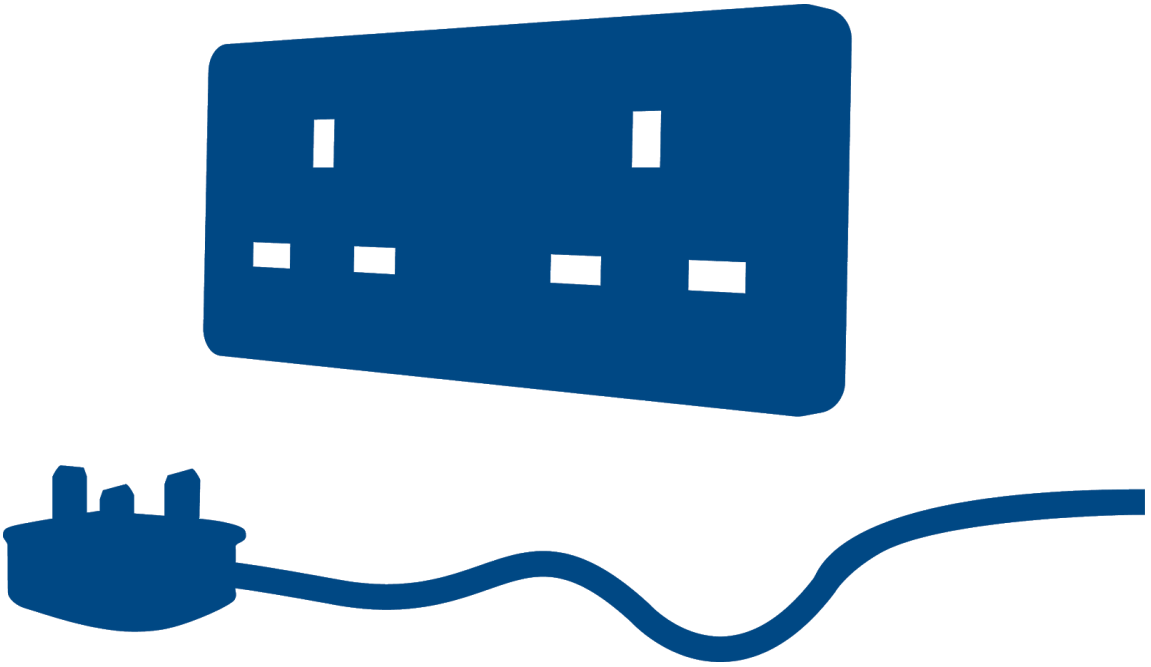
Ofgem Position paper on Distribution System Operation: our approach and regulatory priorities

Citizens Advice submission

October 2019



citizens advice

Introduction

Citizens Advice welcomes the opportunity to respond to this consultation as part of its statutory role to represent domestic and small business energy consumers in Great Britain.

We welcome the continued focus on the development of Distribution System Operation (DSO) functions by Ofgem as outlined within the Position Paper. We are supportive of the direction of travel on the approach and workstreams proposed by Ofgem which should help to ensure that there will be a more digitalised, decentralised, cost-effective, and lower carbon electricity system.

Our recommendations include:

- A higher embedded focus upon wide stakeholder engagement, including beyond the periodic business planning process, to ensure that DSO function development is fully understood, its implications and conflicts are captured, mitigations are appropriately designed, and that there is the widest support for the implementation of any activities.
- A focus upon coordinating with Ofgem and BEIS Future Energy Retail Market Review teams to ensure that consumer protections are taken into account in DSO function design. Without appropriate protections, the participation of household and small business consumers in flexibility markets will likely be impeded, which will lead to a less effective, more costly energy system, with slower progress to a low carbon future.
- The need to ensure clear boundaries between Distribution Network Operator (DNO) activities and DSO functions to understand appropriate costing of these functions, and to facilitate any future requirement to transfer DSO functions from DNOs.
- Having a higher focus within future DSO function development upon dispatch decisions in addition to tendering decisions for alternative solutions.
- Looking to develop energy efficiency as an alternative solution within Cost/Benefit Analysis for investment decision-making.

Consultation questions

1. Do you agree with our strategic outcomes?

We support the 4 strategic outcomes noted within the Position Paper, namely:

1. Clear boundaries and effective conflict mitigation between monopolies and markets.
2. Effective competition for balancing and ancillary services, and other markets.
3. Neutral tendering of network management and reinforcement requirements, with a level playing field between traditional and alternative solutions.
4. Strongly embedded whole systems outcomes.

The strategic outcomes should effectively facilitate the development of a cheaper, more responsive, and lower carbon footprint electricity system which should benefit all consumers. We have some comments on the 4 outcomes below.

Strategic outcome 1

The setting of clear boundaries between Business as Usual (BAU) Distribution Network Operator (DNO) activities and the Distribution System Operator (DSO) functions will be essential to enable the mitigation of potential conflicts between monopoly companies and competitive markets. Establishment of clear boundaries will also be needed to facilitate:

- Any eventual transfer of DSO functions to a separate DNO entity, or where those DSO functions are transferred to another DNO or to a non-DNO third party.
- The development of the Ofgem RIIO-ED2 (ED2) price control process to differentiate the funding necessary for the BAU DNO functions and those related to DSO functions.

We have explained our views on the value of separating costs for DSO functions within our concurrent response to the Ofgem ED2 Open Letter consultation[1] and have reproduced below our responses to the ED2 Open Letter consultation

[1] Ofgem Open Letter Consultation on approach to setting the next electricity distribution price control (RIIO-ED2: https://www.ofgem.gov.uk/system/files/docs/2019/08/open_letter_consultation_on_the_riio-ed2_price_control.pdf

questions regarding DSO functions which appear pertinent to Strategic outcome 1.

ED2 Open Letter consultation questions: Strategic overview and How to set price controls for DSO functions

We welcomed the RIIO price control process when first introduced as it offered the opportunity to incentivise companies to meet certain outputs of value to consumers as well as aiming to ensure a settlement that was value for money. The challenges facing the electricity distribution network in the forthcoming years, including the development of Distribution System Operation (DSO) functions and the drive to a net zero carbon target for Great Britain, will necessitate a revised price control framework for ED2. In particular, the outputs and funding for DSO functions may need to be designed separately from a Distribution Network Operator's (DNO) Business as Usual (BAU) activities. While the DSO functions are currently not firmly allocated to any particular institution, and many remain within the DNO's domain, there will be value in the future to consider the wider governance and institutional arrangements surrounding the DSO activities, similar to the considerations that are being made for the Electricity System Operator (ESO). The requirement of a system operator to be a neutral market facilitator is an example, among other functions, where the BAU of a DNO could have a potentially conflicted position, or the appearance of a conflict, that may require a different governance solution. A single price control process that incorporates the DNO BAU activities alongside the DSO functions, however, well designed, may not resolve these issues. We have further described below our views on how to use the forthcoming ED2 price control to accommodate concerns regarding the DSO functions given that the DNO BAU and DSO activities currently remain combined in single corporate entities.

9. Is there a need to separate out the revenues and outputs for 'traditional' DNO functions from DSO functions? How could this be achieved?

DSO functions will be vital elements in the drive to establish a cost-effective transition to a low carbon future. At present, some DSO functions are better understood than others in terms of the likely best party that could deliver the function, the interactions with other DSO

functional elements, and the costs associated with each element. As such, it is not clear which parties could deliver these functions most effectively now or in an evolving technological future. The work of the ENA Open Networks project[2] has been instrumental in outlining 'Future Worlds' that could incorporate these functions and analysing the relative costs and benefits of selected options and delivery partners. Citizens Advice has contributed to this debate via our participation in the ENA Open Networks Advisory Group and via consultation responses[3]. Given the uncertainties surrounding the DSO functions, we would recommend a least regrets pathway that would aim to ensure that the most currently cost effective and efficient mechanism for delivery is maintained. Optionality should remain, however, to ensure that development could take place to transfer functions to other existing parties. For example:

- DSO functions could be split away into a separate legal entity similar to the ESO
- Some DNOs could take on DSO functions for other DNOs
- The ESO could take DSO functions
- Other third parties could take functions such as market platform operation

While the uncertainty remains regarding the best allocation of DSO functions to parties, it would appear prudent to ring-fence the funding and outputs for DSO functions separately from the DNOs' business as usual (BAU) activities. This separation would then facilitate a transfer of DSO functions and associated funding and output measures to a different player, if needed.

For the effective separation of DSO functions and their funding and outputs, a detailed listing of such functions and associated costs will need to be compiled. We are aware that many DNOs are already calculating the costs for the DSO functions and have, at least in part, separated DSO functions in-house for independence, transparency and efficiency purposes. It therefore appears feasible during the ED2 price control

[2] ENA Open Networks Project: http://www.energynetworks.org/electricity/futures/open-networks-project

[3] Citizens Advice response to ENA Open Networks project consultation on Future Worlds Impact Assessment: https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/ENA%20ONP%20-%20Future%20Worlds%20Impact%20Assessment%20-%20CA%20response.pdf

consultation process to request DNOs to determine their DSO functions and their associated costs. Collation of this information will assist in ring-fencing the various IT, personnel, and equipment costs that can be firmly attributed to DSO functions as per Ofgem's 'Open Letter consultation on approach to setting the next electricity distribution price control (RIIO-ED2)'[4] at Figure 1 (page 8).

A new set of outputs and incentives will need to be determined for the DSO functions and could be linked to the functions as outlined within Ofgem's consultation at Figure 1, e.g. an output could be produced which is linked to timely and accurate forecasting of demand and generation. We would recommend using the ED2 consultation and workshop process to define these outputs and incentives, and any necessary separate licence conditions for DSO functions. We further recommend incorporating suitable mechanisms from the RIIO-2 ESO price control process to inform the output and incentive mechanisms, and licence conditions for the DSO functions.

10. In the event of the DSO function being delivered by a separate party, how might we determine the revenues for DSO activities? What type of funding model would be appropriate to set DSO revenues? In this event, would changes also be required to DNO revenues and outputs?

If DSO functions are delivered by a separate party (and even where they are continued within the DNO companies), we believe that there would be value in evaluating the institutional and governance framework that would be most suitable to deliver DSO functions. The framework should ensure that the DSO-delivery bodies are transparent, accountable, reduce conflict potential, and offer reduced risks for consumers in being overcharged. The most appropriate institutional and governance framework for DSO functions is not yet established, however, we believe that consideration should be given to a wide range of options such as the benefits of retaining the current DNO/DSO combined model, the introduction of legally-separate companies undertaking DSO-only functions, the value of not-for-profit institutions, or the use of governance arrangements involving wider community or stakeholder input. The

[4] Ofgem Open Letter consultation on approach to setting the next electricity distribution price control (RIIO-ED2): https://www.ofgem.gov.uk/system/files/docs/2019/08/open_letter_consultation_on_the_riio-ed2_price_control.pdf

funding model or models that may be ultimately designed to accommodate the DSO functions may therefore need to be different from the current price control process. Any future model will need to establish the funding requirements of each entity and suitable methods for setting measurable targets including value for money for consumers.

As the DSO functions are currently remaining within the DNO structures, and therefore within the ED2 price control process, it is recommended that the revenue allocation processes for the ESO be used as a basis for assisting in understanding the likely DSO function costs and how revenues could be determined. The functions (and their associated costs) , however, may differ between the ESO and the DSO and these functions and costs should be collated during the ED2 consultation and workshop process (see also response to question 9) to facilitate determining the appropriate revenue allocation for DSO functions.

When determining costs for the DSO functions, it will be necessary to understand the shared overheads that may be allocated by the DNO to the DSO for cost-recovery purposes which may include, for instance, premises, shared management, and payroll services. These overhead costs may need to be appropriately accounted for should there be a separation of DSO functions from a DNO to a different party.

11. Where a DNO is undertaking a DSO function, what type of outputs or outcomes are necessary to measure how efficiently they are performing this function? Over what time period could these be measured?

As mentioned in the responses to questions 9 and 10, it will be necessary to compile a set of outputs and outcomes appropriate to the DSO functions. We would recommend incorporating those outputs and outcome mechanisms from the ESO price control that mirror those within DSO functions for consistency of approach. Potential outputs could include measures relating to market participant/customer satisfaction, decarbonisation progress, reinforcement avoided, for example.

We also recommend using the functional breakdown within the Ofgem consultation document at Figure 1 as the basis for designing outputs tied to individual functions and deciding suitable timelines for measurement

progress. The continuing ED2 consultation and workshop process offers an opportunity to develop such output and outcome mechanisms.

While we recognise that DNO licence areas may have differing factors that may lead to varying DSO function solutions, wherever possible, consistent output and outcome measures should be adopted. Consistency of output measures would offer the means to identify comparative DNO forward progress and highlight best practice.

Strategic outcome 2

Effective competition should drive down costs for consumers in the energy system and provide innovative solutions. The work of the ENA Open Networks project is a useful contribution to the facilitation of the market with its current focus on standardisation on branding of product offers for tendering, and commonality of contract terms and conditions. However, facilitation of new market platforms and entrants will need a constant focus by the regulator to ensure that there is fair access to competition for balancing and ancillary services, and other markets, including potentially for functions carried out currently by DNOs. This may require amendment of price controls for DNOs or additional funding mechanisms to provide for effective competition, e.g. opening of innovation funding to non-DNO parties, and bodies working in partnership such as DNO/DNO, DNO/Transmission or ESO, DNO/third party, or third party/third party.

While the focus of the Position Paper is upon DSO functions, it is worth reiterating at this point that it is mainly demand aggregators and other energy service companies currently interacting with household or small business consumers, e.g. for aggregation of capacity or generation. Citizens Advice believes that it will be necessary for consumer protections to be established for the flexibility market as these companies are unregulated and we fear that general consumer protections do not protect energy consumers sufficiently.

We would therefore recommend that this Strategic outcome incorporates a commitment to ensure effective consumer protections and regulatory oversight of flexibility providers. It is important that Ofgem is joined up internally when working upon the DSO priorities and may therefore need to liaise closely with the BEIS Future Energy Retail Market Review teams.

Citizens Advice has published research on this topic of consumer protection and facilitation in future energy markets and we refer you to the following documents which are available on our website (www.citizensadvice.org.uk):

Research:

- 'Future for all: Making a future retail energy market work for all', July 2019
- 'Smarter protection: Potential risks for consumers in a smart energy future', April 2019
- 'Take a walk on the demand side: Making electricity demand side response work for domestic and small business consumers', August 2014

Citizens Advice responses to consultations:

- BEIS and Ofgem consultation: 'Flexible and Responsive Energy Markets', September 2019
- ENA Open Networks project consultation: 'Consultation on Future Worlds Impact Assessment', May 2019, in which we describe further how we think a system operator should demonstrate independence and transparency.

Strategic outcome 3

At present, while tendering for alternative solutions to traditional reinforcement is referred to within Strategic outcome 3, dispatch decision-making is not. Dispatch is mentioned occasionally later within the Position Paper, however, it does not have a strong focus alongside neutral tendering. We believe it would be valuable to include neutral dispatch within Strategic outcome 3 to ensure that this aspect is considered thoroughly within development of the use of alternative solutions.

The effective development of neutral tendering and dispatch will also require transparency to provide assurance to the market that it is working effectively and fairly. We would therefore recommend including within Strategic outcome 3 a reference to transparent reporting.

A level playing field for alternative solutions will be potentially easier for some products and services than others. For instance, it is already possible for DNOs to value flexibility provision when considering it as an alternative to traditional network reinforcement. However, some other alternative solutions are more difficult to assess. Energy efficiency is an example where the current Cost/Benefit Analysis will struggle to incorporate the value of energy efficiency

measures. We have addressed this concern within our response[5] to the BEIS Call for Evidence on Facilitating Energy Efficiency in the Electricity System. Our response to question 6 is repeated below for your reference. You will see that we have called for further consultation to address how energy efficiency may be suitably incorporated into neutral tendering decisions for alternatives to reinforcement.

BEIS consultation question 6: How could networks ensure that energy efficiency can compete fairly with other solutions as a potential alternative to network reinforcement?

The transmission network operators (TOs) and distribution network operators (DNOs) are responsible for network reinforcement requirements for their respective network levels and regions. The network companies are incentivised, via Ofgem price control mechanisms, to identify cost effective solutions to manage their networks, including looking to alternatives to network reinforcement, such as flexibility solutions among others. Energy efficiency measures may be an appropriate method for reducing peak and overall demand in the electricity network as demonstrated in trial projects such as the Scottish and Southern Electricity Networks' SAVE project[6]. Energy efficiency may therefore offer reductions in the need for network reinforcement. However, the current incentive mechanisms via the price control systems are directed at TO and DNO decision-making that is within their control, such as proceeding with network reinforcement or contracting flexibility services. While energy efficiency measures may be a good alternative to network reinforcement or flexibility contracts, most energy efficiency decisions are taken at the household or business level, and therefore not taken into account within network companies' cost and benefit analyses when deciding on network reinforcement or alternative options.

To ensure that TOs and DNOs fairly and appropriately consider energy efficiency within their cost and benefit analyses with respect to network reinforcement options, it may be necessary to amend the price control mechanisms to take energy efficiency into account. This presents difficulties in practice as energy efficiency mechanisms are largely decided by individuals or businesses, and therefore, any network incentive

[5] Citizens Advice response to BEIS Call for Evidence on Facilitating Energy Efficiency in the Electricity System, September 2019: https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/Facilitating%20energy%20efficiency%20in%20the%20electricity%20system%20-%20Citizens%20Advice%20response%20to%20BEIS%20call%20for%20evidence.pdf

[6] Scottish and Southern Electricity Networks' SAVE project: https://save-project.co.uk/

mechanism may need to be able to support such third party decisions and incentive these third party decision-makers to undertake energy efficiency measures in their premises. This is a role not normally undertaken by network companies. In future, could however become part of their areas of responsibility depending on how Ofgem reforms the role of Distribution System Operators (DSOs). In addition, there may be timing differences between the identification of a potential network reinforcement need and the, perhaps slower, decisions and actions taken by third parties to undertake energy efficiency measures. In some cases, third parties may even fail to make required and agreed energy efficiency changes due to low or lower than expected take-up of energy efficiency upgrades. The use of energy efficiency measures via third parties may increase risks to networks with consequent potential consumer detriment whereas the current system, where network companies can decide and implement options, offers an apparently more rapid and certain method. There may also be risks in introducing energy efficiency as a further consideration within network reinforcement options' decision-making, as the use of flexibility is still at a very early stage of implementation.

At present, therefore, there appears to be uncertainty in understanding how energy efficiency could fit readily into current network option assessment and price control mechanisms. The network companies will need a consistent, observable and measurable way of integrating energy efficiency into their network design and modeling analysis tools. Energy efficiency would need to be given parity with other solutions as well as have an agreed and quantifiable method of calculating benefits. There are also potential risk increases to networks from using energy efficiency measures as an alternative to network reinforcement. Finally, network companies would need to be able to prove additionality as a result of their actions.

To resolve these uncertainties, we would recommend further real-world trials, including cost/benefit assessments, to be undertaken to better calculate the rewards of energy efficiency versus network reinforcement or another mechanism such as flexibility. It would also be useful to better understand the potential role of networks in delivering energy efficiency improvements as it may be preferable for an independent third party to be the energy efficiency delivery partner.

We would also recommend stakeholder consultation by Ofgem and the Energy Networks Association to identify incentive mechanisms and cost/benefit analyses that would be appropriate for networks if they appear to be the appropriate conduit for driving energy efficiency by third parties. These mechanisms would need to ensure an even-handed approach when considering energy efficiency versus other options. Consultation with stakeholders would also help to clarify the risks involved with networks' usage of energy efficiency for network reinforcement options' analysis, including timing differences, potential conflict issues, and the need for transparency.

Strategic outcome 4

Embedding whole systems outcomes will be a vital element to ensure that the UK net zero carbon emission target is met for 2050 and we support this Strategic outcome. Decarbonisation will require a wide range of solutions that cross sectors such as heat and transport as well as the electricity industry. The DNOs will increasingly need to work closely with others in the gas transmission and distribution networks, the electricity transmission companies, and with the ESO. Local drivers of decarbonisation will also be important to achieve the net zero goal such as devolved governments, local councils, third party flexibility and aggregator companies, and sustainability and community groups. We recognise that the price control mechanisms may need to be amended to ensure that DNOs are suitably encouraged to work holistically across these sectors and agencies. Mechanisms to incentivise whole system solutions could include:

- Recognition within a Business Plan Incentive that the DNO has fully considered and incorporated whole systems thinking.
- Amendments to Cost/Benefit Analyses to include partial or wholly non-DNO solutions.
- Sharing of incentives or innovation funds to non-DNO participants including opening of funds to competitive third party solutions.
- Measures of reinforcement or replacement avoided.
- Extent of use of flexibility and other alternatives.
- Extent of energy efficiency measures delivered and their impact.
- Extent of green energy accommodated at distribution level.

We note that this may involve changes to licence conditions as these solutions may require cooperation beyond traditional DNO licence areas and in coordination with other DNOs, transmission companies, and the ESO, among others.

2. Do you agree that our work programme will help to deliver the strategic outcomes?

We support the current 3 workstreams of the work programme, namely:

- DNOs and new contestable services
- Key enablers for DSO functions
- Development of coordinated flexibility markets

However, as previously stated above in our comments relating to Strategic outcome 2, we believe that effective consumer protections will need to be established to ensure that household consumers and small businesses will be willing and able to participate in the new energy markets. Without their participation, the benefits of aggregated capacity or flexibility trading will not be fully materialised, with resulting higher than necessary carbon output and higher than anticipated costs for running the electricity system. We would therefore welcome coordination with Ofgem and BEIS Future Energy Retail Market Review teams to ensure that consumer protections are taken into account in DSO function design. Without appropriate protections, the participation of household and small business consumers in flexibility markets will likely be impeded, which will lead to a less effective, more costly energy system, with slower progress to a low carbon future.

We have comments with respect to each of the workstreams below.

DNOs and new contestable services

We support the workstream to address DNOs' involvement in potentially contestable services such as voltage reduction or Electric Vehicle (EV) managed charging. We understand the complexity of the arguments where a DNO, for instance, may benefit from payment from the ESO for active network management services using in-house products often developed using consumer-funded innovation monies. While there are benefits for consumers in the potential for reduced distribution charges, lower bills and carbon emission reduction, there are also concerns that third parties could be unable to compete with alternative products. Lack of effective competition may result in ultimately poorer outcomes for consumers and restrict the development of an effective and low cost alternative solution market.

Therefore, we welcome future consultation and policy position papers on specific potentially contestable services to fully explore implications and

mitigants and to permit input to the debate by third parties. It will also be an opportunity to explore alternatives for currently contestable services as has been the case for similar services where they may have had separate treatment. For instance, it may be possible to mandate that certain of these new services, such as some vertically-integrated services, are so valuable to the development of the electricity system that they become required for all DNOs. It will also be welcome to develop an overall set of principles to guide decision-making with respect to emerging contestable services based on the proposed high-level development of the broader policy position on this topic.

The clearer allocation of boundaries between DNO BAU functions and DSO functions should also assist in:

- Addressing concerns surrounding contestable services by clearly separating out these lines of work.
- Enabling the publication of data (e.g. constraint information) that may be perceived to confer a competitive advantage to the DNO.
- Identifying additional DNO services that operate as a competitor to third parties.

A transparent, independent decision-making system for these services may be required within the DNO or from an independent outside body to eliminate potential or actual conflicts of interest. See also our comments for question 1 on Strategic outcome 1.

Key enablers for DSO functions

This workstream will be essential to ensure that DSO functions are established in a consistent manner and at the same pace across Great Britain. Without focus on these enablers from the regulator and industry, an ineffective and fragmented set of systems could result which would stall progress on a low cost and lower carbon transition.

We agree that data is a key enabler in the future system, and we support the Energy Data Taskforce[7] staged approach to establish a 'Modern, Digitalised Energy System'. In the drive to achieve this new energy system, it will be necessary to ensure that data is as open as possible and readily transferable to market platforms, other DNOs, the ESO and other third parties. Interoperability and use of data standards should be priorities. We recommend that Ofgem

[7] Energy Data Taskforce report, June 2019: https://es.catapult.org.uk/news/energy-data-taskforce-report/

continues to work with the industry, e.g. via the ENA Open Networks project among others, to establish the standards that will need to be put in place to develop an open and effective interoperable set of systems. We support the move to ensure best practice data standards and welcome a timeline for implementation. DNOs should report periodic progress to Ofgem showing how they are achieving these standards against the timeline. Best practice data standards will need to fully incorporate the issues of privacy for consumers.

We welcome the development of more granular network data to enable future locational or cost reflective price signals, and recognise the need for collation of this data to inform the work of the Significant Code Review (SCR) on Access and Forward-Looking Charges. Citizens Advice is contributing to the SCR via our membership of its Challenge Group.

There is a risk, as highlighted in the Position Paper, that firmly deciding a particular policy avenue at this point risks locking-in a DSO function to a specific party which could reduce the opportunity to transfer the function as a later date. We would support the least regrets pathway to keep the development of DSO functions as transferable as possible. Identification of the boundaries between DNO and DSO functions should aid in ring-fencing DSO functions but there will still need to be a focus upon ensuring that the individual DSO functions are not developed so closely interlinked that they cannot be separable in the future.

Development of coordinated flexibility markets

We support Ofgem's active monitoring of the development of new flexibility markets. In particular, we welcome Ofgem's continued engagement with the industry via the ENA Open Networks project, which will be a key element to ensure consistent and rapid forward progress. Citizens Advice has contributed to the ENA Open Networks project via consultation responses and as part of our membership of the project's Advisory Group. We have supported the Open Networks project's principles for flexibility and the drive for standardisation of branding, contract terms and conditions, transparency, and clear and consistent valuation and decision-making across DNOs. We refer you to our recent response to ENA Open Networks project's consultation on flexibility[8] where we address many detailed issues including on the principles and practices underlying the emerging flexibility market. In this response, we also highlight the

[8] Citizens Advice response to ENA Open Networks project consultation on Flexibility, August 2019: https://www.citizensadvice.org.uk/Global/CitizensAdvice/Energy/Energy%20Consultation%20responses/ENA%20Open%20Networks%20Project%20-%20Flexibility%20Consultation%202019%20-%20CA%20response%20%20(1).pdf

need for continued stakeholder engagement to ensure that the proposed developments by DNOs are driven and supported by stakeholders, customers, and consumers.

The proposed workshop on discussing DNO flexibility tenders with stakeholders will be useful to further progress this topic and embed implementation within the ED2 price control process.

We also recognise that there may need to be changes to the Cost/Benefit Analyses for DNOs to appropriately compare the value of flexible solutions against reinforcement options and to establish revised valuations as costs potentially reduce due to competitive pressure or technological innovations. A consistent and transparent approach to comparing value will need to be developed. See also our response to question 1 on the incorporation of energy efficiency within the decision-making process on future investment needs.

3. Do you have anything to add to the thinking and analysis that informs how we propose to deliver our programme of work?

The development of DSO functions will require the DNOs to expend resources to change their ways of working, build new systems and products, and recruit new personnel in data design and management. The costs associated with these changes may be high, which would be borne by consumers. The changes will also impact many different stakeholders. We therefore recommend that developments of DSO functions by DNOs are fully informed by stakeholder views. By stakeholders we are using a wide definition including consumers, household and business customers, and others impacted by the activities of the DNO such as potential third party service or data users, community groups, local and national governments, etc.. The input of users is highlighted within Appendix 1 within the section under 'Key enablers for DSO functions', however, we believe that a stronger focus is required within the workstreams to ensure that full consideration is taken into account of stakeholder views.

The current ED2 price control process provides an opportunity to incorporate stakeholder views for DSO function development. However, there is already ongoing progress in establishing DSO functions, and there will be a current and continuing need for DNOs (and associated groups, such as the ENA Open Networks project) to reach out to stakeholders beyond the price control process to ensure that any development is:

- Understood by stakeholders following comprehensive provision of relevant information
- Implications and conflicts are captured
- Mitigations appropriately designed, and
- That there is the widest support to confirm the direction of travel and implementation of any activities.

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Published October 2019

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Registered charity number 279057.