
Distribution System Operation (DSO) Incentive Report for Regulatory Year 1 April 2023 -31 March 2024

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A new Distribution System Operation (DSO) Output Delivery Incentive (ODI) was introduced as part of our RIIO-ED2 Final Determinations. 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. From 1 April 2024, Ofgem is required to publish a Distribution System Operation (DSO) Incentive Report by 30 September each year.

This DSO Incentive Report for the reporting year 2023/24 sets out the distribution network companies' DSO Stakeholder Satisfaction Survey scores; the DSO Performance Panel scores; detailed performance panel feedback and the overall financial reward or penalty that each distribution network company will receive for the DSO incentive.

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1. Executive Summary

- 1.1 We introduced a new Distribution System Operation (DSO) Output Delivery Incentive (ODI) as part of our RIIO-ED2 Final Determinations.¹ 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 will have the benefit of, amongst other things, avoiding or deferring network reinforcement resulting in lower bills for consumers.
- 1.2 We are required to publish a DSO Incentive Report by 30 September each year for the previous regulatory year ending 31 March and which sets out the following:
- The distribution network companies' DSO Stakeholder Satisfaction Survey scores and rankings, including a breakdown by question, and the associated financial reward/penalty for each distribution network company.
 - Distribution network companies' DSO Performance Panel scores and rankings, 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 explains how the scores were decided, subject to redaction of confidential information.
 - The overall financial reward or penalty each distribution network company will receive for the DSO incentive.
- 1.3 This is the first DSO Incentive Report and this document fulfils the requirement to publish a report on the outcome of the DSO incentive for the regulatory year commencing 1 April 2023.
- 1.4 The DSO incentive consists of two Evaluation Criteria, equally weighed. These are:
- the DSO Stakeholder Satisfaction Survey, which intends to drive distribution network companies to become more responsive to their stakeholders' needs and improve service levels.

¹ [RIIO-ED2 Final Determinations | Ofgem](#)

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- 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.

1.5 Table 1 below shows the total reward / penalty broken down by the two components of the incentive.

Table 1: The total reward penalty

Licensee	Survey Value (£m)	Panel Value (£m)	Total (£m)
ENWL	0.05	0.13	0.19
NPg	0.00	0.72	0.72
NGED	0.00	5.79	5.97
UKPN	4.42	4.42	8.84
SPEN	0.59	0.00	0.59
SSEN	-0.10	2.28	2.17

2. Background

Overview

- 2.1 Distribution Network Operators (DNOs) are licensed companies that own and operate the networks which distribute electricity to homes and businesses in Great Britain (GB). There are 14 licensed DNOs owned by six different corporate groups that cover specific geographically defined regions of GB. We refer to the six corporate groups in the document rather than licensees, which are Electricity North West Limited ('ENWL'), Northern Powergrid ('NPg'), National Grid Electricity Distribution ('NGED'), UK Power Networks ('UKPN'), SP Energy Networks ('SPEN') and Scottish and Southern Electricity Networks ('SSEN').
- 2.2 The RIIO-ED2 price control sets the outputs that the 14 DNOs need to deliver for their consumers and the associated revenues they are allowed to collect for the five-year period from 1 April 2023 to 31 March 2028.² Outputs and incentives are a key part of the RIIO framework. They are designed to drive companies to focus on delivering the objectives that matter to existing and future consumers.
- 2.3 We introduced a new DSO incentive as part of RIIO-ED2. The aim of the DSO incentive is to drive licensees to more efficiently develop and use their network, taking into account flexible alternatives to network reinforcement.
- 2.4 Specifically, the DSO incentive framework is intended to evaluate performance against the Baseline Expectations for DSO that were set out in our RIIO-ED2 Business Plan Guidance³, as well as the associated delivery of DSO benefits that emanate from these activities. It does so by embedding robust performance measures, capture stakeholder views and incorporate a more holistic assessment from a performance panel of technical and industry experts. The DSO Baseline Expectations 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.

² RIIO stands for Revenue = Innovation + Incentives + Outputs.

³ [Business Plan Guidance- chapter 4](#)

Table 2: DSO Roles and Activities

Role	Activity
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
Role 2: Network operation	2.2. Facilitate efficient dispatch of distribution flexibility services
Role 3: Market development	3.1. Provide accurate, user-friendly and comprehensive market information
Role 3: Market development	3.2. Embed simple, fair and transparent rules and processes for procuring distribution flexibility services

The DSO Incentive Evaluation Criteria

2.5 The DSO incentive was originally made up of three Evaluation Criteria. These were:

- The DSO Stakeholder Satisfaction Survey, which drives the DNOs to become more responsive to their stakeholders' needs and improve service levels.
- The DSO Performance Panel assessment helps reduce the information asymmetry between distribution network companies and Ofgem, bring in additional expert views, and provides stakeholders with a platform to hold distribution network companies to account.
- The Outturn Performance Metrics, which were intended to facilitate comparisons between licence areas and performance tracking over time against a set of key outcomes.

2.6 In our RIIO-ED2 Final Determinations, we decided that we would not implement targets for the Outturn Performance Metrics in Year 1 of RIIO-ED2. Instead, we stated that we would require DNOs to gather performance data on the metrics with the aim to set robust targets from Year 2 onwards. The DSO incentive for Year 1 of RIIO-ED2 would therefore be based on the DSO Stakeholder Satisfaction Survey and DSO Performance Panel assessment only. After comprehensive working group discussions and analysis over the course of late

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2023 and early 2024, we decided not to turn on the outturn performance metrics during the RIIO-ED2 price control, so they will not apply from Year 2 onwards. We discuss the Outturn Performance Metrics in more detail in Chapter 5.

3. DSO Stakeholder Satisfaction Survey Scores

- 3.1 The aim of the DSO Stakeholder Satisfaction Survey is to encourage DNOs to engage proactively with DSO Stakeholders to become more responsive to their needs and improve service levels. We expect that each DNO 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 of the distribution network company. They may have a direct or indirect interest in DSO activities, and their interaction could vary in frequency.
- 3.3 This report includes the DNO's DSO Stakeholder Satisfaction Survey scores with rankings, including a breakdown by question, and the associated financial reward/penalty for each distribution network company.

The DSO Stakeholder Survey

- 3.4 Each of the six DNOs is required to commission their own online survey from an independent and reputable market research company, which will undertake the DSO Stakeholder Satisfaction Survey on their behalf. Surveys were conducted in accordance with the guidance set out in the DSO Incentive Governance Document.⁴
- 3.5 The DSO Stakeholder Satisfaction Survey had five detailed questions asking DSO Stakeholders to score their experience. Each of the DSO Stakeholder Satisfaction Survey questions asked 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 also had the ability to indicate if the scored question is not applicable. The questions were as follows:
- Question 1: What is the stakeholder's experience of the DSO's coordination with other network and system operators?
 - Question 2: What is the stakeholder's experience of the provision of data and information provision?

⁴ [DSO Incentive Governance Document](#) the decision on the proposed modifications to the RIIIO-2 Electricity Distribution licences | Ofgem (located in "Subsidiary Documents – 17 February 2023 publication of Associated Documents and relevant issue logs.zip").

- Question 3: What is the stakeholder’s experience of the DSO’s support for flexibility market development?
- Question 4: What is the stakeholder’s experience of DSO decision making performance; and
- Question 5: What is the stakeholder’s experience of the DSOs approach to network planning.

3.6 The average (mean) score is based on the average (mean) score for each of the five DSO Stakeholder Satisfaction Survey questions. An example of this is provided in Table 9 in Appendix 3 of the DSO Incentive Governance Document.

The results for the 2024 Survey

3.7 DNO’s DSO Stakeholder Satisfaction Survey scores are ranked in Table 1. Table 2 shows a breakdown by question and Table 3 outlines the associated financial reward/penalty for each DNO.

Table 3: DSO ranked Stakeholder Satisfaction Survey scores

Rank	Licensee	Survey Score
1	UKPN	9.06
2	SPEN	8.13
3	EWNL	7.94
4	NGED	7.77
-	NPG	7.77
5	SSEN	7.42

Table 4: DSO ranked Stakeholder Satisfaction Survey scores ranked by question

Question*	DNO					
	UKPN	SPEN	EWNL	NGED	NPG	SSEN
<i>Q1</i>	8.96	8.18	8.04	7.66	7.56	7.28
<i>Q2</i>	9.21	8.00	7.53	8.00	8.00	7.45
<i>Q3</i>	9.15	8.36	8.19	7.57	7.47	7.63
<i>Q4</i>	8.69	7.81	8.24	7.49	8.10	7.21
<i>Q5</i>	9.28	8.32	7.71	8.14	7.70	7.52

**The questions are listed above in paragraph 3.4.*

Table 5: The associated financial reward/penalty ranking for each distribution company

Rank	Licensee	Value (£m)
1	UKPN	4.42
2	SPEN	0.59
3	EWNL	0.05
4	NGED	0.00
-	NPg	0.00
5	SSEN	-0.10

- 3.8 No DNO failed to achieve the minimum response rate threshold of 5% of its DSO Stakeholder population. There was a significant variance in the survey response rate of SSEN which was 1,071 and of the other DNOs, that averaged at 242 responses. We will work with DNOs to understand the variance in survey performance and examine whether it could be improved going forward.
- 3.9 UKPN achieved the maximum reward possible at £4.42m as its score was greater than 9 / 10. NGED and NPG did not receive any award as their scores fell within the deadband, (ie, it fell between the lower deadband of 7.50/10 and the upper deadband of 7.90/10).
- 3.10 We had a number of meetings in in the first quarter of 2024 with Explain, the contracted survey provider, to address and refine some of the survey wording which was a straightforward process. The DNOs submitted their list of DSO activities and deliverables to us in March 2024, as outlined in paragraph 3.6 of the DSO Incentive Governance Document. After reviewing these submissions, we provided feedback to DNOs, and subsequently signed them off. We welcome the engagement from DNOs and the survey provider in ensuring a smooth process.
- 3.11 We intend to review the guidance around named DSO Stakeholder contacts. We think DNOs should be responsible for ensuring they have an up to date list of stakeholder contacts but we will examine how this can updated if individuals are unavailable or have left the stakeholder organisation in or around the survey period. We will also look at whether there is a case for survey responses to be excluded from the overall scores if, for example, the response is demonstrably not relevant to DSO activities.

4. DSO Performance Panel

Introduction

4.1 The DSO Incentive Governance Document states that that this report should include DSO Performance Panel scores, ranked, including a breakdown by DSO Performance Panel assessment criteria, and the associated financial reward or penalty for each DNO. It should also include detailed DSO Performance Panel feedback for each DNO. This chapter sets out the DSO Performance Panel's ("the Panel's") assessment of the performance of the DNOs in their DSO activities for the year 2023-24. Individual feedback from the Panel for each DNO can be found the Appendix.

Purpose of the Panel

4.2 The Panel is formed from a mix of independent experts and DSO Stakeholder representatives. The Panel's role is to challenge and evaluate DNO performance in each year of RIIO-ED2 against the predetermined DSO Performance Panel assessment criteria.⁵

4.3 When a DNO clearly demonstrates that its performance against the DSO Performance Panel assessment criteria has gone beyond Baseline Expectations, then this should be reflected in an incentive reward. Equally, where a DNO 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.

4.4 The Panel provide a performance recommendation (in the form of a Panel Score) for each DNO to Ofgem, who review the available evidence to determine whether to impose a financial penalty or reward. For further details on the Panel's assessment process, please see the DSO Incentive Governance Document.

⁵ See Appendix 6 of the DSO Incentive Governance Document for full details of the evaluation criteria ([Decision on the proposed modifications to the RIIO-2 Electricity Distribution licences | Ofgem](#) - located in "Subsidiary Documents – 17 February 2023 publication of Associated Documents and relevant issue logs.zip")

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Panel members

4.5 The Panel is made up of the following individuals. Further information on each Panel member is available on our website.⁶

Independent experts:

- Gary Swandells, Director, Smart Grid Consultancy
- Jacopo Torriti, Professor of Energy Economics, University of Reading
- Jason Brogden, Director, Jason Brogden Consulting

Stakeholder representatives:

- Citizens Advice - represented by Andy Manning
- Association for Decentralised Energy (ADE) - represented by Natasha Mills

Chair (non-scoring):

- Jack Presley Abbott, Deputy Director, Strategic Planning and Connections, Ofgem

Contextual factors to this year's assessment

4.6 Being the first year of RIIO-ED2, the 2023-24 financial year is the first time the DSO Performance Panel assessment and review process has taken place. There was variation across DNO approaches to their submissions, with variety stylistically and in the type of evidence used to demonstrate performance (eg, what Key Performance Indicators (KPIs) were used, what key information was included, how information was presented). The Panel acknowledges that some variation in DSO Panel Submissions is expected, as the current approach allows DNOs to demonstrate innovation and differentiation. The Panel hopes that as RIIO-ED2 progresses the evidence provided by DNOs will become more standardised and increase in quality (with some variation currently), as expectations are more clearly defined following guidance from this year's and subsequent DSO reports.

4.7 The novelty of the process was also considered in the development of supplementary questions, with the questions focussing on the need for the evidential basis to be improved in respect of the evaluation criteria. Relatedly, the Panel also took significant time to review a high amount of hyperlinked supporting evidence.

⁶ [DSO Performance Panel – call for stakeholder evidence and membership announcement | Ofgem](#)

- 4.8 Regarding the call for evidence⁷, stakeholder views are seen as a valuable part of the process going forward in RIIO-ED2. However, the Panel indicate that the evidence provided in the DSO Panel Submissions and DSO Sessions made up the bulk of their evaluation this year, with the call for evidence mainly supporting their decision-making. In total nearly 30 responses were received to the call for evidence. However, often responses did not include enough evidence to impact the Panel's assessment significantly. Revisions to the call for evidence guidance will be made in subsequent years to help focus the evidence received against the scoring criteria. Despite this, it should be noted that the evidence provided by stakeholders largely aligns with the overall Panel scoring.
- 4.9 The subsequent sections of this report highlight general trends across DNOs from the Panel's evaluation, highlighting aspects of submissions that scored well and areas to improve, before detailing individual company feedback in the Appendices to this report. The general feedback also details the Panel's preferences for future submissions regarding the type and format of evidence included. The Panel are especially mindful that given the outcome of the DSO Outturn Performance Metric consultation⁸ (ie, the metric component of the DSO Incentive will not be turned on in RIIO-ED2), the DSO Panel process has opportunity to achieve some of the potential lost benefit of the metrics.

Panel scoring summary

- 4.10 None of the DNOs received an overall score of "Poor", "Weak" or "Excellent" this year. Despite this, there was still a level of variation across DNO results, ranging from lower "Average" (with some "Poor" individual scoring criteria) to higher "Good" overall scores (with some "Excellent" individual scoring criteria). The Panel considered that there was performance differences demonstrated across all aspects of the evaluation criteria, with DNOs showing strengths and weaknesses across and within criteria.
- 4.11 Across the submission and presentation process, some companies were able to demonstrate clear evidence of the relative leadership of their DSO activities in accordance with the evaluation criteria – evidencing how their systems work in practice with case study examples, transparent and contextualised decision-making, and supporting evidence. Other companies have made less progress in

⁷ [DSO Performance Panel – call for stakeholder evidence and membership announcement | Ofgem](#)

⁸ [RIIO-ED2 DSO incentive - decision on outturn performance metrics | Ofgem](#)

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their DSO activities, with distance between them and their peers in certain scoring areas and provided less substantive evidence.

Areas to improve

1. Ensure DSO Panel Submissions match the requirements of the evaluation criteria

- 4.12 The Panel stress that despite some good-quality submissions resulting in high scores, expectations regarding evidence will rise in subsequent years, with opportunities to improve the quality of submission content across all companies.
- 4.13 Some submissions could improve by containing less generic information not relevant to the evaluation criteria. To improve future submissions, the Panel would like to see all submissions become closer to a report in style, with their focus on the evidence needed to evaluate performance against the evaluation criteria.
- 4.14 Many responses were not balanced in terms of the scale of evidence provided against the evaluation criteria weighting percentage (see Table 3 in the DSO Incentive Governance Document). For example, the Panel would broadly expect 30% of the content to be provided for "Delivery of DSO benefits" and 10% for "Distributed energy resources (DER) dispatch decision making framework" given the evaluation criteria weightings.
- 4.15 Similarly, for DNOs with multiple licensee regions, differentiation in performance across regions sometimes only became apparent under questioning, with balanced information not provided in the submissions. In the future, the Panel would like to see differences in performance across regions made more transparent and the reasoning explained.

2. Improve the depth of evidence included in DSO Panel Submissions to show decision-making and substantiate claims

- 4.16 A common theme of the supplementary questions reflected the Panel's need to gain further context regarding company decision-making. The Panel wished to ascertain how decisions were determined and why any chosen approach was justified. To improve submissions in the future, the Panel would like to see greater substantiation and explanation of any decision-making, KPIs, metrics, cost benefit analysis or other actions being highlighted in submissions. The evidence provided should refer as explicitly as possible to the submission year with clear timelines whenever possible. Given the varying factors influencing strategic decision-making, it is essential that submissions demonstrate the full

context of decisions and performance figures for the Panel to make informed judgement.

- 4.17 For example, there were many different approaches to DSO governance demonstrated across DNO submissions. However, the evidence sometimes didn't fully justify why an approach was chosen over other potential options and why it represented the most value for customers and stakeholders.
- 4.18 Similarly, more substantive evidence is expected regarding the impact and results of discussed activities. For example, the Panel noted that having an Independent Panel is not beneficial by default, so DNOs are encouraged to demonstrate the impact the Independent Panel has had, how this has contributed to achieving outcomes set out in the criteria and why is that is deemed positive. There was also extensive description of stakeholder engagement across the DNO submissions, but not always a reference to how that stakeholder engagement has contributed to achieving outcomes set out in the criteria. Non-specific positive quotes from stakeholders did not necessarily contribute to increased scores.

3. Demonstrate the quantification of benefits more rigorously

- 4.19 All DNOs were asked at least one supplementary question regarding the scoring criterion "Delivery of DSO benefits". Although this was in part due to this criterion's importance to overall scores (30% weighting), it was mainly due to this being the weakest area in terms of submission quality for most DNOs.
- 4.20 Evidence provided in relation to the "benefits realisation" sub-section of the criterion was perceived as particularly lacking substantiation. Although the Panel appreciate some of the long-term aspects of the DSO transition, figures presented were often very large, unsubstantiated, and long-term. They lacked clear methodological justification and/or a "real-world" basis. Substantive evidence was rarely given to show what benefits have been realised in the current year and whether performance is on track against RIIO-ED2 forecasts and targets.
- 4.21 In future iterations, the Panel expect to see greater quantification, tracking framework transparency, and current performance against targets across RIIO-ED2 on a year-by-year basis. This would also help overcome broader concerns, such as the risk of double counting. Ideally, this would be presented through the use of clearly structured performance tables and figures.
- 4.22 Quantitative improvements will be increasingly important as year-on-year progress and yearly attribution must be demonstrated in future panel iterations

(alongside supporting commentary to explain performance and actions taken). Notably, many DNOs enhanced their evidence by effectively responding to the related supplementary questions. The Panel expect this level of detail to be considered as standard in the initial DSO Panel Submissions in future years. Companies should also consider the open publication of these performance tables to engender stakeholder confidence in DSO performance.

- 4.23 The Panel stress that the development and inclusion of standardised metrics for use in future submissions is strongly encouraged. Although not mandated, the development of such metrics will be important in providing transparency across the industry, overcoming current disparity issues, and improving current evidence standards. This is particularly so given the Ofgem decision not to proceed with the DSO Incentive Outturn Performance Metrics as part of the DSO incentive. The Panel are keen to see the current issues swiftly resolved and reporting commenced.

4. Demonstrate consumer benefits more rigorously

- 4.24 The Panel had some concerns regarding the rigour with which consumer benefits are being demonstrated. Although the Panel appreciate it's a challenging area to quantify, it is important to meeting some of the evaluation criteria and has obvious broader societal benefits.
- 4.25 During the Panel Sessions, all DNOs were asked to explain what impact the top-level benefits quoted in submissions have on consumers, ie, bill impacts. Only one DNO stood out in terms of their consideration and quantification of consumer benefit (UKPN), however, even in this case the Panel still believe there is opportunity for improvement. Some other DNOs were deemed to have overstated the benefits, with lack of clarity around how the sharing factor is applied to claimed benefits. Despite common DNO claims that benefits may be understated due to long-term societal factors, there is concern that unclear consideration of future regulatory treatment of some benefits may mean overstated or inaccurate figures now, eg, the full lifecycle of network reinforcement deferral.

5. Provide the full context to conflicts of interest processes, decision-making and actions

- 4.26 The other criterion which commonly prompted supplementary questions was "options assessment and conflicts of interest mitigation" – in particular the sub-section "management of conflicts of interest". Although there were elements of the higher scoring criteria demonstrated by some companies, such as formalised

agreements, stakeholder engagement and cross-industry scanning, sometimes the Panel found evidence to be missing the full context and examples had to be asked for in supplementary questions to try to bring this to life.

4.27 For example, given all DNOs have largely come to different conclusions regarding the best approach to DSO-DNO separation, the Panel expected more evidence surrounding the justification for each DNOs approach, ie, why the assessment landed on that particular legal and/or functional DSO-DNO separation arrangement versus other options considered and what evidence suggests the approach is working in practice. For instance, information around who was involved and what quantitative and qualitative information, eg, Cost Benefit Analysis (CBA), was used to assess different options.

4.28 The Panel also expected evidence of the complete conflicts management process, with detail often missing regarding the initial step of issue identification. The Panel stress that if the effectiveness of a conflicts identification process is not proven it diminishes later discussion regarding the approach to conflict resolution. No DNO provided an example of what conflicts they are looking for or an example from previous experience until the supplementary question answers and even then, some responses were unclear.

Best practice

4.29 Although there are some clear areas for improvement, the Panel judged there to be some clear examples of DNO's pushing beyond the Baseline Expectation and showing real leadership in the DSO transition. In this section the Panel would like to highlight some of the stand-out activities cross-network strengths demonstrated:

- Stakeholder collaboration: Some network companies were praised for their efforts to engage with local actors and other stakeholders, such as customer groups. Praise was given to those who could demonstrate the quality of engagement and particularly how this resulted in tangible outcomes, ie, how engagement was impacting decision-making. Local Area Energy Plan (LAEP) planning and data provision was also a general strength.
- DSO-DNO governance: Some good practice was shown in terms of developing formalised processes across most DNOs (eg, operational agreements, decision-making frameworks). However, the Panel sees risk in the current divergence in approach across DNOs and believes there is further room for transparency improvements, rationale for different approaches to governance and the ongoing assessment of governance frameworks to ensure that the

most appropriate framework is in place. There is a long way to go until its clear what the best arrangements are.

- Flexibility first: Some DNOs were able to show excellent commitment to delivering a flexibility first strategy and deliver levels of procurement beyond targets. In particular, the Panel praised early pro-activity to prime the market leading to current real-world success.
- Transparency: Some DNOs were also praised for the level of transparency shown – both in terms of decision-making and data practices – with extensive steps taken and publications made to overcome this inherent DSO challenge.
- Beyond distribution: The Panel also considered there to be evidence of some DNOs actively thinking and acting beyond distribution – with broader system-challenges considered and pro-active collaboration with ESO.

Guidance for future DSO Performance Panel iterations

4.30 The following section provides an overview of panellist guidance for future iterations of the DSO Performance Panel. Although this guidance is not mandated the Panel strongly encourage its adoption to improve submission quality, resultant evaluation, and the broad value of the Panel process. Ofgem will take this guidance into consideration in any future consultations regarding the DSO Incentive Governance Document.

Submission evidence expectations:

- Provide evidence that demonstrates achievement of the criteria set out in Appendix 6 of the DSO Incentive Governance Document.
- Ensure any decision-making, KPIs, metrics, cost benefit analysis and other discussed activities are substantiated and explained within the submission.
- Benefits Realisation is an area which should be improved on in later submissions. The Panel expect to see greater quantification, evidence of tracking frameworks, and performance against targets across RIIO-ED2 on a year-by-year basis.
- What has been achieved in the discussed year (whether it's completely new activities or new steps to existing activities) and the resultant benefits should be clearly demonstrated in that year's submission.
- Year-on-year changes in performance and other DSO activities should be explained.
- The Panel would like to see clearly how DSO outcomes link to consumer benefits.

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- The development and inclusion of standardised metrics for use in future submissions is strongly encouraged, eg, RRE and the outcome of the DSO Outturn Performance Metrics.
- For DNOs with multiple licensees, greater transparency is expected regarding any differentiation in performance and activity across regions and the rationale for this.
- While innovation projects are a helpful indicator of ambition, these generally fall outside the scoring criteria unless directly relating to BAU implementation. Network companies are encouraged to make the driver for activities or relevance to DSO performance review clear or they will not be considered.

Submission format expectations:

- The Panel encourage all network companies to make submissions closer to a report in style/format, ie, documents should be focused on providing evidence against the criteria instead of making generic and/or unsubstantiated claims and providing unrelated contextual information.
- The use of charts and/or summary tables is encouraged to display topics such as Benefits Realisation quantification.
- The use of hyperlinks was at times excessive in this year's submissions. Although demonstrating the existence of supporting evidence is still encouraged, in the future all key evidence must be included in the submission document itself or it may not be considered.

DSO Panel Session suggestions:

- 4.31 Overall, the format of the DSO Sessions and discussions were deemed productive by the Panel. Despite this, the Panel suggest the following process changes:
- Increase total time for DSO Sessions from 40 minutes to a maximum of 1 hour. Allocate 20 minutes to the presentation and up to 40 minutes for the Q&A.
 - In-person DSO Sessions should be the standard for the future.
 - Allow for a 24- or 48-hour period before the DSO Sessions in timelines to allow panellist review of the presentations in advance.

The results of the 2024 Panel Assessment

- 4.32 The Panel's recommended scores rankings are as follows.

Table 6: The DSO Panel Assessment Scores

Rank	Licensee	Score
1	UKPN	8.91
2	NGED	8.24
3	SSEN	7.59
4	NPg	6.58
5	EWNL	6.19
6	SPEN	5.08

- 4.33 We have assessed the recommendations of the Panel and agree with their conclusions. The table below outlines associated financial reward or penalty as a result of the acceptance of the conclusions of the Panel.

Table 7: The associated financial reward/penalty ranking for each distribution company

Rank	Licensee	Value (£m)
1	NGED	5.97
2	UKPN	4.42
3	SSEN	2.28
4	NPg	0.72
5	EWNL	0.13
6	SPEN	0.00

5. Outturn Performance Metrics

- 5.1 Our intent at RIIO-ED2 Final Determinations was that the DSO incentive would include outturn performance metrics that facilitate comparison between companies and performance tracking over time against a set of key outcomes. However, given the difficulty in setting targets, we agreed with stakeholders that a delayed implementation would better allow us to baseline performance and calibrate fair targets that appropriately incentivise DNOs. It was intended that the metrics would apply from the regulatory year commencing 1 April 2024.
- 5.2 During 2023/24 we carried out in depth work with the DNOs. Various concerns arose during the group discussions and following our analysis of detailed information collected from the DNOs (through Request for Information (RFI) responses). These concerns included: data quality, insufficient historical data, methodological challenges, and the risk of unintended consequences. This led us to a conclusion that setting appropriate metric targets was not feasible at that point in time.
- 5.3 We decided to reallocate the 20% weighting of the incentive, (originally designed for the outturn performance metrics from Year 2 of RIIO-ED2) equally to the DSO performance panel assessment and stakeholder satisfaction survey. This means the value of the remaining components of the incentive will be split equally from Year 2 of RIIO-ED2. This will give DNOs the opportunity to include the data in the evaluation of their performance as a DSO, while also capturing the views of a wide range of stakeholders as part of the survey.
- 5.4 Further work is required to develop the current methodologies to a level where they can adequately function as a reporting requirement for RIIO-ED2. This includes resolving any methodological issues and expanding the guidance around the metrics to ensure that each DNO has a common interpretation of each methodology. We encourage DNOs to work together to bring forward a set of agreed proposals that can be considered as part of outturn performance metrics that could apply from RIIO-ED3.

6. Overall Financial Reward / Penalty

6.1 The overall financial reward or penalty each distribution network company will receive for the DSO incentive for 2023/24 is outlined in Table 7 below.

Table 8: The overall financial reward/penalty for each DNO.

Licensee	Survey Value (£m)	Panel Value (£m)	Total (£m)
ENWL	0.05	0.13	0.19
NPg	0.00	0.72	0.72
NGED	0.00	5.79	5.97
UKPN	4.42	4.42	8.84
SPEN	0.59	0.00	0.59
SSEN	-0.10	2.28	2.17

7. Next Steps

- 7.1 We intend to review version 1.0 of the Distribution System Operation (DSO) Incentive Governance Document in time for changes to be made ahead of the 2024/25 DSO Stakeholder Satisfaction survey. We will consider the processes and criteria used to assess performance and the reporting requirements. We will work with DNOs to identify any changes that may be necessary and consult on these and other changes. In particular we will look at such areas as process for confirming stakeholder contacts' eligibility criteria for survey responses, possible exemptions and length of the DSO Performance Panel sessions. As highlighted in section 5.3, further work is required to develop the current methodologies for performance metrics to a level where they can adequately function as a reporting requirement for RIIO-ED2. We will invite DNOs to formulate proposals during this autumn, and if there is agreement, we will consult later this year on any changes to the RIIO-ED2 RIGs to enact the change and have new reporting requirements in place from 1 April 2025.

Individual feedback and scores

- A1.1 Please find individual feedback below broken down by the main scoring criteria. The general feedback above should be considered by all network companies, even if individual feedback does not make specific reference.

Appendix 1 ENWL Feedback

Criteria	Comments	Score
Delivery of DSO benefits	<p>The Panel did not see a strong link between ENWL’s quantified benefits (which were limited in evidence and methods for economic appraisal) and actions, or evidence of robust benefit tracking within RIIO-ED2. This resulted in the Panel asking for a breakdown of the quoted £212.3m ‘DSO savings’ figure as part of the supplementary questioning. As such, it was challenging to see how stated performance in 23/24 (£9m benefits) justified the significantly higher overall figures in the submission. Similarly, how the quoted figures result in real-world benefits for consumers wasn’t clear – with further clarity needed in the DSO Session regarding the application of the TIM sharing factor and regulatory treatment consideration. There was also some concern regarding the reliance on modelling versus data monitoring for benefits tracking. The Panel liked the structure of roadmap initiatives linked to quantified 23/24 benefits realisation, but in future submissions the Panel would like to see increased breakdown of delivery against RIIO-ED2 Business Plan proposals. The Panel would also like to see the third-party report methodology published to improve transparency.</p> <p>A consistent theme throughout the submission was ENWL’s consideration of stakeholders, especially in flexibility service provision, with Stakeholder Profiles and local actor engagement being notable examples. This was reflected in some relevant stakeholder responses in the call for evidence. Although largely a positive factor for scoring, sometimes there seemed a disproportionate amount of focus on this topic versus other aspects of the evaluation criteria.</p> <p>There was some evidence demonstrating the promotion of wider system benefits. The DSO Session provided more clarity on ENWL’s progress toward introducing greater flexibility. As such, a key consideration of the Panel was the proportionality of DSO action given the characteristics of ENWLs regional make-up. Although the panel are mindful of the regional factors at play regarding LCT uptake and resultant strategy shift to meet customer need, they would like to see further ambition from ENWL to prime the market and overcome this challenge in view of long-term system benefits.</p> <p>Whilst the DSO team was described, the Panel would like to see how the DSO team works in practice with the rest of the DNO organisation to deliver DSO outcomes.</p>	5.70
Data and information provision	<p>One of the stronger criteria for ENWL, the submission provided clear evidence of how engagement with stakeholders was directly resulting in improvements to both data provision and accessibility, especially the</p>	7.10

	<p>latter. For example, there were multiple demonstrations of how Stakeholder Persona mapping and broader engagement activities (eg, one-on-one engagement programme) resulted in changes to ENWL’s datasets and/or improved usability, with supporting performance data provided to demonstrate the resultant usage changes.</p> <p>The Panel thought ENWL provided evidence of good data range and accuracy, with some actions going beyond Baseline Expectations regarding dataset provision. However, there is room for further leadership here, for example, through improvements to the frequency of datasets being shared.</p>	
<p>Flexibility market development</p>	<p>A key consideration of the Panel was how to fairly assess ENWL given the market conditions impacting their region, eg, spare capacity, LCT take-up. The Panel evaluated ENWL’s performance based on what is within ENWL’s control and on how the level of activity maps against the ED2 Business Plan, ie, how they’ve responded to the environmental factors. However, although market conditions impacting flexibility uptake in ENWL’s region are appreciated (and the collaborative work undertaken with NPg to detail the issues praised), the Panel do not think that these issues are justifiable for non-action or a lack of ambition.</p> <p>The Panel thought ENWL evidenced some progressive work, eg, FSP participation and last-in-first-out changes. Similarly, there was evidence of systems being put in place or in the pipeline, but limited evidence of their use or the decision-making behind lack of use. Linking to previous feedback, the Panel would have liked more transparency regarding their benefits, eg, £20m net benefit from flexibility services, how the benefits breakdown and how compared to non-investment, to have more confidence in ENWL’s reasoning.</p> <p>Overall, the Panel felt ENWL are progressing in the right direction with the activities outlined but behind the pace of others even in consideration of their regional factors. To improve, the Panel would like to see greater activity (beyond separately funded innovation projects) to prime the market and greater detail regarding the decision-making to justify their current approach.</p>	<p>6.20</p>
<p>Options assessment and conflicts of interest mitigation</p>	<p>Another area for improvement for ENWL was in their discussion of conflicts of interest. The Panel expected to see more discussion of how ENWL are identifying potential conflicts and the subsequent frameworks, processes, and practicalities for then dealing with different scenarios with examples. In the case of ENWL, although work highlighted in the two case studies (DNOA and DSO Panel) is clearly beneficial, surprisingly little weight was given to this section of the written submission overall. This brevity is reflected in the assessment of the evidence by the Panel who could not confidently assess the ‘proportionality’ of ENWL’s conflicts management approach. ENWL could be clearer on how their DSO function works alongside DNO. The Panel session elicited more information from ENWL than the report submitted, but this could still be set out more clearly in the future.</p> <p>Similarly, more evidence was expected in justification of why ENWL’s DSO-DNO model is the right approach. From their answers to the supplementary questions, the Panel was able to increase their</p>	<p>6.40</p>

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	confidence in ENWL’s management approach – with the relationship and decision-making responsibilities of the different aspects of their federated DSO-DNO model more clearly outlined.	
Distributed energy resources (DER) dispatch decision making framework	ENWL have some challenge and delays in this area against their ED2 delivery plan (eg, the trading of curtailment liability and publishing ANM zones) and are comparatively behind in some key areas to industry leading peers. The Panel were pleased with some of the plans which demonstrated proactivity in overcoming these challenges and viewed their consideration of flexibility providers to be a strong point. However, to improve scoring, the Panel need to see more evidence detailing the roll out and predicted impact of their plans to mature activities in this area, eg, ANM optimisation. Similarly, more detail regarding how DER characteristics and data parameters inform dispatch would be valuable, with their insight into the methodology having been relatively light (although this was improved through their presentation session).	5.40
Overall panel score		6.19

Appendix 2 NPg Feedback

Criteria	Comments	Score
Delivery of DSO benefits	<p>NPg demonstrated that they are achieving the Baseline Expectation across the “Delivery of DSO benefits” criteria, with well justified ‘foundational’ work which the Panel will look to see mature over the RIIO-ED2 period. With helpful use of supporting evidence (eg, Baringa CBA), NPg provided insight that justified strategic decision-making and helped contextualise performance which could be considered comparatively slow in some areas (with limited benefits having been delivered to date). NPg was scored highly in demonstrating evidence of having met criteria, such as engagement with ESO, course correction examples, and stakeholder engagement – including that of local actors, eg, local actor portal and data portal synchronisation, regional insight team engagement.</p> <p>While the submission provided comprehensive insights into the DSO's development, stakeholder engagement, strategic principles, and a top-level benefits breakdown - there was limited evidence of how the delivery of benefits has been systematically tracked or quantified within the RIIO-ED2 period and on a year-by-year basis against well-defined outcomes. However, greater detail was demonstrated in the DSO Session into NPg’s internal processes, eg, weekly metrics, delivery reviews, and examples of course correction. Establishing more robust mechanisms for tracking and evaluating benefits will be essential for demonstrating the effectiveness and impact of DSO initiatives within regulatory frameworks. There is also expectation that benefits will be more clearly broken down by drivers and translated into consumer impacts.</p> <p>Finally, the Panel were surprised to see limited focus on local energy strategic planning on the demand side. Given the strong reference to</p>	6.60

	<p>the region’s network characteristics of being generation dominant, to justify other strategic actions. The Panel would expect more proactive action to capitalise on any advantages they do have such as greater availability of large demand connection capacity.</p>	
<p>Data and information provision</p>	<p>NPg demonstrated how stakeholder engagement is leading to added value and changed data practises in their network, whilst largely meeting broader Baseline Expectations such as data quality. It thus achieved a ‘Good’ score in respect of this criterion. Their submission contained a chart tracking changes stakeholders wanted from their Open Data Portal and the changes they have made as a result. Although only shared when answering the supplementary questions, the Office for Investment example drew particular praise, showing how data can support Government investment opportunities and response to stakeholder need. NPg also demonstrated how they’d assessed stakeholder barriers to data accessibility in their network, with resultant standardisation and education work to improve engagement. NPg provided figures that demonstrated the increase in use of their Open Data Portal as a measure for the value being provided.</p> <p>The other strength the Panel would like to highlight was NPg’s work in Low Voltage (LV) network monitoring improvement, with relatively strong ambition here acknowledged as a good enabler for broader DSO progress in RIIO-ED2, eg, increased LV monitoring through 1,550 LV monitors over the past year with a claimed benefit of over £400k by deferring unnecessary reinforcement. Overall, NPg showed good use of the data they have available and demonstrated steps taken to increase available datasets. The examples of data use cases provided in the presentation (eg, Office for Investment) were also praised and the Panel noted that this level of information should be provided in the written submission in future.</p> <p>To improve the score the Panel encourage NPg to further expand the strong work with stakeholders and match their data offering to industry leaders. The Panel would also like to see more clearly how processes NPg referred to, such as their Data Triage approach to data quality, are delivering tangible results and how they are measuring claimed effectiveness.</p>	<p>7.40</p>
<p>Flexibility market development</p>	<p>A key consideration of the Panel was the justification of NPg’s approach to flexibility given their network characteristics. NPg have conducted some foundational work in this area the Panel hope to see resultant growth and benefit realisation in the future. As such, some aspects of work are not completely applicable to the current year’s assessment as are plans for the future. Positively, NPg demonstrated a strong commitment to following industry standard practices, particularly those established by the ENA Open Networks Project, good commitment to standardisation through use of common platforms and a firm stance on standard contract provision, and they have also evidenced stakeholder engagement to foster the development of the flexibility market and address key issues.</p> <p>The Panel would like to see more substantial progress in enabling third parties to provide market support services. The Panel also considered that despite hosting numerous events and initiatives, the report fails to</p>	<p>6.10</p>

	<p>highlight enough tangible outcomes or significant advancements in facilitating third-party participation. For instance, by considering other solutions to attract aggregators and flexibility providers. Finally, the Panel expect NPg to increase their Demand Turn-up use and performance, as their network is generation heavy, with this seen as an area to better capitalise on and show excellence/leadership in the future. Overall, although the Panel expect to see DER participation increase in subsequent years, NPg demonstrated achievement of most 'Average' criteria and some 'Good' elements.</p> <p>Note, the Panel judged the Boston BEET project and DSO Community should not be considered as part of this evaluation as they are NIA and NIC projects respectively. If successful, their outputs and future BaU implementations may be appropriate for inclusion in future submissions.</p>	
<p>Options assessment and conflicts of interest mitigation</p>	<p>In general, NPg strikes a good balance of pragmatism by implementing strategies that are supported by evidence from across the sector, without showing real leadership. This is reflected in wide ranging engagement with key sectors and alternative interventions to reinforcement. Some collaboration is evident, particularly through work with ENWL on cross-region flexibility initiatives. Additionally, there is strong cross-sector engagement with heavy industry, gas, and water sectors, with identified projects currently under investigation, though no defined outcomes have yet been established. Distribution Network Options Assessment (DNOA) Methodology published and appropriate – assessment of flexibility, CEM tool use and transparent decision-making. The Panel were pleased that the lack of flexibility demand was not used as an excuse to limit tendering by NPg.</p> <p>As is consistent with the general feedback, an area for improvement for NPg is management of conflicts of interest. Although there was a description of the DSO-DNO governance structure, with executive level accountability and decision-making frameworks somewhat evidenced as part of this (eg, publications, structure examples, advisory panel), there was limited evidence to demonstrate how the structure works in practice. For example, limited playthrough of imaginary or real interactions, how conflicts are managed, and evidence of how process is delivering what is needed. In the future, the Panel would like to see the practicality of the discussed frameworks evidenced to enhance their understanding and better show the effectiveness and suitability of the approach.</p>	<p>6.60</p>
<p>Distributed energy resources (DER) dispatch decision making framework</p>	<p>Reflected in one of the supplementary questions for NPg was concern regarding the dispatch process scope, ie, whether it is too narrowly focused on price when there are other key parameters to consider, are there alternatives or variations to LIFO that could be considered. NPg provided greater transparency regarding their dispatch system in the DSO Session, with better explanation of DER framework, including reference to primacy (but not rules) and ESO coordination (which was not evidenced in the original submission). The score is also in consideration of the ICCP link being largely hypothetical / for the future. The Panel would also like to see greater transparency regarding the flexibility services referenced in response to their transmission constraint challenge.</p>	<p>5.80</p>

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	Overall, as with other related criteria, a key consideration of the Panel was regarding the proportionality of NPg dispatch activity – with limited dispatch due to network characteristics. Some Panel members expressed concern about over reliance on ANM reflecting stakeholder interest, and the measures taken felt to them to be largely foundational, with only some measures taken to scale, eg, flexible power platform.	
Overall panel score		6.58

Appendix 3 NGED Feedback

Criteria	Comments	Score
Delivery of DSO benefits	<p>The Panel were generally impressed by the amount of DSO activity NGED were able to evidence in their submission – and how this was broken down against specific activities and internal functions. They have made good progress in enacting the flexibility first principle, achieving £80m of network reinforcement deferral in the first year of RII0-ED2 compared to a forecast of £94m across the whole price control. NGED also showed a good level of pro-active engagement with stakeholders, largely local actor versus cross-vector, with a claimed 94% of local actors engaged through a large range of approaches. Similarly, the implementation of the Market Gateway platform exemplifies this proactive stance, as it facilitates access to flexibility markets at scale, thereby reducing barriers to entry for flexibility service providers.</p> <p>Although NGED’s claimed benefits were extensive, the Panel wished to see greater quantification – to show the financial impact and broader methodological justification. There was also limited assessment against target values – just finite performance (although this was improved in the answer to supplementary questioning and the KPI reporting released just before the panel session was noted as a positive step forward to quantified reporting and transparency). Notably, the Panel believe there is further work to be done to provide confidence in claimed consumer benefits, showing how this has been calculated against future uncertainties such as regulatory treatment to make current claims more robust.</p>	7.8
Data and information provision	<p>NGED is one of two DNOs leading the sector in data and information provision. It demonstrated many examples of beneficial work being done to provide added value in their scope of data activities as well as in terms of data accessibility, eg, making 96 data sets publicly available and sharing underlying methodologies and other insights beyond output data. While actions such as curtailment transparency, LTDS CIM formatting, and the extensive library of raw data and APIs compared well to demonstrate sector leading behaviour, there is the Network Flexibility Map and Network Capacity Map – the Panel note the opportunity for further development of network models.</p>	8.6

<p>Flexibility market development</p>	<p>NGED demonstrated strong performance in Flexibility Market Development – with clear engagement with the ESO and efforts to standardise flexibility services and products. Stacking work with Cornwall Insight, since fed into ENA, was viewed as providing particular value to the industry by the Panel. Although the benefits of this are not yet fully realised, the Panel see the potential here to be setting an industry leading benchmark for distribution flexibility products.</p> <p>More broadly, the Panel saw evidence the DNO is unlocking flexibility and energy efficiency in nascent areas (not just planning such action for the future), with procurement of all standard Open Networks services EHV to boundary of HV-LV and opening access to smaller assets / at LV zones (eg, latest procurement covered 1,426 zones) and support to stackability of services for stakeholders. With further evidence of tailoring products to meet stakeholder needs opening up domestic participation. Implemented full set of ONP deliverables and tailored products from stakeholder feedback.</p> <p>In terms of facilitating market access, NGED demonstrated interaction with ESO to help facilitate a more holistic system approach. For example, the DNO is providing operational data to the GB System Operator and other DNOs in a practical and accessible way (for instance via an ICCP link) to provide visibility and to coordinate and avoid conflicts.</p>	<p>8.3</p>
<p>Options assessment and conflicts of interest mitigation</p>	<p>The Panel felt NGED were able to provide clear and well justified reasoning for their approaches in respect of this criterion. As part of the DSO Session NGED were able to demonstrate their efforts to horizon scan and the respective risk management strategy. In all, NGED were able to demonstrate clearly how their decision-making approach manages conflicts of interest from start to finish, aided by a real-world case study run through. There are numerous working practices published on the NGED website to support DSO-DNO interactions.</p> <p>In providing justification for their DSO governance approach, NGED explained the approximate costs to have DSO legally separated from DNO (in their context), which helped contribute to a well explained and reasoned approach. Furthermore, when asked, NGED demonstrated that outcomes of investment decisions are available on the DNO’s website in a clear, accessible format; demonstrable, and wide-ranging stakeholder buy-in to the DNO’s approach and measures, including from market participants. Relatedly, NGED were consistently able to show progressive and pro-active work with a range of different industry stakeholders in their assessment of network options, eg, National Grid whole system coordination register.</p>	<p>8.5</p>
<p>Distributed energy resources (DER) dispatch decision making framework</p>	<p>The Panel considered NGED to have established itself as a leader in the industry by ensuring consistent and transparent dispatch logic. This is achieved through a combination of standardized methodologies, stakeholder engagement, and transparent publication of outcomes – resulting in dispatch rules being set out clearly and fairly. As previously discussed, coordination with ESO is evidenced, including ICCP link and information sharing. The Panel hope to see the work progress over RIIO-ED2 to help realise the benefits of more common solutions.</p>	<p>8.2</p>

Overall panel score	8.24
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Appendix 4 UKPN Feedback

Criteria	Comments	Score
Delivery of DSO benefits	<p>UKPN had a relatively large scale of claimed DSO benefits in their submission. They have generally matched these claims with rigorous methodology in line with high-scoring criteria, and an impressive array of initiatives demonstrating strong performance and in many areas good leadership credentials. Ambition surrounding outturn performance metrics and standpoint on benefits being from point of incurred cost, were praised. Despite this, extra information was desired by the Panel to view performance against ED2 year-on-year targets.</p> <p>The Panel considered there to be strong evidence of course correcting to meet customer needs (eg, Dedicated DER customer service team) and realisation of benefits demonstrated by 20% customer satisfaction uplift. Similarly, UKPN demonstrated strong evidence of delivering outputs that seek to maximise customer benefits (eg, opened more opportunities by launching a day-ahead flexibility market in response to needs from flexibility providers, demand turn-up and generation turn-down services).</p> <p>Overall, the Panel welcomed the fact that UKPN's £410m reduction in network reinforcement spend during RIIO-ED2 is assumed within RIIO-ED2 settlement and not subject to a 50% sharing factor. However, although generally impressed by this commitment, there remain some questions from the Panel surrounding how regulatory treatment could impact the claimed figures and overall net benefits. Similarly, the Panel felt there is further work to be done to truly translate benefits into consumer impacts while ensuring double counting of benefits is proactively avoided.</p>	8.9
Data and information provision	<p>As reflected in the high score, the Panel considered UKPN's submission to provide clear evidence of an industry leading amount of data being made available, setting out where there are differentiating datasets that provide added value to customers or stakeholders.</p> <p>Although UKPN has a similar approach to others regarding sharing, using OpenDataSoft to underpin activities, they have shown leadership in expanding the number and scope of datasets. For example, the total of 189 datasets including 127 third-party datasets made available is comprehensive across all aspects, with methodology and code from the Open Data Portal shared. UKPN also used smart meter data and additional DESNZ data sets for network modelling.</p> <p>UKPN also clearly demonstrated that their data provision activity was influenced by stakeholder needs. For example, stakeholders expressed interest in accessing more granular data, specifically half hourly data. As a result, UKPN increased the capacity of the Open Data Portal to host more data sets. Furthermore, UKPN demonstrated the success of</p>	9.0

	<p>their outreach programmes, with a high proportion of their local authorities onboarded to the Net Zero Hub.</p> <p>In terms of API availability and development, each dataset was shown to be accessible in a range of outputs and formats as standard, from visualisations to API, to suit users with different needs and levels of data expertise.</p>	
Flexibility market development	<p>Overall, the Panel judged UKPN to be setting an industry leading benchmark for Flexibility Market Development. Some examples in the distribution flexibility products, contracts and processes criterion include increased curtailment transparency; first secondary trade completion; various standardisation activities; over 40% of total contracted flexibility coming from EVs / other residential load; and day ahead flexibility.</p> <p>Regarding the facilitation of market access, the Panel judged there to be significant evidence of initiatives and outcomes demonstrating that UKPN’s ambition extends beyond traditional distribution flexibility. For example, UKPN provided evidence of ESO-DSO ICCP links across all UKPN network regions, extensive collaboration with ESO to standardise and encourage complementary two-way market access.</p>	9.2
Options assessment and conflicts of interest mitigation	<p>The Panel considered evidence was provided to support UKPN’s decision to become the first legally separate DSO, with stakeholder engagement and respondent action evidenced. The independent Supervisory Board, overseeing the DSO, provides additional scrutiny – with claimed higher levels of responsibility over investment decisions than other DNO independent board equivalents.</p> <p>Given the different governance options taken by all DNOs in establishing DSO separation, with UKPN at one side of the scale, a key question from the Panel was to understand the approach’s effectiveness and whether it’s proving valuable to customers. In the Panel session, UKPN explained the evidence, including the benefits case for the consumer, which supported the decision to establish distinct DSO governance over any other options. Looking forward, the Panel expect to see further monitoring and reporting of the impact and benefits of the UKPN approach to demonstrate that the approach provides value in the short, medium and long-term.</p> <p>Also of note in UKPN’s score here was the extensive cross-industry engagement evidenced, including case study examples of collaboration with SSEN, the Greater London Authority, West London Local Authorities, the, National Grid Electricity Transmission, connecting customers, and particularly the ESO.</p>	8.6
Distributed energy resources (DER) dispatch decision making framework	<p>Once again, the Panel considered UKPN to have demonstrated an industry leading performance in this criterion. The Panel judged UKPN to have evidenced a leading role in DER dispatch, ensuring coordinated dispatch decisions between the DSO and ESO to avoid conflicting instructions to DERs. Also noted was UKPN’s approach to dispatch logic consistency, including developing industry-first reliability indicators for DER-specific network performance and acting as a driving force at the ENA to deliver a common DSO flexibility dispatch standard.</p>	8.8

Overall panel score	8.91

Appendix 5 SPEN Feedback

Criteria	Comments	Score
Delivery of DSO benefits	<p>Overall, the Panel felt SPEN’s submission was a notable example of the common issue seen across all DNOs of weak benefit quantification and tracking over RIIO-ED2. Although there are long-term benefits discussed in the submission, the Panel judged the evidence to be too general, ie, not specific to ED2 and not the first year of ED2 – which meant they had limited confidence that the delivery of benefits is being tracked. Similarly, there was limited supporting evidence and only general reference to economic appraisal, meaning topics discussed could feel superficial at times. SPEN provided some improved evidence in the Panel session. For example, it clarified that the tracking of KPIs occurs on a monthly basis, but it did not demonstrate what those KPIs were and how they were being quantifiably captured and tracked. These deficiencies meant that the Panel was not able to raise the score significantly higher.</p> <p>The Panel considered that the lack of quality in the report itself at times impacted the evidence. This lack of quality was reflected in the scoring. The Panel felt too much space was allocated to generic information (eg, in the introduction and the self-assessment against the Panel’s criteria), which in turn limited the opportunity to substantiate leadership claims and evidence some of the potentially higher scoring work. The Panel also considered that the inclusion of some topics was unhelpful as they did not seem relevant to the DSO incentive. For example, the reduction in customer interruptions and the savings from Constraint Management Zones (CMZs) are mentioned, but the extent to which these outcomes are exclusively driven by DSO activities versus broader network management practices is not fully detailed. Similar could be said for discussion of the ESO ICCP link, de-looping domestic supplies, connecting EVs, recruiting jointers and other activities that could be considered non-DSO or non-SPEN driven. Overall, while the report presents a strong case for the overall benefits of the DSO strategy, it does not always clearly attribute these benefits directly to specific DSO activities. The report indicates some tracking, but it does not provide a comprehensive, ongoing tracking mechanism or a detailed analysis of the long-term impacts of the deferrals.</p> <p>Of the targets discussed, the Panel also felt that the picture painted was often behind target (as was recognised as such by SPEN in the Panel session). For example, regarding flexibility benefits realisation, SPEN completed two tenders, seeking 571MW across 575 sites, with the outcome 5 flexibility service providers contracted to deliver 29MW of flexibility services.</p>	4.40

<p>Data and information provision</p>	<p>The Panel felt that although most aspects of 'Average' were discussed in this criterion, with some good case studies highlighted (eg, in the areas of Local Energy planning), there was at times a disconnect between the claims in the report and the data provided through the SPEN portal, particularly regarding the granularity and accuracy of data. To this end it was recognised in the DSO Session that some of the datasets need improvements in terms of data quality and that it was a point of interest/priority with improvements being implemented, eg, plans for automation. As such, the Panel will monitor to see this ambition is realised in future years. Altogether, this contributed to a lower score in respect of this criterion, despite the Panel seeing some good work on the 'accessibility of data' requirements. For example, the Panel highlighted the work done through the Open Data Portal as particularly valuable.</p>	<p>5.10</p>
<p>Flexibility market development</p>	<p>The Panel found SPEN demonstrated to some extent most of the requirements to achieve an "average" scoring. For example, evidence of standardised flexibility products, qualification criteria, contracts, products, and services in line with the ENA Open Networks project was clear. Plus, the implementation of a monthly tender process, which is relatively frequent, was deemed as providing added value useful for FSPs.</p> <p>However, the score was lower due to some aspects being under-developed in the submission and SPEN recognising they are behind on flexibility benefits realisation and increased effort is required. Although stakeholder engagement was evidenced when discussing the commissioning of the Oxera report (into barriers to participation in flexibility tenders) aside from this the degree of stakeholder engagement was not deemed 'extensive'. Similarly, whilst engagement with ESO is highlighted, there was no evidence of ICCP links, operational data exchange or commercial arrangements beyond ENA – as set out in the criteria. It was also apparent that some of the market access facilitation activities relate to forthcoming activities (eg, publishing flexibility revenues and locations will take place in Autumn 2024)</p> <p>The Panel also thought that although the implementation of Piclo Flex E2E platform does show progress, there was some concern regarding the decision-making process (linking to broader industry issues regarding regional standardisation).</p>	<p>5.50</p>
<p>Options assessment and conflicts of interest mitigation</p>	<p>The Panel agreed that SPEN had achieved all the Average criteria in this criterion, with some good demonstration of activities beyond the baseline expectation. For example, the publication of flexibility tender data and the broader decision-making framework was evidenced, showing good transparency alongside participant engagement actions to inform participants of decision-making.</p> <p>However, despite the presence of a transparent decision-making framework, the Panel felt that the description of the DSO's role, responsibilities, and interaction with the DNO was limited. This was only slightly expanded upon during the DSO session. They would have liked to see greater clarity on where DSO sits in decision-making and greater evidence to show practically where they perceive there may be any</p>	<p>5.60</p>

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	specific conflicts of interest between DSO and the other areas of the wider vertical separation.	
Distributed energy resources (DER) dispatch decision making framework	The Panel found SPEN to have largely provided evidence demonstrating achievement of the Baseline Expectations. DER characteristics were shown to be captured, stored and used in network planning model and an operational model used in control room, with network visibility strategy also in place (eg, installing approximately 1400 LV network monitors and integrating data from smart meters). The dispatch of flexibility is clearly set out in the decision-making framework and includes liaison with ESO, although via standard mechanisms. The Panel had questions on what should be considered BAU DNO activity and what should be considered DSO activity. The Panel note the ICCP link discussed is a TO link not DNO, impacting the scoring. Similarly, there are projects to fill data gaps, but these are innovation projects and therefore not taken into account here.	5.20
Overall panel score		5.08

Appendix 6 SSEN Feedback

Criteria	Comments	Score
Delivery of DSO benefits	<p>The Panel felt that SSEN provided an exceptionally well-put together DSO submission and presentation, highlighting clearly their position against the evaluation criteria – especially in terms of benefits quantification. As a general comment, the presentation was very high quality in terms of targeted information and commentary in response to the supplementary questions. The Panel would encourage information of the sort presented to be included in further written submissions</p> <p>The Panel considered that SSEN identified all the key consumers & stakeholders with the associated quantified benefits and provided a reasonable explanation as to the methodology behind the claimed numbers. For example, the Panel praised SSEN for providing specific values per annum for Smart Meter data use cases as a way of expressing direct realisations. However, as with other submissions generally, benefits were more clearly grounded in stakeholder views than consumer benefits.</p> <p>Further clarification was provided in the DSO Session with regards to the level of tracking of benefits in terms of monthly frequency and linking process into the steering group. SSEN also explained how they benchmark against other DSOs.</p> <p>An additional factor which pushed SSEN's score higher in this criterion was its evidence for regional cross vector investment planning through strategic planning with local authorities and interfacing with local actors (eg, development of LAEPs and LHEES). However, some cross-vector initiatives are due for next period, meaning they were not taken into account this year.</p> <p>The DSO Acceleration Plan was also noted by the Panel.</p>	8.10

<p>Data and information provision</p>	<p>Although there were some concerns regarding disparity in activity across SSEN’s licensee areas which would be expected to be addressed in future submissions, the Panel were generally impressed by the work presented on LV and smart meter data – which was viewed to be comparatively advanced across the industry. SSEN showed that they were the first DNO to have Ofgem approve their Data Privacy Plan to access and share smart meter half-hourly consumption data. Overall, the Panel agreed that this has resulted in benefits to connectivity models and decision-making, with good application shown, eg, coordination at a local level.</p> <p>In general, the Panel judged SSEN to have provided evidence against ‘average’ scoring criteria, plus several added-value examples from higher scoring criteria. During the Panel Session, it became evident that SSEN faced challenges in sharing data methodologies. The Panel think SSEN can make more progress on the overall sharing of modelled methodologies. They provided no strong evidence of sharing underlying methodologies and other insights beyond output data open data methodologies.</p>	<p>7.50</p>
<p>Flexibility market development</p>	<p>Overall, the Panel judged SSEN to have demonstrated some added-value activities beyond the Baseline Expectations for Flexibility Market Development – with some good case studies (eg, LV Flex). Similarly, although SSEN demonstrated its work in benefits realisation, the figures were relatively low (especially in comparison to what they need and actually secure) and there was a question as to how current figures will scale to match the more significant RIIO-ED2 forecasts (as also seen in some other submissions).</p> <p>One topic the DSO Session focused on was standardisation. SSEN provided clarity regarding the submission statement ‘47% of flexibility products procured to date are standardised and non-exclusive’, explaining the role of legacy contracts in continued lack of standardisation. It was clarified that all new flexibility is under standard products and contract, other than some very specialised hydro contracts where separate schedules are required to supplement standard contract. Similarly, the Panel felt further assurance was given in the DSO Session regarding exclusivity clauses and stackability, which was unclear from the submission.</p> <p>Aside from this, the Panel judged SSEN to have evidenced good stakeholder engagement through activities with NGET, NESO and the GLA in delivering connections improvements, the housing associations on flexibility via the SFHA Trade Body. This Panel felt this work has helped start to unlock the value of flexibility and energy efficiency in more nascent areas, eg, addressing constraints on the secondary network. This includes co-creating inclusive LV flexibility products and developing innovative access products to enable faster connections. The report also clearly shows the implementation of an ICCP data link to SSEN Transmission is effective.</p>	<p>7.40</p>
<p>Options assessment and</p>	<p>Although the Panel found SSEN’s report to generally be clear, there was some confusion regarding the DSO governance/separation model, with</p>	<p>7.00</p>

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<p>conflicts of interest mitigation</p>	<p>comments made in the DSO Session contradicting some interpretations from the DSO Submission on some specifics. There was also limited detail of the practicalities of DNO-DSO interaction, decision-making and conflict management or the assessment of options until after supplementary questioning.</p> <p>Despite this, panellists felt SSEN were able to show how they are adopting learnings from other DNOs, and the CBA/decision-making behind not choosing some of the other governance approaches. Similarly, SSEN provided more adequate evidence on conflict processes during the DSO Session in response to Panel questioning. SSEN also provided further examples of proactive engagement include collaborating with transmission operators, hosting roadshows for connection customers and partnering with local authorities. For example, the Panel felt a particular strength is the 12 Net Zero Advisors to support the development of Local Area Energy Plans (LAEPs). Overall, despite showing some 'Good' activities, the Panel felt SSEN could have more working level arrangements in place and published to warrant a higher score.</p>	
<p>Distributed energy resources (DER) dispatch decision making framework</p>	<p>Although not leading, again the Panel felt SSEN to be demonstrating overall 'good' characteristics in relation to this criterion. For example, initiatives such as developing the Operational Decision-Making framework and establishing regular consultation with NESO showed efforts to improve coordination and information exchange. While completed ICCP link installations also helps bolster the score. The Panel also felt SSEN provided good visibility on operational decisions, such as through the Operational Decision-Making framework and Seasonal Operability Reporting. Furthermore, there was some evidence of meeting the requirements for higher scoring criteria, like the ODM framework and SWANs ANM system, and the Local Constraint Market and standardization efforts promote integration and coordination of DER across the energy ecosystem.</p>	<p>7.80</p>
<p>Overall panel score</p>		<p>7.59</p>