

19 August 2024

Nathan Macwhinnie
Deputy Director, Price Control Operation
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Dear Nathan,

Consultation on proposal to modify Electricity Distribution Licence Special Conditions 1.2 and 4.8 granted or treated as granted under section 6(1)(c) of the Electricity Act 1989

We have no comments on Ofgem's proposed modifications to Special Conditions 1.2 and 4.8 of the Electricity Distribution Licences as we agree that they effectively enact Ofgem's decision to remove the DSO outturn performance metrics element from the incentive and redistribute the associated weighting equally between the stakeholder satisfaction survey and the performance panel elements.

We would, however, reiterate the view that we have stated previously that the consequence of this redistribution is that the DSO incentive is now based entirely on subjective measures of performance that do not effectively drive the desired outcomes.

We are committed to delivering market leading DSO functions and fully recognise the benefits that this will deliver to our customers. As such, we are fully committed to helping shape this incentive and look forward to the consultation on the mechanism that is expected following the results in respect of the first year of ED2. We will advocate an outcome that ties incentives and penalties as closely as possible to demonstratable performance in delivering efficient network development and operation through the DSO function.

Finally, we would highlight that further work needs to be undertaken to fully define the RRE metrics for the remainder of ED2 in order to complete implementation of Ofgem's decision of 26 April 2024.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "P. Glendinning".

Paul Glendinning
Director of Energy Systems

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