

**DSO Panel Meeting – 14 October 2024 – Summary Minutes**

<b>In Attendance:</b>	<b>Regina Finn (Chair)</b>
<b>Panel Members</b>	<b>Doug Cook</b> <b>Janine Michael</b>
<b>Apologies</b>	<b>Nina Skorupska</b>
<b>DSO Staff</b>	<b>Cathy McClay, Managing Director</b> <b>Ben Godfrey, Director</b> <b>Hayley Burden, Head of DSO Strategy and Regulation</b> <b>Nicole Jeffries, Regulatory and Business Performance Manager</b> <b>Adam Curtis, DSO Panel Manager (Secretariat)</b> <b>Steve Quinn, Senior Policy Engineer (for items 3 and 4 only)</b>

## 1. Welcome and Agenda

The Chair opened the meeting by thanking the DSO Staff team for producing the detailed materials in response to the DSO Panel's previous request for a closer look at Governance procedures and processes. She reiterated that the DSO Panel aimed to foster a culture of openness and transparency to enable high quality advice and recommendations to the DSO.

The Chair introduced Cathy McClay to her first meeting of the DSO Panel since her appointment as DSO Managing Director.

The Chair further suggested that future meetings contain a 20-minute private session at the end of each future meeting for the DSO Panel Members and DSO Panel Manager without staff present where panel members could air any concerns or issues they wanted to. In line with good corporate governance, this would ensure the Panel's independence.

No new conflicts of interest were declared, although it was recognised for transparency that Janine Michael's CSE was undertaking work on behalf of NGED DNO.

## 2. DSO Executive Structure Change & NGED Executive Structure

### DSO Executive Structure

Cathy introduced a revised DSO Executive structure, noting that the DSO had effectively been in place for a year, and that the updated structure reflected the learning over that period, as well as her input having joined as DSO Managing Director. Assurance was given that Trade Unions had been engaged with as part of the work.

It was highlighted that the DSO was seeking to create a clearer separate identity within NGED to highlight its independence and the importance of its role.

Assurance was given that the new structure would better support the DSO's approach to ED2, and greatly support its work toward ED3.

### 3. Governance Update including conflicts of interest

Hayley introduced the item by explaining it set the context for the remaining agenda items. She reminded the DSO Panel of the baseline expectations of Ofgem for the first year of the ED2 regulation and highlighted the role of the DSO in managing both actual and perceived conflicts of interest. The achievements of the first year were outlined. The Panel had explicitly asked for a focus on this topic as it considers it a critical one for the success of the DSO. It was recognised that further work around governance was required and the work done to date was welcomed by the panel.

The Panel received updates regarding Digital Resourcing, progress on building towards an internal audit, and considerations of NGED's approach to the DSO function.

The Panel noted that its own focus on governance was echoed in the feedback from Ofgem's DSO Performance Panel and agreed that this would be a regular item on the Panel's agenda so that the emerging governance structures could be assessed and the Panel could give its feedback on effectiveness over time.

The Panel welcomed the move to create a more distinct identity for the DSO and noted that the DSO could contribute to better outcomes not only for its own consumers but for all consumers by being influential in the policy, regulatory and delivery space. This could be achieved both by showcasing best in class delivery, demonstrating thought leadership via its publications, and collaborating and sharing with the wider market.

### 4. Conflicts of Interest Deep dive into example

Ben took the DSO Panel through the structure of how the DNO and DSO approached decision making with a specific example about the trade-off between flexibility and reinforcement. He highlighted that the regulatory incentives theoretically prevented overlap in responsibilities, but that in practice this was not the case. A major benefit to NGED was that the DSO could approach such discussions with a much longer-term perspective.

#### DNOA

The DNOA process was outlined to the DSO Panel, with the eighth DNOA report recently published on the website. At present, the DNOA was a summary of what needed to be done and when, but questions were emerging within system planning groups on how this overlapped with other asset work.

#### DSO Panel Conflicts of Interest Workshop

Ben took the DSO Panel through an interactive workshop focused on a recent decision taken, in which four potential options were available to NGED on how to proceed with a network approaching capacity. The DSO Panel was invited to consider the specific motivations and priorities for each decisionmaker involved, and a draft decision scoring template was shared for feedback.

It was clarified that the majority of decisions were reasonably straight forward, but that one or two dozen 'contentious' decisions could be expected across a price control period. It was felt that the DSO had appropriate levers to articulate why decisions were required within a particular timeframe. The DSO had effective control of expenditure in such matters, and the DNO could not create work orders without DSO support. The Panel welcomed this and considered it a critical governance feature.

## 5. Policy and Process Workstream

The structure of written governance as used by the DSO was outlined to the DSO Panel. Three directives were based on what was prescribed by Ofgem for DSOs, with a further two developed by the DSO to support Ofgem's ask. Version three of the policy directive was due to be issued by the end of the month.

The DSO Panel received an overview of the policy series through to March 2025, which demonstrated the layers involved to feed into the functional separation of the DSO. An update to the DNO-DSO Governance document would be completed by the end of March to coincide with the regulatory year.

## 6. Regional Energy Strategic Plans (RESP)

Cathy reiterated thanks to the DSO Panel for their input on the DSO's draft response the RESP. The final response had since been published shortly prior to the meeting and would be circulated to the DSO Panel.

The DSO Panel received an overview of the reasoning and timeline for the launch of RESPs, due in 2026. NG DSO would interact with five of the 11 RESP regions and would not be the sole DSO within any of them.

The Panel noted the importance of not reinventing the wheel with RESP, noting that Local Authorities had completed good work, but that there was a lack of resource available to them to complete the work effectively. There was also a wide variation in how advanced each region was with its work. The main value of the RESP would therefore be to make best use of the existing data and making that more useful as an output. Addressing boundary issues – between DSO areas and between RESP areas – would be particularly important.

## 7. Incentive Report Discussion

The Panel discussed the outcome of Ofgem's independent Panel report and the scoring of DSO's in the context of the ED2 DSO incentive, noting that performance was measured on

- (1) The view of the independent panel, and
- (2) The results of the stakeholder survey mandated by Ofgem.

Hayley presented the DSO Performance Panel scores, which had been broken down into five areas of feedback and tangible actions for the DSO. The Panel welcomed the feedback from Ofgem's independent panel noting that its areas of focus were similar to that of the Panel. The Panel suggested that in its next report to the Ofgem panel, NG DSO could include the very useful real life example of decision making in the case of a conflict which had been shared with the Panel at its meeting.

The Panel discussed the nature of the stakeholder survey noting that it was in its very early stages and many stakeholders were as yet unclear about the role of the DSO. As a consequence the results, based on a small number of stakeholders with mixed levels of real engagement with the DSO, could be easily skewed. It was suggested that future surveys should be seen as an opportunity to engage in a two-way dialogue with stakeholders to improve understanding of the DSO and its role. There was also scope for creating a wider range of questions to gain more insightful feedback, notwithstanding that the survey must deliver on the Ofgem-mandated questions and feedback.

## 8. Annual Panel Report Open Discussion

The Chair explained she had created an early draft of the report of the input of the DSO Panel and for the DSO Leadership. The DSO Panel considered the extent of progress since its first meeting in April, and highlighted that discussion throughout the meeting had been a core example of what should be included. Further work would be undertaken to be presented at the NGED Board in January, noting that it would be helpful as a precursor to the Incentive report submission in April.

## 9. Next meeting

The DSO Panel discussed potential items for discussion, while acknowledging these were subject to change based on progress and pressures. It committed to holding the subsequent meeting in Bristol considering the attendance of the DSO Leadership team, of which the majority were based nearby.

Stakeholder calls were discussed, with the DSO Panel hearing that the calls would be online only after finding in-person attendance was less accessible considering the geographic spread. The DSO Panel was reminded that they had a standing invite to join these calls, with the invite link to be recirculated to DSO Panel members.