

To all electricity distribution
licence holders and other interested stakeholders

Email: RIIOED2@ofgem.gov.uk

Date: 29 July 2024

**RIIO-ED2 Statutory Licence Consultation: Special Licence Condition 1.2
(Definitions and references to the Electricity Distributors) and 4.8 (Distribution
System Operation (DSO) output delivery incentive)**

We are consulting on proposed changes to Special Licence Conditions (SpC) 1.2 ('Definitions and references to the Electricity Distributors') and 4.8 ('Distribution System Operation output delivery incentive') of the Electricity Distribution Licence. These changes are proposed following our decision on 26 April 2024 not to switch on the DSO incentive outturn performance metrics during RIIO-ED2.¹

The reason for amending the existing licence condition is to give effect to that decision, namely:

1. To not switch on the outturn performance metrics during RIIO-ED2;
2. To reallocate the 20% weighting (originally designed for the outturn performance metrics from Year 2 of RIIO-ED2) evenly to the performance panel and stakeholder satisfaction survey); and
3. Consequential impact on licence values.

We have published alongside this consultation a statutory notice of modification of SpC 1.2 and 4.8, which includes a track-changes version of the modifications we are proposing to make.

Following publication of this consultation, we invite stakeholders to respond to the proposed modifications by 26 August 2024.

¹ [RIIO-ED2 DSO incentive - decision on outturn performance metrics | Ofgem](#)

After the consultation closes, we will consider any representations made and decide whether any further changes to our proposed modifications are required.

We will publish our Final Decision in due course which will summarise any stakeholder representations, our responses to these representations and the modifications to the licence.

Any licence modifications will take effect no less than 56 days after the Final Decision is published.

A copy of this letter will be published on our website.

Nathan Macwhinnie

Deputy Director, Price Control Operation