

ELECTRICITY FUTURE SERIES

GOVERNANCE FOR NET ZERO WORKSHOP

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DSO

nationalgrid
electricity distribution

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INTRODUCTION

On 31 January 2024, National Grid Electricity Distribution (NGED) hosted the third stakeholder workshop in its Electricity Futures series, which focused on the internal and external governance measures required to support NGED as it evolves the role of Distribution System Operator (DSO). The event was designed to collect feedback from stakeholders on the following topics: the external governance landscape and outlook; NGED's internal governance between the DSO and Distribution Network Owner (DNO); and the operation of NGED's DSO.

The workshop was hosted as a hybrid event, meaning that stakeholders could attend in person, in London, or online. Each of the three workshop sessions consisted of one or more short presentations given by NGED representatives or guest speakers (broadcast as a live feed to stakeholders participating online), followed by facilitated discussions at roundtables and in online breakout rooms. In addition, there was a Q&A session at the close of the event.

NGED instructed EQ Communications, a specialist stakeholder engagement consultancy, to independently facilitate the workshop and to take notes of the comments made by stakeholders in order to ensure the transparency of the insight produced. In order to encourage candour and open debate, comments have not been ascribed to individuals. Instead, notes have been made of the type of organisation each stakeholder represents.

The full presentation can be found [here](#).

EXECUTIVE SUMMARY

PARTICIPANTS

- A total of 80 stakeholders participated in the workshop, representing 61 organisations.
- 100% of attendees who filled out a feedback form told us that they found the workshop to be ‘interesting’ or ‘very interesting’, indicating a positive response to this form of engagement.

SESSION 1: THE EXTERNAL GOVERNANCE LANDSCAPE AND OUTLOOK

Stakeholders were given an overview of the process involved in setting up the National Energy System Operator (NESO), a key part of which is introducing Regional Energy Strategic Planner (RESP) role which will coordinate system design and planning efforts across the whole energy system at a regional level. Stakeholders were asked to provide feedback on the potential benefits, and challenges, of introducing RESPs.

- When stakeholders were asked to name the most significant benefits that RESPs could unlock, the most popular responses were ‘coordination’, ‘transparency’ and ‘whole systems coordination’.
- This was reflected in the discussions, where whole systems planning was consistently seen as a key benefit, along with closing the equitability gap between local authorities, and a coordinated move towards consistent planning and sustained investment over many political cycles as a result of introducing a transparent, independent operator.
- Stakeholders were asked which features of the proposed new governance arrangements would deliver the biggest benefits. The most popular answer was ‘coordinated whole system strategic plans, driving coherence across energy vectors between national and local levels.’
- Stakeholders were also asked to vote on what they saw as the biggest consideration to ensure the benefits were realised, and the most popular answer focused on considering the competing priorities of energy and local planning actors.

SESSION 2: NGED'S INTERNAL GOVERNANCE STORY AND OUTLOOK

The second session outlined NGED's approach to governance of the DSO, highlighting the continued need to strike a balance between DSO and DNO objectives to deliver optimum outcomes for consumers and operate a safe and secure network. It was also emphasised that, as wider governance arrangements evolve, RESPs will play a critical role alongside DSOs and key local stakeholders in driving the transition to net zero. Stakeholders were then asked for their feedback on NGED's internal governance features, potential conflicts between DNO and DSO, and the proposed key areas for RESP development.

- When voting electronically, stakeholders chose 'transparent processes for seeking and responding to input from stakeholders' as the most important governance feature for DSO, followed by 'clear and separate decision-making frameworks for DSO, including articulation of DNO:DSO interfaces.'
- When stakeholders were asked to contribute to a word cloud on what they thought were the key conflicts between DNO and DSO, the most popular answer was 'flexibility', followed by 'risk', 'data sharing', 'priorities' and 'security vs flexibility'.
- This was reflected in the discussions, where a key comment was: "How reliable you can be while providing flexibility could lead to conflict".
- According to an electronic vote, 77% of stakeholders agreed or strongly agreed that the external governance changes will have a positive impact on NGED DSO's current roles and responsibilities.



SESSION 1: THE EXTERNAL GOVERNANCE LANDSCAPE AND OUTLOOK

Following an introduction and welcome from Cordi O'Hara OBE, President of NGED, Kayte O'Neill, Chief Operating Officer of the Electricity System Operator (ESO), gave her presentation. She explained the process involved in setting up the National Energy System Operator (NESO), which will establish a standalone corporation to manage the energy system as a whole, independent from industry and government. Importantly, as a first for the industry, NESO will have the ability to coordinate system design and planning efforts across the whole energy industry, meaning that planning and investment decisions can be optimised to deliver Great Britain's net zero objectives at the most equitable cost to consumers. The presentation also outlined the introduction of the Regional Energy Strategic Planner (RESP), which is aimed at coordinating a consistent approach for regional energy planning; aligning national and local energy plans; ensuring cross-vector consistency and local legitimacy; and supporting local actors.

Janine Michael, Deputy Chief Executive of the Centre for Sustainable Energy, then outlined the significance of RESPs for local communities and stakeholders, confirming that a concerted whole systems approach, as well as governance structures that own the planning for a net zero energy system – both nationally and regionally – are welcome. She noted that RESPs could fill the governance gap that many local authorities and Local Area Energy Plans (LAEPs) have not yet filled, but now the challenge is implementing next steps and ensuring that progress can continue and pick up pace. Janine concluded by outlining some considerations for the accountability and design of RESPs, such as being aware that capacity and skills issues associated with achieving net zero vary enormously between local authorities of different sizes and types and ensuring that spatial planning is considered from the top and at grassroots level.

UNLOCKING THE BENEFITS OF NEW LOCAL AND REGIONAL ENERGY SYSTEM GOVERNANCE ARRANGEMENTS

Stakeholders contributed to an open-ended word cloud, where the most frequently cited benefit that could be unlocked by new local and regional governance arrangements was 'coordination', followed by 'transparency' 'hydrogen' and 'whole systems coordination'.

As reflected in the electronic voting, key for many was a strategic, coordinated, national shift in approach to view the energy system as a whole as greater than the sum of its parts. This, for many, was the only way to bring about the meaningful change required for a system fit for net zero. Another critical benefit was the opportunity to standardise and simplify methodologies and processes across the DNOs and DSOs, which would give stakeholders, particularly developers and local authorities, greater access to the network and minimise the costs, resources and time spent on navigating different systems and organisations. A key comment here was: "It's about making access accessible."

Using RESPs to address equitability across local authorities was cited as a key benefit, closing the gaps in knowledge, staffing, financing and resources between the larger authorities and the very small, where social care, education and housing often take precedence over planning for net zero. Another important benefit was seen to be enabling local authorities to identify the most cost-effective options for transitioning to net zero, currently described as a somewhat opaque process, subject to a disconnect between budget timetables and the scheduling of network upgrades. Moreover, many felt that implementing a streamlined process for local authorities and stakeholders that shares information and data and indicates the type, location and cost of potential schemes could both guide effective investment and speed up the delivery process. Another benefit here was in the potential for levelling up the country's regions. It was acknowledged that some areas suffer from constraints that are currently overlooked. It was felt that NESO could address these issues and help to spread network investment more strategically across the country, unlocking untapped economic growth and development.

Another key benefit was creating a transparent, independent operator whose reputation can be built through trust and which can provide the vital data for foreseeing network capacities, an area currently described by one stakeholder as “an information black hole”. These reliable, trusted forecasts could give Ofgem the confidence to sign off on much-needed investments, overcoming any barriers to progress. Moving away from short-term planning and investment cycles, as dictated by five-year price controls, and towards consistent planning and sustained investment over many political and business plan cycles was seen as a critical benefit to be unlocked, with stakeholders citing best practice from European partners who commit to investing money consistently, leading to clear, measurable results.

DELIVERING THE BIGGEST BENEFITS

When stakeholders were asked to vote electronically on which features of the proposed new governance arrangements would deliver the biggest benefits, the most popular answer was ‘coordinated whole system strategic plans, driving coherence across energy vectors between national and local levels.’ This was followed by ‘place-based engagement and local representation in developing strategic plans’, then ‘support to local actors in the form of advice, data and tools for planning’ and ‘coordination of flexibility markets across standards, rules and processes, as well as delivery plans’.

However, it's important to note that, discursively, many stakeholders felt that it was difficult to only pick one benefit, and that ideally, all four would work together to produce the desired outcomes.

During a word cloud exercise, ‘trust’ and ‘accountability’ featured heavily as benefits that might be missing. This reflected the discussions, where it was felt that vital components included a communications policy that effectively conveys the positives of this governance change, and demonstrable, measurable assistance in the form of resources, funding and staff support, above and beyond access to data sets, which would help to build trust and secure results. Clarity on roles and objectives and a road map were also seen as important, enabling every actor in the chain to understand their responsibility and how their role fits into the larger governance scheme.

BIGGEST OUTSTANDING CONSIDERATIONS

Voting electronically, stakeholders indicated that considering the competing priorities of energy and local planning actors is the biggest consideration in ensuring that benefits are realised. This was followed by considerations around enhancing and developing skills and capabilities; regulation and policy; and funding gaps. The voting results were close, and this was borne out in the discussions, where it was felt that these considerations overlapped somewhat, particularly at the local level, where many local authorities are both overstretched and under-resourced and lack the requisite skills to participate and make confident, informed plans. Tackling these challenges would be key to fully unlocking the potential benefits of RESPs. Engaging with local authorities and stakeholders to enable them to share conflict areas, and making sure networks are fully aligned to deliver energy clusters, was seen to be critical to the process. In order to facilitate this kind of ambitious coordination, stakeholders urged NESO, and wider industry and government, to be consistent and to clearly and transparently decide on a direction of travel and follow it. This would enable a greater chance of success in bringing together the different vectors of the energy piece: network, markets, system and customer.

VERBATIM COMMENTS AND VOTING

1. What are the most important benefits that proposed new local and regional energy system governance arrangements can unlock?

	Coordination	15
	Transparency	6
	Whole system coordination	6
	Engagement	3
	No silos	2
	Decisions	2
	System coordination	2
	Consistency	2
	Hydrogen	2
	Funding	1
What are the most important benefits that the proposed new local and regional energy system governance arrangements can unlock?	No duplication	1
	improved skills	1
	No siloes	1
	Cost of whole system	1
	Systems thinking literacy	1
	Customer experience	1
	Not hydrogen	1
	Reduce bottlenecks	1
	Ownership	1
	Speed of delivery	1
	Decentralisation	1
	Partnerships	1
	Systems approach	1
	Operational efficiency	1

Accountability	1
Efficiency	1
Local values	1
Planning	1
Whole-system	1
Sanctioning of investment	1
Information sharing	1
Long term sustained direction	1
Skilled resource	1
Local	1
Bottom up planning	1
Capacity coordination	1
Openness	1
Co-benefits	1
Economic development	1
Place based investment	1
Ofgem funding approval	1
Info sharing	1
Clear decisions	1
Simplification	1
Cost effective transition	1
Local coordination	1
Consumer choice	1
Whole system planning	1
Additional local resource	1
Consistency of approach	1
Access to advice	1
Consistent pace	1
Intelligence	1
Meeting local needs	1
Simplified process	1
System access	1
Communication	1
Consent	1
Local benefits	1
Whole systems	1
Clarity on policy	1
Local buy in	1
Rapid decarbonisation	1
Coordinated delivery	1
Holistic network planning	1
Greater coordination	1
Support for local actors	1
Faster delivery	1
Best overall solution	1
Resources for local authorities	1

Flexibility coordination	1
Agility and systems under	1
Strategic delivery	1

- “The shift in mindset to viewing the whole as greater than the sum of the parts is the only path forward that can achieve the necessary change.” Business customer
- “The more that can be created in common formats, the more that would help some of the developers. So, standardisation and simplification. It needs to be complex for big projects, but for small stuff, it needs to be really simple.” Academic institution
- “It’s about making access accessible.” Energy consultant
- “One of the problems with local energy planning is that certain local authorities have a lack of resources and are left behind. The development across the country needs to be more consistent. Standard methodology would be a great benefit.” Local authority
- “And it’s probably also about equitability rather than equality too, because there is no one type of local authority. You’ve got the larger ones that have more skills and technology, and then you have the very small regions that have one person responsible for net zero. Filling in those gaps, because I think for a lot of people it’s not in their top 10 things to worry about right now. That’s bins, council tax and social care. Anything else that’s not how they decarbonise their work.” Energy consultant
- “One of the key benefits will be working out what the most cost-effective transition to net zero is. If we can get that coordination happening, bringing those stakeholders together, we might actually be able to compare apples and pears maybe, instead of apples and something else. So, you’ll find that at the moment the energy system is supposed to respond to what one wants to happen locally. But what one wants to happen locally is constrained by the economics and finances of that time. So, by the time those discussions happen, or by the time the energy system can facilitate those things to happen, the finances for those things aren’t happening anymore.” Government
- “Some of that strategic stuff can then help guide investment. So, it should speed up the whole process of delivery. So, we find the governance bit is going to be critical. But bringing everyone together, and firstly having the same data and information that you’re making decisions from. And sharing information. Actually, if you’ve got a process to engage with, a thing that actually shares information and data, which shows you where to go, that would make a major difference. We’ve been fighting for a long time to have the energy system provide that foundation. And this is the beginning of that. Because it’s not going to be the democratic system that provides that.” Government
- “Why are demand customers going where they go? Say when we finally see a really big battery factory in the UK, will it be going where the network is because the network is there? Or will the network go to it? And there is a balance to be found there. And the various roles of NESO can start bringing that together and facing us with what is necessary, whether that is market-driven or central industrial planning. And RESPs could absolutely have a role in that.” Utility

- “I think having an organisation with responsibility for both gas and electricity will be good and how you can bring that to benefit wider society. There has been a drive to adopt a whole system approach without giving DSOs a mandate to do that work. Although they’ve been pushed quite hard, they haven’t had the best incentive regime or authority to be able to move into that, so it’s mainly been based on goodwill and best endeavours.” Energy consultant
- “It’s about creating a structure to have conversations in, so you have meaningful outputs, which are accepted and put through a consistent framework that’s in use nationally, building that reputation through transparency.” Utility
- “Helping local authorities. One of the biggest problems is the disparity in knowledge between the energy industry and the local authorities. We see so many local authorities that don’t seem to understand the nuances of energy infrastructure.” Developer
- “We are essentially blind to the capabilities of the network. We’re rolling out electric vehicle (EV) chargers as if they’re going out of style, in an information black hole about how this might cause damage to capacity. Information transparency is of vital importance.” EV charge point manufacturer / installer
- “The key thing is that we need to invest a lot in the grid, particularly to enable EV charging and transport. We need to provide the regulator with confidence that what we are building the grid for is the right answer. They’re never going to just trust DNOs because they’re businesses who will make money out of more infrastructure.” Trade association
- “DNOs struggle with building the case to make investments. RESPs help bring an independent voice that will help DNOs to get their investments approved by Ofgem.” Energy consultant
- “Adopting a holistic view that allows for long-term planning. Planning in this way will make it easier to justify the radical steps that need to be taken in the immediate future.” Utility
- “We must move away from short-term and small-scale projects towards consistent planning and sustained investment over many political cycles. This will ensure a stable skill set. In the UK, we might have a sudden rush of investment for five years that will suddenly stop. This contrasts to European partners who invest a committed amount of cash consistently.” Gas distribution network
- “I am keen to see how we as local government can level up between the country’s areas. I mostly work with an English area that has great constraints and keeps getting knocked out from new connections. I would like to see the plan help address these issues or help spread the investment across the UK, not just have it go to the areas that always get money spent in.” Local authority
- “We think we’ll see benefits around coordination with distribution networks, and more embedded plans throughout. Rather than just planning for planning’s sake.” Utility

2. Which features of the proposed new governance arrangements do you think will deliver the biggest benefits?

Which features of the proposed new governance arrangements do you think will deliver the biggest benefits? [Rank the options from 1-5]	Coordinated whole system strategic plans, driving coherence across energy vectors between national and local levels.	4.32
	Place-based engagement and local representation in developing strategic plans.	3.3
	Support to local actors in the form of advice, data and tools for planning.	3.08
	Coordination of flexibility markets across standards, rules and processes, as well as delivery plans.	2.84
Other		0.25

If you entered 'other' or have additional suggestions of features of the proposed new governance arrangements that will deliver benefits, please tell us what they are.

If you entered 'other' or have additional suggestions of features of the proposed new governance arrangements that will deliver benefits, please tell us what they are.	Accountability	4
	Trust	4
	Transparency	2
	Whole system alignment	2
	Data sharing	2
	Local representation	2
	Clear roles	2
	Simple use of language	1
	Fairness	1
	Hydrogen	1
	Spatial planning	1
	Common purpose	1
	Fit together local & national	1
	Leave no one behind	1
	Communication	1
	Confidence	1
	Clear direction	1
	Progress at pace	1
	Conflict resolution	1
	Delivery	1
Funding for LAEPs	1	
Elec/Gas Collaboration	1	
Simplicity	1	
Independence	1	
Understanding customers	1	
Democratic legitimacy	1	

Deregulate allow innovation	1
Ontology	1
Support for Ofgem funding	1
Flexibility standards	1
Bottom up and top down	1
Build on existing process	1
Resource for local actors	1
Data standards	1
Funding for local authorities	1
Community conversation	1
Standards	1
Local legitimacy	1
Clarity	1
Legitimacy	1
Clarity of responsibility	1
Cross vector	1
Faster connections	1
Consistent messaging	1
Independent scrutiny	1
Engineering standards	1
Inclusivity	1
Coordination	1
Clear decision rights	1

- “No priority jumps out. We must do everything everywhere all at once. We don’t want one-trick pony dominance. We must also think about risk management. We must think of whole-system capability to respond to shock and stress.” Academic institution
- “I agree that all of those roles are incredibly important and valuable.” Energy consultant
- “They all work in tandem to produce the outputs. However, the second suggestion about support to local actors stood out. We’re trying to bring regular people into the fold.” Local authority
- “I think asking which is more beneficial is the wrong question, in some ways, as enabling all four of them to fulfil what they need to is what we want to see.” Energy consultant
- “We want to avoid the lottery of who gets connections. Clarity and clear goals with easy-to-achieve objectives is key.” Energy consultant
- “That no one gets left behind, that element. If you left it to retailers, they’d focus on people with Teslas and not on typical consumers. There is a perception that energy is something that gets done to you, in terms of building houses they’ve done neighbourhood development plans, making sure everyone benefits. Rolling out community benefits and getting people involved in market structures won’t be easy but will be good.” Energy aggregator
- “Local energy plans are expensive, one of the biggest values is gap-filling. You’ll be adding huge value.” Charity

- “We’re doing a huge amount of engagement with local authorities and it’s extremely difficult. There are hundreds of authorities with huge capability gaps. It’s a big ambition turning that into something tangible that drives progress from a bottom-up angle. We’ve got 11 years to get to a net zero electricity system. I don’t think we fully recognise the skills challenge we’ve got.” Utility
- “Network companies have been incentivised and regulated to do their own thing, so when we came to the point of saying ‘we can do this better, we want you to be more whole systems’, what does that actually mean? Having a fresh pair of eyes where there isn’t an existing process, being able to step back. The evidence that can come out of that can be powerful.” Energy consultant
- “Coordinating everything together is the most important thing to get right. From a customer perspective, we need to make it easier to understand how the whole system works.” Trade association
- “As soon as you understand how to do something, you’re much more likely to engage in it.” Trade association
- “Access to advice from a trusted partner who’s connected into the system is quite important. At the local authority level, the more access they can have to what a good system looks like, the better.” Energy consultant
- “I think a national plan makes sense and is important for the confidence of a lot of local authorities who need that sense of permission to proceed.” Energy consultant
- “Coordination of flexibility markets is a big one. NGED saved millions of pounds using flexibility without using grid reinforcements and this will help with capacity issues and be a big driver in getting rid of barriers.” Business customer
- “The ideas around capacity were the most helpful, as these enable us to advise our clients better on what capacity issues there are, as well as formulate our strategies for future development of that area.” Energy consultant

3. Is anything missing?

- “The element of standardising processes and procedures from region to region. It facilitates participation in the most efficient way and reduces cost of throughput. Every time you go into a new region, you have to get the rulebook out.” Energy aggregator
- “Some regions will have best practices, if we can share it widely, that’s helpful. How do I create a forum to get a wider view on how to navigate a complex issue, rather than leaving the solution in a region.” Utility
- “How does it all fit together with regard to the RESPs? I feel confused about which organisation is responsible for each stage of this process.” Developer
- “It will be crucial to communicate to all stakeholders that the positives outweigh the negatives.” Business customer
- “You could include something about a technical knowledge base and shared learning. We don’t necessarily have this technical foundation at a local level to solve these complex issues on the ground.” Local authority
- “It’s not just about data and guidance, but actual resources for local actors.” Energy consultant

- “Visibility of data is already happening, so actually stepping beyond that and making resources available is important.” Energy consultant
- “That goes beyond material resources as well, we need people within NESO who can directly be seconded or work with them along those lines. Resource is one of the biggest issues for local actors to work through, and we need expertise that can be called upon through more than just data feeds.” Energy consultant
- “We must focus on societal challenges. The language must be right, and that local conversation must be right, so people accept the change.” Gas distribution network
- “We have the national strategic plan, but we lack interface when it comes to local planning in areas such as heat network zoning. We need certainty to provide planning, and we need this sooner rather than later.” Local authority
- “It would be useful to know who’s proposed to be the main feed-in voices for this strategic piece of work, so that we know where to focus our energies.” Local authority
- “The bigger picture, clarity over long-term planning and how we’re moving towards net zero. We’re missing the middleman between high-level policy and local areas, and it would be nice to see a long-term plan of what the governance is hoping to achieve. Not just the objectives, but a clear route map.” Local authority

4. What are the biggest outstanding considerations to ensure the benefits are realised?

What are the biggest outstanding considerations to ensure the benefits are realised? [Rank the options from 1-5]	Competing priorities: Energy and local planning actors have competing demands on time and resources, which risks diverting necessary attention to effective delivery.	3.62
	Skills and capabilities: Enhancement and development of skills and capabilities needed to implement and deliver intended benefits.	3.33
	Regulation and policy: Complex policy and regulatory landscape with detailed development and alignment of new arrangements to be developed.	3.32
	Funding gaps: Challenges securing adequate financial resources to support the implementation and maintenance of initiatives.	3.2
	Other	0.28

Are there any other considerations [to ensure the benefits are realised] not listed in the last question, that you’d like to suggest?

Are there any other considerations [to ensure the benefits are realised] not listed in the last question, that you’d like to suggest?	Avoid duplication	4
	Data	3
	Clear accountability	3
	Transparency	2
	Hydrogen for heat	2
	Regional nuances	2
	Political will	2
	Consistency	2
	Education	2

Local political will	1
Commercial freedom	1
long term direction	1
Knowledge gaps	1
Who pays	1
Efficiency	1
Money	1
Community engagement	1
Independence	1
Consultancy	1
Focus on top priorities	1
Technical capability	1
Clarity	1
Strengthen planning policy	1
Data sharing	1
Burdensome	1
Data availability	1
Defined responsibilities	1
Customers' trust	1
Simplicity	1
Existing interfaces	1
Transport	1
Bring future generations	1
Interactions across sectors	1
Clarity from Ofgem	1
Transition issues	1
Avoiding duplicated effort	1
Heat	1
Clear roles	1
Whole system	1
Collaboration	1
Complexity	1
Conflict of interest	1
Customers	1
Independent scrutiny	1

- “If the value is decarbonising quickly, where are we going to add most value by doing it quickly? We need to try and get stakeholders to share conflict areas, making sure networks are fully aligned to deliver energy clusters. As a strategic energy planning team, I want us to have conversations and make sure we don’t drop the ball. One of the pieces of work that we’re going to start is getting a baseline for each region and understanding their current status and future plans, including LAEPs.” Utility

- “Local plans, the planning system in general, because there are a lot of authorities that are failing on their commitments. There are tough deadlines to get those in place. It’s a skill and a management issue. We can get the skills, but it’s having to flex in terms of where that skill is at any one point.” Energy consultant
- “There are financial considerations. I’ve spent a lot of time looking at the innovation cycles around this. There’s no great connectivity. There’s no way of showing your learning has landed. Lots of people are learning things, but there is no coordination to say you’ll make that part of your plan. Lots of money is being spent, but not effectively.” Academic institution
- “Lots of this is being driven by lots of angles – network angle, markets angle, system angle, local authority angle, with different drives and motivations. The bit missing is the customer. There will be a very large number of assets on the future energy system that will be in customers’ homes, assets that people have control of. We need to make them part of the future energy system.” Energy consultant
- “We need to engage customers better, but they don’t have the knowledge. We need to get customers understanding the implications of doing something differently, show that they can access renewable energy rather than imported gas and why this is important.” Academic institution
- “Local authorities could use and share their tools for engaging customers. They would be able to see their neighbour local authorities’ tools and know how they worked. That saves costs and resources. Create things that work, then allow others to use it and tweak as needed. Local authorities have the local knowledge to be able to consider the needs of vulnerable customers. Those aspects need to be built into the plan. The people that can afford solar panels and EVs are already on board, but you need to bring the vulnerable into the plan.” Energy consultant
- “Technical requirements are the foundation of realising the benefits. There has to be a sufficient pool of resources that are allocated accordingly, otherwise, you end up with blackouts like in 2019.” Energy consultant
- “Supply chains and making sure they’re readily available. Also make it as efficient and affordable as possible, given that we’re doing all of this for the general public.” Local authority
- “Understanding that some local authorities have some capacity, whereas for others it is much more constrained. Understanding where capacity exists and where it does not. And where capacity exists, there is not necessarily the capability. It’s a balancing act and it requires expectation management. Local authorities should do a self-assessment to work well with the RESP.” Energy consultant
- “Liaising, engaging and interfacing with existing processes is crucial to understand whatever comes next. We must make sure whatever is next gels with existing processes really well.” Energy consultant
- “The clear consideration to work on is the potential overlap between plans and the issue of clear accountability when it comes to our findings and the DNOs’ actions in terms of network planning. We ought to make sure we are not creating two versions of the same plan. Our future responsibilities should be well defined.” Energy consultant
- “A lot will depend on who actually represents the regions and using the expertise we have to make sure that it’s not just a top-down technocratic exercise.” Academic institution

- “Having a clear set of guidelines around project management to prevent delays is important.” Trade association



President, National Grid Electricity Distribution - Cordi O'Hara OBE FEI

SESSION 2: NGED'S INTERNAL GOVERNANCE STORY AND OUTLOOK

Ben Godfrey, Director of DSO at NGED, began the second session. He explained that clear and effective governance is central to enabling NGED DSO to deliver its core functions: flexibility market development, network operation, and planning and network development, while driving positive outcomes for consumers and the energy system. He outlined the progress made in enabling efficient, transparent and functionally separate DSO governance and decision-making, but highlighted the ongoing need to strike a balance between DSO and DNO objectives in order to deliver optimum outcomes for consumers and operate a safe and secure network.

Philippa Slater, Director of Asset Management and Operational Support at NGED, then gave her presentation, explaining that effective operation of the DSO:DNO interface will be key to optimising delivery of £7.5 billion of capital investment in RIIO-ED2, with the spend on network reinforcement expected to rise by over 100% compared with the RIIO-ED1 period, alongside rising connections and non-load network investment, with a view to building out the infrastructure required for the UK's drive to net zero. She emphasised that NGED's approach to governing the close relationship between DNO and DSO is key to working through the objectives and challenges of both functions and achieving the best outcomes for consumers. She concluded by explaining that as wider governance arrangements evolve, RESPs will play a critical role, alongside DSOs and key local stakeholders, in driving the transition to net zero.

INTERNAL GOVERNANCE FEATURES TO ENSURE EFFECTIVE DELIVERY OF DSO

Voting electronically, stakeholders named 'transparent processes for seeking and responding to input from stakeholders' as the most important governance feature for DSO. This was followed by 'clear and separate decision-making frameworks for DSO, including articulation of DNO:DSO interfaces', then 'independent oversight of decision-making processes and outcomes' and finally 'executive-level accountability and board-level visibility of key DSO decisions'. Stakeholders were then asked to contribute to a word cloud to capture any additional features. 'Communication', 'incentives' and 'long-term thinking' were all popular choices.

As with previous voting sessions, the results were close, and many felt that all the features were vital to effective DSO delivery. While transparency was roundly agreed to be very important, stakeholders dug into some of the thornier questions underlying it, such as the still relatively open question of how to value data in the drive to net zero. A key comment here was: "It's all very well having endless data streams available in real time from our control room. But how would one know from looking at that data whether that is good or bad?" Some suggested that rather than transparency of process, transparency of reporting on delivery would actually be more useful. Incentives, measurable outputs and KPIs for DSO were all felt to be key here. Further aligning those metrics to benefit customers and support emerging flexibility markets was seen to be an important undertaking for an effective DSO. Another critical question came up when assessing independent oversight and measuring system risk: short-term risks could be taken with flexibility to make savings, which might have knock-on effects with reliability. Creating

proper processes to demonstrate what system risk is being taken and how that changes over time was seen as vital to the delivery of an effective DSO.

KEY OR PERCEIVED CONFLICTS BETWEEN DSO AND DNO

Stakeholders were asked to contribute to a word cloud on what they thought were the key conflicts between DNO and DSO, and the most popular answer was ‘flexibility’. This was followed by ‘risk’, data sharing’, ‘priorities’ and ‘security vs flexibility’. These results were echoed in the discussions, where a key, overarching comment was: “How reliable you can be while providing flexibility leads to the most arguments”. In this case, it was noted that a risk taken on the DSO side, for example, could lead to a financial penalty on the DNO side. To mitigate this, agreed processes and transparency were seen to be crucial, so that it could be proven that any decisions were made on the basis of the data available. However, this brought up the question of whether this would lead to the DSO erring on the side of taking minimum system risk due to the established priorities of the DNO. Evaluating these trade-offs and competing priorities was seen to be a really challenging issue. Some felt that the regulatory regime should take the lead here and it was agreed that competitive, healthy tension between the DNO and the DSO was seen to be an important piece of the puzzle. However, it was also pointed out that the regulator is historically risk-averse, with stringent penalties for asset failure. Others felt that these risk-based decisions needed to be taken on a UK PLC level, and not just on the DNO:DSO level.

STRENGTHS AND AREAS FOR IMPROVEMENT OF NGED DSO’S INTERNAL GOVERNANCE

There was general consensus that NGED DSO’s governance has been effective to date. However, stakeholders did not underestimate the scale of the changes and challenges ahead. Voting electronically, 77% of stakeholders agreed or strongly agreed that the external governance changes will have a positive impact on NGED DSO’s current roles and responsibilities.

In the discussion, the question of KPIs and metrics resurfaced, with a key comment being: “Is it obvious what good looks like?”. It was felt that an accountability framework, with KPIs to measure performance against, should be set, with support from Ofgem or NESO. Resolving the tension between driving competition and best practice vs. collaboration and ensuring sufficient standardisation was also seen as a critical challenge in terms of next steps. Stakeholders pointed out that another function for DSO could be to act as a champion for local stakeholders and to mobilise the network operator to invest. It was noted that a key, almost existential, question for DSO was to determine whether it would be descriptive or adaptive. It was felt that up until now, DSO has been adaptive, which is understandable; however, becoming more descriptive, finding a better balance between innovation and risk, was seen to be critical moving forward.

KEY AREAS FOR FURTHER RESP DEVELOPMENT

Stakeholders stated that a key part of future work would be to define clearly defining how RESPs will co-exist with and work productively alongside DSOs. A boundary between the two is needed to reduce duplication, but one that is just porous enough to allow for knowledge-sharing and collaboration. It was suggested that RESPs should be

responsible for defining the longer-term strategic plan, direction and scenarios, but that it would be the responsibility of the local area – DNOs, GDNs, local authorities and heat networks – to turn them into reality. Crucially, the RESP should not be defined as a delivery body. Deciding on the correct stakeholders to involve in regional planning was also seen as a key step, with detailed work needed to understand how RESPs might feed into existing stakeholder engagement and complement what is already being done. It was suggested that this process might be phased, with care taken to ensure that RESPs replace existing local planning systems in a structured way.

VERBATIM QUOTES

1. Which internal governance features do you think are most important to ensure, and demonstrate, effective delivery of DSO?

Which internal governance features do you think are most important to ensure, and demonstrate, effective delivery of DSO? [Rank the options from 1-5]	Transparent processes for seeking and responding to input from stakeholders.	3.73
	Clear and separate decision-making frameworks for DSO including articulation of DNO:DSO interfaces.	3.54
	Independent oversight of decision-making processes and outcomes.	3.49
	Executive-level accountability and board-level visibility of key DSO decisions.	3.07
	Other	0.41

Are there any additional governance features that you think are important to ensure, and demonstrate, effective delivery of DSO?

Are there any additional governance features that you think are important to ensure, and demonstrate, effective delivery of DSO?	Communication	3
	Incentives	2
	Long-term thinking	2
	Seniority of engagement	1
	Transparency	1
	Identification of risk	1
	KPIs	1
	Differing regulations	1
	Data visibility	1
	External communication	1
	Value driven	1
Data based decisions	1	

Representation	1
Openness of results	1
Effective reporting	1
KPIs and Metrics	1
Delivery metrics	1
Clarity on tension areas	1
Investment attitude	1
Outcomes most important	1
Simplicity	1
Consistency	1
Options discounted	1
RESP interface	1
Complete whole systems	1
Cooperation with ESO	1
Best value KPI	1
Frequency of comms	1
Industry codes	1
Metrics	1
Resource	1
Data visibility	1
Clear performance metrics	1
Transparent data	1
Benchmarking	1
Right incentives	1
Regulatory oversight	1
Collaboration	1

- “I was more thinking about independent oversight. Ben was highlighting that they’re well on their way to showing savings due to using flexibility on commercial arrangement. But where’s the measurement of system risk? So, you can just take more risk and save lots of money. And you’ll just be unlucky to get caught out in the short-term. So how do you come up with proper processes of demonstrating what system risk is being taken and how that changes over time?” Academic institution
- “If we don’t know what counts as good and bad, what use is transparency? It’s all very well having endless data streams available in real time from our control room. But how would one know from looking at that data whether that is good or bad? And I think eventually that needs to be in code, like the Security and Quality of Supply Standard, but more so. Because the standard, the transmission work too, does favour that coal-fired power station. It almost presumes it.” Utility
- “Every single DNO has said that we’re going to get it externally assured, or our parent company is going to assure it. But one of the questions is, against what? It’s like someone setting their own homework. But that’s the challenge. That because all of the DNOs are defining this themselves, they are setting their own rules.” Energy consultant

- “Transparency of decision-making and processes is really important. You need transparency of oversight to make sure one side isn’t winning.” Utility
- “Rather than transparency of process, it’s reporting transparency of actual delivery, being held to account on delivering both aspects. It must come down to the rules and incentives of that flex market, which have to reward you for doing the right thing, and that’s largely outside of your control. It isn’t perfect and we have to be pragmatic.” Charity
- “I see this as a four-way quadrant between risk, value, present and future. I’m very curious to understand which of those will take priority. Transparency around how the executives make this decision is the most important factor. At the moment the process behind decision-making is relatively opaque.” EV charge point manufacturer / installer
- “When planning is longer term, on price control and KPI, it’s about best value for customers in the long term.” Developer
- “It is nice to see independent platforms because you know when you put your prices in as a provider, the network operator isn’t picking and choosing and judging its volume based on this information. While independence is not essential, it is nice to have.” Developer
- “My concern is from an internal governance point of view, are we sure that when we talk about delivering for customers, we have defined who the customers are? A concern is that we control for cost and security for current customers, not future customers and their needs.” Utility
- “There need to be checks and balances as multiple layers of governance is an issue. For example, someone may make decisions today to have a significant impact in a short amount of time and indicate they are moving in the right direction. However, they aren’t thinking in the long term as they will be retired or have moved on, so they do not have a future interest.” Energy consultant
- “It all sounds fine and very sensible. There need to be clear and measurable KPIs, so they are reporting back in a way that’s tangible and measurable.” Utility
- “Having a process for seeking and responding to stakeholder input. This is key and easy to overlook. It’s important in the context of flexibility providers as there are big and small ones. Tailoring that process effectively would have a big impact.” Business customer
- “We don’t think there’s anything wrong with the governance features, but they don’t give you an idea of whether DSO can do its job. In the example given, the DSO makes an assessment that flex would be good, and the DSO says yes or no. Resilience or security? Can the DSO change the operation of DNO? Also, do the incentives and metrics align for customers?” Energy consultant

2. Where do you think there are key actual or perceived conflicts between the DSO and DNO roles?

Where do you think there are key actual or perceived conflicts between the DSO and DNO roles?	Flexibility	3
	Risk	2
	Data sharing	2
	Priorities	2

Security vs flexibility	2
Incentivisation	1
Efficiency vs innovation	1
Competition	1
Flexibility prioritised	1
RACI mismatch	1
Network needs	1
Reinforcement vs flexibility	1
Conflict of control	1
Outcomes	1
Openness	1
Asset health	1
Timely response with flex	1
Assets vs flexibility	1
Financial incentives	1
Risk appetites	1
Short vs long term	1
Energy trilemma	1
Short-term cost savings	1
Data	1
Financials	1
Funding	1
Risk prioritisation	1
Incentives	1
Shareholder desire	1
Risk appetite	1
Long and short termism	1
Control Room	1
Planning	1
Different priorities	1
Future of Heating	1
Wider value	1
ED2 funding	1
Risk and uncertainty	1
Value driver	1

- “Asset utilisation and asset health might raise a conflict.” Energy consultant
- “How reliable you can be while providing flexibility leads to the most arguments.” Major connections customer
- “Decisions that DSO make could have an adverse commercial impact on DNO. And working that through is a real challenge.” Utility
- “The DSO could impact a metric for the DNO. So, they could move the dial on this side, and these guys get the financial penalty or reward for it. And I think that needs to be fully understood. And I think that’s where the processes and the transparency is really key too. Because I don’t think anyone is going to penalise

someone for doing something that wasn't the ideal situation retrospectively, but if they did it based on the data that was available, with the best of intentions and it was clear and transparent, then that's enough."

Energy consultant

- "I think that risk and return point is really interesting. For instance, are you going to end up in a situation where the DSO will always err on the side of taking minimum system risk, and therefore that will always lead to a higher cost? And I don't know how you get those trade-offs. It's a bit like the whole example with the ESO, which is a risk-averse organisation. Because it's driven by what the controllers ask, and the controller doesn't want to take any risk." Utility
- "Then that should be the regulatory regime that defines that. Because I think you want that healthy tension between the DNO and the DSO. Because otherwise they might evolve to be exactly the same organisation." Energy consultant
- "So, you've got a choice between procuring some flexibility or reinforcing the network. Right, reinforcing the network, you know what it is. It's relatively safe, secure, you've done it before. Flexibility, higher risk, particularly with smaller assets. How you evaluate those trade-offs." Utility
- "Heat networks is also a really good example, because heat networks will never be owned by the DNO. But they are a great tool for managing the distribution network, because they can be used as thermal batteries. But also, in reducing the amount of reinforcement needed downstream. So, if you've got a hugely constrained area, and the DNO is just scraping around for a solution that doesn't cause them a bad reputation, then yeah, they might be cautious. But you do need to look at it as the UK PLC best decision, rather than the National Grid best decision." Energy consultant
- "The DNO has to ensure resilience and network reliability. By pushing the utilisation of the assets harder, that will have an impact on their health. What the DSO is trying to do is utilise the existing capacity as much as possible." Utility
- "The way RIIO is funded, and the regulatory framework is making it very difficult for the DSO to take any risks as the penalties are so harsh. There needs to be a balance. In certain areas you need to be able to make mistakes as long as it doesn't lead to danger, but the regulator wants all the safety and zero risk." Energy consultant

3. What are the main risks associated with these potential conflicts?

- "Do we know the asset life of a transformer or substation will go down by X amount because of increased usage? We're not really delivering distributed flexibility that much at the moment. I'm concerned because the perception is that somehow flexibility will ruin the battery of the car. There have been multiple studies going both ways, but now that perception is set. Now the perception is that DNO transformer life expectancy will get reduced, so now there's a further strain on flexibility." Utility
- "We're at risk of positioning flexibility as bad because it increases the cost of the DNOs." Utility

- “60-year-old transformers are beyond their life; they should have been replaced already but they haven't. That was a strategic choice. We have a whole ton of strategic choices that don't equip us very well for the future.” Academic institution
- “The main risks are how the interface is going to work between heating, power and all the other elements we need to consider in the local energy planning. We also need to look at how it relates to individual local plans.” Local authority

4. What do you see as the strengths or areas for improvement of NGED DSO's internal governance approach and progress to date? Is there anything missing?

How do you feel about the following statement: "I think the internal governance changes will have a positive impact on NGED DSO's current roles and responsibilities."	Strongly disagree	2
	Disagree	1
	Neutral	4
	Agree	19
	Strongly agree	5
	Don't know / can't say:	14

- “Is there enough resilience for national planning with a wider scope for investment?” Gas distribution network
- “How does your plan lean towards guidance and oversight and also getting on the ground and making decisions?” Gas distribution network
- “How are you dealing with demand reduction, not just flex? Are you thinking of insulation and energy efficiency as part of whole systems?” Charity
- “The big change we have right now is we've got an Ofgem incentive to hold us to account. There are very clear requirements in RIIO-2 on what they're expecting us to do. The performance panel to assess progress every year and compare between companies, I think that will create a sharp focus on is progress happening quickly enough? What are the issues? What is best practice? I think it's been demonstrated that having those output measures and tracking performance does drive improvements. I think the tension is how do you get the right balance between driving competition and best practice vs. collaboration and making sure that things are sufficiently standardised and not too fragmented.” Utility
- “The DSO needs to determine if it's going to be descriptive or adaptive. It has been adaptive in the last few years, which should be commended, but there needs to be a better balance between innovation and risk.” Government
- “The issue of KPIs and measurements is interesting. It will be useful to see how they're measuring themselves and how they get external challenge to the organisation. It's hard to pick holes in it, it seems well thought through.” Energy consultant

- “Is it obvious what good looks like? An accountability framework needs to be set, with KPIs to perform against. Ofgem or a future system operator could help establish these.” Trade association
- “Perhaps the role of the DSO is to act as the champion of the local stakeholders and to mobilise the network operator to invest.” Trade association

5. Do you agree with the proposed key areas for further RESP development? Are there additional areas to consider?

- “For me, I think how RESPs work with DSOs is that there has to be a line so that there’s not duplication. And you need to know where one of the roles stops and the other begins. But at the same time, you will need cross-pollination. So, I think the RESPs are responsible for defining the longer-term strategic plan, direction and scenarios. But then it’s the responsibility of the local area, whether or not that’s the DNOs, the gas distribution networks, the local authorities, the heat networks, to actually go away and do the details of that and turn that into reality. The RESPs aren’t a delivery body.” Energy consultant
- “It will be interesting to see can you do genuine cross-factor in the energy system? Because that’s what the RESP is supposed to do. And I think it might have to be phased, if I’m honest. I don’t believe that it can happen straight away. It might be able to in some regions. But actually, it’s going to be pretty difficult. And that’s the governance challenge we’re looking at. Which are the stakeholders, and how do you bring them in, and what roles do they play?” Government
- “There’s a piece to understanding how RESP feeds into stakeholder engagement and complements what’s already been done and replaces it in a structured way.” Utility
- “Maybe that’s RESP working with the DNO to deliver regional stakeholder engagement processes. We’re working with NGED and in Wiltshire, which overlaps NGED and SSEN, which is double the effort.” Charity
- “Also, a matter of expertise. Local councils don’t have expert energy teams. DNOs are energy experts. So, it’s having the conversation multiple times, and industry jargon isn’t a barrier. Councils have enough of a job providing basic services and healthcare at the moment. They don’t have the time to engage with multiple system planners.” Energy consultant
- “Councils are all stretched and are not experts, so the engagement will cost them more in mental capacity and resources than it will a larger organisation of energy experts.” Energy consultant
- “This stakeholder engagement piece. Everyone is talking about the outreach, given I have given my time up, how are you reflecting my views? It is about transparency and accountability. How are you taking a representative view? Sometimes you are a bit worried that you work up to this point presenting governance and how the RESP fits in. But then it’s like what actually happens, what does it mean? It’s about making sure that their time feels valued.” Business customer

6. How do you think external governance changes will impact NGED DSO’s current roles and responsibilities, including interactions with stakeholders, in future?

- “Who is going to talk to the customer? The way the UK works is there’s 1,000 departments, there are multiple people going to the customer, multiple customer projections. No one talks to the customer. I’m putting my money on EV manufacturers coming in and telling the customer how to flex. The customer doesn’t need to know how it should be automated or who is automating it. They just need to know it’s automated.” Utility
- “If the board, they’re independent enough to raise their voice, raise their red flag, that’s the gist of what they’re supposed to do.” Utility
- “It will have a role in bringing networks to align on innovations and make sure the stakeholder’s voice will be heard on every level. I’m glad to see it, as it had previously been managed by consensus rather than by mandate. Having these government actors creates accountability and transparency, helping to create a trustworthy marketplace.” Business customer



SESSION 3: INTRODUCING THE ROLE AND CHAIR OF NGED'S DSO PANEL

The third session took the form of a panel discussion and a Q&A session, chaired by Steve Jennings, Board Advisor and Non-Executive Director at Cornwall Insight. He explained that the role of the DSO Panel would be to strategically advise on the activities and outputs of NGED DSO, providing an independent view on governance, challenging activities and progress, providing trusted feedback, guiding DSO Panel priorities, and facilitating effective communication. He then introduced the incoming NGED DSO Panel Chair, Regina Finn, Director at Lucerna Partners and Chair of the Low Carbon Contracts Company and the Electricity Settlements Company, and the other panel members: Ben Godfrey, Director of DSO at NGED; Marzia Zafar, Deputy Director of Energy System Digitalisation and Decentralisation at Ofgem; and Bridget Hartley, Head of Regional Energy Strategic Planning at the Electricity System Operator.

“My name is Steve Jennings. I’ve spent my career working in the energy and utilities sector, most of that time as a partner with PwC. I’m now an advisor, non-executive director, and two of my roles are I chair Cornwall Insights and I chair the Markets Advisory Council for the Electricity System Operator. I’m joined on stage by three panel members in person and one who has dialled in. The purpose of this panel is to give you the opportunity to ask the panel any questions that you want, and so I will ask first. But then I’ll hand it round to people in the audience.” Steve Jennings, Chair of the Panel

Question

“Regina, as the incoming Chair of the Independent DSO Panel, maybe you could just share with us your thoughts on the vision, goals, the focus of the Panel.” Steve Jennings

Answer

“Yes and thank you so much. Thanks very much for the chance to be here. I apologise I can’t be there in person, I’m actually at the Low Carbon Contracts Company Board Strategy Day today. But I’m excited to be involved and to listen to this debate. So, I’m not going to take much time because I’m really interested in hearing the questions and the panel debate. From my point of view, I’m excited about this role. I think there are huge challenges ahead for the DNO and the DSOs. I want the independent scrutiny panel to be an effective part of governance. That means making sure we understand the overall governance landscape, and where we, as a panel, can add value and not be stepping on other parts of the governance framework. Where I think we can add value is as a group of people who come together with expertise and a background in the key topics and key roles that the DSO is going to be carrying out. I hope that we will come together not as a diverse set of vested interests trying to lobby the DSO for the outcomes that each of our stakeholder groups want, but we come together with that stakeholder knowledge and background and the ability to ask and hold the DSO to account for its delivery for those stakeholders. So that doesn’t mean we lobby individually for what we want, it means we look in and around at the effectiveness of the DSO’s functions and we look at how those functions are being discharged in the best interests of its stakeholders

and its consumers, and ultimately delivering an efficient decarbonised network that will help reduce unnecessary investment upstream and will deliver the flexibility and the services that its customers need. Because of this, I will listen to this rather than talk. But thank you for the opportunity.” Regina Finn, Independent DSO Panel

Question

“If I may turn to you, Marzia, from an Ofgem perspective, what is the importance of getting system governance right? What role do you think the DSO can play in that, and what could go wrong if we don’t get it right?” Steve Jennings

Answer

“Let me start with what could go wrong. What could go wrong is we’re not going to meet the 2035 government target of net zero. To me, that’s that. It’s that simple. The DSO has a huge role to play. I think that Philippa had a great presentation defining what the role of the DSO is versus the role of the DNO. I think we need that level of clarity to move this forward. I think the reason we’ve introduced the RESPs is for us to ensure that we have the governance, that we have the democratic accountability. And, more importantly, we have local government participation in this process and taking their LAEPs to be a key input in what gets built, where when and how.” Marzia Zafar, Ofgem

Question

“Ben, you talk quite a lot about the dynamic governance environment that the DSO is in. How are you going to balance meeting evolving stakeholder needs with the direct commitments that you have as a DSO, and the momentum that you need to build?” Steve Jennings

Answer

“We can see that we’ve got a lot of commitments and the commitments that we made, particularly in the ED2 business plan, were very informed through our stakeholders. But those stakeholders are going to change, five years is a long time, and it takes a good couple of years to go and get the business plans into place. So, it’s these sessions like here that are really critical for us to really keep our finger on the pulse on what our stakeholders want, and make sure that we’re listening and engaging and co-creating how we’re going to be approaching a lot of these things. I think if there was a clear way of us all meeting that decarbonisation target, we would all be behind it. But I think, to use the jazz analogy, there’s going to be a lot of things, a lot of innovation, we’ve got to try things and they’ll work in some places and not in others. That’s some of the power that we’re going to have as a DSO, continuing to engage with those stakeholders at a local level, both to understand their DSO priorities but also how they fit into the wider priorities and requirements for a DNO. So, looking around connections activity, looking around the kind of spatial planning in those particular ambitions that we’re going to be seeing across the local areas. And all of that is going to have to be quite dynamic. There are a lot of different actors that are going to be involved in this transition and we need to make sure that we’re convening the right conversations with those different parties and making the appropriate trade-offs in collaboration with those parties.” Ben Godfrey, National Grid

Question

“Bridget, if I may come to you, I recognise that the RESP role is pretty new. We talked at our table about how we kind of wish we’d had it a couple of years ago, but we have it now, and no doubt there are lots of questions yet to be answered, but just to welcome any perspectives you have, and where you see the key interfaces between the role of the RESP and the DSO?” Steve Jennings

Answer

“I think it’s about the inputs that we take into the RESP, so that’s part of the design work. We’ll need to think hard about the inputs, and I think some of the work that’s being done, setting up the DSOs and flexibility will ultimately need to feed into the RESP plans because they will be part of the underpinning assumptions that we’ll need to take into account when we’re working out what demand is needed for each of the local regions going forward. So, for me, I think it’s critically important to understand the role of the DSO in terms of how that will impact the demand of local regions.” Bridget Hartley, National Grid ESO

Question

“My question really is around risk. You can change the performance of either the DNO or the DSO or both by moving system risk and it may not come home to roost for some time, because you’ve got to be slightly unlucky for it to be shown very quickly. So how are you measuring system risk to demonstrate you’re maintaining it constantly, or it’s transparent that it’s being changed?” Academic institution

Answer

“I guess that risk management has two sides. If you are too risk averse, then you end up costing more for customers. If you embrace the risk too much, then perhaps you have unintended consequences of worse-performing networks. Certainly, we’re heavily incentivised as a distribution business across the DNO, but also DSO, to make sure that we’re continuing to outperform our targets, particularly around security of supply. One of the biggest tracking measurements that we have across the distribution business we can see in the figures about customer minutes lost and customer interruptions, and we can see historic performance, we can then track that and see how that works. There are other factors at play, such as climate adaptation and different challenges that we’ve got within that. We’ve experienced a huge number of storms this past season, which has demonstrated our reactive ability to respond to those storms, but it is having an impact on customer minutes lost. In terms of what we’re doing on the DSO side, moving away from a single assessment of the network on a cardinal point basis and looking much more about energy across the year and multiple points of assessment. That’s really where we’re moving to and trying to understand what kind of headroom and ability to accept changes and outages on the network. That is one of the challenges of the DSO compared to the other system operators across the UK, the volume of challenges. So, we’ve got 190,000 substations, many hundreds of thousands of feeders that we need to monitor, and we need to make good decisions across all of them. But hopefully that will be accommodated for in the regulatory construct.” Ben Godfrey

“I would say that I think all the policy push that we’re making in making the system more transparent and visible and more local, I think it should reduce the risk because right now we have a system that I believe is not visible

and you're blind to the DNOs. Others are beginning to add that digitisation to understand the system, know where the congestion is and know what the capacity is. So, what we're doing is increasing that visibility, and RESP is increasing that local participation so that when Ofgem gets the plans for when and where to build, that plan is an amalgamation of everything the local government has said, customers have said. We bring that forward into a system that's also visible. So, I'm hoping that we actually reduce the risk to the system. Having said that, I also want to just take a moment to say that as we push flexibility, as we push RESP, as we push decentralisation, I don't think in any way we're suggesting that pipes and wires shouldn't be built. We need pipes and wires to be built, a lot of it. The system is hoping, and all the stakeholders are hoping that flexibility shaves off that peak, so we don't have to add extra billions of dollars onto it. So, I'm hoping that we reduce risk rather than increase or maintain the risk that we have today." Marzia Zafar

Question

"My question is about engagement, and I guess it's for both the DSO and the RESP, and maybe for Ofgem as well. You've talked about the importance of engaging a wide variety of stakeholders in order to inform what you do. From our perspective, how do we know if that engagement is flowing up and being represented in the decisions you're taking and then being represented in the decisions that the DNO is taking afterwards? I'm going to continue our music analogy, are you inviting those stakeholders onto the stage to perform with you, or are they going to be in the audience?" Energy consultant

Answer

"The key word here is 'transparency'. It's actually enabling people when they've given us the feedback, they've put inputs in to us to be able to show that we are reflecting those in their plans, or if we're not reflecting it, explaining why we're not reflecting it. So, I think putting transparency at the heart as we're developing the RESP governance and methodology is key, because people should be able to access the RESP plans in a really accessible way and see what's going to happen in their own local area. So that's my vision for what will happen in the future." Bridget Hartley

"From the DSO point of view, again, transparency is going to be key, and what we're already able to do is ingest some of the ambitions and requirements from those entities, particularly where LAEPs exist, and flow them through into our investment plans. And I think your 1 million dollar question is, how is that going to be evidenced back? And we're beginning to have those conversations with local authorities and other entities about, you know, "you said that this is what we're planning to do, we believe that meets your requirements", and we've had some good successes in playing back, and deciding what we're going to be doing on our network in order to deliver that, whether that is a flexible solution or a conventional reinforcement solution." Ben Godfrey

"Just to use your music analogy, we expect people to be invited and not be part of the audience. That's the idea, and I think the governance and the design of RESP will make that clear later this year." Marzia Zafar

"I'd like to assure you that making sure those stakeholders are included and heard, and tracking their views through to outcomes, is going to be a key focus for me as the Independent Scrutiny Panel." Regina Finn

Question

“We’ve been doing a lot of thinking at Regen and working with ENA and DNOs and partners and local authorities on what the kind of role of the RESP is, how it integrates with local planning and DFES and the like. Does the role of the RESP lean towards a governance, oversight, guidance kind of role with setting standards, or is it a more direct, decision-making body? Let’s imagine the Mayor of Bristol or Andy Burnham has a plan for electric car charging or heat pumps or something that goes well beyond the plans that the networks are currently making, and that’s national planning that’s going to require more investment, does he have decision-making power that the RESP will respond to? Does the RESP have the power to agree or disagree with those plans, and if so, how much?”
Trade association

Answer

“All those questions that you have, they’re all part of the design and implementation stage of RESP that’s going through right now. Everybody has certain opinions on it. What we’re doing is we held a workshop yesterday, we’re having a number of workshops to try to answer those questions and then some. The ultimate goal is to have reasonable democratic accountability to move this forward. And we don’t want to also create an environment where there’s no decision-making, we’re just talking in circles. So, the design and implementation is key for us. We also want to make sure that the regional RESP group are working with that region. Whether they’re coordinating, advising, their role changes depending on the region. They have to morph into that region’s needs and be able to provide that overall plan for the next price control. We will issue a consultation some time in the summer of this year, and you will see what our thinking is, and then we will have a full final decision in October, autumn, of this year.” Marzia Zafar

Question

“My first question is for Regina, it’s more general about the Panel’s role. What is the role in developing, growing flexibility markets? What is the mandate and accountability of this new Panel? And the second question is related in the ways of working and how the Panel will interact with the new governance arrangements and ongoing programmes. For instance, I’m thinking the Open Networks programme has a strong focus on DSO and flexibility markets. How is the DSO independent panel going to interact and work with the programme going forward to unlock flexibility?” Utility

Answer

“In terms of the mandate and accountability, the panel is independent and the theme I’ve heard throughout all these questions has been around transparency. That’s something that the Panel is going to take very seriously in terms of its scrutiny as a critical friend of the DSO, of its effectiveness and its delivery and how it’s going about that. It’s not a decision-making panel. It can’t tell the DSO what to do, but it can say what it thinks. And I think that’s really important, and we will share our views. In terms of ways of working, frankly that’s something I need to work out. I’m not suggesting I have all the answers just yet, and part of dialling into this is to listen to other people’s views about that. And we want to be an effective panel. We want to be the most effective of all. The panels have competition

among the panels to see how effective we can be. And we want to make sure that transparency, the digitisation, the information and openness is at the heart of how we work. So, I don't have an operational answer for you, but I have a principle answer for you. And now we've got to design the operations that work underneath that. The other thing to say in terms of the discussion which has been really great, is the words that I've taken out of it are, as you know, collaboration, balance, stakeholder engagement, transparency, transformation and innovation. I'm very excited to see if we can be a critical friend to the DSO and actually make a difference to the governance, and making sure we could fit into this governance structure in a way that works and doesn't overlap or underperform is my job, and I'm excited to start it. I'm looking forward very much to working with all the stakeholders to deliver that."

Regina Finn



APPENDIX 1: ATTENDEES

A total of 100 stakeholders participated in the workshop, representing 61 organisations.

The organisations represented on the day are shown below:

Amp X	Monmouthshire County Council
Assystem Energy & Infrastructure Limited	National Grid ESO
Bath & North East Somerset Council	Northern Gas Networks
Blaenau Gwent County Borough Council	Ofgem
BSR Energy	Ohme
Cadent Gas Ltd	Oracle
Caerphilly County Borough Council	PA Consulting
Cardiff Capital Region City Deal	Peak Gen Power Limited
Centre for Sustainable Energy	Piclo
Centrica	Publica Group
ElectraLink Limited	Regen
Electricity North West	RES
Electron	The Schumacher Institute
Elexon	Smarter Grid Solutions
Emeren Group	Smarterise Integrated Solutions Ltd
Energi Cable Engineering	Somerset Council
Energy UK	SSEN Distribution
EPEX SPOT SE	Staffordshire County Council
ev.energy	Sustainable Energy Futures Ltd
Flex Assure	UK Power Networks
Growing Mid Wales	UK100
Hydrock	University of Bath
Independent Networks Association	University of Dundee
Joint Radio Company	University of Edinburgh
Keen AI	Vale of Glamorgan Council
LCP Delta	Wales and West Utilities
Lightsource BP	West Midlands Combined Authority
Lincolnshire County Council	West of England Combined Authority
Low Carbon Journey	Wiltshire Council
Midlands Net Zero Hub	Worcestershire Local Enterprise Partnership

APPENDIX 2: WORKSHOP FEEDBACK

After the workshop, stakeholders were asked to complete a short feedback form. The feedback was as follows:

1. Did you attend in person or online?

In person	40%
Online	60%

2. Overall, how interesting did you find the workshop to be?

Not interesting at all	0%
Not that interesting	0%
Neutral	0%
Interesting	40%
Very Interesting	60%

3. Did you feel that you had the opportunity to make your points and ask questions?

Strongly disagree	0%
Disagree	0%
Neutral	0%
Agree	40%
Strongly agree	60%

Comments:

- “Good that facilitators invited online participation so felt very much part of what was going on – it was a professional and thoughtful approach.”

4. Did we cover the right topics for you on the day?

Strongly disagree	0%
Disagree	0%
Neutral	0%
Agree	80%
Strongly agree	20%

Comments:

- “Good to focus on the NESO developments but remained quite high level.”

“Emerging detail regard RESP was very useful.”

5. What did you think of the way the workshop was chaired by your facilitator?

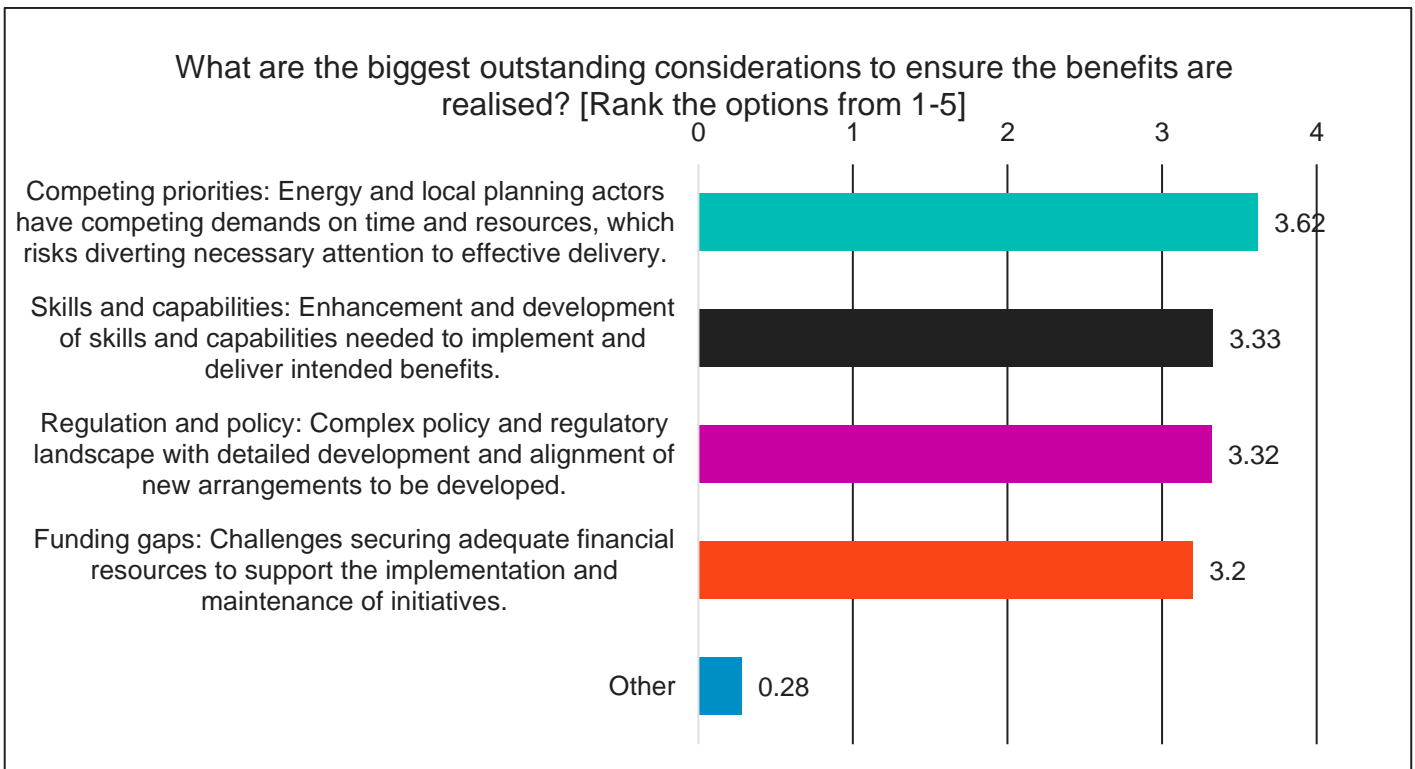
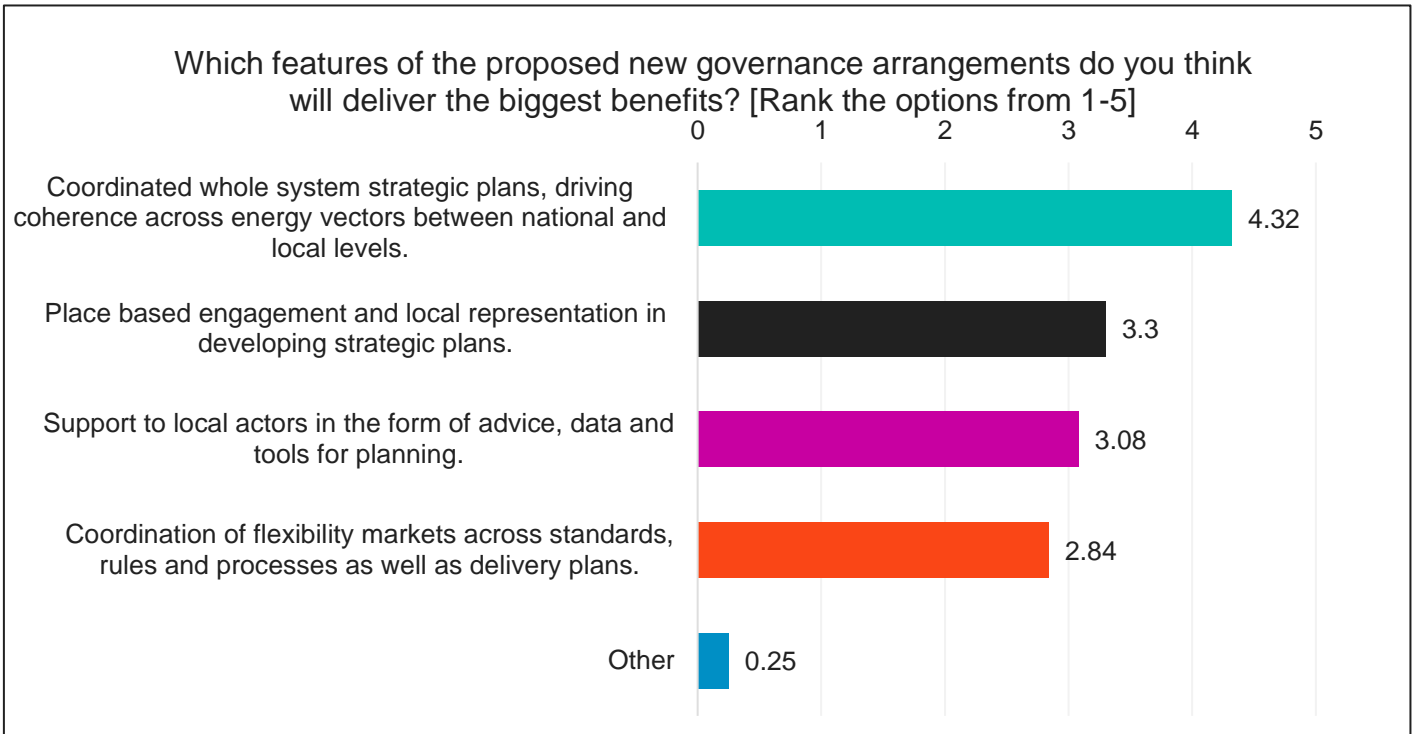
Very poor	0%
Poor	0%
Neutral	0%
Good	40%
Very good	60%

6. Would you be willing to meet with us again in the future to keep the conversation going?

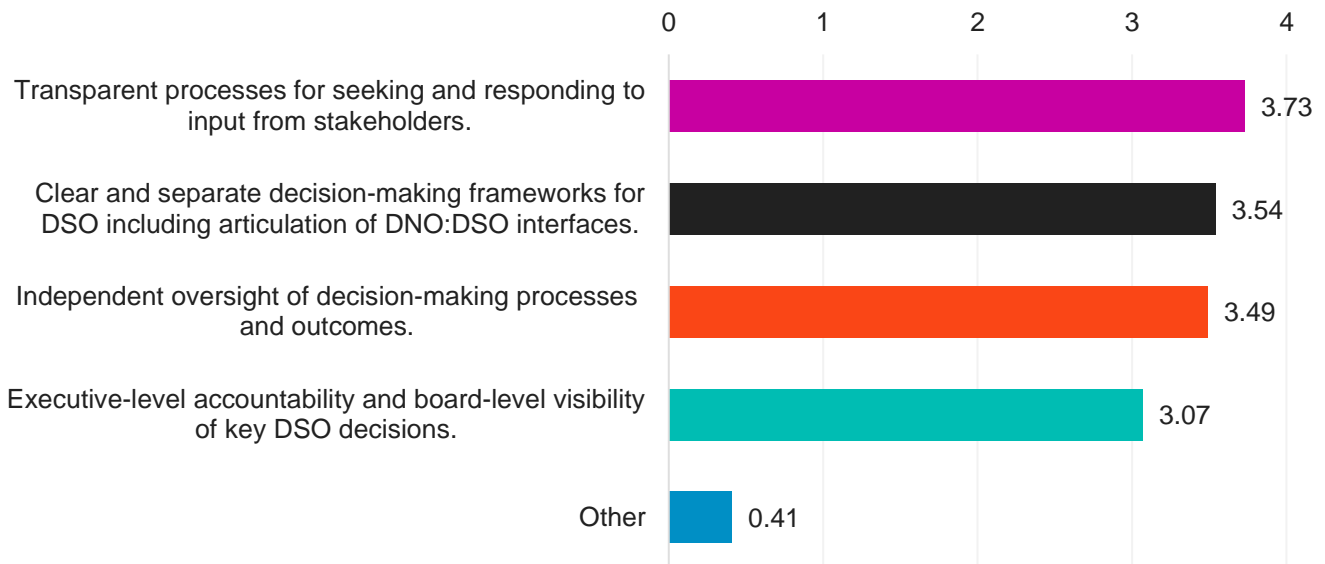
Yes	100%
No	0%



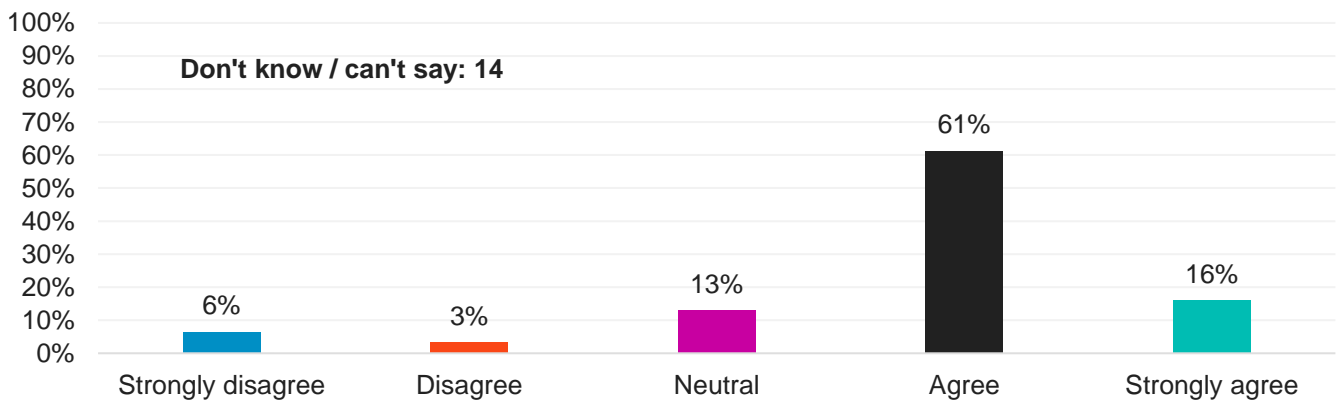
APPENDIX 3: SLIDO POLL RESULTS



Which internal governance features do you think are most important to ensure, and demonstrate, effective delivery of DSO? [Rank the options from 1-5]



How do you feel about the following statement:
 "I think the external governance changes will have a positive impact on NGED DSO's current roles and responsibilities."



▷ Distribution **System** Operator

DSO

national**grid**
electricity distribution

