

DSO DNO Governance Framework

2025

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Foreword

In this document we set out our latest evolution of our approach to delivering transparency in how our Distribution Network Operator (DNO) and Distribution System Operator (DSO) functions work together to enable the delivery of a just energy transition for our customers in the north-west.

In our RIIO-ED2 business plan we set out our proposals to clarify our organisational structure, ensure a clear separation of roles and responsibilities, implement a compliance assurance and oversight approach, and publish transparent methodologies. Prior to RIIO-ED2 we restructured our organisation to bring all DSO functions under one Directorate. We also established our external DSO Stakeholder Panel to provide oversight, challenge, review and guidance of our DSO activities.

Since then we have made progress against our commitments with further organisational changes to clarify the remit of the Director accountable for the DSO, appointed a DSO compliance officer, established a formalised decision governance approach, and - following a conflicts of interest risk assessment focussed on ensuring we deliver the best outcomes for our customers - have clarified our processes through which the DSO and DNO interact.

This document sets out an overview of our approach to DSO governance, which we hope will provide further transparency and confidence in our commitment to act as a neutral market facilitator, as we seek to deliver the distribution system needed for a safe, secure and just transition to net zero.



Ben Grunfeld
Director for the DSO



Paul Killilea
Director for the DNO

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Our DSO Governance Framework

This document sets out how we manage perceived conflicts of interest between our Distribution Network Operator (DNO) and Distribution System Operator (DSO) roles, to provide transparency for our stakeholders.

Electricity North West is the electricity distribution network focused solely on the North West, and we take pride in delivering power and extra care to 2.4 million properties and over 5 million customers.

Delivering our role requires managing a tension and perceived conflicts of interest between two aspects of our role. As a regulated Distribution Network Operator (DNO) we earn a financial return from building, owning and operating assets. We also deliver Distribution System Operator (DSO) functions which are responsible for forecasting and planning how much network should be built, as well as for developing a thriving market for flexibility services as an alternative to network investment.

It is vitally important therefore that we provide transparency in how we operate as a DSO and DNO to build market confidence that we are doing everything we can to promote participation in flexibility.

This document sets out our governance framework, including our internal functional separation model, how we make decisions, our external assurance and oversight approach, as well as insight into how our DSO and DNO work together.

Components of our DSO governance and transparency approach

	Decision governance	Independent oversight
Governance	A clear structure for decision-making and ENWL Executive and Board level visibility of decisions	A key challenge and assurance role for our external DSO Stakeholder Panel and wider business Independent Stakeholder Group

	Functional separation	Processes and hand-offs	Ownership of outputs
Accountability	We operate in a functional separation model with single Director accountability for DSO activities	Clarity on roles and responsibilities for DSO and DNO contributions to key processes	Clear ownership of data and documents, with specified ownership and sign-off authority

	Stakeholder engagement	Compliance and assurance	Compliance and assurance	Data and reporting
Transparency	A broad range of wider stakeholder engagement to inform our focus and communicate our progress	A compliance officer reporting to the Head of DSO (with escalation path to Head of Legal & Risk in Shared Services)	Internal and external audits of methodology adherence and decisions	Publication of all key decision outputs, methodologies, and datasets, and annual reporting on progress.

Ofgem's expectations

📄 Demonstrable executive level accountability and board-level visibility of DSO decisions... 📄

📄 Transparent, clear and separate decision-making frameworks supported by independent oversight... 📄

📄 Formalised DNO-DSO relationship (decision-making framework, DNO-DSO code)... 📄

Our functional separation model

In ENWL our DSO functions are under a single Director and separated from any DNO activities that embody the tension between DSO and DNO roles. This allows us to separate Director accountabilities and surface any key decisions at executive team level for transparency.

In our DSO strategy for R110-ED2 we set out our intended approach to separation for this period as a “functional separation” model. This means that we have identified activities that could constitute a conflict of interest between DSO and DNO roles, and separated them such that they are in different organisational units, with a single Director accountable for DSO activities and objectives, with no conflicting DNO activities and objectives.

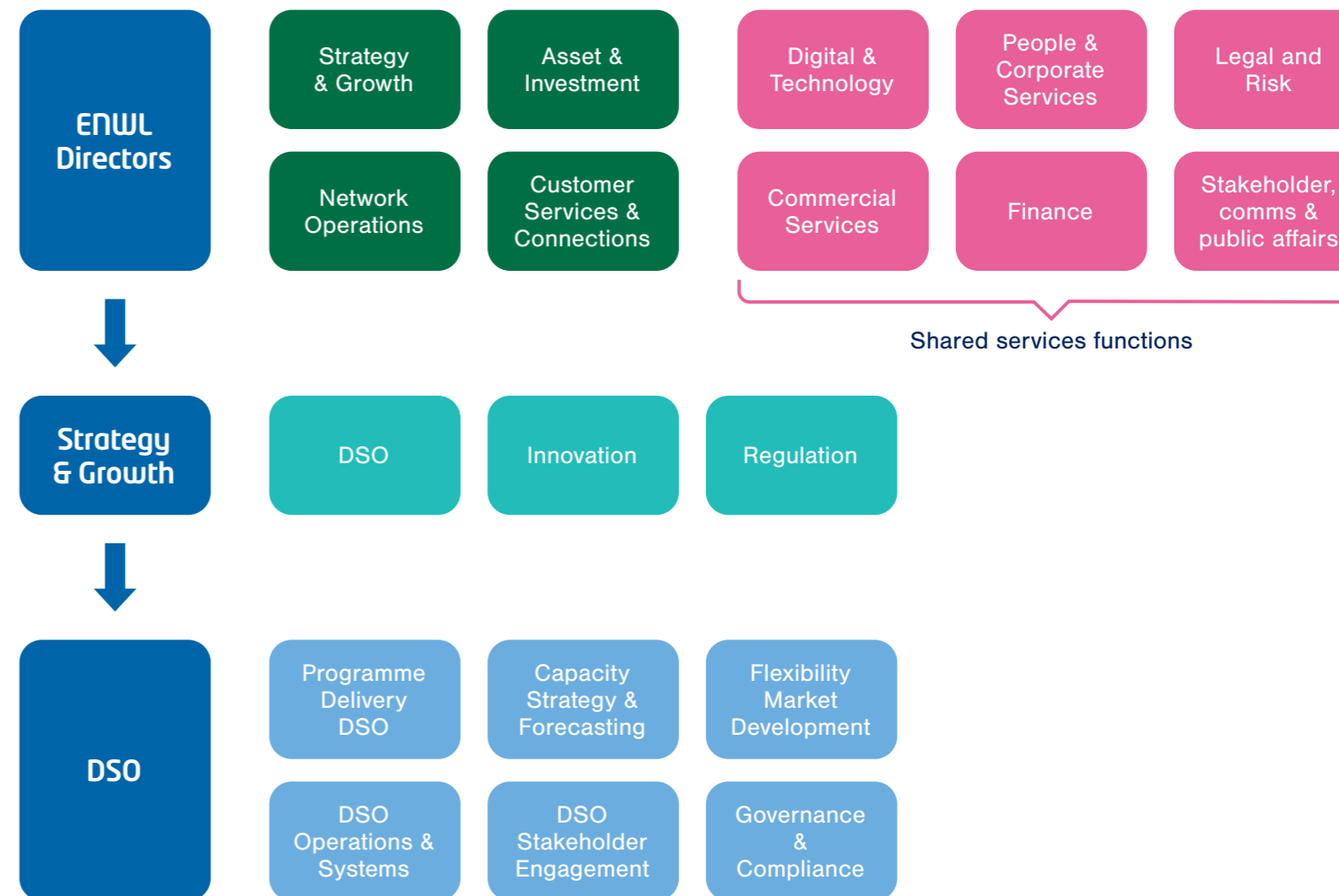
Our DSO business unit currently sits in our Strategy & Growth Directorate, alongside Innovation and Regulation. This is due to a historic alignment in our DSO strategy with driving innovation, and in developing leading smart grid solutions such as CLASS. At the outset of R110-ED2 we made some organisational changes to clarify our functional model - removing further elements of asset management out from the function housing the DSO.

As a single licence area DNO we do not have the same scale as others to enable the creation of a Director role specifically for the DSO. As such, we believe our current approach to functional separation is proportionate to our size. Going forward, as we continue to scale our DSO activity in line with customer demand, we intend to scale our DSO team correspondingly. This will likely introduce some duplication of capabilities across our DSO and DNO functions as we ensure that each entity retains the skills required to effectively review and challenge each other’s work.

We are closely monitoring progress of other DSOs, and periodically review our separation approach to ensure we are taking on board learning from others. Most other DSOs have followed a similar functional separation model, with one taking a further step through legal separation. In all cases final decision-making authority sits with the CEO. No DSOs have pushed for further separation of systems and shared services, choosing instead to maintain synergies and cost efficiency whilst we test the efficacy of functional separation models.

We therefore believe we are following industry best practice.

Our internal business structure



DSO:DNO interactions and outputs

This year we have reviewed our DSO/DNO conflicts of interest risk register with our DSO Stakeholder Panel and have used this to help clarify our processes and accountabilities.

Guiding principles

We see our DSO as accountable for enabling a timely and cost-efficient transition to net zero, securing system capacity in the most efficient way to deliver against customer needs and standards.

Our DNO is accountable for running the network safely and securely, and for delivering network investments efficiently where this is the agreed solution.

As a result, our accountable DSO Director holds the budget for load-related investments, and our DNO functions hold the budget for asset health and resilience investments.

An overview of DSO vs. DNO roles across key process areas

	Planning	Connections	Markets	Network operation
DSO	Engages regional stakeholders and forecasts generation and demand Identifies load-related system needs Assesses options and proposes solutions Publishes planning outputs	Develops access products Reviews flexible connections schemes Manages alignment with strategic regional development plans Secures capacity for connections	Develops flexibility products offering Establishes market access services Procures and settles flexibility	Schedules flexibility Dispatches flexibility day-ahead or earlier Provides flexibility options in merit order for emergency real-time actions
DNO	Provides asset options and costs for load-related needs and agrees solutions Identifies health and resilience-related needs Creates integrated needs plan , capturing synergies Manages investment plan	Manages quote, offer, accept process Coordinates across the T/D boundary Designs / delivers connections	Provides input regarding network needs	Outage planning Operational planning / running arrangements Manages real-time operations Dispatches real-time flexibility for emergencies

Network planning and development is carried out by the Capacity Strategy & Forecasting team in the DSO and the Asset & Investment function in the DNO.

Network planning and development

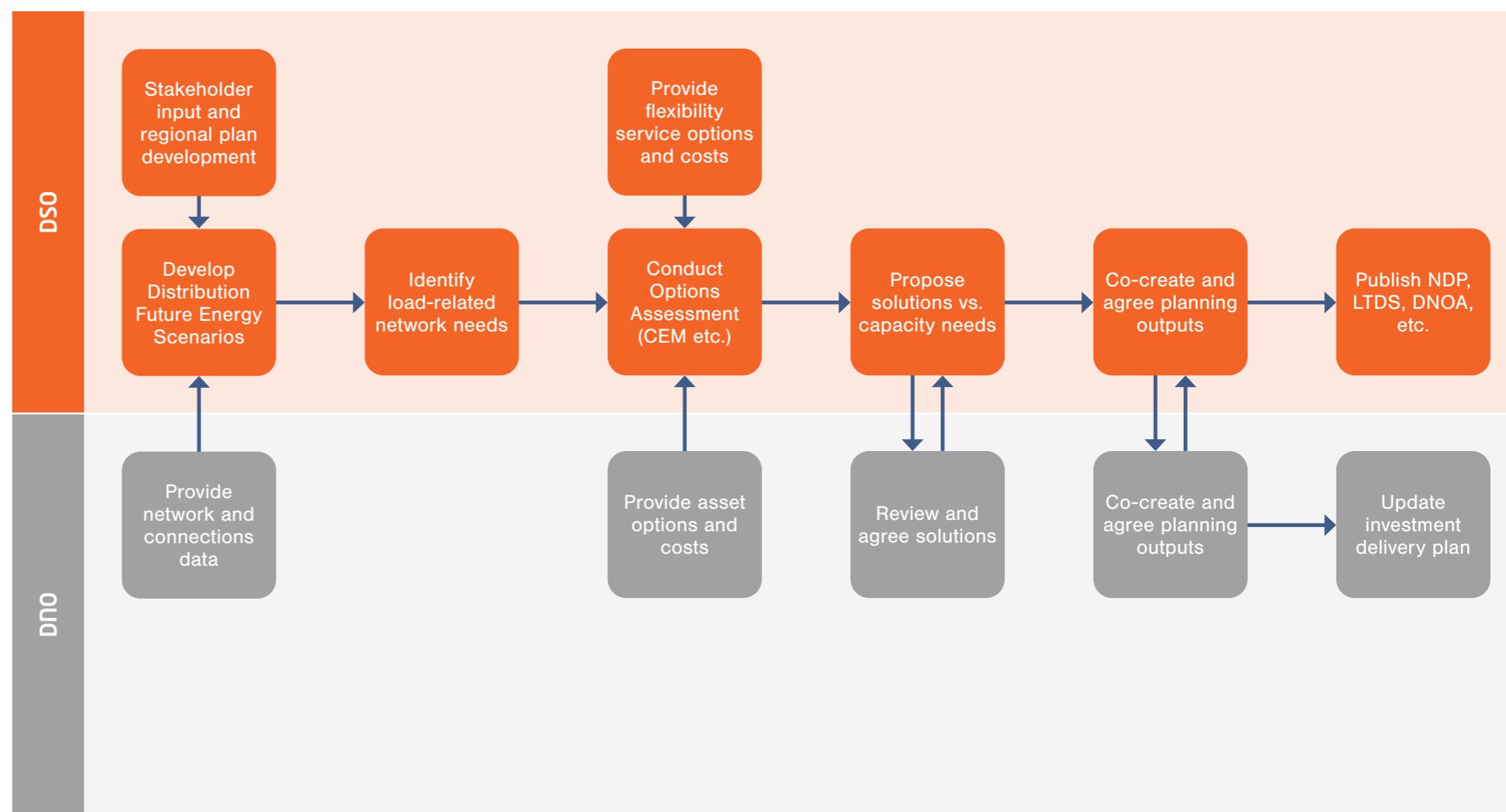
On an annual cycle, the DSO first creates a system forecast informed by various forms of stakeholder engagement and utilising a range of forecasting tools and data. It then identifies specific capacity-driven network needs and requests asset solution proposals from the DNO.

The DSO examines options to meet the needs, including asset options and costs from the DNO, as well as flexibility options or smart network solutions. The DSO conducts a cost/benefit assessment as per our Distribution Network Options Assessment (DNOA) process and proposes the relevant solutions.

The proposed solutions are reviewed and signed-off with the DNO, and the annual plans published by the DSO. The DNO then updates the investment plan for asset solutions and proceeds with delivery, and the DSO proceeds to contract and deploy flexibility.

Our Decision Governance approach is used to manage sign-off of key outputs and decisions, and to manage any key questions and disagreements that may arise between DSO and DNO operational management.

High level illustration of the process



Connections activity is largely carried out by the Customer Services & Connections function in our DNO, supported by several teams in the DSO.

Connections

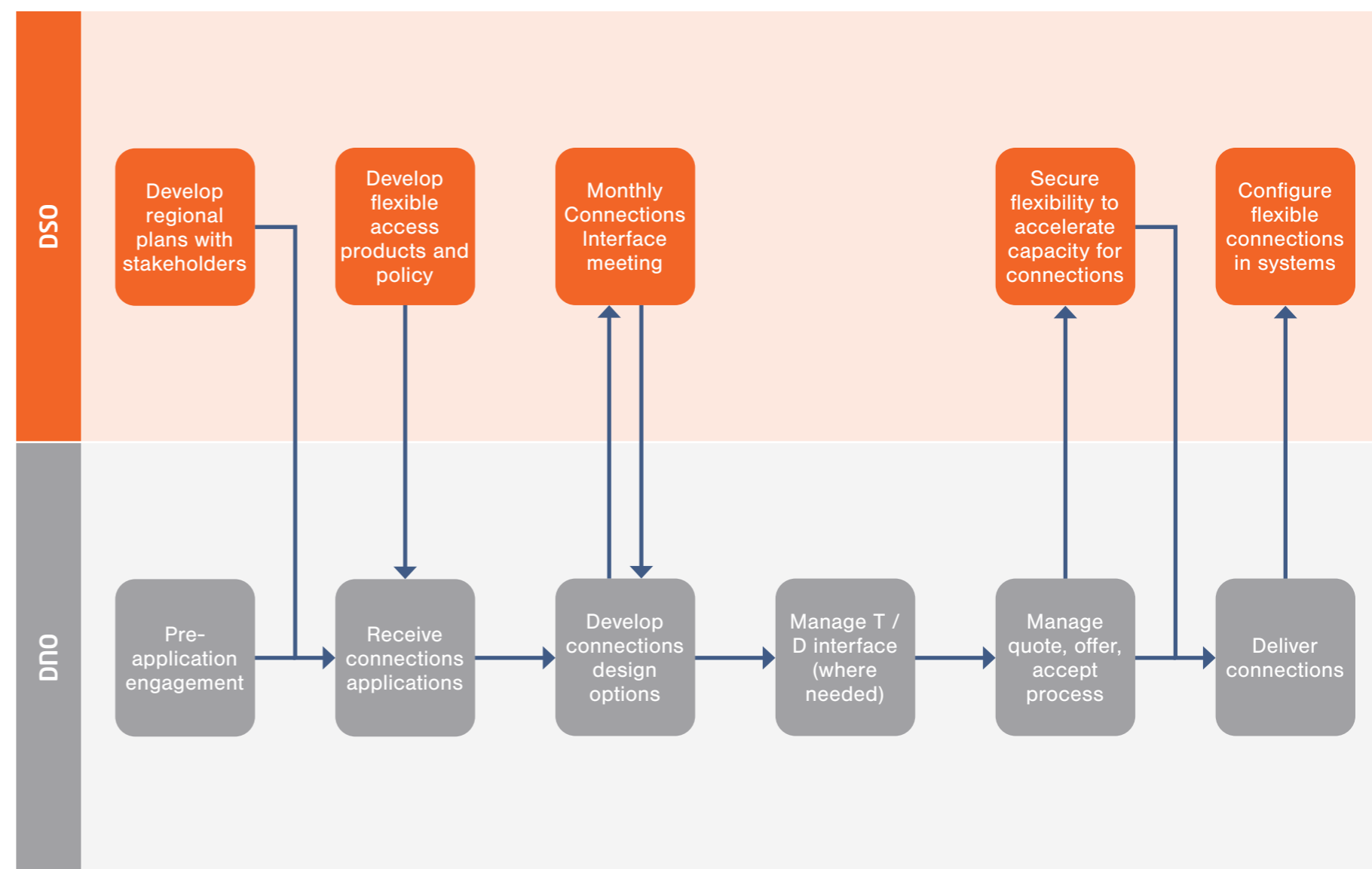
Prior to customer connection applications being submitted, both the DSO and DNO are active in engaging customers and stakeholders - the DSO through regional plan development with Local Authorities and other entities; and the DNO through pre-application engagement, particularly with larger customers, to help shape their applications. The DSO is also accountable for developing flexible access products and policy, and for ensuring that the relevant systems capabilities are in place to support them.

The DNO is responsible for managing the customer interaction and experience throughout the connections process, providing a single point of contact and clear accountability. The DNO also develops options for how and where a customer can be connected to the network, including considering flexible access products according to agreed policy.

The DNO applies the policy autonomously to be able to proceed at pace and hit our guaranteed standards timescales. Monthly 'Connections Interface' meetings between the DSO and DNO are held to review the portfolio of connections and ensure the DSO is aware of any impacts on regional strategic development plans, and to enable the DSO to assure that flexible access products are being fully considered.

The DSO seeks capacity to enable connections as per the network planning process (including seeking flexibility to enable wider connections), and the DNO delivers all relevant asset solutions. Finally, for flexible connection customers the DSO monitors curtailment levels and intervenes where required should curtailment exceed expectations.

High level illustration of the process



Market development activity is driven by the Flexibility Market Development team in our DSO.

Market development

Market development activity is driven by the DSO. The starting point for this is the identification of system and network needs, as informed by both the DSO and DNO through the network planning process. The DNO will also provide insight into wider operational needs that could be supported by flexibility, such as managing planned outages.

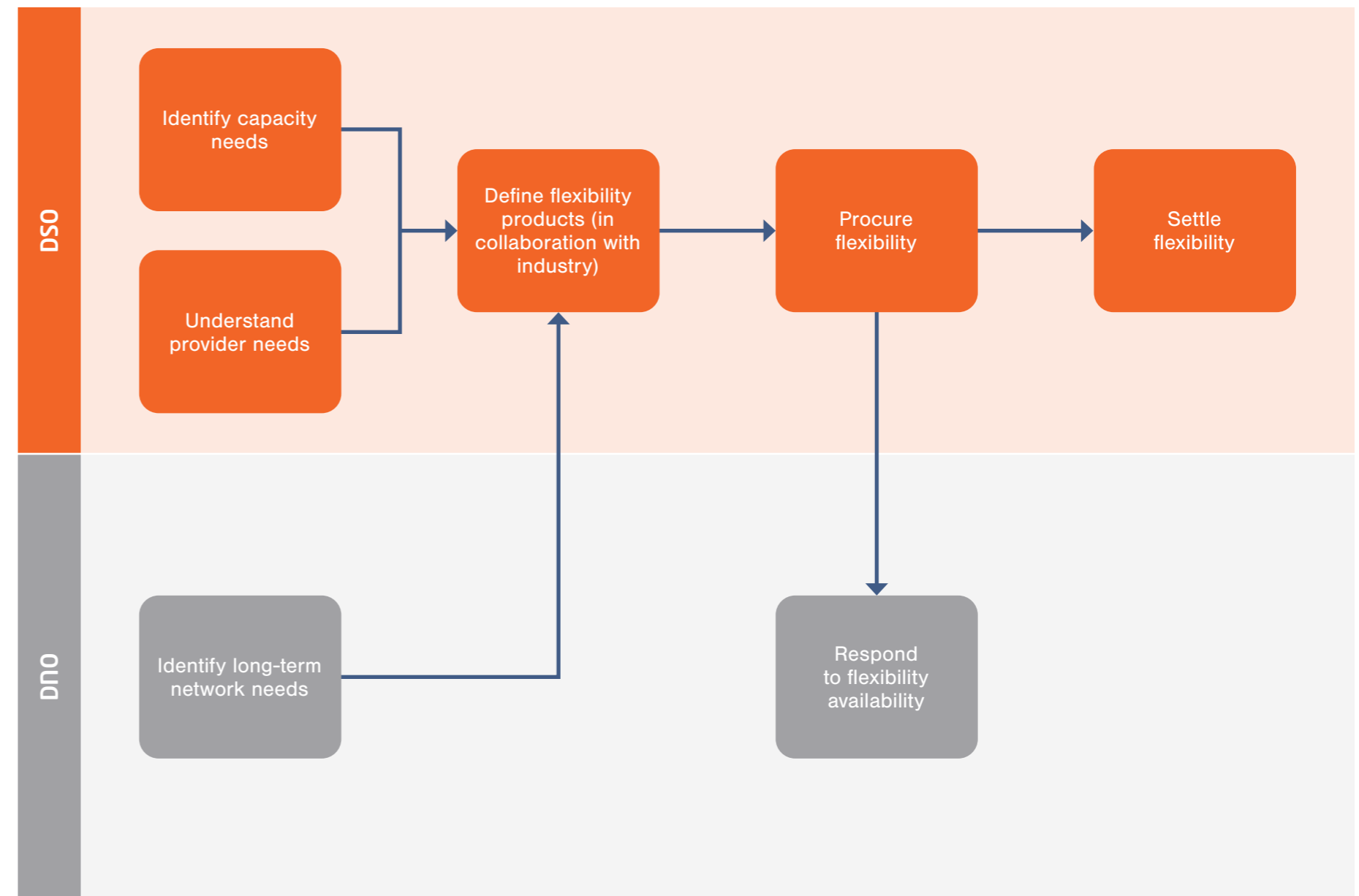
Our Flexibility Market Development team are also continually engaging with flexibility service providers, connecting customers, and wider stakeholders to understand how best to support them to participate in flexibility provision.

Armed with this insight, our Flexibility Market Development team develop and evolve the suite of flexibility products that we use. This is done in collaboration with industry to ensure an appropriate degree of standardisation is followed to make it easier for participants to engage nationally, and to ensure alignment of commercial arrangements with the NESO. Requirements for systems capabilities can emerge from this, which are fed into our IT delivery programmes.

The Flexibility Market Development team run bi-annual tenders across sites in our network to secure new participants and flexibility contracts. Information regarding tender outcomes and flexibility availability is shared with the DNO and fed back into the network planning process.

For forward scheduled flexibility, the Flexibility Market Development team may agree schedules with flexibility service providers at the point of contracting. More dynamic services are scheduled and dispatched in operational timeframes by the DSO Operations & Systems team, as covered on the following page.

High level illustration of the process



Scheduling and dispatch of flexibility is managed by the DSO Operations & Systems team in the DSO and the Network Operations function in the DNO.

In operational timeframes the DNO retains accountability for reliability and safety, and as a result has responsibility to develop the operational plan and network running arrangements. The DSO and DNO coordinate on operational planning to ensure that scheduled flexibility is in place to manage constraints, and that available flexibility is used to support planned and unplanned outages.

To create outage plans DNO control engineers review the required work and input switching schedules in the Network Management System. The system forecasts network conditions, identifies any resulting constraints, and identifies curtailment and flexibility service options to manage these constraints.

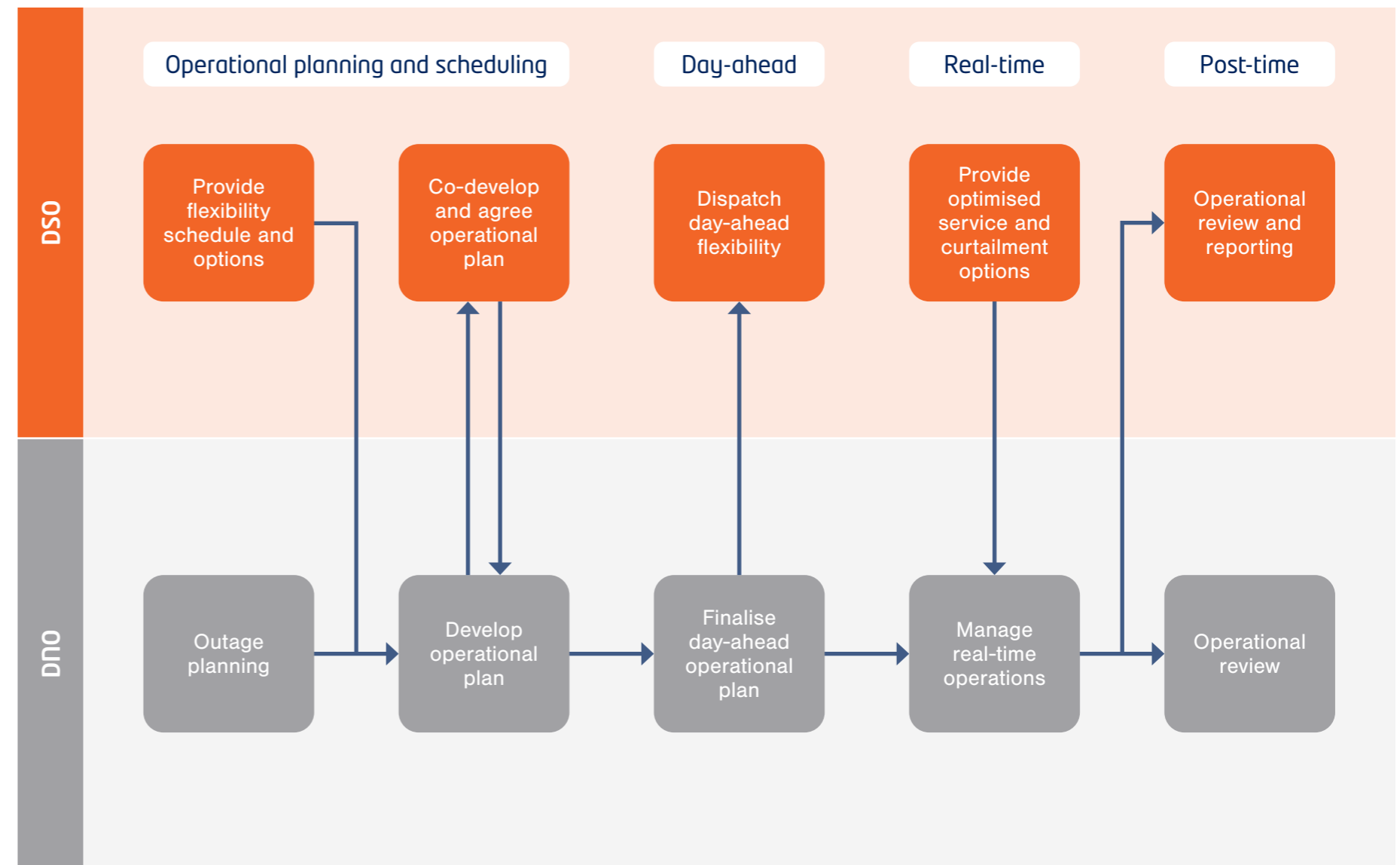
Options are presented in “merit order” according to our [Operational Decision-Making Framework](#). DNO control engineers build up operational plans and review and jointly agree these with the DSO Operations & Systems team up to and including day-ahead stage. The DSO then provides notifications of intended actions to flexibility service providers via the [market platform].

Our current approach to real-time is for the DSO to have pre-configured decision-making regarding curtailment and flexibility services into systems, with actions executed either automatically or by DNO control engineers utilising these tools. In normal conditions, some flexibility services will be self-dispatching and some triggered by DNO control engineers, as per the plan.

If unexpected constraints or unplanned events happen, the ANM system will automatically execute curtailment where needed, and DNO control engineers will have the option to select from available flexibility service options in systems to help manage network conditions.

Post-time, the DSO and DNO teams conduct operational reviews to identify opportunities for learning, and operational data is published via our [Open Data Portal](#).

High level illustration of the process



We have identified clear outputs and accountabilities across the process. Outputs which require joint sign-off highlight areas where the tension between DSO and DNO roles can emerge for resolution through decision governance.

Key outputs across the processes

Output	Description	Owner	Sign-off
Strategic Regional Plans	Forward-looking energy system plans developed with Local Authorities and other regional stakeholders	DSO	Joint
Distribution Future Energy Scenarios (DFES)	Forecast of generation and demand assets expected to connect to the network	DSO	DSO
Demand, generation, and flexibility forecast	Translation of the DFES into expected peak demand, load flows, and network exceedance	DSO	Joint
Asset health and resilience needs	Data relating to asset health and operability, and the resulting investment needs	DNO	DNO
Integrated needs plan	Consolidated needs plan which integrates load growth needs alongside health and resilience needs	DNO	Joint
CEM tool assessments	Cost/benefit assessments of options to resolve network needs utilising the industry Common Evaluation Methodology	DSO	DSO
Distribution Network Options Assessment (DNOA)	Annual planning output summarising the forecast needs, options, and DNOA outcomes	DSO	Joint
Planning outputs (NDP, LTDS)	Annual regulated planning output publications	DSO	Joint
Week 24 notifications	Network data, operational data and forecasts provided to the NESO	DNO	Joint
Asset investment plan	Internal asset investment plan which guides the activity of DNO delivery teams	DNO	DNO
Access products and policy	Design of access products as a basis for flexible connection designs and agreements	DSO	Joint
Connection offers	Customer offers containing connection design options and costs, including flexible options	DNO	DNO*
Annual connections assurance report*	Annual report by the DSO highlighting use of flexible connections and outcome of audits	DSO	DSO
Flexibility product offering	Set of flexibility products, aligned with ENA standards, for use contracting flexibility	DSO	DSO
Outage plans	Plans for planned outages to facilitate work on the network, including switching schedules	DNO	DNO
Operational plans	Over-arching operational plan including network configuration, outage schedules, and flexibility service and curtailment expectations	DNO	Joint
Flexibility schedule	Schedule of flexibility services for subsequent day/week/month including scheduled for utilisation as well as scheduled for availability	DSO	DSO
Dispatch instructions (ahead)	Instructions to flexibility providers to deliver the scheduled flexibility services (ahead)	DSO	DSO
Merit order	Merit order of flexibility options for use in real-time flexibility management	DSO	DSO
Dispatch instructions (real-time)	Instructions to flexibility providers to deliver the flexibility services (real-time)	DNO	DNO
Operational transparency reporting	Publication of dispatch outcomes	DSO	DSO

*As per the process, given the need to achieve guaranteed standards timeframes, the DNO executes agreed policy to respond to applications, and the DSO periodically assures DNO adherence to the policy via the Monthly Connections Interface meeting and an annual review.

How we make decisions

Decision-making is managed via a clear hierarchy, with external challenge from our DSO Stakeholder Panel and a clear escalation path to resolve tensions and disagreements.

How outputs and decisions are approved

Our DSO and DNO teams work together to develop proposals and outputs according to the processes outlined in this document. Managers will first seek agreement between DSO and DNO teams on any outputs that require joint sign-off.

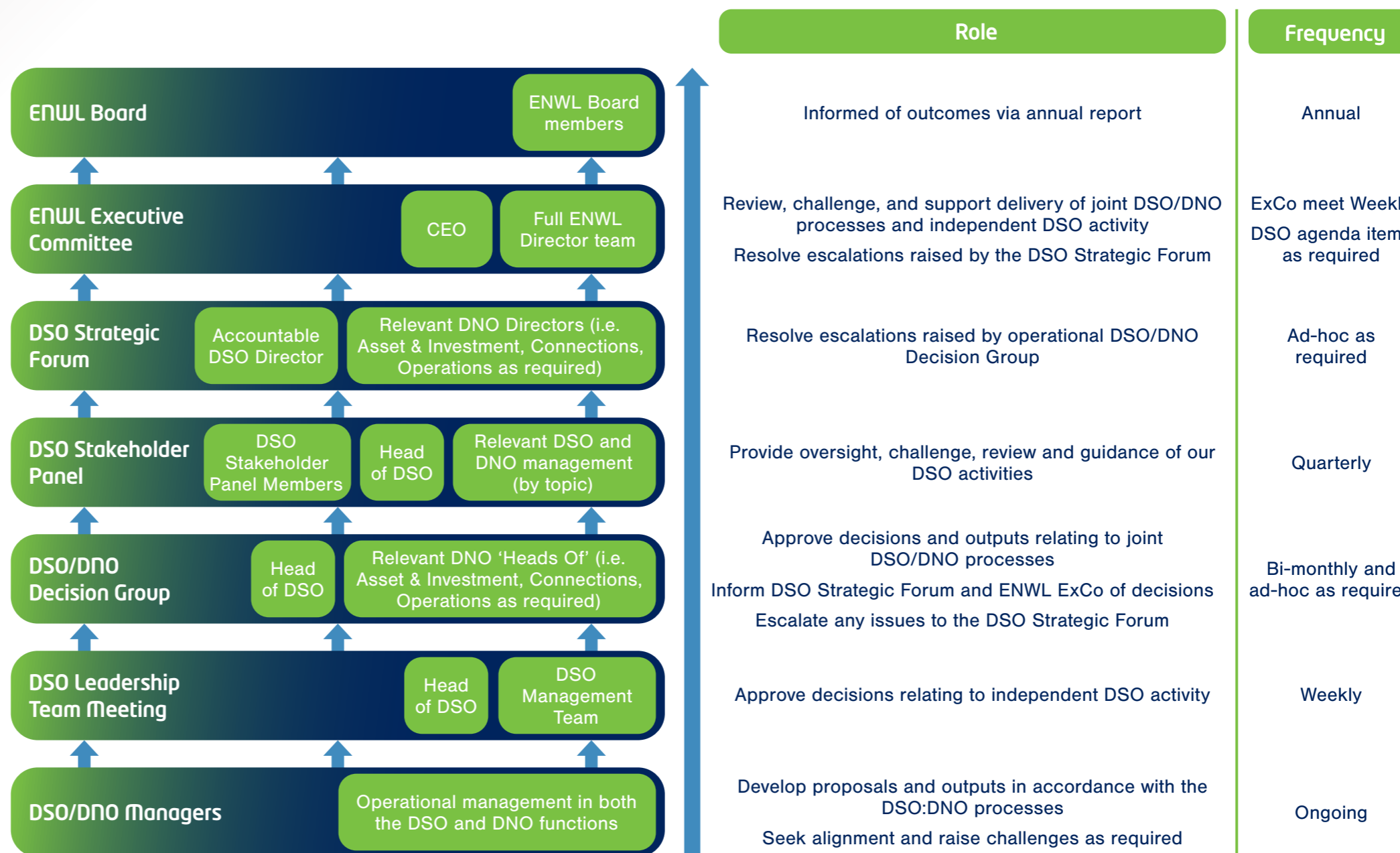
Our Head of DSO has authority to approve outputs which require DSO-only sign-off. Outputs which require joint DSO and DNO sign-off are raised at the DSO/DNO Decision Group for approval. The DSO Strategic Forum and ENWL Executive Committee are notified of key decisions on a regular basis, with the Board notified in the annual report.

The Head of DSO is responsible for testing key outputs with the DSO Stakeholder Panel and building in their feedback prior to raising items for approval at the DSO/DNO Decision Group (see following page for further detail on the DSO Stakeholder Panel role).

Typically, our operational management reach agreement on proposals prior to submitting them to the DSO/DNO Decision Group. However, if disagreements do arise the DSO/DNO Decision Group is the first line of consultation and escalation to resolve challenges.

If the DSO/DNO Decision Group cannot resolve a given issue between DSO and DNO managers, the issue will be raised at an ad-hoc DSO Strategic Forum for accountable Directors to resolve.

In theory, should the DSO Strategic Forum be unable to resolve a given challenge, the ultimate escalation is to the ENWL Executive Committee and CEO to resolve - but this has never happened.



Oversight, assurance, and reporting

Alongside internal clarity on roles and responsibilities, we conduct a multi-layered approach to compliance, assurance and external oversight to guide our thinking and decisions.

How we ensure oversight and scrutiny of our DSO:

- 1. Stakeholder engagement runs through everything we do** - our Capacity Strategy & Forecasting team engage a wider range of stakeholders to develop regional strategic plans and our DFES projections; our Flexibility Market Development team are organised around proactive outreach to key stakeholder segments; and we run regular DSO Forums for general engagement on a range of topics, supported by our dedicated DSO Stakeholder Engagement team
- 2. DSO Stakeholder Panel** - our external DSO Stakeholder Panel is comprised of a broad spectrum of ENWL stakeholders to provide insight, independent oversight, challenge, review and guidance on our DSO activities. The DSO Stakeholder Panel is engaged monthly by the DSO leadership team, and the agenda and minutes of meetings can be found on our [website](#).
- 3. Independent Stakeholder Group** - Our DSO Stakeholder Panel is part of a broader set of Advisory Panels centred around key stakeholder audiences and topics across the DNO and DSO business. All panels report into our Independent Stakeholder Group which provides independent advice to the CEO.
- 4. Compliance officer** - we have appointed a DSO compliance officer who reports into our Head of DSO (with escalation path to Head of Legal & Risk in Shared Services), whose role is to ensure that we are managing conflicts of interest and acting as a neutral market facilitator. The compliance officer is tasked with ensuring that we are operating according to our processes, and that we are identifying and effectively managing risks and tensions that emerge from DSO and DNO roles.
- 5. Internal Audit** - the compliance officer also commissions assurance and audit of key decisions to ensure methodologies and decision governance has been followed and documented.
- 6. External Audit** - we also offer our DSO Stakeholder Panel the opportunity to conduct independent assurance or commission external audit of our processes and adherence to policy should they choose.



To support transparency we publish as many outputs as we can. We are guided by stakeholders regarding what data is useful to them through publication of our Data Roadmap and related engagement events.

Data and reporting

We have published detailed methodologies for a range of activities, including our Distribution Network Options Assessment (DNOA) process, our Operational Decision-Making Framework (ODMF) and methodologies to support a range of data publications.

We publish key outputs from our process as set out on Page 11, many of which are all available on our website. This includes publishing detailed data in support of investment decisions including the Common Evaluation Methodology (CEM) tool outputs that underpin options assessments, as well as post-flexibility tender reporting of decisions.

Our Open Data Portal contains a wide range of planning, market, and operational data, and going forward we intend to improve our transparency reporting by providing greater visibility of dispatch decisions made in operational timeframes.

Regional investment plans



Distribution future energy scenarios



CEM tool assessments



Flexibility Hub



DNOA methodology and outputs



Open Data Portal



Operational decision-making framework



Electricity North West Limited

Registered Office:
Borron Street
Stockport
Cheshire SK1 2JD

Email: DSO@enwl.co.uk

Registered no: 2366949 (England)