



Making a positive difference
for energy consumers

Distribution licensees and other
interested parties

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Date: 22 April 2021

Dear Licensee,

Approval letter for your company's Distribution Flexibility Services Procurement Statement as part of the requirements of Electricity Distribution Licence Condition 31E.

Thank you for sending us the Distribution Flexibility Services Procurement Statement for review and approval. With this letter, the Authority¹ approves your company's procurement statement for procurement and use of Distribution Flexibility Services ('flexibility services') from 1 April 2021 to 31 March 2022. The Distribution Flexibility Services Procurement Statement is approved based on our assessment that it meets the requirements of Standard Licence Condition 31E (SLC 31E) of the Electricity Distribution Licence.

In accordance with SLC 31E, Distribution Network Operators (DNOs) and Independent Distribution Network Operators (IDNOs) are required to report on the flexibility services they intend to procure and that they have procured. The licence condition ensures that DNOs and IDNOs consider procuring flexibility services, when it is economic and efficient to do so, to run efficient and safe electricity distribution networks.

In our letter sent to all licensees on 29 January 2021, we defined the key reporting requirements for this regulatory year (01 April 2021 – 31 March 2022) that we expect licensees to report on to meet the obligations set out within SLC 31E.

¹ The Gas and Electricity Markets Authority. Ofgem is the Office of the Authority. The terms "Ofgem" and "the Authority," "we" and "us" are used interchangeably in this letter.

We have assessed your company's Distribution Flexibility Services Procurement Statement against these requirements and we confirm it satisfies these criteria and that more generally it complies with the obligations under condition 31E. In particular, the Distribution Flexibility Services Procurement Statement:

- (a) sets out the types of flexibility services licensees reasonably expect they may be interested in procuring in the following 12 months from 01 April of this regulatory year (2021/22);
- (b) sets out the rules and technical requirements governing the procurement and use of flexibility services;
- (c) summarises how the company ensures that the tendering process for flexibility services is objective, transparent, and market-based;
- (d) sets out the actions taken to ensure effective participation of flexibility providers (including prospective providers) and stakeholders, including planned stakeholder engagement, and procurement timetables and processes;
- (e) sets out the actions to be carried out to coordinate with other Electricity Distribution Licence holders and the Electricity System Operator in the procurement and use of flexibility services; and
- (f) summarises how the company determines the level of flexibility services they need to procure, detailed quantitative assessments, and other methodologies for comparing economic value and energy efficiency.

A version of the Distribution Flexibility Services Procurement Statement, redacted of any confidential information, will be published on our website. Companies must publish their statement on their website as stated under Condition 31E.15.

In addition, licensees are required to notify any changes to the information contained within the Distribution Flexibility Services Procurement Statement to the Authority in accordance with C31E.12.

As this is the first reporting cycle since the new licence requirements came into place at the end of 2020, we have asked licensees for existing information to be collated in one template. We will work to further refine and streamline the requirements and processes for reporting to us on flexibility services ahead of the next reporting cycle. We will contact you in Autumn 2021 to discuss the format and content of the Distribution Flexibility Services Report (31E.14) on the flexibility services procured and dispatched in the 2021 regulatory year, to be submitted before 01 May 2022. In the meantime, we expect companies to publish more detailed information on their website to give further visibility of the flexibility

services procured and to seek feedback from interested stakeholders on what is and could be additionally provided. Should you have any questions, please contact flexibility@ofgem.gov.uk.

Yours faithfully,

Louise van Rensburg

Head of DSO and Whole System Coordination

For and on behalf of the Authority