



Making a positive difference
for energy consumers

To all electricity distribution
licensees and other interested
parties

Direct Dial: 020 3263 9629
Email: flexibility@ofgem.gov.uk

Date: 14 February 2022

Dear colleagues,

Finalisation of Ofgem’s “Guidance for reporting requirements under Electricity Distribution Standard Licence Condition 31E: Procurement and use of Distribution Flexibility Services”

In December 2020, we introduced Standard Licence Condition 31E: Procurement and use of Distribution Flexibility Services¹ (C31E), in implementation of Directive (EU) 2019/944, also known as part of the Clean Energy for all Europeans Package (CEP)². C31E sets out the conditions under which distribution licensees can procure flexibility, what principles they should apply during the procurement processes, and the need to take a coordinated approach with other parties for the procurement and use of flexibility services.

In addition, C31E imposes three distinct reporting requirements on the procurement and use of distribution flexibility services by electricity distribution licensees:

- i) The Distribution Flexibility Services Procurement Statement, submitted by 1 April ahead of the regulatory year to which it relates;
- ii) The Distribution Flexibility Services Procurement Report, submitted by 1 May following the regulatory year to which it relates;
- iii) Ongoing Reporting, which must be published within one month of the conclusion of a procurement process.

¹ See page 7 here: [annex 2 - keeling schedule electricity distribution v2.pdf \(ofgem.gov.uk\)](#)

² See page 35 here: [DIRECTIVE \(EU\) 2019/ 944 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL - of 5 June 2019 - on common rules for the internal market for electricity and amending Directive 2012/ 27/ EU \(europa.eu\)](#)

Licensees submitted their first Distribution Flexibility Services Procurement Statements to the Authority on or before 1 April 2021, while the first Distribution Flexibility Services Procurement Report submissions are to be submitted on or before 1 May 2022.

Purpose of the Guidance

We have developed the following Guidance and Supporting Data Template with the intention of promoting consistency and thoroughness of C31E reporting across licensees.

- i) The scope of the Guidance covers all reporting requirements under C31E, and the expected contents and format under each of these requirements.
- ii) The Supporting Data Template that is to be populated as part of licensees' Distribution Flexibility Services Procurement Report.

On 22 November 2021, we issued a Call for Input to consult on updates to our Guidance and Supporting Data Template and allow stakeholders the opportunity to provide feedback and suggestions to improve reporting for subsequent years.

Call for Input responses

We thank all stakeholders for their considered responses to our Call for Input. We received 12 responses and we have published those that are non-confidential alongside this letter and the updated Guidance and Supporting Data Template. Overall, respondents were in favour of the Guidance and the Supporting Data Template. Additionally, respondents were in favour of the Distribution Flexibility Services Procurement Statement and Distribution Flexibility Services Procurement Report, identifying uses for evaluating business purposes and reassurance of licence obligations being met.

Respondents have provided a range of feedback on both the Guidance and the Supporting Data Template. We have carefully considered these responses and have summarised below the changes that we have made to the Guidance and Supporting Data Template and signposted where in the document they can be found with paragraph number references. Some comments we have not been able to incorporate now, in many cases due to a lack of time or information to fully develop them before the next report is due, but we will consider whether it may be appropriate to include these changes for the next reporting cycle.

Main changes to Guidance and Supporting Data Template incorporating responses

Submissions and publications

- 1) Further clarity on the submission criteria of the Distribution Flexibility Services Procurement Report for IDNOs (1.17).
- 2) Better signposting of timelines and publication locations by Ofgem and DNOs and reasonable publication times (1.24 and 1.25).
- 3) Further clarity on resubmission processes, materiality of changes, and approval process (1.12, 1.13, 1.23, 1.24).

Supporting Data Template

- 4) Further standardisation and formatting of Supporting Data Template (including drop down menus) (3.27 – 3.36).
- 5) Further clarification on how multi-year tenders are better accounted for within the Supporting Data Template (3.29 – 3.31).

Flexibility terms

- 6) New glossary of terms (data dictionary) used in template, and alignment of template to flexibility terms (3.26).
- 7) Definitions of tendered, procured, dispatched, and clarifications of flexibility terms have been inserted (3.26).

At-glance summaries

- 8) Updates to at-glance summaries including key figures, graphs, barriers (2.3 and 3.4).
- 9) Added postcode level of locational granularity for customers using Grid Supply Point – DNOs should aggregate information summary tables/maps to cater to wider customers where feasible, with further developments before the next reporting round (3.9d)).

Economic viability

- 10) Improved signposting of Common Evaluation Methodology (CEM)³ reports and economic viability studies with rationale and analyses behind procurement strategies and quantification of flexibility services (3.14d).

DNO ambitions

- 11) Demonstration of increasing standardisation and market participation with increasing ambition from DNOs (2.16).
- 12) Additional accountability and explanation for variations against forecasts (explanations on high prices, other issues) – paired with comparative analysis between submitted documents (3.9(d)).

³ [Open Networks Common Evaluation Methodology background](#)

- 13) We added in contact information for DNOs added to allow stakeholder feedback (1.24).

Suggested changes from respondents that will be considered for future reporting cycles

- 1) Approaches to energy efficiency measures and reporting outcomes – additional information will be gathered through the Energy Networks Association’s (ENA) Open Networks Project⁴ for future consideration.
- 2) Zone level worksheet to highlight, using the primary data, the remaining market opportunities within each zone – we will gather further information from stakeholders and welcome suggestions on how to implement for this for future Procurement Reports.
- 3) Carbon reporting including dispatch volumes and against various technology types – the current Procurement Report includes reporting of quantitative carbon assessment when procuring flexibility, any current methodologies employed, and planned engagements with ESO, DNOs, and IDNOs to develop standardised carbon reporting. Currently there is no consistent methodology for carbon reporting, therefore licensees must clearly explain their methodology. The ENA’s Open Networks Project have been tasked to coordinate to agree a common methodology for this carbon reporting, to be delivered by the start of 2023, under Workstream 1A Product 7, to allow us to further develop this area of reporting. We will consider developments within this product and engage with stakeholders on best practice to be able to update future Procurement Statements and Procurement Reports.
- 4) Increased frequency of publications of ongoing reporting by Ofgem (similar to ESO weekly or daily publication schedules) – we are currently not in a position to implement this at this time, however, we will consider this for the future. But we continue to encourage licensees to publish any ongoing reporting associated with the procurement of Distribution Flexibility Services in a timely manner with clear signposting of publication locations.
- 5) Central repository for CEM reports – as the CEM tool is developed, licensees will be required to publish and signpost appropriately where the CEM tool analyses sits within their individual websites.
- 6) Reference to ongoing work by ENA’s Open Networks Project, particularly on CEM tool, energy efficiency, and carbon reporting – the Open Networks Project is

⁴ [Energy Networks Association Open Networks Project – Flexibility Services](#)

continuously evolving, and we encourage stakeholders to review the scope of upcoming work⁵ that will provide further insight into the topics above.

- 7) Guidance on including flexibility procured through acceptance of flexible connections requests from new connectees – we will develop this further and aim to incorporate this within the Supporting Data Template.
- 8) Open data portals rather than static annual reports for providing granular data sets – beyond meeting the licence obligations for this requirement, we welcome further enhancements licensees can make to present their data in a more useful and transparent way and will continue to explore how we can embed these enhancements in future reporting years.

Next steps

Thank you for the helpful feedback we have received. We have taken into consideration stakeholder feedback on the Guidance and Supporting Data Template and have applied changes where appropriate and possible. A new version of the Supporting Data Template will be available on our website from 14 February 2022, and stakeholders will be notified of this publication via Ofgem newsletters which they are subscribed to⁶. We expect licensees to continue stakeholder engagement ahead of the next set of workshops with Ofgem in Autumn 2022, which will discuss any further changes to the Guidance and Supporting Data Template.

We look forward to receiving the Distribution Flexibility Services Procurement Statement on or before 1 April 2022, and the first Distribution Flexibility Services Procurement Report on or before 1 May 2022, submitted with the accompanying Supporting Data Template. Please send these to flexibility@ofgem.gov.uk. Should you have any questions, please contact Natasha Kumar (Natasha.Kumar@ofgem.gov.uk).

Yours faithfully,

Louise van Rensburg
Head of DSO and Whole System Coordination

⁵ [ENA's Open Network Project 2022 Proposed PID](#)

⁶ [Subscription link to Ofgem news and communications including any policy publications](#)