

RIO-3 team, Ofgem

26th August 2025

Dear Ofgem,

Response to RIO-3 Draft Determinations

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore and offshore wind and solar generation, as well as energy storage. With over five and a half million electricity and gas customer accounts, including residential and business users, EDF aims to help Britain achieve net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

The RIO-3 price control covers a critical period as the electricity networks scale up to meet the Clean Power 2030 challenge. This is also coming in the context of ongoing consumer affordability and debt challenges in the sector. As a developer of new generation and a supplier, we know how important it is that the network companies are subject to effective scrutiny on cost and delivery.

Our key reflections are:

1. **Impact on suppliers** – Ofgem have signalled this period will see substantial increases in bills to cover an unprecedented level of investment. Ofgem's own estimates show the network portion rising from £220 to £324 (+47%), with the majority of the increase coming from electricity transmission. However, the uncertainty on the final scale and profile of this investment is already creating real challenges. Having a clear profile of cost changes over time is critical for prudent suppliers to avoid the need to price-in excessive cost risk. We would encourage Ofgem to urgently provide a longer-term forward view of costs over time, and take steps to increase ongoing transparency and certainty for suppliers. We also note the critical link to Ofgem's ongoing cost allocation and recovery review, and the importance of the network costs issue to that work.
2. **Balance and focus of incentives** – Ofgem should review the balance of incentives across the overall package to ensure it targets the highest-value activities in RIO-3. Timely delivery of network reinforcements and new connections are two of the most important outcomes in this period, driven by increasing constraints and the Clean Power 2030 plan. We believe that the incentives on those activities should be strengthened further to drive real behaviour change that will have the most positive impact for consumers.
3. **Rising costs of constraints and the role of the TOs** – We are concerned about the forecasts of growing cost of transmission constraints across the RIO-3 period. TOs are not exposed to the cost of their actions where this directly or indirectly leads to additional constraints on the system, for example from overruns of maintenance outages. Consumers and impacted generators bear the consequences of poor performance and optimisation. We recognise this is a complex area, however Ofgem should be exploring options that expose TOs to this cost and actively challenging the practices of the TOs, NESO, and itself to drive better outcomes for consumers.

We have set out further detail of our response in the annexes to this letter. We are happy for this letter and Annex 1 to be published. Annex 2 is commercially sensitive and should not be published – we have provided this as a separate annex for ease of separation.

We look forward to continuing to work with Ofgem in the post-consultation stages. Should you wish to discuss any of the issues raised in our response or have any queries, please contact me or Matthew Ball at Matthew.Ball2@edfenergy.com.

Yours sincerely,

A handwritten signature in black ink, appearing to be "JB" followed by a stylized flourish.

Josh Buckland
Director of Strategy and Policy, EDF UK

Annex 1 – EDF Response to Draft Determinations – Public

1. Uncertainty and the need for enhanced visibility

There is a significant amount of cost uncertainty built into these draft determinations. Setting appropriate tariffs for both domestic and non-domestic customers continues to be a challenge, particularly for longer term (2-5 year) horizons (further detail of the impacts is shared in Annex 2).

We see two key areas where the draft determinations present challenges for tariff setting:

- **Long-term network expansion uncertainty** – Ofgem has stated that it expects the total investment programme over RIIO-3 to be around £80bn, however only 10% of this is in the baseline totex allowances. We do not currently have an authoritative view from Ofgem on when that additional spend will materialise within the period, given that most spend (~90%) will be approved through future reopeners.
- **Near-term movement between draft and final determinations** – Ofgem has signalled both in the documentation and on its investor call that it is open to some movement in the baseline totex allowances. Our analysis of the equivalent RIIO-2 DDs shows around half of the proposed reductions were reversed by Final Determinations (FDs). If this pattern is repeated in RIIO-3, around £4bn of additional totex will be allowed at FDs with a consequent increase in consumer bills.

Having a clear profile of cost changes over time is critical for prudent suppliers to avoid the need to price-in excessive cost risk. We note the significant discrepancy between NESO's most recent forecast and the bill impact estimates provided by Ofgem. We would encourage Ofgem to consider whether the existing charging frameworks are suitable for absorbing the high uncertainty on the profile of planned projects, and the role NESO can play in providing more accurate forecasts.

Transmission charge stability is already a significant problem for long-term investment cases and tariff setting. The underlying charging models are highly sensitive to cost and timing of operation and the TOs have a critical role in providing accurate forecasts. As the number and cost of projects far exceeds historical rates, we consider this increases the risk of volatility in charges over the period due to changes in TO's plans, and significantly reduces the reliability of NESO's forecasts.

EDF view:

- Ofgem and NESO should review the current charging frameworks to understand where charging volatility may arise from the planned investment programme, and take steps to mitigate that risk and impact on suppliers.
- Ofgem should mandate the TOs to provide full, ongoing transparency over project progress and the future pipeline. For example, Ofgem could consider a central register of projects with mandatory updates to spend profiles and operational timing. This enhanced information should be used by NESO to provide more accurate long-term charging forecasts.

2. Delivery incentives

We agree with Ofgem that it is important the TOs are incentivised to deliver national reinforcements as soon as possible, and that strong, positive-biased incentives are an appropriate way to do this. The TOs should be considering any and all potential solutions to get delivery completed on-time, and there is a clear role for Ofgem in challenging the TO's proposals and practices as projects are put forward for consideration.

Our overall recommendation is there needs to be a strong focus on timely delivery of the most valuable reinforcement projects – likely to be those relieving the highest value of constraints on the system. These reinforcements should be actively identified and prioritised.

In addition to the benefits from the transmission reinforcement works on lowering constraints costs, the transmission reinforcement works themselves will require system outages. There is currently no price control incentive that mimics the costs imposed on consumers from the outages needed to undertake these reinforcements. We consider this is a gap in Ofgem's proposals. Given the scale of costs, Ofgem should consider how TOs can be incentivised on the economic implications of their own works.

We are also interested in how Ofgem has determined the accrual rates and caps for the incentives:

- **Caps reducing distinction between project value for consumers** – We note that the caps effectively reduce the distinction within the incentive between projects of different overall consumer value. Projects of similar cost could have materially different consumer benefits from acceleration/delay but would be subject to the same overall incentive value and caps. Ofgem should set limits that recognise different projects have different relative value to consumers, and that weighting focus on higher value projects is likely to drive better overall outcomes.
- **Differing consumer value of acceleration and delay** – Both the reward and penalty for the incentive appears to be set based on the cost of avoiding a delay: *"We propose that the annual constraint costs used in these calculations would be the estimated constraint costs that would be incurred if the project were to be delayed by one year past the ODD."* We would like to understand why this incentive is not based on the value of bringing the project forward, i.e. the avoided constraint costs in advance of the target date, as this is a direct measure of consumer value from acceleration.

EDF view:

- The goal for this incentive should be to maximise the total amount of consumer value from accelerated and on-time delivery, i.e. more aligned with whole system value. This means ensuring that efforts are focused on the highest-value reinforcements in reducing constraints and TOs' incentives mirror the impacts on consumer costs.
- Further work is needed by NESO and the TOs to understand the practicalities of integrating new network build, including outage planning. Both parties should be proactively developing measures to reduce consumer cost risk now, and communicating this with industry.

3. Connections Incentives

We welcome the direction of travel of Ofgem's preferred option to incentivise the TOs against a connection project's contracted connection date. We have substantial issues with projects being connected late. In recent years, every one of our completed renewable generation projects has been subject to a delay to the original connection date. Some of our worst affected projects have been delayed by over 18 months due to grid issues, with substantial revenue and carbon impacts. Clean Power 2030 has now set an even more ambitious challenge on the number of new projects requiring a connection.

Considering the full picture for delays

Our connection delays generally fall into two categories:

1. **Delays to the TO's physical works** – where the physical connection works have not been made, for example, driven by TO-contractor delays or supply chain issues.
2. **Delays to system access** – where we are unable to arrange for the successful energisation and export from the site due to network operational issues. This can be driven by a number of different issues across both NESO's and the TOs' responsibilities.

As a developer, our focus is on getting the project connected and exporting to the grid, and therefore we need both the physical works complete and the system access to be available.

We would strongly encourage Ofgem to use a metric such as obtaining a successful Energisation Operational Notification (EON) to give a complete picture of a connection's success from a developer perspective.

While we acknowledge that some access issues may be fully outside TO control (e.g. on-the-day NESO operational considerations), TOs can **contribute significantly** to the wider network context within which system access is controlled and therefore should be exposed to this risk. For example, a leading driver of access issues is often maintenance outages in other areas of the network. TOs should be incentivised to consider any and all opportunities to minimise those types of outages – whether that is by 24-hour working, better contractor scheduling, or the development of new working methods.

Sizing the incentive

We would strongly encourage Ofgem to ensure that the incentive weightings across the price control settlement reflect the relative importance of those activities over the next period. We consider that getting Clean Power 2030 projects connected is one of the key outcomes for RIIO-3, and therefore Ofgem should consider whether additional weight is applied to this incentive to reflect that. We note for instance, that the total downside risk on Energy Not Supplied is twice that of the downside of the proposed connections incentive.

Interactions with the end-to-end review of connections

We also note that we are waiting for the conclusion of Ofgem's end-to-end review of the connections framework which creates an incomplete picture when responding to these proposals. We may need to revise our views on these incentives based on the final proposals for the wider framework, for example in relation to direct compensation to users for delays or any revision to the Liquidated Damages provisions in the CUSC.

EDF view:

- Ofgem should continue to pursue its preferred Option 1 set out in the DDs.
- Ofgem should increase the relative strength of this incentive given its importance to Clean Power 2030, and ensure the incentive is laser-focused on delivery of the agreed connection dates.
- Ofgem should ensure that the connection metric is measured against a site's ability to export/import rather than just the completion of physical works.
- Ofgem should undertake and publish a review of NESO and TOs historical performance in meeting contracted connection dates and consider whether further coordination is required.
- Ofgem should accelerate the conclusion of the end-to-end review, with a focus on the cultural and performance improvements required to meet the Clean Power 2030 challenge.