
Call for input: Stakeholder evidence - DSO Performance Panel 2023/24

Dear Stakeholders,

This document outlines our call for evidence on Distribution System Operator (DSO) performance in 2023/24.

Background

We set price controls for the companies that operate Great Britain's gas and electricity networks. The RIIO-ED2 price control is aimed at electricity distribution networks operators (DNOs) and will run between April 2023 and March 2028.¹ As part of RIIO-ED2 we introduced the new DSO financial operational delivery incentive (ODI-F). The DSO ODI-F aims to drive DNOs to more efficiently develop and use their network, taking into account flexible alternatives to network reinforcement, in turn resulting in lower bills for consumers.

A key part of the DSO incentive evaluation process is the DSO Performance Panel assessment. The Panel is a mix of independent experts and DSO stakeholder representatives who will have a role in challenging and evaluating DNOs' performance in RIIO-ED2. The Panel will provide DSO stakeholders and industry experts with a platform to hold the DNOs to account, adding greater transparency to the DSO incentive decision making process. Assessment will be made annually against a pre-agreed set of criteria, as set out in Appendices 1 and 2.

Stakeholder input

We want to utilise the knowledge and experience of a wide array of industry parties and independent experts to gain a comprehensive picture of DSO performance. As such, we are publishing this call for evidence to request DSO stakeholders' feedback on any areas of distribution network company performance (with respect to the DSO Performance Panel assessment criteria) from April 2023 to March 2024. This may include areas where you believe the DSO has met or exceeded expectations and/or the areas where you may have concerns that expectations are not being met.

¹ <https://www.ofgem.gov.uk/publications/riio-ed2-final-determinations>

Stakeholder evidence provided through this call for evidence will be taken into consideration by the DSO Performance Panel when evaluating DSO Panel Submissions² and presentations³, acting to reduce the information asymmetry between them and distribution network companies.

We would prefer to receive feedback in written format, but are also open to more informal routes (eg, by phone etc). **Please send your feedback to RIIOED2@ofgem.gov.uk by 9 May 2024.**

Next steps

We will 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 may contact DSO Stakeholders or distribution network companies to seek clarifications on call for evidence submissions.

DSO Performance Panel Sessions will take place in the summer each year following DNO submissions by the end of the preceding April. By 30 September each year we will publish the DSO Incentive Report. This report will contain DSO Performance Panel scores, the breakdown by criteria, associated reward/penalty, and detailed feedback for each distribution network company explaining the decision-making process.

We look forward to hearing from you. If you have any questions on the contents of this letter, please contact us at the email address listed above.

Many thanks,

David McCrone

Head of Price Control Operations Policy

² 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.

³ Each distribution network company will then have the opportunity to take part in a 40-minute DSO Performance Panel Session. DNOs will give a 10-minute presentation, followed by 30 minutes of Q&A, as part of their DSO Performance Panel Session.

Appendix 1: DSO Performance Panel assessment criteria and weightings

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

Appendix 2: DSO Performance Panel assessment scoring guidance

Scoring guidance: Delivery of DSO benefits

	Poor (1-2)	Weak (3-4)	Average (5-6)	Good (7-8)	Excellent (9+)
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 delivery of its DSO strategy Robust processes / KPIs for tracking benefits	As "Average", but in addition evidence that the distribution network company has quickly and proactively adapted existing plans and course-correcting where opportunity to increase benefits	As "Good", but in addition evidence that the distribution network company has delivered additional outputs that seek to maximise benefits for customers

Scoring guidance: Data and information provision

	Poor (1-2)	Weak (3-4)	Average (5-6)	Good (7-8)	Excellent (9+)
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 possible⁴</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 Expectations⁵</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 is as accurate and unbiased as possible</p>	<p>As “average”, but in addition:</p> <ul style="list-style-type: none"> • Clear evidence that the distribution network company is sharing additional data and information, where it has identified stakeholder value 	<p>As “good”, but in addition:</p> <ul style="list-style-type: none"> • The distribution network company is leading the sector in promoting planning, operations and market data availability • The distribution network company is sharing underlying methodologies and other insights beyond output data

⁴ 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.

⁵ 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.

<p>Accessibility of data</p>	<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"> • Provision of network models • Consistent and standardised use of Application Programming Interfaces (APIs) to allow DSO Stakeholders to automate their data collection
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Scoring guidance: Flexibility market development

	Poor (1-2)	Weak (3-4)	Average (5-6)	Good (7-8)	Excellent (9+)
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 centrally-led programmes</p> <p>The distribution network company is using proprietary systems</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>The distribution network company can demonstrate it has avoided proprietary systems</p>	<p>As “good”, but in addition:</p> <ul style="list-style-type: none"> • 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 • 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 • Clear plans to enable secondary trading of flexibility and curtailment obligations to be fulfilled 	<p>As “good”, but in addition:</p> <ul style="list-style-type: none"> • The distribution network company is setting an industry leading benchmark for distribution flexibility products, contracts and processes

<p>Facilitation of market access</p>	<p>Limited explanation of how the distribution network company is enabling third parties to provide market support services and platform services</p> <p>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</p> <p>Little to no justification provided for the use of exclusivity clauses</p>	<p>Some explanation of how the distribution network company is enabling third parties to provide market support services and platform services</p> <p>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</p> <p>Limited justification provided for the use of exclusivity clauses</p>	<p>Clear explanation of how the distribution network company is enabling third parties to provide market support services and platform services</p> <p>Clear evidence that the distribution network company has undertaken initiatives to improve market access and enabling simple, cost-efficient participation have been effective</p> <p>Limited exclusivity clauses with credible justification where used</p>	<p>As “average”, but in addition:</p> <ul style="list-style-type: none"> • 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 • The distribution network company can demonstrate that its commercial arrangements with DER enable better coordination with the GB System Operator 	<p>As “good”, but in addition:</p> <ul style="list-style-type: none"> • 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
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Scoring guidance: Options assessment and conflicts of interest mitigation

	Poor (1-2)	Weak (3-4)	Average (5-6)	Good (7-8)	Excellent (9+)
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"> Proactive engagement with other network companies and current / prospective network users to resolve network needs 	<p>As "good", but in addition:</p> <ul style="list-style-type: none"> 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 The network options assessment has demonstrated how wider whole system options have been assessed to deliver identified needs at lowest cost
Management of conflicts of interest	<p>The distribution network company has not introduced proportionate</p>	<p>The distribution network company has not introduced sufficient proportionate</p>	<p>The distribution network company has introduced proportionate measures to identify and address actual</p>	<p>As "average", but in addition:</p> <ul style="list-style-type: none"> Outcomes of investment decisions 	<p>As "good", but in addition:</p> <ul style="list-style-type: none"> The distribution network company's

	<p>measures to identify and address actual and perceived conflicts between its DSO and network ownership roles</p>	<p>measures to identify and address actual and perceived conflicts between its DSO and network ownership roles</p>	<p>and perceived conflicts between its DSO and network ownership roles, including:</p> <ul style="list-style-type: none"> • Demonstrable executive level accountability and board-level visibility of DSO decisions • Transparent, clear and separate decision-making frameworks supported by independent oversight 	<p>are available on the distribution network company’s website in a clear, accessible format</p> <ul style="list-style-type: none"> • Demonstrable, wide-ranging stakeholder buy-in to the distribution network company’s approach and measures, including from market participants • A clear evidence base put forward to justify the distribution network company’s approach • Formalised distribution network company-DSO relationship (e.g. operational agreement, decision-making framework, distribution network company-DSO code) 	<p>approach has been developed and validated through extensive DSO Stakeholder engagement and is backed up by compelling evidence</p> <ul style="list-style-type: none"> • The distribution network company is applying best practice, learning from other network operators and updating its approach in line and wider industry developments • The distribution network company is delivering opportunities to both seek and share insights from across the sector, driving improvements not only within their organisation but across the sector as a whole
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Scoring guidance: Distributed energy resources (DER) dispatch decision making framework

	Poor (1-2)	Weak (3-4)	Average (5-6)	Good (7-8)	Excellent (9+)
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, that avoids "hard coding" capabilities in network operations to the</p>	<p>As "average", but in addition:</p> <ul style="list-style-type: none"> Enhanced DSO-GB System Operator communication channels, eg, complete ICCP link installations Increased DER participation in GB System Operator markets 	<p>As "good", but in addition:</p> <ul style="list-style-type: none"> Optimised whole system coordination of DER to resolving conflicts of services across GB System Operator and DSO Leading industry in ensuring dispatch logic is consistent and adhered to

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