Common appendix and glossary to accompany all DSO performance panel submissions

Energy Networks Association
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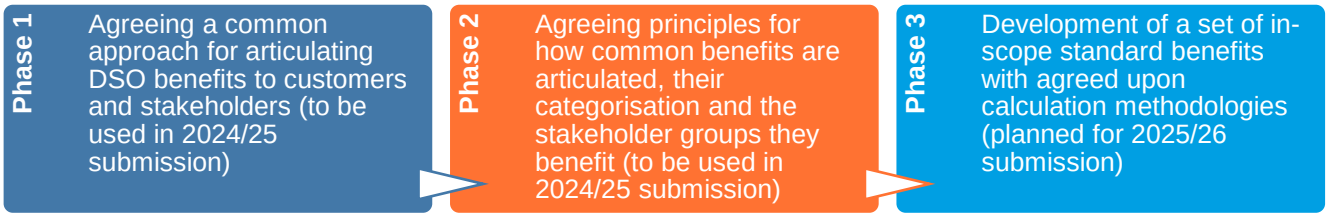
Purpose of this document

The Distribution System Operation (DSO) Performance Panel's independent feedback on last year's submissions set a clear expectation for greater rigour in demonstrating and quantifying benefits, including those for consumers. It was also noted that inconsistencies in the submissions created challenges for stakeholders in understanding and differentiating key information across organisations.

In response, the DSO Collaboration Forum is a joint initiative between the six DNO licensees of Great Britain, facilitated by the Energy Networks Association (ENA). All members have proactively collaborated on a phased development of a common approach (see below), prioritising clarity of language as the foundation for enhancing stakeholder confidence in the accuracy, comparability, and contextual understanding of reported benefits.

Figure 1: Phased approach undertaken by the DSO Collaboration Forum



This common appendix, co-drafted by all DNOs, will be jointly submitted to the DSO Performance Panel on 30th April 2025 and published for stakeholder visibility. It accompanies the DSO performance panel submissions and provides context for benefit quantification in this year's submissions along with an update on the work undertaken by the DSO Collaboration Forum.

We acknowledge this appendix is the first step in a journey of our shared vision for future improvements. We thank Ofgem for agreeing in principle to the inclusion of the appendix in the evidence provided, and we appreciate the Panel's consideration during the 2024/25 evaluation.

Common Approach - 'An outside-in perspective' (Phase 1)

The feedback received from the DSO Performance panel has informed the design of our approach, which has included a focus on clarity of language as the starting point for generating increased stakeholder confidence in the accuracy, comparability, and contextual understanding of reported benefits.

In coming together, ENA members identified the need to better articulate an outside-in view of what DSO means to consumers, rather than the traditional inside-out perspective focused on the technical roles of planning and network development, network operation, and market development.

There is consensus that DSOs play a crucial role in reducing the cost of the energy transition and, increasingly, there is recognition that DSOs can deliver greater value by focussing on accelerating decarbonisation to support delivery of Government targets. It is therefore imperative that DSO activities enhance the ability of individuals and organisations to contribute to achieving net zero. To achieve this, DSOs must collaborate with stakeholders, leveraging data to adopt a whole-system approach in planning and operating the network, where the needs and interests of the end consumer take priority.

It is essential to clearly identify the beneficiaries of any DSO activities. Developing a shared understanding of the various customer and stakeholder groups, along with their needs, is crucial for effectively measuring and building stakeholder confidence in the accuracy, comparability, and contextual understanding of reported benefits.

Common Stakeholder Groups

The value created by DSO activities is presented through different customer and stakeholder groups, enabling reliable and trusted comparisons where benefits are commonly tracked across networks.

Following best practice sharing and a review of the DSO 2023/24 submissions, a list of common stakeholder groups was agreed upon, based on data and insights about their behaviours, needs, and challenges. The six common stakeholder groups are listed below, noting the differentiation between end consumers, as the primary beneficiaries of DSO activities through improved service quality and lower bill impacts, and facilitating parties who benefit due to enhanced grid transparency and data, and improved integration of renewable energy sources.

Table 1 outlines the common groups across GB and their associated needs, which inform the activities performed by DSOs to address them. While the table highlights key needs that are broadly shared, it is important to recognise the diversity of customer needs across different licences and organisations. DSOs maintain ongoing engagement programmes to ensure their services remain responsive to evolving needs.

Table 1: Shared needs of DSO stakeholder groups across GB

Category	Stakeholder groups	Salient common needs from the DSO
Consumers	• Domestic Customers	• Cost savings on energy bills. • Education and ongoing support. • The ability to connect low-carbon technologies (LCTs), such as heat pumps and electric vehicle (EV) chargers, without delays and at an affordable cost. • Accessible flexibility opportunities to make/save money.
	• Commercial and Industrial Customers	• Cost savings on energy bills. • Ability to connect LCTs without delays and at an affordable cost. • Transparency regarding constraints. • Accessible flexibility opportunities. • Access to data and support in interpreting it.
Facilitating parties	• Flexibility Service Providers and Aggregators	• Suitable revenue opportunities and ease of participation in flexibility markets. • Consistency in data, services across networks, and regulatory frameworks. • Data provided in various formats to accommodate different needs.
	• National Energy System Operator (NESO)	• Standardised data across networks. • Access to and coordination with distributed energy resources (DERs) across networks to manage constraints at a national level.

		• Clear and consistent market coordination
	• Distributed Energy Resource	• The ability to identify viable revenue opportunities using up-to-date network data, including current and future constraints. • Minimised operational costs through the efficient use of standardised data.
	• Local Authorities	• Information and data on the network, including current and future constraints, opportunities for LCT connections at a local, granular level, and near real-time updates. • Tailored engagement with the DSO on local area energy planning.

The list of common stakeholder groups above is not exhaustive. Some members have identified additional groups or added sub-groups to those listed. However, it is proposed that all DSOs will reference, as a minimum, the above common personas in their 2024/25 submissions to promote transparency and accessibility.

A principles-based approach to measurement (Phase 2)

The common stakeholder group approach offers an outside-in perspective, allowing customer and stakeholder groups to collaborate with networks to decarbonise, promote economic growth, and provide affordable infrastructure critical to achieving net zero. To support this, members have widely adopted the theory of change model (see Figure 2 for the minimum type of information needed to present a theory of change), providing a structured framework for describing DSO benefits and linking those benefits to DSO activities.

This model also helps differentiate between the facts and figures related to activities or outcomes and the actual benefits they generate.

Figure 2: Simplified Theory of Change model

Year-one submissions and subsequent engagement have reaffirmed that, while DNOs share a common understanding of DSO stakeholder groups, the inputs and activities used to drive outcomes and benefits will continue to vary. Therefore, members have initially focused on standardising the language used to contextualise results (outputs, outcomes, and benefits) linked to stakeholder groups.

Ideally, when measuring benefits, clear key performance indicators will drive the calculation of benefit value; however, this is not always the case. In some instances, a more indirect approach will be used, and in certain cases, it may not be possible to quantify benefits, requiring a qualitative approach instead. When describing benefits, DSOs must be transparent about the basis of their claims. To establish a credible understanding and categorisation of where DSO benefits lie, two key benefit categories have been identified:

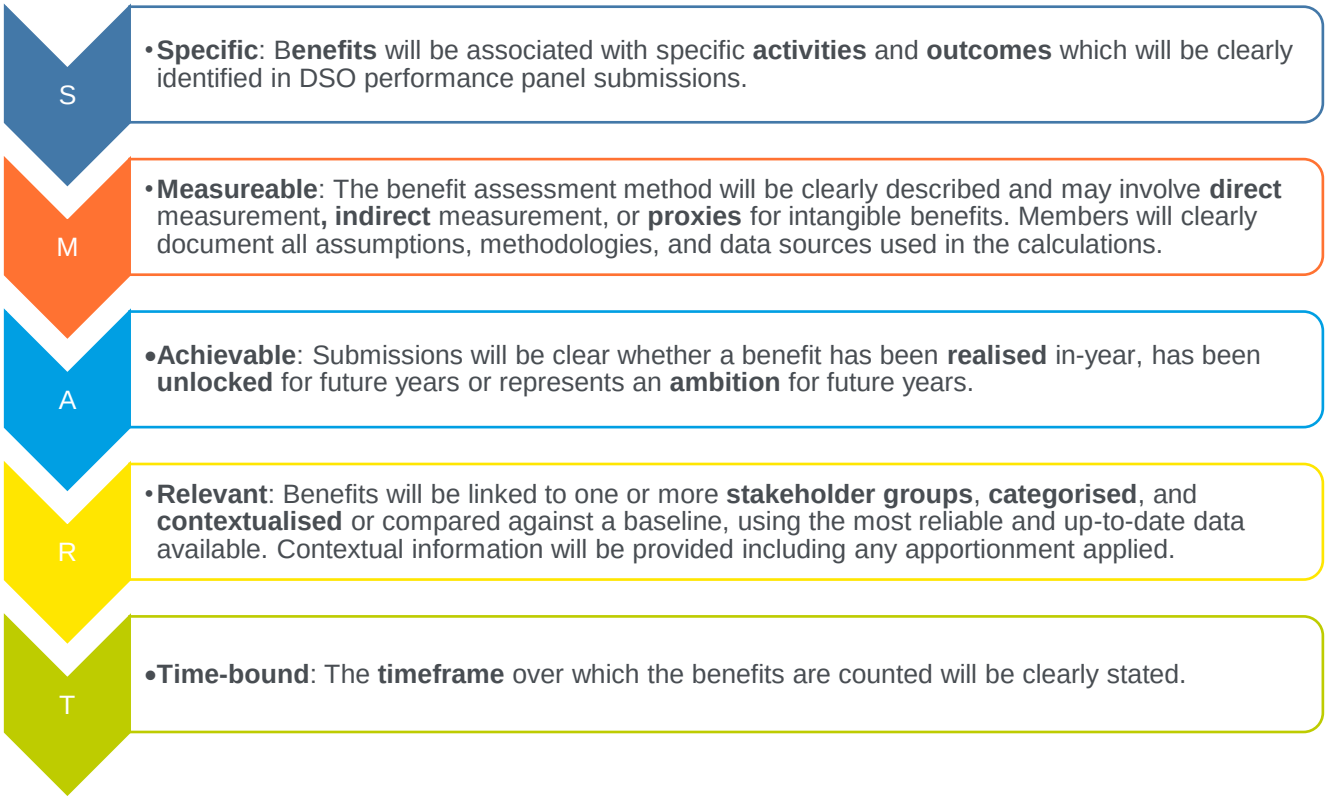
Table 2: Common DSO benefit categories

Category	Description	Example
1. Direct Benefits	Benefits derived from outcomes that are directly attributable to an activity or investment. There is a clear cause and effect relationship. These benefits are quantified using available values, relying on limited assumptions.	Cost savings to domestic customers through deferral of network reinforcement.
2. Indirect Benefits	There are two types of indirect benefit: • Benefits which are secondary effects resulting from an outcome that is not directly linked to the activity or investment but occurs because of it. These benefits are quantified using third-party analysis or data, or by using assumptions. • Benefits to wider society, representing positive impacts that extend beyond the immediate effects of a specific activity or investment. These benefits are measured using proxies where possible; otherwise, qualitative evidence may be provided.	Accelerating connections has the direct benefit of creating revenue for commercial customers, with an indirect benefit of reducing wholesale energy costs for domestic customers. Carbon emissions reduced from accelerated connections.

These categories, which members will consistently reference across this year's submissions, describe how the benefits are realised. When paired with the DSO stakeholder groups, they highlight the value of each benefit for specific segments. While the range of benefits reported may vary between organisations, the language and categorisation used have been standardised this year for consistency.

To ensure comparability, members have agreed to clearly define the basis for their benefit calculations. From the 2024/25 submissions onwards, any quantified DSO benefits will adhere to the following universal principles (terms in bold are defined in the Glossary):

Figure 3: Universal principles for the articulation of DSO benefits in 2024/25 submissions



Members will apply these principles for each benefit and the figures presented in their 2024/25 performance panel submissions. This may be achieved through the main narrative, charts, summary tables, footnotes, or a benefits-related bespoke appendix. This foundational step supports the DSO Performance Panel in ensuring comparability and provides transparency regarding the basis for calculations, even if methodologies currently differ across organisations.

If members choose to provide a Net Present Social Value (NPSV) figure for benefits, then this should be carried out in line with the HM Treasury Green Book guidance, as referenced by Ofgem in the DSO Incentive Governance Document. Total NPSV figures should not include transfers of resources between stakeholder groups (although members may still provide this information for additional context elsewhere). Where members choose to provide NPSV figures as part of their submission, they should take this guidance into consideration.

DSOs agree to specifying which price base their costs and benefits are in and Ofgem's ED2 price control financial model contains RPI-CPIH inflation data which can be used to compare figures that are in different price base years on an equivalent basis.

In addition, members will adopt the standardised language and definitions outlined in the Glossary to explain the outcomes and benefits delivered to common DSO stakeholder groups.

Descriptive parameters

When describing activities, outcomes, or benefits, it is essential to provide sufficient detail about how figures and values have been calculated. Table 3 outlines common parameters that members are expected to include to ensure clarity and comparability for readers, whether presented through the main narrative, charts, summary

tables, footnotes, or a dedicated benefits-related appendix. This list is not exhaustive, and organisations may provide additional information to aid clarity.

Table 3 – Descriptive parameters

Parameters related to activities/outputs	Parameters related to outcomes/benefits
Capacity of flexibility services procured (MW)	Gross or net savings (£)
Volume of flexibility services utilised (MWh)	Total or net present value (£)
Connections capacity accelerated (MW)	Real or nominal cost base (£)
Capacity of flexible connections (MW)	Assumed deferral period (Yrs)
Absolute (MWh) or % reduction to curtailment	Time period connection has been accelerated (Yrs)
Carbon calculation method	Unit cost rate for renewable capacity (£/KWh)
	Unit cost rate for counterfactual (£/KWh)

The transparency achieved by members clarifying the descriptive parameters used as the basis for calculations in the 2024/25 DSO Incentive Submissions will serve as a foundation for more detailed work in 2025/26, aimed at developing common methodologies for a set of in-scope, standardised benefits.

What next?

Coalescing around a shared ethos and commitment to collaboration

Our activities as the DSO Collaboration Forum this year have strengthened the foundation for collaboration and provided further evidence of its value. Nevertheless, more work remains in the years ahead to embed collaboration across the group and unlock its full potential. The openness and transparency nurtured this year has laid the groundwork for Phase 3 of the group's work where it is intended to develop asset of in-scope standardised measurement of benefits.

The group's objective for 2025/26 is to develop common methodologies, which translate outcomes into benefits, across a number of core DSO benefits. This will allow for transparency and comparability between DSOs across these key areas.

DSO Collaboration Forum members remain fully committed to collaboration and through their work together delivering stronger outcomes for GB customers and stakeholders.

Glossary - Common language for 2024/25 performance panel submissions

The following definitions have been developed to establish consistent language and practices in describing DSO benefits.

Term	Meaning
Accelerated	The process of bringing-forward an activity or event which would have otherwise occurred at some time in the future. For an activity, outcome or event to have been accelerated there should also be a counterfactual.
Access (Network)	Network access rights define the nature of users' access to the network and the capacity they can use – how much they can import or export, when and for how long, and whether their access is to be interrupted and what happens if it is. Network access requires a connection from the user's equipment to the wider network, and then allocated capacity on the wider network. For most users, their network access is defined via their connection agreement.
Activity	The performance of tasks or other action in pursuit of specific goals or outcomes
Ambition	In relation to the measurement of benefits, "Ambition" means benefits where the activities undertaken are expected to result in value being accrued in future years but lacking the certainty of '**unlocked**' benefits. For example, this category would include improvements to network access that are expected to accelerate future customer connections but that cannot be allocated to specific existing connection applications.
Bill saving	The saving to the electricity consumer through their total electricity bills.
Benefit	The value that accrues to stakeholders through activities carried out by the DSO. This can be translated into a financial benefit or may be described as an intangible benefit.
Counterfactual	Used to describe the conventional solution that is used to compare alternative solutions to in the context of benefits. For example, the counterfactual solution of conventional reinforcement would be compared against commercial or smart alternative solutions.
Reinforcement Deferred	Reinforcement that is identified as being required to relieve an existing network constraint or facilitate new load growth, but which is deferred as a result of the procurement and management of flexibility services.
Direct	Clear conversion of an outcome to a benefit, which has a clear cause and effect relationship and is usually measurable.
Indirect	Conversion of an outcome to benefit that arises as a secondary effect. Sometimes these benefits are less tangible or more difficult to measure.
Net Present Social Value	The value of all benefits, less all costs, in each year when discounted can be added together because they are in present value (discounted) terms, and then represent net cost benefit (benefits minus costs)

Outcome	An observable change that has occurred, is expected to occur, as a result of DSO actions taken. For example, products or services delivered to stakeholders.
Proxy	Where no direct measurement of benefits can be made, nor appropriate assumptions can be made, an appropriate reference value may be adopted to represent and estimate the value.
Realised	In relation to the measurement of benefits “realised” means benefits where the activities taken have resulted in value accrued to the network or relevant stakeholder group.
Timeframe	The time period for which a benefit is reported, Realised, Unlocked, or forecasted as a future Ambition.
Unlocked	Refers to the status of a benefit, indicating enough certainty to assume that the benefit will be Realised at a future date.

Our members and associates

Membership of the Energy Networks Association is open to all owners and operators of energy networks in the UK.

- Companies which operate smaller networks or are licence holders in the islands around the UK and Ireland can be associates of ENA too. This gives them access to the expertise and knowledge available through ENA.
- Companies and organisations with an interest in the UK transmission and distribution market are now able to directly benefit from the work of ENA through associate status.

ENA members

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nationalgrid
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- Guernsey Electricity Ltd
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