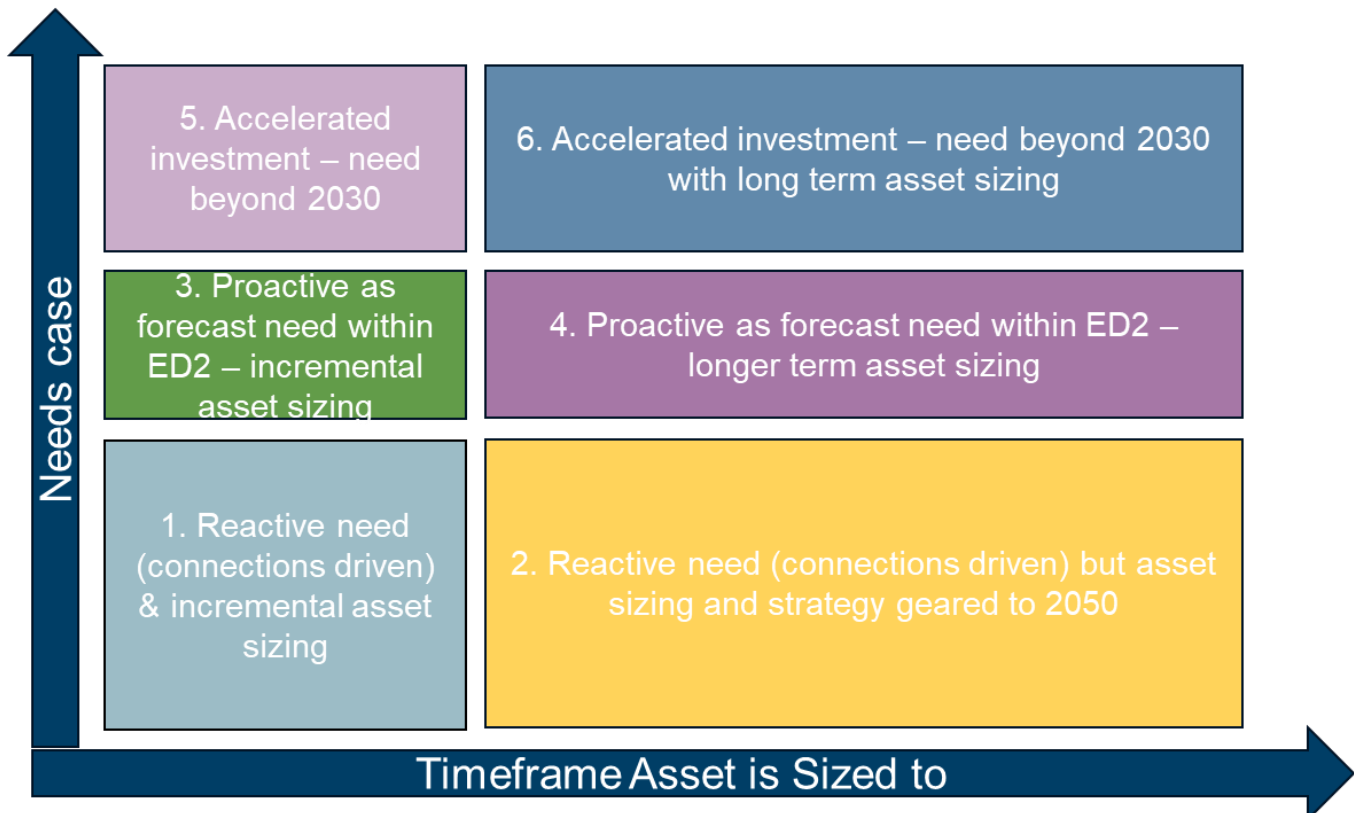


### Appendix 3- Investment types and ED3 incremental roles for RESP

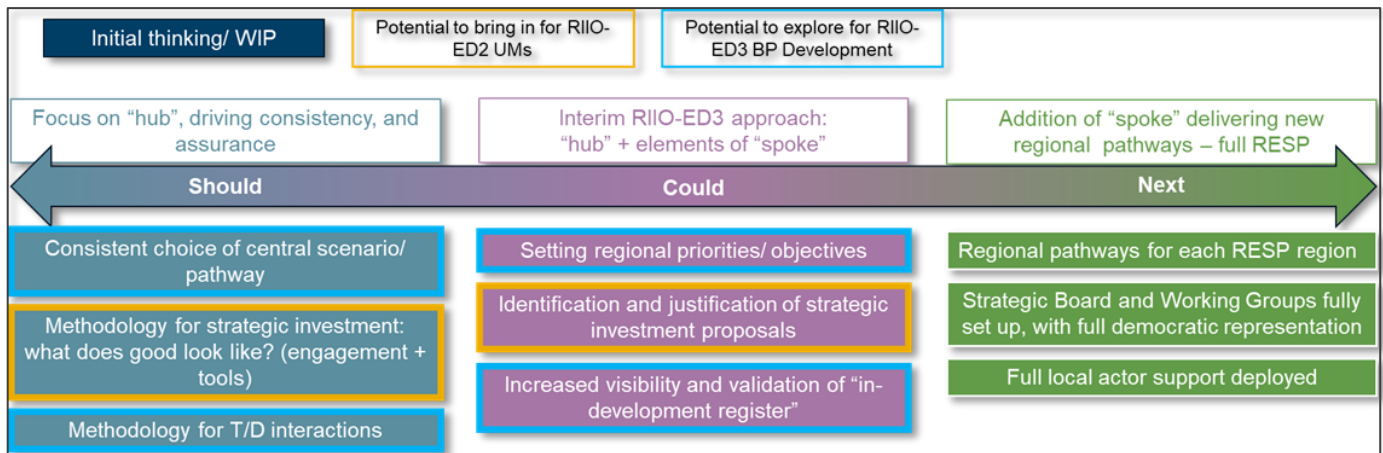
This appendix provides two further diagrams detailing 1) A set of investment definitions (akin to 'Strategic Investment') with direct application in the price control context, and 2) A broken down set of RESP outputs that could interact with the price control at different stages in RESPs development, highlighting the feasibility of an incremental approach.

Investment types and relative increase in needs case



In the price control context, being able to disaggregate investments and service provisions into these categories can improve the efficiency and accuracy of their assessment by setting out clear standards, ensuring a common understanding of risk profiles, and allowing effective benchmarking on metrics that take account of the type of needs case. It can also define the general boundaries of RESP interest- boxes 2, 4, 5 and 6 each would likely interact with the strategic plan, with potentially different ways of assessing interactions and a different role for NESO on each. RESP could also have a role in standardising and formalising the definitions above, and the related requirements of needs cases.

## Proposal for incremental expansion of RESP role in RIIO-ED3



The thinking shown above should be considered work in progress but is illustrative of the incremental approach we support. Under this approach, the RESP delivers outputs as and when capabilities are established rather than waiting to complete a full RESP process before interacting with price controls. The benefits of this approach are: the ability to learn by doing; the inclusion of RESP insights in the business plan lessening (though not eliminating) the reliance on in period adjustments through Uncertainty Mechanisms; the realisation of value earlier in the process, and the reputational benefits with stakeholders of delivering value early, to build support for the new institution.

As the diagram shows, we have identified options for a potential role even within RIIO-ED2, where there are critical uncertainty mechanisms for load, and therefore opportunities for limited input to start realising the benefits listed above.

In the medium-term, inputting to the setting of ED3 will be a key chance to add value to the price control. This will be contingent upon NESO's readiness to carry out each component of their role- again an incremental approach will allow the NESO to deliver without introducing unnecessary risk to the timelines and completeness of ED3 inputs. Clarity on pathways ahead of RIIO-ED3 will be particularly important, considering DNOs are currently commissioning DFES updates which will form a part of draft plans in 2026.

In the longer term, RESP will need to dovetail with wider industry change, but particularly connection reform. Connection reform will have significant impact on planning strategic needs, changing the relative certainty and volumes of key projects that drive network requirements- so RESP must be cognisant of these changes, and sufficiently agile to respond to this and other industry developments.