



UK POWER NETWORKS | DSO

Supervisory Board Annual Report

2025/26



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Introduction

1.1 Welcome from the chair

Welcome to the Supervisory Board's Annual Report for 2025/26, our third year of providing independent oversight of the UK Power Networks Distribution System Operator (DSO). This report sets out our perspective on the progress made over the past year, the challenges encountered, and the priorities that will shape the next phase of the DSO's development as we head into ED3.

We are publishing this report at a time when there is strong focus on the role of electricity networks and their ability to enable the transition to a low-carbon economy and rapid electrification. Globally, investors are increasingly focused on how energy systems resolve constraints and clear connection backlogs, recognising that the ability to connect low-carbon technologies efficiently is now a critical determinant of economic growth and competitiveness.

At the same time, a growing number of start-ups and technology providers are seeking to develop solutions to problems that were previously seen as unavoidable features of distribution networks: poor visibility, static planning assumptions and limited operational flexibility. UK Power Networks DSO is already delivering at scale such solutions through dynamic network management, market-based flexibility procurement and data-led planning to target investment where it delivers the greatest value.

This contrast underlines the scale of innovation already achieved. UK Power Networks has moved well beyond incremental improvement, embedding new operational tools, defining new flexibility use cases and delivering material benefits for customers and the wider system.

Michael Walsh | Chair of the Supervisory Board



It is the view of the Supervisory Board that this progress is not incidental. Without the establishment of an independent DSO, many of these innovations would not have been delivered, or would have emerged more slowly and less consistently, within a traditional DNO-only model. Independence has enabled objective challenge of investment decisions, stronger assurance of planning assumptions and greater transparency at the DSO-DNO interface. It has created the conditions for decisions to be taken in the long-term interests of customers in terms of delivering a cost-efficient energy transition.

The Board places strong value on hearing directly from DSO customers and regularly invites customer representatives to attend Board meetings. Recent contributors have included Low Carbon and Octopus Energy. These stakeholders provided customer perspectives on the delivery of large scale generation and flexibility, highlighting challenges associated with increasing connection complexity, the need for generation and demand needs to be coordinated together and the importance of data and markets in supporting the energy transition.

These contributions grounded Board discussions in real world customer experience and have informed the DSO's priorities. This report sets out how independent oversight has shaped outcomes over the past year and why it will matter even more as system pressures intensify and the sector prepares for RII0-ED3.

As Chair, I am confident that the governance, challenge and assurance now embedded through the Supervisory Board provide a strong foundation for the next phase of the DSO's evolution, and for continued delivery of value.

1.2 The Supervisory Board's role and make up

The Supervisory Board has been meeting with the DSO and DNO since May 2023. It has held regular bi-monthly board sessions, with additional meetings resulting in an average of one meeting per month. The Supervisory Board comprises of five external independent voting members (below) alongside DSO and DNO representatives.



Michael Walsh



Dr Jeff Hardy



John Hargreaves



Prof Goran Strbac



Dr Joanne Wade

This year has seen membership change towards greater DNO representation, following direct feedback from the Supervisory Board requesting increased DNO input. As a result, the Director of Connections has joined the Board and alongside the Director of Asset Management attends each board meeting as DNO representatives.

In addition, we have held DNO familiarisation sessions, most recently focused on losses and voltage, to bring the Board up to speed on the work being undertaken by both the DSO and DNO in this area.

The Supervisory Board exists to provide independent challenge and assurance to the DSO across the three roles, network planning, market development, and operations. The Board reviews and, where appropriate, approves or challenges key decisions and documents such as the Distribution Network Options Assessment (DNOA), flexibility statements, and the DNO-DSO Operational Agreement to ensure decision are robust, transparent, and in the best interests of customers. The Board Annual Report exists to provide transparency to stakeholders by setting out the DSO's progress, challenges and priorities.

Vision & Strategic Positioning

2.1 The role of DSO independence

UK Power Networks established an independent Distribution System Operator (DSO) model to increase transparency, be customer-focused and to deliver the benefits associated with market based flexibility rather than solely focusing on traditional asset-based solutions.

Whilst we cannot know with certainty how UK Power Networks would have performed if they had not established a separate DSO, we can evaluate the progress UK Power Networks are making relative to ED2 commitments, customer service and DSO activities.

In this regard it is notable that over the last year UK Power Networks DSO has:

-  Received a **95.9%** customer satisfaction score, which is an increase of **5.3%** on Year 1.
-  Received a **93.6%** score on DSO Panel performance, which is an increase of **4.5%** on Year 1.
-  Increased internal employee engagement, recognised as **3* company** by Best Companies.
-  Expanded and strengthened their data this year across **13 data sets** which has been driven by customer requests.
-  Reached **100% compliance** on the DNO-DSO operational agreement, having had 1 non-compliance at the end of last year.
-  They have delivered **increased flexible connections capacity** this year, with over **313MW** going live.
-  Scaled day-ahead flexibility markets, expanding GB coverage from **28% to 67%** and subsequently adopted by other network companies.
-  Delivered against most KPI targets with the exceptions of curtailment efficiency, which was slightly lower than forecasted at **98.6% vs target of 98.9%**, and forecasting accuracy which was due to less LCTs connecting than anticipated.
-  Based on customer feedback, the DSO has created **new products**, such as the Dynamic Outage Tool for customers to get more advanced visibility, as well as **expanding the reach of existing products** such as the Connections Lab and ChargePoint Navigator.

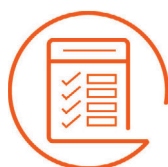
Our observation is that the above has been achieved through strong management focus and a performance based culture that puts the customer at the centre of everything. The pace implementation is unusual for a traditional utility and demonstrates that independence is driving faster improvement and openness to change. There are also very high levels of stakeholder engagement and external partnership on DSO activities. This appears to be at least in part due to the independent model without the greater constraints around messaging and responding to feedback or requests.

Therefore, our experience over the past three years is that the UK Power Networks model demonstrates continued focus on performance, continuous improvement and meeting stakeholder needs. Separation from an asset focused culture has enabled more rigorous challenge of investment decisions, stronger assurance of planning assumptions and greater transparency in DSO-DNO interactions.

Progress Areas Over the Past Year

Over the past year, the Board has seen the DSO deliver strong and increasingly mature operational performance across planning, market development and network operations. This reflects a DSO operating model that is now well embedded, data-led and capable of delivering measurable benefits for customers at scale.

3.1 Operational performance



Operational performance this year has been strong, reflecting a maturing DSO operating model under independent oversight. We have scrutinised delivery across planning, markets and operations and are satisfied that performance has been robust, well-evidenced and aligned with customer interests. The DSO has delivered year on year improvement with a **23%** increase in benefits through initiatives such as flexibility, flexible connections and reducing outages, achieved **98.6% generation availability** for flexibly connected customers, and successfully deployed innovative operational solutions such as using Distributed Energy Resources Management System (DERMS) to manage a major planned outage - an industry first. We have provided challenge and assurance on these outcomes, including which improvements in outage management, curtailment reduction and data driven forecasting further strengthened system reliability and delivering better outcomes for customers. Notably, this year saw the first EV charging hub being commissioned to DERMS, which is at the UK's busiest motorway service area - this accelerated connection of 24 ultra rapid chargepoints demonstrates the importance of the DSO to the energy transition.

Thanks to UK Power Networks' Key Performance Indicator (KPI) reporting we can see that a significant volume of Low Carbon Technology (LCT) have been connected this year, with **300,000 additional EVs** being the highlight. In the context of the DSO enabling the Net Zero transition we have taken a close look at how UK Power Networks is managing capacity headroom, curtailment and meeting the needs identified in its DNOA. It is notable that despite additional EVs in UK Power Networks' region, demand headroom has marginally increased this year, despite lower reinforcement volumes than set out in the ED2 plan, which gives us confidence the DSO is delivering outputs at lowest cost.

3.2 Market engagement and confidence building



We have monitored closely how the DSO has engaged with the market and built confidence among flexibility providers in particular. The DSO took this on board and over the past year, the number of operational **flexibility providers increased from 19 to 28**, supported by well attended Flexibility Forums and Councils, and enhanced transparency through the publication of daily dispatch data. We then challenged the DSO to demonstrate this engagement is translating into meaningful participation and operational delivery. By way of response, the DSO has demonstrated new flexibility use cases, including EV and battery led voltage management, is helping to build confidence among existing providers, broaden participation and support the development of emerging services across both DSO and NESO markets. We have also overseen engagement from the DSO with Elexon to shape the implementation of Market Facilitator rules, and integration of Local Area Energy Plans (LAEPs) and housing development data into a single planning scenario, which also now integrates the transitional Regional Energy Strategic Plan's (tRESP) Holistic Transition (HT) pathway.

3.3 Realisation of benefits



We have reviewed and challenged how the DSO has engaged with regulators and market bodies to ensure that the DSO's engagement was proactive, coordinated and outcome focused. During the year, the DSO worked with other networks to align benefits methodologies, improving consistency and comparability across the sector – an area where we and the DSO Performance Panel explicitly asked for progress to make performance more comparable across companies.

Two sessions were held with the DSO in which they summarised the collaboration work covering how and why reporting differs between companies, and the proposed changes to the benefits methodology including monetisation of Connections Lab benefits. This enabled us to challenge and validate UK Power Networks' approach. We are comfortable that benefits reported are robust and understand that an independent audit of assumptions and calculations verifies this.

3.4 The delivery of new tools and data



The Supervisory Board wanted to see further accessibility and usability of the DSO's data so that even more customers could make use of the data available. As a result, significant progress has been made this year by the DSO in strengthening the data and digital capability, with a clear focus on delivering practical value for customers. Building on their specialised in-house Data Science team and in response to feedback from customers the DSO has expanded its range of published datasets and improved the quality, accessibility and usability of existing data releases. This has increased transparency and given customers clearer, more reliable insight into network constraints, opportunities and timescales, supporting more informed planning and investment decisions.

Alongside this, a suite of digital tools developed in-house, including the Connections Lab and ChargePoint Navigator which have helped translate complex network and planning data into clear, actionable insight. These tools are enabling customers to engage earlier and more effectively with the network, supporting better coordination, improved outcomes and more efficient decision making across the energy system.

3.5 Whole system coordination between NESO and UK Power Networks DSO



Through MW Dispatch service, UK Power Networks DSO has implemented advanced transmission–distribution (T-D) coordination and ENA primacy rules, enabling smaller generators and battery storage connected to local distribution networks to support national supply and demand in real time. By joining national and local networks in a smarter, more integrated way, the service provides a faster and lower-cost route to connect clean energy in the south east region. To date, it has delivered **10 successful dispatch events, dispatching 23.9MWh** of energy and enabling **56MW** of capacity connected under RIIO-ED2.

How Supervisory Board Challenge Shaped Outcomes

While Section three sets out what was delivered, this section focuses on how independent Supervisory Board challenge influenced decisions and shaped outcomes. The Board's role is not to manage delivery, but to provide rigorous scrutiny, assurance, approval and, where necessary, intervention to ensure decisions are transparent, proportionate and in customers' long-term interests.

4.1 Benefits methodology

Throughout the year, the Supervisory Board challenged the DSO on the evidence underpinning key methodologies, the clarity of decision making at the DSO-DNO interface, and the balance between innovation and assurance. This challenge has led to clearer documentation in our benefits methodology, improved transparency by explaining how our approach differs to other DSOs, and more robust governance across several critical areas including external assurance of new benefit areas and Supervisory Board review of DSO collaboration outputs.

4.2 DNO-DSO Operational Agreement

The Board played a central role in strengthening the DNO-DSO Operational Agreement. The DNO-DSO Operational Agreement, first published in October 2023 and recently updated under the oversight of the Supervisory Board in 2026, was originally established to formalise and strengthen how the DSO and DNO work together, it's a living framework that has matured significantly over its three years of operation. Under this Supervisory Board oversight, the framework introduced new service level agreements (SLAs), clear accountabilities and regular reporting. This has strengthened confidence that operational interactions are being managed consistently and in line with customer interests. This year the DSO have introduced three new SLAs under the Operational Agreement, each reporting to the Supervisory Board and with regular external audits and internal management reviews to test robustness and ensure effective operation.

New SLAs introduced this year include:

Category	Task	SLA Description	Accountable Party
Curtailment	1	Availability of The Connections Lab (tracking downtime)	DSO
Long-term Forecasting	2a	Identifying issues related to accuracy and missing data in the DNO Network Planning Tool	DSO
Long-term Forecasting	2b	Upon notification of a data issue, provide correction within 20 working days	DNO
DNOA	3	Sharing health and load needs at the same time within the DNOA process	DNO

The DSO achieved **100% compliance** with the DNO-DSO Operational Agreement this year, having addressed one non compliance identified at the end of last year. This related to ensuring customers were given at least eight weeks' notice of planned outages. The issue was escalated in line with the DNO-DSO Operational Agreement to the Supervisory Board, who provided guidance to ensure the remedial actions were implemented within a reasonable timeframe, while carefully considering the impact on DSO customers.

4.3 Distribution Network Options Assessment (DNOA)

Independent challenge has been particularly influential in shaping the Distribution Network Options Assessment (DNOA). The Board reviewed how flexibility was being applied across different network needs and questioned whether a uniform approach remained appropriate where market evidence showed limited deliverability or value. As a result, the DSO refined its methodology to better target flexibility procurement where it can deliver greatest benefit given market and regulatory actors.

Below are a couple of examples of where there has been material progress this last year:

Updates to the DNOA Methodology and Long-Term System Needs Register

We have overseen the publication of quarterly updates to the Long-Term System Needs Register and provided ongoing challenge to ensure these updates give the market clear, timely and actionable signals. We are satisfied that this approach continues to support delivery of RIIO-ED2 commitments, including £410m in customer savings through the use of flexibility, underpinned by a transparent and evidence-based options assessment.

Throughout the year the DSO have regularly reviewed the development and outputs from the DNOA, providing oversight and guidance as crucial decisions were made, as described in the following sections. The following sections describe some of these decisions, including the decision to exclude single-transformer primary substations and to shorten the needs horizon from three years to two years in light of the uncertainty around ED3 arrangements.

Members of the Supervisory Board were also in attendance at the DNOA Roundtable session, providing steering and hearing from other key stakeholders in shaping the DNOA. During this session the DSO presented on the Long-Term System Needs Register, and the board agreed with stakeholders that a best view forecast and confidence indicator is needed. In response to this feedback, the DSO updated this register to include a confidence assessment. This manages the important trade off of current demand trends and an accurate forecast versus facilitating the tRESP's Holistic Transition (HT) scenario that assumes much higher demand growth in order to meet carbon budgets.

Single-transformer primary substations

During ED2, a number of single-transformer primary substations were market tested through the DNOA process. These sites typically serve fewer customers, present lower network risk, and require reinforcement mainly in response to new connection requests rather than underlying demand growth of existing customers. The Supervisory Board identified repeated failure to secure operational flexibility for these needs, raising concerns about customer value. Although the DSO had initially committed to tendering flexibility for all capacity needs, the Board questioned whether this approach remained appropriate where market evidence showed limited deliverability. Following our review, the Board supported a change in the DSO's strategy to exclude single-transformer substations from future flexibility tenders where flexibility cannot meet system needs reliably or economically. This refinement to the DNOA methodology enables flexibility procurement to be targeted where it can genuinely deliver value, while avoiding unnecessary cost and uncertainty for providers and bill-paying customers.



4.4 Decision making under uncertainty

In 2025, there was an increased emphasis across the sector on network expansion, which suggested a change of approach from ED2 where flexibility has been used to defer reinforcement. Due to the lead times involved in investment decisions and flexibility contract lengths this has created complication for the DSO in terms of delivering ED2 commitments whilst preparing for a potential change of priorities in ED3.

In the context of potential future policy changes, the DSO presented the Board with different contracting options for flexibility tender 13 in 2025/26. The Supervisory Board recognised the importance of meeting ED2 commitments and providing clarity and confidence to stakeholders including Flexibility Service Providers (FSPs), all while preparing for different options in ED3.

Following discussion, the Supervisory Board encouraged UK Power Networks DSO to progress with procuring flexibility contracts that run to the end of ED2, whilst ED3 policy and planning frameworks continue to mature. Based on our sessions UK Power Networks DSO engaged with FSPs to explain changes and to avoid any surprises. They also took the action of running an expression of interest to better understand the potential availability of flexibility during ED3.

We will continue to monitor decisions and their impact closely, ensuring that flexibility and reinforcement choices remain proportionate, transparent and clearly justified as the system evolves, demonstrating the value of independent challenge in shaping strategic planning decisions. Part of this will require understanding the impact of decisions over longer time periods and in the context of enabling the tRESP Holistic Transition.

4.5 Review of wider institutional changes on DNO-DSO conflicts

The DSO commissioned a study from a member of the independent Supervisory Board to assess the wider institutional changes and its impact on DNO-DSO governance arrangements. This follows wide ranging governance changes in the sector with the introduction of the NESO, GBE and the Market Facilitator. The review looked at how responsibilities are shared across organisations, where pressures may arise and the impact of governance changes to the DSO-DNO relationship. It highlighted six main external pressures, including different planning timelines, new regulatory requirements, and the risk that national rules could limit local flexibility. This review is supporting the DSO understand and proactively manage potential new conflicts through the Conflicts of Interest Register, ensuring robust governance, transparency, and readiness for the next price control period and beyond.

The report and the Conflicts of Interest Register, which contains externally driven conflicts and current mitigations, have been [published here](#). The findings of the report were disseminated with key stakeholders at the DNOA Roundtable, but management of these conflicts will require ongoing collaboration and engagement. The Supervisory Board shall continue to input into and challenge the DSO on their DSO conflict management and governance arrangements as industry roles and responsibilities evolve.

Priorities going forwards

As the DSO enters its next phase of maturity and the sector prepares for RII0-ED3, the Supervisory Board's focus will increasingly shift from establishment and delivery assurance to strategic discipline, evidencing value and readiness for scale. Our priorities reflect where independent challenge will matter most as system pressures intensify and expectations evolve.

5.1 Planning and network development

The Board will expect to see further maturity in short, medium and long-term planning, with clear evidence that decisions are grounded in credible, accurate forecasts as well as enabling rapid decarbonisation linked to Clean Power 2030 (CP2030) or the Climate Change Committee (CCC's) carbon budgets. We will focus on evaluating how effectively the DSO integrates local evidence, including Local Area Energy Plans and housing data, into planning processes, and how this informs timely, proportionate choices between reinforcement, flexibility or hybrid solutions. We will scrutinise whether planning tools, assumptions and cost benefit assessments are robust and capable of supporting efficient investment decisions. For example, the extent to which the DSO is maintaining option value by utilising existing capacity headroom and using flexibility to manage connections uncertainty.

5.2 Network operation

Operationally, the Board's priority is to test whether flexibility is evolving beyond reinforcement deferral into a dependable, system wide operational tool that can be considered sustainable enduring network capacity. We will examine how flexibility is being applied to support accelerated connections, voltage management and outage optimisation, and whether operational processes continue to protect customer outcomes as network activity increases. Our scrutiny will centre on deliverability, transparency and resilience, ensuring that operational innovation is matched by appropriate assurance and governance. We would also like to see increased focus on how curtailment will be efficiently managed as the volume of flexible connections increases.

5.3 Market development

The Board will continue to challenge the DSO to demonstrate that local flexibility markets remain investable, competitive and aligned with emerging national arrangements. We will focus on how effectively the DSO works with NESO and the Market Facilitator to reduce friction for market participants, improve data sharing and enable DERs to participate efficiently across local and national markets. As markets scale, our emphasis will be on maintaining confidence, avoiding unnecessary complexity and ensuring that market design continues to deliver value for customers. Part of the Board's challenge to the DSO has been to understand the implicit flexibility included within forecasts, such as static Time of Use Tariffs, which was reinforced by the tRESP, versus the explicit flexibility from market participants as a result of DSO services.

It will be important to re-assess the strategy for flexibility procurement in 2026/27 based on this year's lower volume of procurement and subject to having regulatory clarity on contracting for needs that go beyond ED2 where justified. This could also integrate new flex use cases where the value is validated. Failure to make progress on this risks dampening DSO-led flexibility procurement at a time when momentum is crucial to ensuring that all capacity needs can be met cost efficiently.

5.4 Whole-system coordination

As roles across the energy system continue to evolve, the Supervisory Board will place increased emphasis on whole system coordination. We will expect articulation of how the DSO's activities align with regional and national planning frameworks, and how learning from DSO practice is shared to avoid duplication and conflicting signals.

We will also look for stronger engagement with a wider set of local actors across energy vectors, supporting decisions that are robust to uncertainty. We also believe there is merit in the DSO signposting external dependencies and how these are being managed. For example, we are aware that the NESO's Connections Reform plan is behind schedule, which has deferred benefits that would have been generated from Technical Limits. Likewise, we are encouraging the DSO to proactively engage with affected customers to ensure they are kept up to date.

5.5 DNO and DSO governance

DNO-DSO governance continues to mature, with a clear and transparent DNO-DSO Operational Agreement, strengthened SLAs and independent Supervisory Board oversight. Recent focus has been on reviewing progress against new SLAs and tracking external developments that could impact on DSO governance which has informed the DNO-DSO Conflict of Interest register. To maintain strong assurance, an external Operational Agreement audit will be undertaken in 2027. The Supervisory Board will oversee how the DSO has managed the risk of conflicts including by engaging with relevant parties in developing mitigations and tracking through the Conflicts of Interest register.



DSO Supervisory Board Members at the Winter Flex Forum

Over the past year, UK Power Networks DSO has demonstrated a clear step change in maturity, delivering great results. Customer outcomes remain strong, delivering even more benefits (£560m so far in RIIO-ED2). Operational innovations, including the use of DERMS to manage a major planned outage and the commissioning of an EV charging hub onto DERMS, show how new capabilities are translating into practical, day-to-day outcomes for customers and the wider system.

These results have been supported by strengthened governance and independent challenge. Over the year, the Supervisory Board has focused on improving the transparency and discipline of decision-making at the DSO-DNO interface: reinforcing the DNO-DSO Operational Agreement, introducing new SLAs with audit and review, and shaping key methodological choices such as the targeting of flexibility within the DNOA and the approach to tendering under ED2 and ED3 uncertainty. This has helped ensure that innovation is matched by assurance, and that customer value remains at the centre of strategic choices.

In preparation for ED3, we will continue to scrutinise UK Power Networks DSO's strategy development to ensure it continues to go above and beyond in its service provision to customers. With a sharp uptake in EVs and domestic LCT's identified over the period, ED3 will be a critical step in achieving Clean Power by 2030 and Net Zero by 2050, and front of mind for us and the regulator will be flexibility and affordability.

It's clear there are many new tools the DSO will have at its disposal to operate the distribution system efficiently and that will come with trade-offs with voltage optimisation, losses optimisation and new flexibility products to name just a few.

We are confident that the governance arrangements now in place provide a solid foundation for this next phase, and we will continue to challenge the DSO to evidence that decisions remain proportionate, transparent and aligned with the long-term interests of customers and the wider energy system.



Thank you all for taking the time to read the report.
If you have any questions or feedback, please email
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