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Akshay Kaul
Director General for Infrastructure
Ofgem

22 August 2025

Dear Akshay

Re: RIIO-3 Draft Determinations for the Electricity Transmission, Gas Distribution and Gas Transmission sectors

ENGIE is a global energy player, focused on renewable energy and low carbon distributed energy infrastructures. In the UK it owns or is developing the following assets and businesses:

- A GB retail business supplying electricity and gas to I&C customers and which is very active in the corporate PPA market supported by ownership of 60MW of onshore renewables.
- First Hydro, in a 75/25 joint venture with Brookfield Renewables Partners. First Hydro comprises two pumped storage stations - Dinorwig (6 units, each 300W) and Ffestiniog (4 units each 90MW) - both located in Snowdonia National Park in North Wales.
- Two 50MW battery storage projects in Scotland
- The UK's largest natural gas storage facility - Storengy UK's Stublach site in Cheshire
- Four biomethane plants in the UK, with a total production capacity of 226GWh/year.
- A 50/50 joint venture with EDPR, Ocean Winds, which operates and develops offshore wind projects in Scotland.

ENGIE's future GB focus is to maintain its position as the market leader in flexible energy storage, to scale up the onshore renewable portfolio and to further establish its position in green gases – a GB business portfolio that is aligned with the Government's net zero ambition.

Thank you for the opportunity to comment on the above consultation. Rather than respond to each question, we have chosen to provide general comments on the approach taken to the RIIO-3T Draft Determinations and elements of the content relevant to our role as an energy supplier and the concerns of our non-domestic customer base. In taking this approach we would note that the consultation lacks any questions regarding the impact of the proposals on consumers. This is surprising and we would expect to see appropriate questions included in future consultations on price controls.

Summary

- We are concerned that the magnitude of the proposed transmission cost increase in 2026-27 will have detrimental impacts on business consumers and their energy suppliers
- We do not believe the cost impact has been adequately consulted on either via the ISG process or in the current consultation, or that sufficient certainty has been provided at an early enough stage for business and suppliers to manage the impact of these proposals
- We do not consider that the draft determinations document contains a sufficient or credible analysis of the impact of RIIO-3T on non-domestic consumers
- We do not feel that the process has been well co-ordinated between the transmission networks and Ofgem, given the significant increases in costs between the networks estimates and the draft determinations
- We urge Ofgem to make improvements to the process in advance of the RIIO-3D determination in 2028 to avoid a recurrence of the same issues, and to ensure that RIIO-3 is integrated into the wider policy framework on transmission charging reform

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Detailed response

NESO's initial cost forecast in April 2025 had signalled a 22% increase in non-domestic consumer charges from 2025-6 to 2026-7. The Draft Determination has increased this uplift to 85%. This increase is due to impact consumers in only nine months' time. The change in allowed revenue in the draft determination figures from 2025-26 to 2026-7 is the most extreme of the price control period, compared to an average of 9% over the four subsequent years. This is not the kind of step change that would normally be associated with a regulated price control.

As a result, non-domestic consumers on pass through contracts will see a significant rise in transmission network charges at short notice with only limited ability to budget for this, with this "price shock" increasing the risk of business failure and the overall level of debt in the market with corresponding impacts upon the financial resilience of energy suppliers. Where fixed contracts are in place, suppliers face the likelihood of under-recovery against fixed transmission charge rates leading to costs that will need to be recovered via increased charges for future contracts.

We appreciate that large scale investment is needed to relieve constraints in the transmission network in order to facilitate the expansion of renewable energy and flexible response needed to achieve clean power by 2030, a goal we fully support. We also recognise that a degree of "fast money" is necessary at the initiation of such a significant programme.

We do not however believe that the concerns of energy suppliers and consumers, and particularly non-domestic consumers who are neither protected by the price cap nor classified as Energy Intensive Industries (EIIs) have been sufficiently taken into account in these proposals. The consultation document contains no questions seeking views on the impact of the proposals on consumer bills, and the Impact Assessment document contains no in depth assessment of the impact of the proposals on non-domestic customer bills, simply stating that "the net bill impact of RIIO-3, relative to a scenario where the RIIO-3 investment is delayed, should be relatively small for the majority of non-domestic consumers". This statement makes significant assumptions about potential cost reductions arising from RIIO-3T and is based upon a counter-factual, whereas the reality for customers is that they face these increases in costs now, well in advance of any benefits that may be realised from the proposals.

Further, the assessment of non-domestic impact in the Impact Assessment focuses mainly on Energy Intensive Industries (EIIs), projecting a reduction in costs for these customers of up to 20%; since this is predicated on the value of the exemptions for these customers rising in line with rising network costs there is an acknowledgement of a significant rise in costs for other consumers. The exemptions from network charges for EIIs, with the prospect of further customers being exempted from these charges in 2027 under the British Industry Competitiveness Scheme will exacerbate the impact of the charge increases on those remaining non-domestic customers who do not benefit from an exemption as the charges will be recovered across a smaller population of customers. None of these potential impacts receives sufficient analysis in the proposals.

The process for setting these price controls should also be reviewed. There should be better co-ordination between Ofgem and NESO to provide more notice and earlier certainty of changes. This would avoid a repeat of the current situation whereby projections published by NESO in April were significantly underestimated compared to draft determinations published only four months later. This contributes to a climate of uncertainty for those who rely on these projections, leading to increased risk premia in fixed supply contracts and potentially influencing investment decisions where business do not benefit from protection from EII exemptions.

The determinations for Electricity Transmission already raise concerns that there will be similar step changes in the Electricity Distribution price controls at the end of the current RIIO-ED2 period in 2028. There are also many reopeners within the RIIO-3 ET and GD proposals. We would urge Ofgem to learn lessons from the RIIO-3T process to date to co-ordinate with the distribution networks to provide more certainty to suppliers and consumers well in advance of RIIO-ED3 or any reopeners to RIIO-3T. There should also be a better balance between the need for "fast money" and the need to avoid price shocks in future price controls with more smoothing of increases across the price control periods.

Consumers, including business energy consumers need to be engaged with the process for setting these price controls and to be able to understand well in advance the likely impact, but also any compensatory benefits (for example from lower wholesale prices, reduced balancing costs or increased availability of renewable electricity,



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and the timing of these benefits). The determinations process is opaque and extremely complex to navigate and difficult for suppliers and consumers alike to understand.

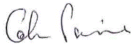
We do not believe that the ISG consultations carried out by the networks resulted in sufficient engagement from energy suppliers or business consumers, due to a lack of focus from Ofgem on the cost impacts of the price control. This is seen in the nature of the responses where the vast majority of submissions were from individuals or community groups opposing network infrastructure developments in their areas, rather than from businesses likely to be impacted by cost increases. The timing of the call for input from ISGs is also problematic as the network plans are consulted on prior to the draft determinations, meaning that the full costs are not available during the ISG process.

We would like Ofgem to outline what they plan to do to make this process more transparent in future iterations and across the different price controls, especially the upcoming Electricity Distribution control. This could include simple presentations of different scenarios to help manage uncertainty with clear explanations around the allowed rate of return, predictions of costs for a range of consumer types, and a clear statement of benefits, and when these benefits will be realised, to consumers within each scenario. The ISG process should be reviewed in order to allow engagement on the costs impacts of the price controls with business stakeholders and energy suppliers. We would also like to see more direct engagement with suppliers in interactive sessions as policy is developed.

Ofgem also need to explain more clearly how RIIO-3T and RIIO-ED3 fit within the broader framework of network charges reform (especially the review of TNUoS charges announced as part of the REMA initiatives in July 2025) and other workstreams, as overlapping policy initiatives only serve to increase the level of uncertainty for non-domestic suppliers and their consumers.

We hope that this response will be of value regarding the structuring and communication of future price controls and look forward to working with Ofgem on this critical area of regulation in the coming years.

Yours sincerely

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Colin Paine

Regulation Manager
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