1A-Microsoft%20Word%20-%20CEM%20Tool%20User%20Guide%20v2.0%20(energynetworks.org))

<sup>20</sup> <https://www.energynetworks.org/assets/images/Resource%20library/ON22-WS1A-P1%20Common%20Evaluation%20Methodology%20Tool%20Version%202.2.zip>

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## **Appendix 5 – DSO Performance Panel terms of reference**

### **Purpose**

The DSO Performance Panel is an independent panel of experts and DSO Stakeholder representatives, who will have a role in challenging and evaluating distribution network companies' performance in RIIO-ED2 against a set of criteria based on the Baseline Expectations for DSO and the associated delivery of DSO benefits. The DSO Performance Panel provides industry with a platform to hold the distribution network companies to account, adding greater transparency to the DSO incentive decision making process.

The DSO Performance Panel's performance evaluation will form a recommendation to Ofgem, who will review the available evidence to determine a financial penalty or reward for the distribution network companies for the relevant Regulatory Year, in accordance with Part C of Special Condition 4.8.

### **Term**

This terms of reference is effective from 1 April 2023 and continues until the final DSO Performance Panel meeting in Summer 2028. The terms of reference can be amended at any time based on mutual agreement between the DSO Performance Panel Members, distribution network companies and Ofgem.

### **Membership**

The DSO Performance Panel will be comprised of at least 4 scoring DSO Performance Panel Members and a non-scoring DSO Performance Panel Chair.

The DSO Performance Panel Chair will be an Ofgem employee (Senior Civil Service level). We will keep these arrangements under review and consider whether it is appropriate to move to an independent DSO Performance Panel Chair in the future once the DSO Performance Panel is more established.

DSO Performance Panel Members will include a mix of voluntary DSO Stakeholder representatives and independent experts recruited by Ofgem. The tenure of the membership will be fixed and we expect to review DSO Performance Panel membership every 2 years. However, we aim to make consistent improvements to the functioning of

the DSO Performance Panel and will make changes where appropriate – this may have an impact on the make up of the DSO Performance Panel.

### **Selection process**

The independent experts will be hired on merit through fair and open competition. The process will follow Ofgem’s standard recruitment principles and appointed members will receive suitable remuneration.

For the DSO Stakeholder representatives, Ofgem will invite nominations from trade bodies, industry associations, consumer groups and other individuals who would be interested in voluntarily representing the views of a particular DSO Stakeholder group.

The balance of independent experts relative to DSO Stakeholder representatives will be determined by the quality of applications and nominations received. We will keep the membership of the DSO Performance Panel under review to ensure that it is able to function effectively.

### **Roles and responsibilities**

#### *DSO Performance Panel Chair*

The role of the DSO Performance Panel Chair involves:

- chairing DSO Performance Panel Sessions.
- ensuring the DSO Performance Panel makes its recommendations according to the Evaluation Criteria.

#### *DSO Performance Panel Members*

The role of a DSO Performance Panel Member is to:

- Review guidance on the purpose of the incentive and the DSO Performance Panel assessment criteria, as provided by Ofgem, prior to the DSO Performance Panel Sessions.
- Attend all scheduled briefings sessions with Ofgem.
- Evaluate each distribution network company’s DSO Performance Panel Submission, and attend meetings in order to discuss supplementary questions.

- Engage in all DSO Performance Performance Panel Sessions.
- Perform a joint end of year evaluation of each distribution network company's performance during the previous year, and score the distribution network company in accordance with the Governance Document.

To carry out this role effectively, DSO Performance Panel Members will be expected to liaise with the DSO Performance Panel Secretariat (for example to help manage time commitments).

#### *Time commitment*

Approximately one half day per year will be required from each DSO Performance Panel Member for each DSO Performance Panel Session. We intend to hold six DSO Performance Panel Sessions (ie one for each distribution network company). We expect that DSO Panel Members will be required to attend the DSO Performance Panel Sessions via videoconference.

In addition to the six DSO Performance Panel Sessions, DSO Performance Panel Members will be expected to spend time reviewing the evidence and submissions and preparing for the DSO Performance Panel Sessions. We expect a maximum of 10 working days per year will be required from each DSO Performance Panel Member.

#### *DSO Performance Panel Secretariat*

Ofgem staff will act as the DSO Performance Panel Secretariat, which will be responsible for:

- Coordinating with the DSO Performance Panel Members and the distribution network companies
- Organising the DSO Performance Panel Sessions and any other meetings.
- Preparing relevant papers and notes from the DSO Performance Panel Sessions.

#### **DSO Performance Panel Sessions**

All DSO Performance Panel Sessions will be chaired by a non-scoring DSO Performance Panel Chair. The quorum necessary for the business of the DSO Performance Panel will be at least 4 scoring DSO Performance Panel Members.

Each distribution network company will take part in a 40-minute DSO Performance Panel Session. Distribution network companies will be asked to give a 10-minute presentation as part of their DSO Performance Panel Session. The presentation will be based on written supplementary questions provided by the DSO Performance Panel to the distribution network company, no later than 10 working days prior to the DSO Performance Panel Session. The DSO Performance Panel will be able to ask a maximum of 6 written supplementary questions.

DSO Performance Panel Members will also need to be available for a briefing session with Ofgem via teleconference before each of the DSO Performance Panel Sessions. If required, subgroup meetings will be arranged outside of these times at a time convenient to subgroup members. The DSO Performance Panel will provide general feedback on DSO Performance Panel Submissions and Sessions to the distribution network companies shortly after the conclusion of all DSO Performance Panel Sessions. This will include providing each distribution network company with their overall panel score.

### **Conflicts of interest**

Prior to involvement with the DSO Performance Panel, DSO Performance Panel Members should ensure that there are no conflicts of interest that, in the opinion of a fair minded and well-informed observer, would suggest a real possibility of bias.

If a DSO Performance Panel Member has a direct or indirect interest which may be material or relevant, they will need to declare that interest to the DSO Performance Panel Secretariat who may refer the matter to the DSO Performance Panel Chair. The DSO Performance Panel Chair will then decide the most appropriate course of action, including the possibility that the conflicted DSO Performance Panel Member absents themselves from any vote in relation to the area of conflict.

DSO Performance Panel Members will be expected to make every effort to represent the views of the industry as a whole and not any single organisation.

## **DSO Performance Panel report**

Each year the DSO Performance Panel Secretariat will draft a report, which will be published within the relevant section of the DSO Incentive Report. The report will include:

- An explanation of the decision-making process undertaken by the DSO Performance Panel
- Examples of best-practise identified by the DSO Performance Panel, broken down by criteria where appropriate.
- Details of all the activities that the DSO Performance Panel deemed were inappropriately incentivised by another primary driver, and which were excluded from consideration during scoring.
- An Appendix for each network company, including:
  - The overall panel score awarded, as well as criteria specific scores
  - Detailed feedback to explain how the scores were decided, including highlighting best practice and identify key areas for improvement.

## **Panel Funding**

The DSO Performance Panel will be funded by Ofgem. We will keep this option under review as the DSO Performance Panel develops.

## Appendix 6 – DSO Performance Panel assessment scoring guidance

**Table 11: Scoring guidance: Delivery of DSO benefits**

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
Level of ambition	Benefits are poorly articulated and supported by a limited evidence base	Some consideration of benefits, but unclear to what extent they are driven by DSO activities  Assumptions are weakly articulated and not consistent with well-established methods for economic appraisal (eg HM Treasury (HMT) Green Book)	Benefits from DSO activities (eg flexibility) are well evidenced and correspond with ambition in DSO strategy  Consideration of the impact of DSO activities on different types of consumers, network users and the wider energy system (including carbon emissions)  Quantification of benefits is consistent with established methods for economic appraisal (eg HMT Green Book)	As "Average", but in addition evidence that the distribution network company is promoting wider system benefits (eg greater network access for DER and better coordinated dispatch across the Transmission / Distribution boundary)	As "Good", but in addition evidence that the distribution network company is taking a proactive role on regional cross vector investment planning and interfacing with local actors (eg LA and GDNs)
Benefits realisation	No consideration of benefits realisation within the RIIO-ED2 period	Limited evidence that the delivery of benefits has been tracked within the RIIO-ED2 period	Clear articulation of actual benefits the distribution network company has realised within the RIIO-ED2 period through the	As "Average", but in addition evidence that the distribution network company has quickly and proactively adapted	As "Good", but in addition evidence that the distribution network company has delivered additional outputs that seek to

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
			delivery of its DSO strategy  Robust processes / KPIs for tracking benefits	existing plans and course-correcting where opportunity to increase benefits	maximise benefits for customers

**Table 12: Scoring guidance: Data and information provision**

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
Scope, granularity and accuracy of data	<p>Minimal planning, operational and market data and information collected and shared</p> <p>No consideration of third-party data with little to no use of smart meter data</p> <p>No strategic approach to delivering improvements with very weak evidence that the distribution network company is taking steps to improve data quality</p> <p>Little to no consideration of how to ensure data and information published is as accurate and unbiased as possible<sup>21</sup></p>	<p>Some basic planning, operational and market data and information collected and shared</p> <p>Limited consideration of third-party data and limited use of smart meter data</p> <p>Weak strategy in place to deliver improvements with only limited evidence that the distribution network company is taking steps to improve data quality</p> <p>Limited consideration of how to ensure data and information published is as accurate and unbiased as possible</p>	<p>Comprehensive data and information provision across planning, operational and market roles, including at a minimum the data set out in the DSO Baseline Expectations<sup>22</sup></p> <p>Use of third-party data considered, including harnessing smart meter data</p> <p>Clear evidence that the distribution network company is taking steps to improve data quality, with processes in place to address gaps in datasets and drive up standards</p> <p>Consideration of how to ensure data and information published</p>	<p>As “average”, but in addition:</p> <ul style="list-style-type: none"> <li>• Clear evidence that the distribution network company is sharing additional data and information, where it has identified stakeholder value</li> </ul>	<p>As “good”, but in addition:</p> <ul style="list-style-type: none"> <li>• The distribution network company is leading the sector in promoting planning, operations and market data availability</li> <li>• The distribution network company is sharing underlying methodologies and other insights beyond output data</li> </ul>

<sup>21</sup> By accurate and unbiased we mean correct at time of publication, as close as possible to the actual value and not skewed in any direction.

<sup>22</sup> These include, but are not limited to, comprehensive and comparable heat maps, distribution flexibility tender results and curtailment as part of non-firm connection agreements.

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
			is as accurate and unbiased as possible		
Accessibility of data	<p>Little to no consideration of how to tailor data and information provision to DSO Stakeholders' needs</p> <p>Data is only available in differing, hard to use formats</p> <p>Data is not readily available in a logical, easy to access location</p> <p>Lack of credible evidence that industry standards are being considered or applied</p>	<p>Some consideration of how to adapt data and information provision to distribution network company Stakeholders' needs</p> <p>Data is largely available in an accessible, common format</p> <p>Data is largely available in a logical, easy to access location</p> <p>Some evidence that industry standards are being considered or applied</p>	<p>The distribution network company has considered how to adapt data and information provision to DSO Stakeholders' needs</p> <p>Data is available in an accessible, common format</p> <p>Data is readily available in a logical, easy to access location</p> <p>Evidence that industry standards are consistently being considered or applied</p>	<p>Tailored approach to provision and clear evidence of how DSO Stakeholder engagement is being used to influence and improve provision</p> <p>Data is available in an accessible, common format</p> <p>Data is readily available in a logical, easy to access location</p>	<p>As "good" with in addition:</p> <ul style="list-style-type: none"> <li>• Provision of network models</li> <li>• Consistent and standardised use of Application Programming Interfaces (APIs) to allow DSO Stakeholders to automate their data collection</li> </ul>

**Table 13: Scoring guidance: Flexibility market development**

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
Design of distribution flexibility products, contracts and processes	<p>Lack of standardisation across the distribution network company’s distribution flexibility services products, contracts, and qualification criteria</p> <p>The distribution network company is not following industry standard practice</p> <p>Limited DSO Stakeholder engagement has been undertaken to identify and address key issues hindering flexibility market development</p> <p>The licensee is using proprietary systems</p>	<p>Lack of standardisation across the distribution network company’s distribution flexibility services products, contracts, and qualification criteria, with limited justification</p> <p>The distribution network company is following industry standard practice in some areas, with limited justification where this is not the case</p> <p>Some DSO Stakeholder engagement has been undertaken to identify and address key issues hindering flexibility market development, but this largely relies on</p>	<p>The distribution network company’s distribution flexibility services products, contracts, and qualification criteria are standardised. Where not, credible justification is provided</p> <p>The distribution network company is following industry standard practice, eg implementing Open Network Project deliverables. Where this is not the case a credible justification is provided</p> <p>Extensive DSO Stakeholder engagement has been undertaken to identify and address key issues hindering flexibility market development</p>	<p>As “good”, but in addition:</p> <ul style="list-style-type: none"> <li>• The distribution network company has implemented in full the current set of Open Network Project deliverables, and made improvements in response to DSO Stakeholder feedback</li> <li>• Clear evidence that the distribution network company is unlocking the value of flex and energy efficiency in more nascent areas, eg constraints on the secondary (LV and HV) network</li> <li>• Clear plans to enable secondary trading of</li> </ul>	<p>As “good”, but in addition:</p> <ul style="list-style-type: none"> <li>• The distribution network company is setting an industry leading benchmark for distribution flexibility products, contracts and processes</li> </ul>

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
		centrally-led programmes  The distribution network company is using proprietary systems	The distribution network company can demonstrate it has avoided proprietary systems	flexibility and curtailment obligations to be fulfilled	
Facilitation of market access	Limited explanation of how the distribution network company is enabling third parties to provide market support services and platform services  Little to no evidence that the distribution network company has taken steps to support DER to provide services that meet both distribution network company and GB System Operator needs  Little to no justification provided for the use of exclusivity clauses	Some explanation of how the distribution network company is enabling third parties to provide market support services and platform services  The distribution network company has taken modest steps to support DER to provide services that meet both distribution network company and GB System Operator needs  Limited justification provided for the use of exclusivity clauses	Clear explanation of how the distribution network company is enabling third parties to provide market support services and platform services  Clear evidence that the distribution network company has undertaken initiatives to improve market access and enabling simple, cost-efficient participation have been effective  Limited exclusivity clauses with credible justification where used	As "average", but in addition: <ul style="list-style-type: none"><li>The distribution network company is demonstrably providing operational data to the GB System Operator and other distribution network companies in a practical and accessible way (for instance via an Inter-control center Communications Protocol (ICCP) link) to provide visibility and to coordinate / avoid conflicts</li></ul>	As "good", but in addition: <ul style="list-style-type: none"><li>Clear evidence that the distribution network company's ambition extends beyond delivering distribution flexibility (for network minimisation, management and restoration) to enabling and facilitate flexibility for system optimisation</li></ul>

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
				<ul style="list-style-type: none"><li>• The distribution network company can demonstrate that its commercial arrangements with DER enable better coordination with the GB System Operator</li></ul>	

**Table 14: Scoring guidance: Options assessment and conflicts of interest mitigation**

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
Assessment of network options	<p>Evaluation methodology used to assess options to resolve network needs is not clearly defined or accessible to DSO Stakeholders</p> <p>Options assessment involves limited cross-sector engagement, optioneering and planning with other sectors or vectors</p> <p>Evaluation methodology used to assess options to resolve network needs fails to recognise value of alternatives to conventional network reinforcement, including flexibility and energy efficiency</p>	<p>Evaluation methodology used to assess options to resolve network needs is not clearly defined or accessible to DSO Stakeholders</p> <p>Options assessment involves some cross-sector engagement, optioneering and planning with other sectors or vectors</p> <p>Evaluation methodology used to assess options to resolve network needs inconsistently recognizes the value of alternatives to conventional network reinforcement, including flexibility and energy efficiency</p>	<p>Evaluation methodology used to assess options to resolve network needs is clearly defined and accessible to DSO Stakeholders</p> <p>Options assessment involves demonstrable cross-sector engagement, optioneering and planning with other sectors or vectors</p> <p>Evaluation methodology used to assess options to resolve network needs has a consistent approach to valuing alternatives to conventional network reinforcement, including flexibility and energy efficiency</p>	<p>As "average", but in addition:</p> <ul style="list-style-type: none"> <li>Proactive engagement with other network companies and current / prospective network users to resolve network needs</li> </ul>	<p>As "good", but in addition:</p> <ul style="list-style-type: none"> <li>The distribution network company has demonstrated the solution is economic and efficient over the long term, recognising the option value that flexibility and energy efficiency can provide</li> <li>The network options assessment has demonstrated how wider whole system options have been assessed to deliver identified needs at lowest cost</li> </ul>

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
Management of conflicts of interest	The distribution network company has not introduced proportionate measures to identify and address actual and perceived conflicts between its DSO and network ownership roles	The distribution network company has not introduced sufficient proportionate measures to identify and address actual and perceived conflicts between its DSO and network ownership roles	The distribution network company has introduced proportionate measures to identify and address actual and perceived conflicts between its DSO and network ownership roles, including: <ul style="list-style-type: none"> <li>• Demonstrable executive level accountability and board-level visibility of DSO decisions</li> <li>• Transparent, clear and separate decision-making frameworks supported by independent oversight</li> </ul>	As "average", but in addition: <ul style="list-style-type: none"> <li>• Outcomes of investment decisions are available on the distribution network company's website in a clear, accessible format</li> <li>• Demonstrable, wide-ranging stakeholder buy-in to the distribution network company's approach and measures, including from market participants</li> <li>• A clear evidence base put forward to justify the distribution network company's approach</li> <li>• Formalised distribution</li> </ul>	As "good", but in addition: <ul style="list-style-type: none"> <li>• The distribution network company's approach has been developed and validated through extensive DSO Stakeholder engagement and is backed up by compelling evidence</li> <li>• The distribution network company is applying best practice, learning from other network operators and updating its approach in line and wider industry developments</li> <li>• The distribution network company is delivering opportunities to both seek and share insights</li> </ul>

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
				network company-DSO relationship (e.g. operational agreement, decision-making framework, distribution network company-DSO code)	from across the sector, driving improvements not only within their organisation but across the sector as a whole

**Table 15: Scoring guidance: Distributed energy resources (DER) dispatch decision making framework**

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
DER visibility and dispatch	<p>The distribution network company has little visibility of DER characteristics and data parameters</p> <p>Poorly defined and opaque decision-making framework for when DER are instructed to dispatch in real-time, with no coordination of dispatch instructions</p> <p>Operating a dispatch instruction infrastructure, with no clear definitions or rules, that runs risk of "hard coding" capabilities in network operations to the distribution network company</p>	<p>The distribution network company has some visibility of DER characteristics and data parameters</p> <p>Poorly defined and opaque decision-making framework for when DER are instructed to dispatch in real-time, with limited coordination of dispatch instructions</p> <p>Operating a dispatch instruction infrastructure, with weak definitions and opaque rules, that runs risk of "hard coding" capabilities in network operations to the distribution network company</p>	<p>The distribution network company has comprehensive and robust visibility of DER characteristics and data parameters to inform effective and coordinated dispatch instructions</p> <p>Clear and transparent decision-making framework for when DER are instructed to dispatch in real-time, including primacy rules and comprehensive optimisation processes for coordinating dispatch instructions for DSO and GB System Operator flexibility services and curtailment</p> <p>Operating an efficient, scalable dispatch instruction infrastructure, with clear definitions and transparent rules,</p>	<p>As "average", but in addition:</p> <ul style="list-style-type: none"> <li>Enhanced DSO-GB System Operator communication channels, eg complete ICCP link installations</li> <li>Increased DER participation in GB System Operator markets</li> </ul>	<p>As "good", but in addition:</p> <ul style="list-style-type: none"> <li>Optimised whole system coordination of DER to resolving conflicts of services across GB System Operator and DSO</li> <li>Leading industry in ensuring dispatch logic is consistent and adhered to</li> </ul>

	<b>Poor (1-2)</b>	<b>Weak (3-4)</b>	<b>Average (5-6)</b>	<b>Good (7-8)</b>	<b>Excellent (9+)</b>
			that avoids "hard coding" capabilities in network operations to the distribution network company		

## Appendix 7 – DSO Performance Panel score worked example

**Table 16: Worked example of DSO Performance Panel score calculation (scores and number of DSO Performance Panel Members are illustrative)**

Criteria	Weighting	DSO Performance Panel Member 1	DSO Performance Panel Member 2	DSO Performance Panel Member 3	DSO Performance Panel Member 4	Weighted average (mean) score
1. Delivery of DSO benefits	30%	7	8	7	8	2.25
2. Data and information provision	20%	6	5	6	6	1.15
3. Flexibility market development	20%	9	8	7	8	1.60
4. Options assessment and conflict of interest mitigation	20%	4	3	4	5	0.80
5. Distributed energy resources (DER) dispatch decision making framework	10%	6	5	7	5	0.58
Weighted average (mean) score	-	-	-	-	-	<b>6.38</b>

In this example, the weighted average (mean) score is the product of the average (mean) scores of the four DSO Performance Panel Members for each question and the % weight that is assigned to that question.

## Appendix 8 – Glossary

**Table 17: Glossary of key terms used in the Governance Document**

<b>Element</b>	<b>Description</b>
Authority	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions). References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work.
Baseline Expectations	The baseline expectations of licensees for their RIIO-ED2 business plans as defined in the Business Plan Guidance <sup>23</sup> . See Appendix 1.
BAU Innovation	means any innovation that is not dependent on, or funded via, ringfenced innovation stimulus funds (eg innovation funded through the main price control Totex Allowance).
Citizens Advice	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Connection Point	means an Exit Point or Entry Point.
Consumer Scotland	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Curtailed Connection	means a connection whereby the Required Capacity can be reduced by the licensee.
Curtail/Curtailment	means any action taken by the licensee to restrict the flow of electricity at the Connection Point, except where that restriction is caused by: (a) an Interruption to the customer's supply; and/or (b) curtailment as a result of constraints on the transmission network.
Curtailment Efficiency Outturn Performance Metric	means the Curtailment Efficiency Outturn Performance Metric term and is derived in accordance with Table 7.
Digitalisation Action Plan	means a document prepared and published by the licensee in accordance with Part B of Special Condition 9.5 of the Electricity Distribution Licence (Digitalisation).
Digitalisation Strategy	means a document prepared and published by the licensee in accordance with Part A of Special Condition 9.5 of the Electricity Distribution Licence (Digitalisation).
Distributed Generator	has the meaning given to that term in Part A of Special Condition 1.2 of the Electricity Distribution Licence (Definitions and references to the Electricity Distributors)
Distribution Connection and Use of System Agreement (DCUSA)	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).

<sup>23</sup> See [RIIO-ED2 Business Plan Guidance](#).

<b>Element</b>	<b>Description</b>
Distribution Flexibility Services	has the meaning given to that term in Standard Condition 31E of the Electricity Distribution Licence (Procurement and use of Distribution Flexibility Services)
Distribution Flexibility Services Procurement Report	means a document prepared and published by the licensee in accordance with in Standard Condition 31E of the Electricity Distribution Licence (Procurement and use of Distribution Flexibility Services)
Distribution Flexibility Services Procurement Statement	means a document prepared and published by the licensee in accordance with Standard Condition 31E of the Electricity Distribution Licence (Procurement and use of Distribution Flexibility Services)
Distribution System	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Distribution System Operation (DSO)	The engagements undertaken by the licensee pursuant to the operation of the Distribution System, for planning and network development, network operation and market development of the Distribution System as set out in Appendix 1.
DN Operator	has the meaning given to that term in Standard Special Condition A3 (Definitions and Interpretation) to the Gas Transporter Licence.
DSO activities	The five DSO activities set out in Table 1 above.
DSO incentive	A financial output delivery incentive that drives licensees to more efficiently develop and use their network, taking into account flexible alternatives to network reinforcement.
DSO Incentive Governance Document	means the document of that name issued by the Authority in accordance with Part F of Special Condition 4.8 of the Electricity Distribution Licence (Distribution System Operation output delivery incentive).
DSO Incentive Report	An annual report published by Ofgem setting out how each licensee has performed under the DSO incentive. See Chapter 7.
DSO Performance Panel	means a panel established by the Authority to make recommendations to the Authority on the performance of the licensee for the purposes of the Distribution System Operation output delivery incentive established by Special Condition 4.8 (Distribution System Operation output delivery incentive).
DSO Performance Panel assessment criteria	The DSO Performance Panel assessment criteria are the criteria that the DSO Performance Panel will use to assess and score distribution network company performance on DSO activities. The DSO Performance Panel assessment criteria are listed in Table 3 of this document.
DSO Performance Panel Chair	A non-scoring member of the DSO Performance Panel appointed to chair the DSO Performance Panel. The DSO Performance Panel Chair will oversee the DSO Performance Panel's assessment and will lead the DSO Performance Panel Session. See Chapter 4.
DSO Performance Panel Member	An individual appointed by Ofgem to sit on the DSO Performance Panel. See Chapter 4.
DSO Performance Panel Secretariat	means the secretariat function provided by Ofgem for the DSO Performance Panel.
DSO Performance Panel Session	A meeting of the DSO Performance Panel to discuss the DSO Performance Panel Submissions, assess performance against the

<b>Element</b>	<b>Description</b>
	DSO Performance Panel assessment criteria through a presentation and question-and-answer session, and determine a score for each distribution network company. See Chapter 4.
DSO Performance Panel Submission	means a document prepared and published by the licensee in accordance with Part E of Special Condition 4.8 of the Electricity Distribution Licence (Distribution System Operation output delivery incentive).
DSO Stakeholder	Individuals or organisations that affect or can be affected by the DSO activities of the licensee. They may have a direct or indirect interest in DSO activities, and their contact may be anything from daily interaction to occasional contact.
DSO Stakeholder Satisfaction Survey	means the survey (as established by the DSO Incentive Governance Document) used to measure the extent to which DSO Stakeholders are satisfied with the service provided by the licensee for the purposes of the DSO output delivery incentive for which the questions are prescribed in the DSO Incentive Governance Document.
Electricity Distribution Licence	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Entry Point	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Evaluation Criteria/Evaluation Criterion	The criteria/criterion used in the DSO incentive to assess performance, including DSO Stakeholder Satisfaction Survey, DSO Performance Panel assessment and Outturn Performance Metrics. See paragraphs 2.2-2.3. Further information on each of the Evaluation Criteria can be found in Chapters 3, 4 and 5.
Exit Point	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Flexibility Reinforcement Deferral Outturn Performance Metric	means the Flexibility Market Testing Outturn Performance Metric term and is derived in accordance with Table 5.
Flexible Connection	has the meaning given to that term in Schedule 22 of the Distribution Connection and Use of System Agreement.
Full Export Curtailment Hours	means the value calculated in accordance with the relevant formula set out in Table 7.
Full Import Curtailment Hours	means the value calculated in accordance with the relevant formula set out in Table 7.
Gas Transporter Licence	means a licence granted or treated as granted under Section 7(2) of the Gas Act 1986, as amended by the Gas Act 1995 and as otherwise amended.
GB System Operator	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Ground Mounted Transformers	has the meaning given to that term in Annex A of the Regulatory Instructions and Guidance under the Electricity Distribution Licence.

<b>Element</b>	<b>Description</b>
IDNO Party	has the meaning given to that term in the Distribution Connection and Use of System Agreement.
Interruption	has the meaning given to that term in Annex A of the Regulatory Instructions and Guidance under the Electricity Distribution Licence.
Long Term Development Statement	means a document prepared and maintained by the licensee in accordance with Standard Condition 25 of the Electricity Distribution Licence (Long-Term Development Statement).
Maximum Export Capacity	has the meaning given to that term in the Distribution Connection and Use of System Agreement.
Maximum Import Capacity	has the meaning given to that term in the Distribution Connection and Use of System Agreement.
Network Innovation Allowance (NIA)	has the meaning given to that term in Part A of Special Condition 1.2 of the Electricity Distribution Licence (Definitions and references to the Electricity Distributors)
Network Visibility Outturn Performance Metric	means the Network Visibility Outturn Performance Metric term and is derived in accordance with Table 6.
NTS System Operator	has the meaning given to that term in the Special Condition 1.1 (Interpretation and definitions) to the Special Conditions to National Grid Gas Plc's (NTS) Gas Transporter Licence Part C.
Outturn Performance Metric	A numerical measure of licensee performance which can be produced regularly, has a pre-defined methodology and has clear performance benchmarks.
Pole Mounted Transformers	has the meaning given to that term in Annex A of the Regulatory Instructions and Guidance under the Electricity Distribution Licence.
Regularly Reported Evidence (RRE)	Evidence that should be regularly reported by licensees as part of the DSO incentive reporting requirements. See Appendix 4.
Regulatory Instructions and Guidance (RIGs)	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Regulatory Year	has the meaning given to that term in Standard Condition 1 of the Electricity Distribution Licence (Definitions for the standard conditions).
Required Capacity	has the meaning given to that term in Schedule 22 of the Distribution Connection and Use of System Agreement.
Strategic Innovation Fund (SIF)	has the meaning given to that term in Standard Condition 48A of the Electricity Distribution Licence (Electricity Network Innovation Strategy ).
Totex Allowance	has the meaning given to that term in Part A of Special Condition 1.2 of the Electricity Distribution Licence (Definitions and references to the Electricity Distributors)