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for energy consumers

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Date: 29 April 2022

Dear Paul Measday,

Approval letter for UK Power Networks' 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 2022 to 31 March 2023. 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 Guidance published on our website on 14 February 2022, we set out the key reporting requirements for this regulatory year (01 April 2022 – 31 March 2023) 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.

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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 (2022/23);
- (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.

For future reporting cycles, please provide headline figures summarising at a high level the volume of flexibility services that are being procured within that regulatory year, within your executive summaries.

Where your Distribution Flexibility Services Procurement Statement contains any confidential or private information, please provide to us a redacted version by 05 May 2022, which will be published on our website. Companies must also 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.

We look forward to receiving your backwards-looking Distribution Flexibility Services Procurement Report (31E.14) on or before 01 May 2022. Upon reviewing your report, should we have any further queries or comments, we will get in touch in a timely manner. In the meantime, we expect licensees to continue to engage and seek feedback from interested

stakeholders (such as non-network companies, and Flexibility Service Providers) on what is and could be additionally provided within future reporting. Should you have any questions, please contact Natasha Kumar (Natasha.Kumar@ofgem.gov.uk) or our Flexibility inbox (flexibility@ofgem.gov.uk).

Yours faithfully,

Alex Walmsley

Head of Distribution Flexibility Markets and Enablers

For and on behalf of the Authority