



## Annual report: Electricity Distribution 2024/25

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for energy consumers

## Executive Summary

The Government's Clean Power 2030 mission and the longer-term goal of net zero by 2050 demand a once-in-a-generation upgrade of our energy infrastructure, one that must be delivered at pace, with precision, and with consumers at its heart.

The transformation is unprecedented. It requires an acceleration of investment in networks, reforming the connections process to unlock timely access to the grid, and ensuring our regulatory frameworks are fit for purpose in a rapidly evolving energy landscape. It also requires companies to uphold the highest standards of stewardship over existing infrastructure, delivering world-class levels of system reliability and customer service while adapting to new demands.

Over the past year, important progress has been made. Implementation of the connections reform package is reshaping how projects access the grid, prioritising those that are both ready and needed under the Clean Power 2030 Action Plan. These reforms are essential to reduce waiting times, align the queue with system need, and restore investor confidence. Without them, projects critical to decarbonisation will not connect in time.

Electricity distribution networks are central to this transformation. The electrification of transport and heating, alongside the rapid growth of clean generation, is driving record demand for capacity and flexibility. Under the current RIIO-ED2 price control, distribution companies expect to invest around £23.1 billion (in 2020-21 prices) to deliver a reliable, resilient, and future-ready network. These investments are essential to enable low-carbon technologies and maintain high-quality service as the system evolves.

But investment alone is not enough. Consumers must have confidence that the funding through energy bills delivers value. Our RIIO-ED2 framework provides strong incentives for efficiency and innovation while safeguarding consumers' interests. We continuously monitor delivery against agreed outputs, scrutinise costs, and embed protections to ensure companies remain accountable.

Our annual performance framework plays a vital role in this process, providing the structure through which we scrutinise delivery, incentivise innovation, and hold companies accountable. It enables us to rigorously assess progress, embed safeguards against inefficient costs, and monitor performance throughout the RIIO-ED2 period to inform future price controls.

This report presents findings from our review of the latest annual data from the electricity distribution networks, covering key metrics, emerging trends, and insights across RIIO-ED2. It examines performance trends over the first two years, evaluates distribution network operator's (DNO) expectations for the five-year period, and explores drivers behind performance and plans for achieving end-of-period ambitions.

Based on our review, we think RIIO-ED2 is working for consumers. Across a range of measures we are seeing the impact of tough targets. Some companies are performing strongly and receiving rewards as a result. Others are still needing to work to hit targets to get into a reward position. Most are doing well under our connections, consumer vulnerability and distribution system operator (DSO) incentives. There are more mixed results under customer satisfaction and the interruptions incentive scheme (IIS), and our report highlights our performance concerns on environmental outputs, for example on the pace of replacement of fluid filled cables.

Looking ahead, the remainder of RIIO-ED2 and the upcoming ED3 price control will be critical in preparing the sector for the challenges ahead. This includes enabling strategic investment for the electrification of heat, transport, and industry; supporting flexibility and digitalisation; and aligning network development with regional growth and decarbonisation plans. DNOs' forecast expenditure by the end of period is roughly in line with RIIO-ED2 allowances, but in the first two years of RIIO-ED2 they are 5% underspent.

To achieve these expectations, we need to see the industry ramp up its delivery so that the sector is equipped to meet future demand. We also need to see the DNOs push forward improvements in enabling clean heat in homes and continuing to focus on supporting customers and communities in their response to storms and severe weather. We are confident our price controls equip the DNOs with the funding and incentives needed to deliver and will continue to closely monitor progress in the months and years ahead.

## Introduction

This report presents findings from our review of the most recent annual data received from the fourteen<sup>1</sup> DNOs in Great Britain, covering key metrics, emerging trends, and insights from the second year of RIIO-ED2<sup>2</sup>.

### Structure of this report

**Key findings** are summarised in the next section.

**Chapter One** outlines the DNOs' performance against incentive commitments to date (2023-2025) and in the second reporting year, including earned rewards and penalties.

**Chapter Two** summarises progress against Price Control Deliverables (PCDs) and the management of volume drivers.

**Chapter Three** summarises the innovation-related expenditure of each DNO.

**Chapter Four** provides a summary of total expenditure (totex) and adjusted allowances across all DNOs. It reflects our assessment of expected cost performance over RIIO-ED2.

A supplementary datafile containing additional performance data is published alongside this report. All financial values in the report are in 2020-21 price base unless stated otherwise.<sup>3</sup>

Note: Following Iberdrola's acquisition of Electricity North West Ltd (ENWL) in October 2024, the company has adopted the trading name SP Electricity North West (SP ENW) as part of the ScottishPower group. For RIIO-ED2 reporting purposes, SPEN and SP ENW remain separate DNO groups to maintain comparability across the price control period, as RIIO-ED2 allowances and outputs were set on this basis. The licensed entity continues to be Electricity North West Ltd.

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<sup>1</sup> A list of six DNO groups and their corresponding fourteen DNOs can be found in Appendix 1 of this document.

<sup>2</sup> This is the second electricity distribution price control using the Revenue = Incentives + Innovation + Outputs (RIIO) model.

<sup>3</sup> Information on our current assessment of the Return on Regulated Equity will be separately published.

## Key findings

### Overview of Company Performance

RIIO-ED2 performance to date:

- UKPN and SP ENW generally **performing well**.
- SPEN broadly on track and NGED showing mixed performance, with **challenges** in SWEST region.
- SSEN is performing well in its SSEH region. SSES's **performance is a concern**, as is NPg's.

### 2024-25 Annual Incentive Targets



- The DNOs had **strong performance** across the DSO and Time to Connect (TTC) incentives, as well as the Consumer Vulnerability Incentive (CVI), which was assessed for first time in Year 2.
- **Performance was mixed** on interruptions, customer satisfaction, and complaints.
- **Environmental performance fell short of expectations**, with 12 of 14 DNOs missing targets in Business Carbon Footprint (BCF), Fluid Filled Cable (FFC) leakage or SF<sub>6</sub> emissions.

Table 1: Incentive/Penalty earned to date £m

DNO Group	Incentive/Penalty (£m)	% of Max. Incentive
SP ENW	+11.6	26%
NPg	-17.1	-21%
NGED	+13.8	7%
UKPN	+43.7	30%
SPEN	+17.7	19%
SSEN	-12.3	-13%

### Innovation Expenditure



Progress continues in advancing innovation projects with all DNOs registering additional projects for funding under the innovation streams.

Table 2: NIA expenditure & Projects started in year

DNO Group	2024-25 £m total	2024-25 projects
SP ENW	0.1	3
NPg	1.5	12
NGED	0.7	6
UKPN	3.5	7
SPEN	1.9	16
SSEN	4.5	12

### Output Delivery Performance



On network delivery, performance is largely on track, though Network Asset Risk Measure (NARM) is lagging (with expected recovery by the end of ED2):

- **Asset risk:** based on our NARM PCD, most companies are currently behind a straight-line trajectory, with NPg lowest at 22% and NGED highest at 36%. All DNOs forecast meeting or exceeding RIIO-ED2 targets through ramped-up delivery in later years.
- **Specific network deliverables:** all DNOs' bespoke PCDs for network improvements are progressing broadly to plan.
- **PCB replacement:** delivery to remove these toxic chemicals from the network is largely on track.
- **Low voltage services replacement and secondary network reinforcement:** this load-related investment is facing unit cost pressures, and we are currently undertaking a review.

### Expenditure



During the first two years of ED2, five DNO Groups have reported expenditure below allowance (5% on average). NPg shows the largest underspend at 13%, meaning the biggest catch-up ahead, while SSEN has overspent by 4% in RIIO-ED2 to date and forecasts a 5% overspend for the full period.

Table 3: Cumulative cost performance

DNO Group	Cumulative % totex performance	RIIO-2 (forecast) % totex performance
SP ENW	-9%	0%
NPg	-13%	0%
NGED	-7%	1%
UKPN	-6%	-2%
SPEN	-4%	4%
SSEN	4%	5%

Overall, forecasts indicate costs will align more closely with adjusted allowances (average 2% overspend), and our primary focus remains on monitoring delivery.

## Company summary (2024-25)

### SP ENW

SP ENW delivered strong overall ODI performance, earning a total reward of £8.6m. Across most incentives, it ranked in the top two companies, including first on TTC and leading the sector on CVI, while also achieving high scores in Customer Satisfaction. IIS performance remained strong for the second consecutive year. Although SP ENW demonstrated notable progress in DSO, it ranked fourth against other DNOs in terms of its overall score.

SP ENW outperformed its BCF target and achieved an 11% reduction on 2023-24 FFC oil top-ups. However, it saw a 120% rise in SF<sub>6</sub> emissions in 2024-25 driven by 132kV switchgear leaks and disposal-related losses.

NARM delivery currently stands at 26% but is expected to recover later in RIIO-ED2.

### UKPN

UKPN continues to be a top performer, achieving a total ODI reward of £31.0m and consistently ranking in the top two for most incentives. It secured first place in DSO, Connections GSoPs and CCS (where it maintained top positions with scores well above targets in both years). While IIS incurred a small penalty, performance has improved significantly since Year 1.

UKPN reduced SF<sub>6</sub> emissions by 18% compared to 2023-24; however, EPN fell short of its BCF targets. While FFC targets were missed in EPN and SPN, it remains ahead of the RIIO-ED2 commitment. With only 10% of FFC replacements delivered so far, we will continue to monitor progress closely.

NARM delivery currently stands at 28% but is forecast to reach 101% by the end of RIIO-ED2.

### NPg

NPg ended Year 2 with a £5.1m net penalty, making it one of only two DNO Groups in a negative position for the second year. They ranked in the bottom two across most incentives, missing IIS targets—particularly in NPgY—receiving an £8.96m penalty. While Customer Satisfaction improved, Complaints targets were missed again. NPg also ranked lowest in TTC, CVI, and DSO, though it did secure rewards in CVI (£1.6m) and DSO (£2.6m).

Environmental performance declined from 2023-24, with BCF increasing by 8%, FFC oil top-ups rising by 22%, and SF<sub>6</sub> emissions rising by 37%.

NPg recorded the largest totex underspend at -13% (-£137m) and has delivered only 22% of its NARM target, the lowest across all DNO Groups, although full delivery is expected across RIIO-ED2.

### NGED

NGED earned £12.4m in rewards despite a mixed performance. IIS targets were missed, with four red ratings for CML resulting in a £7.3m penalty. TTC performance declined in EMID and WMID, though both remained above target. In CVI, NGED ranked fifth overall, achieving 34% of the maximum reward—below most DNOs. Customer Satisfaction also fell: SWEST remained among the lowest in CSS, contributing to a £1.80m penalty, and Complaints worsened across all regions, with SWEST's score rising to 4.42. Strong DSO performance helped offset these penalties, delivering a positive overall outcome.

NGED missed its group-level BCF target, FFC oil top-ups increased by 379% (driven by EMID & WMID), and SF<sub>6</sub> emissions rose by 38%.

NGED leads on NARM delivery, achieving 36% to date, the highest across all DNO Groups.

**SPEN**

SPEN delivered strong overall performance, earning total rewards of £12.2m. IIS performance remained strong, securing the top rank for the second consecutive year and £2.1m in incentives. TTC performance improved, and SPD made progress on Connections GSOPs, although rankings remained fourth in both areas. CSS scores improved in Year 2, and complaints targets were met. SPEN ranked third in CVI, adding a £3.5m reward. While DSO performance improved significantly, it still trails peers.

SPEN missed its BCF target in SPMW. FFC oil top-ups in SPMW rose by 120%, and SF<sub>6</sub> emissions increased by 15% compared to 2023–24, driven by asset disposals and enhanced reporting.

NARM delivery currently stands at 28%, with recovery expected later in RIIO-ED2.

**SSEN**

SSEN ended Year 2 with a net negative payment of £0.82m, one of only two groups in a negative position, though improved from 2023–24. A £7.1m IIS penalty was driven by missed CML targets in SSEH. In TTC, SSEH achieved 100% of rewards in both years, while SSES earned only 9%. MCI performance improved in SSES while Connections GSOPs declined, leaving SSES bottom-ranked. In Customer Satisfaction SSEN incurred the largest penalty (£3.04m) as SSES' score worsened and remained lowest. SSEN outperformed the Complaints metric, though volumes of complaints remain the highest, particularly in SSES. The group gained a £2.7m reward in CVI and £5.3m in DSO.

SSEN met its BCF target. However, FFC oil top-ups rose by 157% and SF<sub>6</sub> emissions increased by 25% compared to last year.

SSEN recorded the largest totex overspend at 4% (£50m) by the end of 2024–25. NARM delivery remains uneven: SSEH leads on a DNO level at 51%, while SSES is second lowest at 24%, though recovery is expected.



## Chapter One: Annual incentive performance

In this chapter, we examine outputs that are subject to incentives, including the value of rewards and penalties where applicable.

### Assessment of output delivery incentive (ODI) performance

During each price control period, we monitor how well companies deliver across three overarching outcomes:

- Meeting the Needs of Consumers and Network Users.
- Maintaining a Safe and Resilient Network.
- Delivering an Environmentally Sustainable Network.

Table 4 on the next page provides an overview of DNO performance across all categories in 2024-25.

## Output Delivery Incentive Measures of Performance (2024-25)

Table 4: Output Delivery Incentive Measures of Performance (2024-25)<sup>4</sup>

*Green means 'Met': performance on target / ahead of target or above score.*

*Orange means 'Near': partially missing target / partially behind target or below score.*

*Red means 'Not met': performance missing target / behind target or below score.*

DNO	Safety	CIs	CMLs	Time to Connect	Connection GSoPs	Major Connections	Complaints	Customer Satisfaction	Consumer Vulnerability [note 1]	DSO	BCF (tCO2e)	SF <sub>6</sub> (kg) [note 2]	FFC Leakage
SP ENW	Met	Met	Near	Met	Met	Met	Met	Met	Met	Near	Met	Near	Met
NPgN	Near	Not met	Not met	Near	Met	Met	Not met	Near	Met	Near	Not met	Not met	Met
NPgY	Met	Not met	Not met	Near	Met	Met	Not met	Near	Near	Near	Not met	Not met	Not met
WMID	Near	Met	Not met	Met	Met	Met	Met	Near	Near	Met	Not met	Not met	Not met
EMID	Near	Met	Not met	Met	Met	Met	Met	Near	Near	Met	Not met	Met	Not met
SWALES	Near	Met	Not met	Met	Met	Met	Met	Met	Near	Met	Not met	Not met	Met
SWEST	Near	Not met	Not met	Met	Met	Met	Not met	Not met	Met	Met	Not met	Met	Met
LPN	Met	Met	Met	Met	Met	Met	Met	Met	Near	Met	Met	N/A [note 3]	Met
SPN	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	Met	N/A	Not met
EPN	Met	Not met	Not met	Met	Met	Met	Met	Met	Near	Met	Not met	N/A	Not met
SPD	Met	Met	Met	Met	Met	Met	Met	Met	Near	Near	Met	Met	Met
SPMW	Met	Met	Not met	Met	Met	Met	Met	Met	Near	Near	Near	Near	Near
SSEH	Met	Met	Not met	Met	Met	Met	Met	Met	Near	Met	Met	Met	Near [Note 4]
SSES	Met	Met	Not met	Near	Near	Met	Met	Not met	Near	Met	Met	Not met	Near [Note 4]

*Safety, Customer Interruptions and Customer Minutes Lost incentive areas fall within the "Maintaining a Safe and Resilient Network" outcome.*

*Time to Connect, Connection GSoPs, Major Connections, Complaints, Customer Satisfaction, Consumer Vulnerability and DSO incentive areas fall within the "Meeting the Needs of Consumers and Network Users" outcome.*

*Environment incentive areas fall within "Delivering an Environmentally Sustainable Network" outcome.*

<sup>4</sup> We acknowledge the existence of differing perspectives regarding the RAG ratings and remain committed to continued collaboration to ensure clarity and consistency in their presentational context.

Note 1: If we exclude elements that didn't meet the statistical robustness test in the CVI incentive, UKPN would achieve an overall green RAG rating across all three DNOs in this area.

Note 2: The BCF, SF<sub>6</sub> and FFC ODIs in Table 4 (collectively the Environment ODIs) are reputational only and have no financial impact. The RAG ratings are directly sourced from the Strategic Performance Overview (SPO) documents submitted by the six DNO Groups as part of the July 2025 RRP. These ratings reflect each DNO's internal annual targets and their self-assessment against those targets, which contribute to their wider RIIO-ED2 objectives. Similarly, safety targets are provided by each DNO Group in their RRP submission. Neither measure is calculated by Ofgem, and both are therefore not directly comparable across DNO groups.

Note 3: UKPN's SF<sub>6</sub> target is to reduce SF<sub>6</sub> leakage to 0.1% of the installed bank by the end of RIIO-ED2 which is a 9% improvement against RIIO-ED1 performance.

Note 4: SSEN did not set a FFC leakage target for RIIO-ED2 as they did not receive the required allowance to assess network risk. Their RAG rating is therefore based on performance from the final year of RIIO-ED1.

## Summary of 2024-25 ODI performance

**SP ENW** delivered strong overall ODI performance, with green RAG ratings shown across most financially assessed areas. This solid delivery is reflected in their overall reward of £8.6m. The company had green RAG ratings for BCF and FFC leakage but fell short on SF<sub>6</sub> emissions.

**NPg** closed Year 2 with the highest total penalty of £5.1m. Their performance spanned green, amber and red ratings. NPg received four red RAG ratings in IIS, alongside two red ratings in complaints. They achieved amber ratings in the Customer Satisfaction Survey (CSS), moving just above the target. Environmental performance remained a challenge, with a total of five red RAG ratings recorded.

**NGED** secured a £12.4m reward despite a mixed overall performance. It secured a £7.3m penalty from five red RAG ratings in IIS, while the SWEST region recorded two red ratings in the CSS and complaints metrics. NGED delivered very strong results in areas such as DSO, achieving a green RAG rating. They received eight red RAG ratings across the non-financial environmental incentives.

**UKPN** achieved the highest incentive payment (£31.0m), driven by very strong performance across most incentives, particularly the CSS, DSO and CVI. This was offset by a £0.43m penalty under IIS, although improvements were seen in Year 2. UKPN received three red RAG ratings across non-financial environmental incentives.

**SPEN** delivered solid performance across most financially assessed areas, earning a £12.2m reward. IIS remained strong, receiving three green RAG ratings, although the SPMW region recorded a red rating for CMLs. The company received amber ratings in CVI and DSO, and while DSO performance improved significantly, it still lags behind peers. On environmental measures, SPD achieved three green ratings and SPMW received three amber ratings.

**SSEN** ended Year 2 with a net negative incentive payment of -£0.82m, one of only two DNO Groups in this position. Performance was mixed overall; they received two red RAG ratings in IIS and one in the CSS for SSES. They outperformed on the Complaints metric, though complaint volumes remain highest in SSES, and earned a £5.3m reward in DSO. SSEN received red, amber and green ratings across non-financial environmental incentives.

Overall, cumulative rewards and penalties total £57.39m, marking a significant improvement from Year 1 when the sector recorded a net penalty of £0.85m.

## ODI reward and penalty performance summary<sup>5</sup>

Table 5: ODI indicative cumulative revenue rewards & penalties (2023-24 to 2024-25, £m)

Mechanism	SP ENW	NPg	NGED	UKPN	SPEN	SSEN	Total
Interruptions Incentive Scheme (IIS)	1.30	(18.72)	(14.02)	(6.32)	4.85	(17.98)	(50.89)
Time to Connect Incentive (TTC)	1.88	(0.12)	4.65	4.47	1.71	2.18	14.76
Major Connections Incentive (MCI)	0	0	0	0	0	(0.74)	(0.74)
Customer Satisfaction Survey (CSS)	3.01	0.43	(1.88)	16.61	3.35	(5.92)	15.60
Complaints Metric (CM)	0	(3.60)	(0.90)	0	0	0	(4.50)
Customer Vulnerability Incentive (CVI)	3.13	1.61	5.05	9.03	3.51	2.74	25.07
Distribution System Operation (DSO)	2.33	3.29	20.88	19.89	4.25	7.46	58.09
<b>Total</b>	<b>11.64</b>	<b>(17.10)</b>	<b>13.78</b>	<b>43.68</b>	<b>17.67</b>	<b>(12.26)</b>	<b>57.39</b>

Table 5 summarises the cumulative revenue rewards and penalties accrued by each DNO over the first two reporting years for each incentive area. Key points include:

- DNOs continued to underperform against their targets in **IIS**. SP ENW and SPEN maintained positive results in both Year 1 and Year 2, while others remained in penalty territory in Year 2 after missing targets in Year 1, though UKPN and SSEN showed significant improvements.
- All DNOs achieved rewards on **TTC** in Year 2, with NPg recovering from a Year 1 penalty. No penalties were applied under **MCI**, and SSEN demonstrated improvement from its previous penalty position.
- **CSS** performance was mixed. NPg moved from penalty to reward, NGED’s performance declined, and SSEN (SSES region) remained the weakest performer with a worse score than Year 1. All other DNOs earned rewards, with UKPN earning the most incentive, improving on their industry leading score from 2023-24. For the **CM**, all DNOs met targets except NPg and NGED’s SWEST region.
- This year marked the first assessment of the **CVI** under RIIO-ED2, as evaluations are scheduled for Years 2 and 5 of the price control. All DNOs had a positive outcome, earning a combined reward of over £25m for delivering enhanced support to consumers in vulnerable situations.
- DNOs maintained strong performance on the **DSO** incentive, with cumulative rewards rising from £18.5m in Year 1 to £58.1m in Year 2, the largest source of reward under RIIO-ED2 to date.

We discuss all the incentives and the reasons for the DNOs performance in more depth in the sections below.

<sup>5</sup> Values have been extracted from the Revenue workbook and, in some instances, may reflect calculations post 31 July 2025.

## Safety

Safety remains a core priority under RIIO-ED2, ensuring DNOs protect employees and the public while maintaining operational standards to minimise risks and prevent accidents. The following provides an overview of each DNO's safety performance for 2024-25.

**SP ENW** continued to reduce lost-time injury rates from 2023-24, demonstrating a strong safety culture.

**NPg** reported 12 OSHA incidents, including one serious injury. One HSE investigation into a low-voltage jointing accident resulted in a Notice of Contravention, with all corrective actions completed on time. They delivered positive progress which included retaining ISO45001, rolling out arc flash visors, achieving best-ever vehicle safety (21 preventable accidents), reducing overhead line strikes by 30% since 2020-21, and delivering safety education to 44,000 pupils.

**NGED** introduced a new safety, health and environment operating model and behavioural safety training for 6,100 staff, driving a fivefold increase in near-miss and good-catch reporting. The Lost Time Injury Frequency Rate (LTIFR) remained above target (0.18 vs 0.10), reflecting the challenge of improving outcomes while encouraging reporting. Public safety commitments progressed, with 160 overhead hazards removed and 85,000 children educated.

**UKPN** reinforced safety culture through 'Stay Safe – Think Feel Act'. They achieved over 500 days without an employee Lost Time Incident (LTI); only two contractor LTIs (LTIFR 0.01), a 93% reduction since 2010.

**SPEN** outperformed safety targets, ahead-of-target Total Recordable Incident Rate (TRIR) and exceeded health and wellbeing goals. They delivered safety-driven investments, including replacing 439 HI5 link boxes, modernising 85 HI5 LV pillars, and improving fire safety at 117 substations.

**SSEN** recorded TRIR of 0.24. They improved contractor engagement, reducing injuries from 60% to 30%. They achieved best driving performance in years (RTC1 down 36%, no serious injuries) and delivered 15,446 public safety engagements.

## Reliability and Availability

### Interruptions Incentive Scheme (IIS)

Table 6: IIS Rewards, Penalties and Rankings

Interruptions Incentive Scheme	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
Cumulative Actual Rewards (£m)	£1.3	-£18.7	-£14.0	-£6.3	£4.9	-£18.0
% of maximum reward available	5%	-40%	-13%	-8%	9%	-33%
<b>Cumulative Rank</b>	2	6	4	3	1	5
2024-25 Actual Rewards (£m)	£0.4	-£9.0	-£7.3	-£0.4	£2.1	-£7.0
% of maximum reward available	3%	-39%	-13%	-1%	8%	-26%
<b>2024-25 Rank</b>	2	6	4	3	1	5

Figure 1: CI Performance (Planned and Unplanned)<sup>6</sup>



Figure 2: CML Performance (Planned and Unplanned)



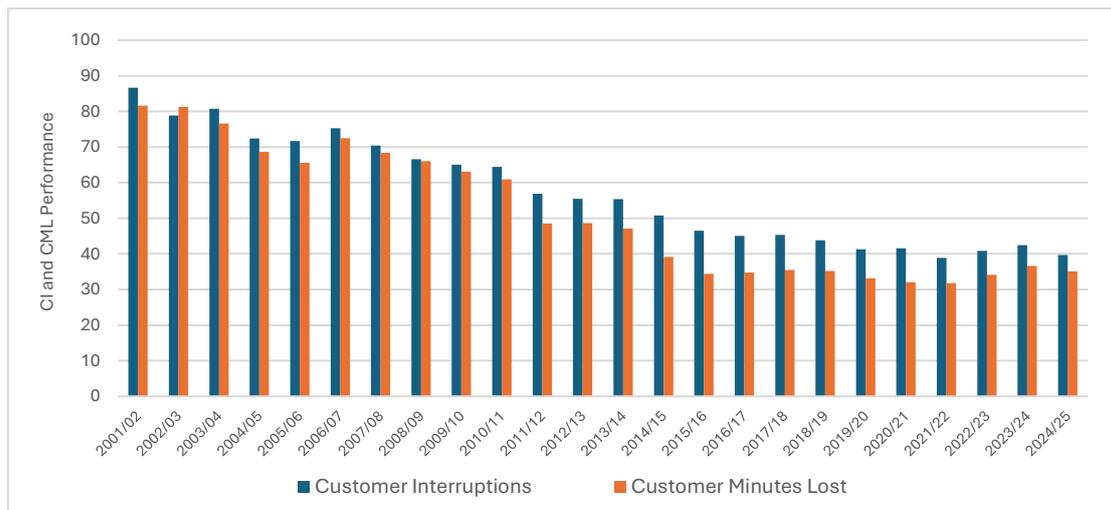
The **Interruptions Incentive Scheme (IIS)** continues to play a key role within the RIIO-ED2 price control, incentivising DNOs to minimise the frequency and duration of supply interruptions. IIS supports the delivery of a reliable and resilient electricity distribution network, ensuring customers experience fewer and shorter outages. Under IIS, DNOs are financially rewarded for outperforming targets and incur penalties for underperformance. Targets are set for two primary measures:

- **Customer Interruptions (CI):** The average number of supply interruptions per 100 customers.
- **Customer Minutes Lost (CML):** The average duration of interruptions experienced by customers.

Across the sector, reliability performance under RIIO-ED2 shows a mixed picture. Several companies were penalised in Year 2 for missing their targets, bringing cumulative penalties to date to £50.9m. However, performance improved compared to Year 1, and when viewed over time, there is clear evidence of progress. RIIO-ED2 targets were deliberately challenging to drive better outcomes for consumers, and this remains an important area where we expect continued improvement.

<sup>6</sup> For all IIS figures in this report, please note that adjustments for Severe Weather Exceptional Events (SWEE) have been applied based on DNO submissions but prior to Ofgem’s final assessment. These adjustments will be confirmed following the publication of the annual report.

Figure 3: CI and CML Performance (2001-02 to 2024-25)



Most companies improved their CI and CML scores between Year 1 and Year 2, even where targets were missed. Specifically:

- SPEN and SP ENW continued to perform strongly overall, with CI performance comfortably within target. SPD and SPMW improved their CI scores from 2023-24, while CML performance was mixed: SPD remained within target, but SPMW exceeded its CML target in Year 2. SP ENW maintained good CI performance but failed to meet its CML target in Year 2. Both DNO groups demonstrated good and consistent performance against incentive targets for a second consecutive year, earning rewards of £2.1m and £0.4m, respectively.
- UKPN delivered notable improvements across all three licence areas, particularly in CI, though EPN exceeded targets for both CI and CML in 2024-25. Consequently, their penalty significantly reduced to £0.4m in Year 2.
- NGED showed mixed results: EMID improved significantly, while SWEST’s performance worsened on both CI and CML parameters and consequently exceeded targets. WMID and SWALES also exceeded their CML targets. As a result, their penalty increased to £7.3m.
- SSEN and NPg remain the weakest performers, with persistent gaps to target. SSEH’s performance worsened and exceeded its CML target. However, SSES showed positive progress, improving markedly on CI and CML from Year 1. NPg showed slight improvement in CML but continues to exceed CI targets by a wide margin, particularly NPgY. Both companies improved on last year’s performance but still incurred the highest penalties (£7.0m and £9.0m respectively).

Although penalties reflect missed targets, the steady improvement in actual CI and CML performance indicates that companies are progressing, even as targets become more challenging and expectations rise year on year.

## Connections

### Time to Connect (TTC) Incentive

Table 7: TTC - Rewards, Penalties and Rankings

Time to Connect Incentive	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
Cumulative Actual Rewards (£m)	£1.9	-£0.1	£4.7	£4.5	£1.7	£2.2
% of maximum reward available	72%	-3%	42%	54%	32%	41%
<b>Cumulative Rank</b>	<b>1</b>	<b>6</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>4</b>
2024-25 Actual Rewards (£m)	£1.0	£0.1	£2.4	£2.9	£1.2	£1.3
% of maximum reward available	77%	4%	42%	69%	44%	46%
<b>2024-25 Rank</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>4</b>	<b>3</b>

Figure 4: TTC – Cumulative Rewards (£m) and % of Max. Available<sup>7</sup>

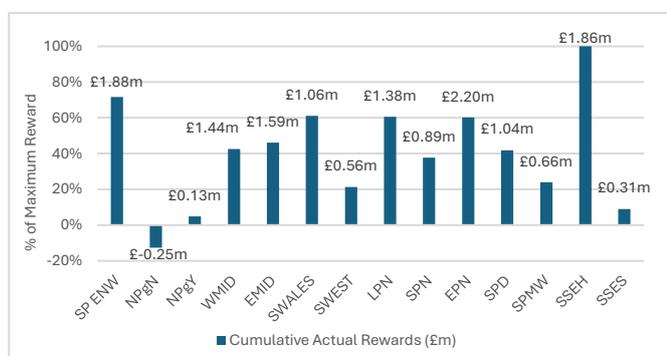
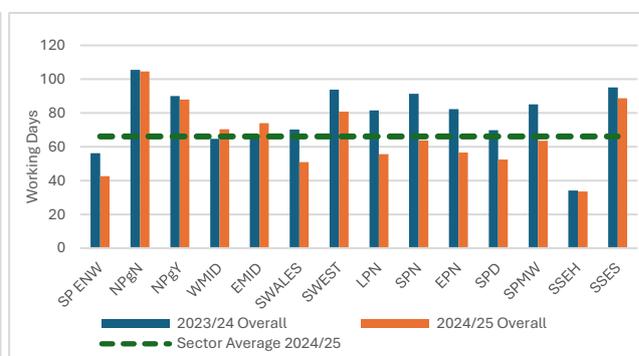


Figure 5: TTC Performance<sup>8</sup>



The **TTC incentive**, a core element of RIIO-ED2, ensures timely, efficient network access for smaller customers (low voltage connections) and drives DNO accountability for service quality. By reducing connection times, it supports low-carbon technology uptake and improves customer experience.

Sector performance remains strong. As shown in Figure 5, twelve DNOs have improved since Year 1. All DNOs, except NPgN, have earned rewards in TTC, rising from £6.0m in Year 1 to £8.7m in Year 2.

- SSEH and SSES show a clear performance gap, despite being in the same DNO Group. SSEH exceeded all targets and earned 100% of rewards in both years, while SSES improved but missed a target and achieved only 9%. SEN cites regional challenges and has launched a transformation programme, improved customer communications, and expect these measures to deliver improvements.
- Although NPg demonstrated improvements compared to Year 1, they continue to fall short of several targets and remain bottom of the performance rankings, albeit no longer incurring a penalty. NPg has attributed this outcome to a significant increase in service upgrade work. We will maintain close oversight to ensure sustained progress throughout RIIO-ED2.
- NGED exceeded all TTC targets in Year 2, but performance trends were mixed. SWALES and SWEST showed notable improvements, while EMID and WMID performance declined despite remaining above target. Overall, NGED continues to deliver strong performance, though regional variability warrants ongoing monitoring.

<sup>7</sup> Bars represent % of maximum possible reward; labels show actual cumulative reward

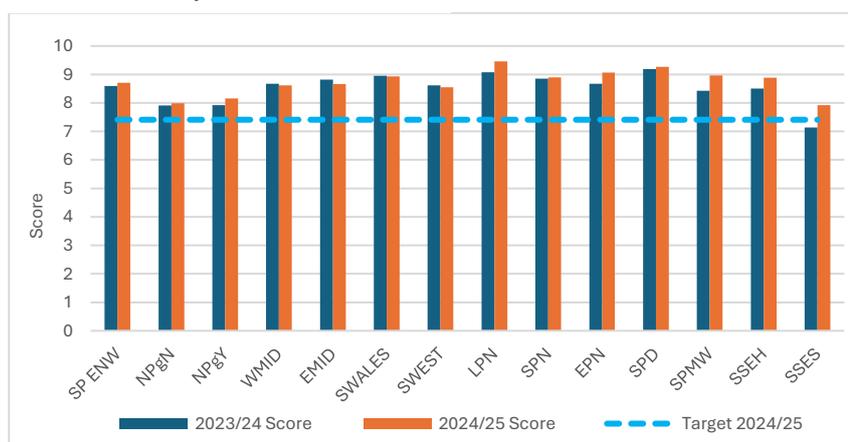
<sup>8</sup> We acknowledge there are differing views on the calculation of the TTC performance chart; however, this methodology aligns with the approach adopted since the start of RIIO-ED1 and is based on data from the source file.

## Major Connections Incentive (MCI)

Table 8: MCI - Penalties and Rankings

Major Connections Incentive	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
Cumulative Actual Penalty (£m)	-	-	-	-	-	-£0.74
<b>Cumulative Rank</b>	-	-	-	-	-	<b>6</b>
2024-25 Actual Penalty (£m)	-	-	-	-	-	-
<b>2024-25 Rank</b>	-	-	-	-	-	-

Figure 6: Major Connections Incentive Performance



The **MCI** is a penalty-only mechanism within RIIO-ED2, designed to ensure DNOs deliver timely, efficient, and customer-focused services for large and complex connections. Penalties apply where performance falls below the defined target of 7.41, providing a clear financial disincentive for poor service.

In Year 1 (2023-24), all DNOs exceeded the target except SSES, which scored 7.14 and incurred a penalty of £0.74m, resulting in the lowest ranking among the group. The industry average score for the year was 8.52, with total penalties amounting to £0.7m. This outcome highlighted strong overall performance across the sector, with one notable exception.

Year 2 (2024-25) saw an improvement, as all DNOs exceeded the target. SSES increased its score to 7.92 and avoided penalties, attributing this to a focus on front-end application processes and completion of its performance improvement programme designed to embed behavioural change and enhance efficiency. NGED was the only group to record a slight decline in performance across all areas compared to last year, but it still met its targets. The industry average rose to 8.72, and no penalties were applied.

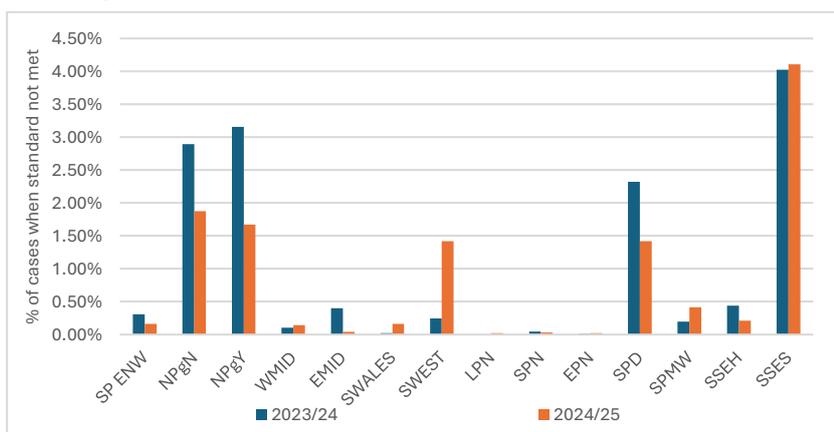
The results indicate that the incentive is effective in driving improvements where required. SSES's recovery following Year 1 underperformance illustrates the mechanism's ability to influence behaviour and outcomes. Leading performers such as LPN and SPD maintained scores above 9.0 in both years, reinforcing the sector's commitment to delivering high-quality connections.

### Connections Guaranteed Standards of Performance (GSoP)

Table 9: Connections GSoP - % of Cases not met and Rankings

Connections GSoP	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
% of cases when standard not met	0.24%	2.31%	0.35%	0.02%	1.12%	3.22%
<b>Cumulative Rank</b>	2	5	3	1	4	6
% of cases when standard not met	0.16%	1.77%	0.48%	0.02%	0.93%	3.23%
<b>2024-25 Rank</b>	2	5	3	1	4	6

Figure 7: Connections GSoPs: % of total cases when standard not met



Connections GSoP, set out under Standard Licence Condition 15A, require DNOs to meet defined service standards with compensation payable where standards are not met. These standards are designed to ensure timely and reliable service for customers, when providing new or modified connections.

In Year 1 (2023-24), four DNOs (NPgN, NPgY, SPD and SSES) received amber RAG ratings, with failure rates ranging from 2.89% to 4.03%.

In Year 2 (2024-25), performance improved, with 13 of 14 DNOs achieving green RAG ratings. NPgN, NPgY and SPD showed particularly strong progress between the two years.

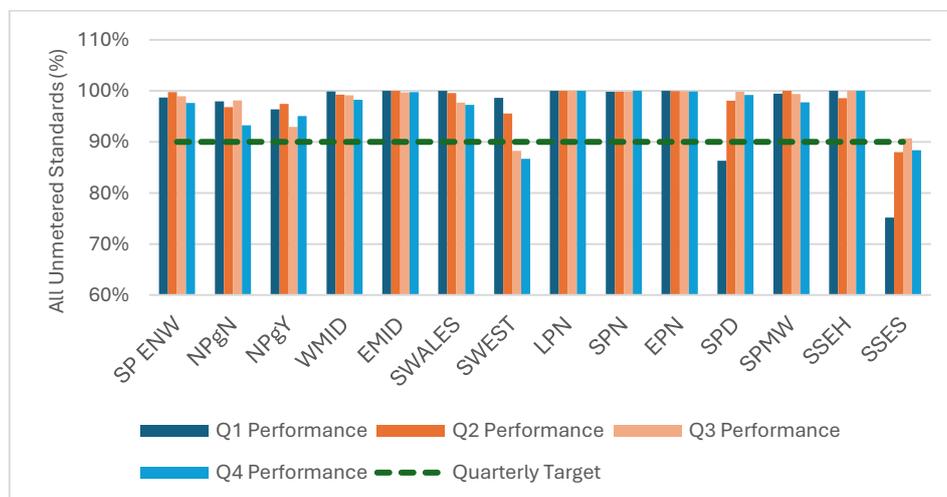
SSES’s performance declined slightly, with failure rates rising from 4.03% to 4.11%, leaving them at the bottom of the rankings. The company introduced self-serve functionality for minor connections in 2024-25 and plans to extend this to service alterations by the end of 2025-26. While service alterations remain challenging due to site visit requirements, self-serve is expected to improve customer experience by enabling faster quotations and greater flexibility.

Total GSoP payments under Connections standards fell to £1.5m from £2.0m in Year 1, with SSEN accounting for just over 55% (£0.86m), although this represents an 18% reduction from last year’s payments.

The introduction of self-serve functionality is a positive step, but sustained improvement will require robust resource planning and operational resilience. We expect SSES to deliver on its commitments and will monitor progress closely.

## Review of unmetered connections

Figure 8: SLC15A All unmetered connections: 2024-25 Performance (%)



Under Standard Licence Condition 15A, specifically 15A.2(b)(iii), DNOs are required to achieve a minimum performance level of 90% on a quarterly basis for activities relating to unmetered connections. While overall compliance remains strong, we have noted some issues in relation to unmetered connections for some DNOs. We are working with the companies to understand these issues and what measures DNOs have put in place to improve performance in this area.

## Social Obligations and Customer Service

### Customer Satisfaction Survey (CSS)

Table 10: CSS - Rewards, Penalties and Rankings

Customer Satisfaction Survey	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
Cumulative Actual Rewards (£m)	£3.0	£0.4	-£1.9	£16.6	£3.4	-£5.9
% of maximum reward available	43%	3%	-6%	75%	24%	-41%
<b>Cumulative Rank</b>	2	4	5	1	3	6
2024-25 Actual Rewards (£m)	£1.9	£0.5	-£1.8	£8.5	£1.7	-£3.0
% of maximum reward available	53%	8%	-12%	77%	25%	-43%
<b>2024-25 Rank</b>	2	4	5	1	3	6

Figure 9: CSS - Cumulative Rewards (£m) and % of Max. Available

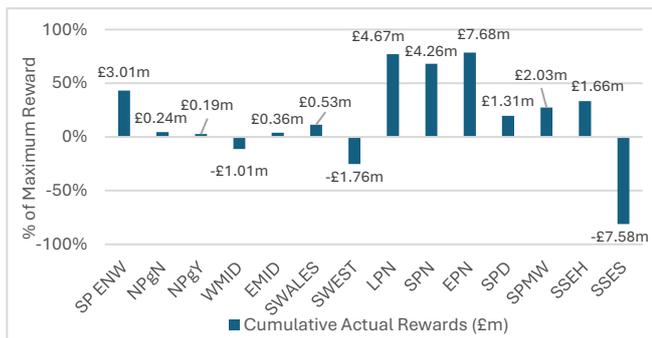
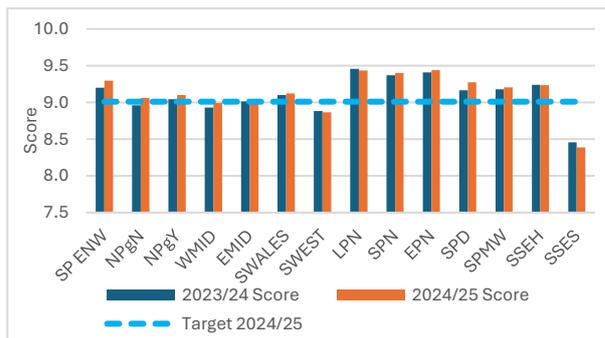


Figure 10: Customer Satisfaction Survey (CSS) Performance<sup>9</sup>



The CSS measures how satisfied customers are with services related to connections, interruptions and general enquiries. Scores are based on independent surveys and reflect customers’ perceptions of timeliness, communication and overall experience. High scores indicate strong performance and positive customer outcomes.

CSS performance has been broadly stable across RIIO-ED2. While overall results improved slightly, performance varied significantly across groups, influencing rewards and penalties:

- As shown in Figure 10, UKPN maintained top rankings with scores well above target in both years. They delivered the highest reward of £8.5m, achieving 77% of maximum potential.
- SP ENW also performed well, their score increasing from 9.20 to 9.30, earning £1.9m (53%) in rewards.
- SPEN delivered positive results, both scores increasing from year 1 to 2 (to 9.27 in SPD and 9.21 in SPMW), earning a total of £1.7m (25%).
- NPg’s performance improved from 2023-24, both scores increasing from year 1 to 2 (to 9.06 in NPgN and 9.10 in NPgY), earning a total of £0.5m (8%).
- NGED delivered mixed results: SWALES improved slightly from 9.10 to 9.12, meeting the target, while WMID (8.99) and EMID (9.00) remained just below. SWEST continued to be one of the lowest performers with a score of 8.87. Overall, NGED incurred a £1.8m penalty.
- In response, NGED has introduced a Customer Transformation Programme, focusing on process, governance, behaviours and systems, supported by a new Customer Excellence team to drive long-term improvements.
- For SSEN, SSEH maintained its above target position, but SSES continued to perform significantly below all other DNOs in both years of RIIO-ED2, with a further decline in Year 2 (8.46 to 8.39). SSEN incurred the largest penalty of £3.0m (-43% of maximum reward), driven by performance in SSES.
- SSEN has launched an improvement plan including enhanced training, digital self-service tools and process redesign to speed up fault and connection responses. Early indicators show positive momentum, with initiatives such as self-service options, improved communications and stronger performance monitoring expected to deliver sustained improvements. We will continue to monitor progress across RIIO-ED2.

<sup>9</sup> In 2024-25, some DNOs received CSS rewards despite overall scores below the target because the incentive is component-based. Strong performance in one area (Interruptions, Connections, or General Enquiries) can trigger a reward even if other components fall within the deadband, resulting in an overall score below target but still earning a reward.

## Complaints Metric (CM)

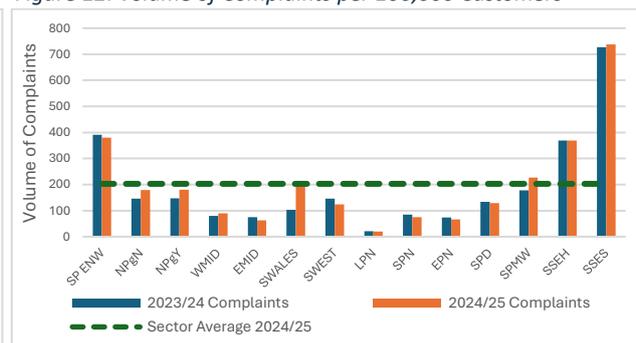
Table 11: CM - Penalties and Rankings

Complaints Metric	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
Cumulative Actual Penalty (£m)	-	-£3.60	-£0.90	-	-	-
<b>Cumulative Rank</b>	-	<b>6</b>	<b>5</b>	-	-	-
2024-25 Actual Penalty (£m)	-	-£0.89	-£0.90	-	-	-
<b>2024-25 Rank</b>	-	<b>5</b>	<b>6</b>	-	-	-

Figure 11: Complaints Metric (CM) Performance



Figure 12: Volume of Complaints per 100,000 Customers



The **CM** measures how well DNOs manage and resolve complaints, with lower scores indicating better performance.

- In 2024-25, all DNOs met the CM target score of 2.8 except NPgN, NPgY and SWEST (see Figure 11), with LPN, SSEH and EPN leading the rankings.
- NPg has missed its target in both years and remains below expectations. However, performance has improved, with NPgN reducing scores from 5.21 to 4.02 and NPgY from 5.83 to 3.49 between Year 1 and Year 2. This improvement reflects NPg’s customer service programme, which includes organisational redesign, stronger accountability, and recruitment of experienced customer care specialists. Resolution times at Day +1 and Day +31 have improved and are expected to continue trending positively. We will monitor this closely in Year 3 to ensure the progress is sustained.
- SWEST’s performance worsened from Year 1 to Year 2 (score rose from 2.30 to 4.42), missing its target. Performance in NGED also declined across its other three regions, largely due to Storm Darragh, which drove complaints and a Q4 backlog. NGED has responded with central oversight via a new Complaints Manager, root-cause analysis, and best-practice sharing under its Customer Experience Transformation programme. We will measure success by Year 3 improvements.

Figure 12 shows SSES reporting the highest complaint volumes in both RIIO-ED2 years, which SSEN attributes to its ‘if in doubt’ approach - logging any customer concern as a complaint to prioritise rapid resolution. SSES outperformed on the Complaints Metric and is targeting root-cause reduction through initiatives such as an end-to-end connections review and a dedicated complaints reduction project launched in January. Early indications show a 14% year-on-year reduction.

We expect continued focus on reducing volumes and note that clearer guidance on complaint categorisation could improve comparability across licence areas.

### Consumer Vulnerability Incentive (CVI)

Table 12: CVI - Rewards, Penalties and Rankings<sup>10</sup>

Consumer Vulnerability Incentive	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
2024-25 Actual Rewards (£m)	£3.1	£1.6	£5.1	£9.0	£3.5	£2.7
% of maximum reward available	90%	26%	34%	82%	50%	38%
<b>2024-25 Rank</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>4</b>

Figure 13: CVI – Cumulative Rewards and % of Max. Available

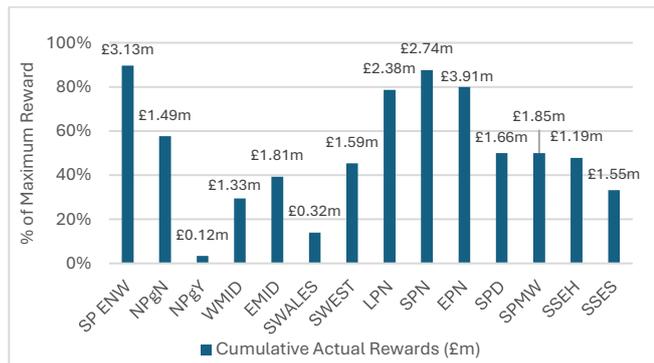


Figure 14: Priority Services Register (PSR Reach)



The CVI is a financial mechanism within RII0-ED2 that rewards DNOs for delivering enhanced outcomes for customers in vulnerable situations. It encourages DNOs to go beyond minimum requirements by implementing initiatives that improve accessibility, communication, and resilience for these customers. In Year 2, CVI was assessed for the first time, providing an opportunity to recognise innovative approaches and best practice.

The CVI combines the metrics Priority Services Register (PSR) Reach, Fuel Poverty (FP) Services Delivered, Low Carbon Transition (LCT) Services Delivered, Fuel Poverty Customer Satisfaction Survey (FP CSS) and LCT CSS to assess support for vulnerable customers.

- SP ENW leads the rankings, achieving £3.1m in cumulative rewards and 90% of the maximum available.
- UKPN follows in second with £9.0m (82%), while SPEN is third at £3.5m (50%), and SSEN ranks fourth with £2.7m (38%).
- NGED and NPg are ranked the bottom two positions, securing only 34% and 26% of the maximum reward respectively.

PSR Reach holds the highest weighting within the overall incentive. DNOs must establish and maintain a PSR for domestic customers who may require priority services due to being in a vulnerable situation. Figure 14 shows that all DNOs met their PSR Reach targets in 2024-25, with performance improving compared to the previous year. SP ENW, LPN, SPN, EPN, SPD and SPMW exceeded the sector average.

Performance across the remaining CVI metrics is mixed. All DNOs achieved their targets for FP Services Delivered, but five fell short on LCT Services Delivered. For the Customer Satisfaction Surveys, five DNOs missed targets in FP CSS<sup>11</sup> and seven in LCT CSS, indicating areas for improvement. However, these metrics carry a lower overall weighting, so all DNOs still earned a CVI reward in Year 2.

<sup>10</sup> The CVI is only assessed in Year 2 and Year 5 of RII0-ED2.

<sup>11</sup> If we exclude elements that didn't meet the statistical robustness test in the CVI incentive, UKPN would achieve an overall green RAG rating across all three DNOs in this area.

## Distribution System Operator (DSO)

Table 13: DSO - Rewards, Penalties and Rankings

Distribution System Operator	SP ENW	NPg	NGED	UKPN	SPEN	SSEN
Cumulative Actual Rewards (£m)	£2.3	£3.3	£20.9	£19.9	£4.3	£7.5
% of maximum reward available	37%	30%	78%	100%	34%	58%
<b>Cumulative Rank</b>	4	6	2	1	5	3
2024-25 Actual Rewards (£m)	£2.1	£2.6	£14.9	£11.1	£3.7	£5.3
% of maximum reward available	61%	42%	100%	100%	52%	74%
<b>2024-25 Rank</b>	4	6	2	1	5	3

Figure 15: DSO – Cumulative Rewards and % of Max. Available

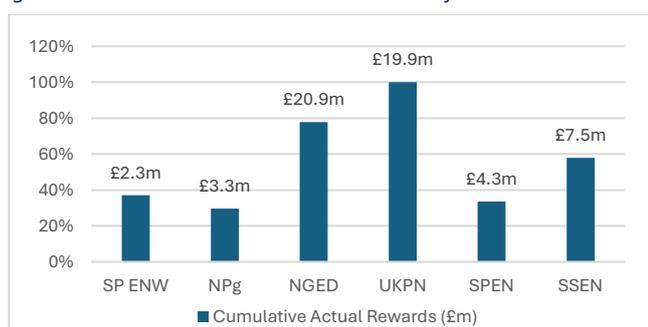
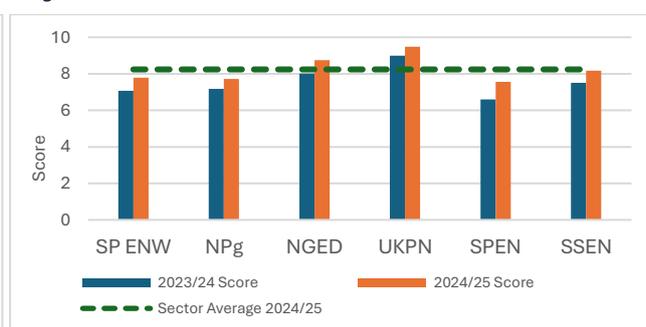


Figure 16: DSO Score



The **DSO** incentive is designed to ensure that DNOs more effectively develop and use their network, considering flexible and smart alternatives to network reinforcement. New to RIIO-ED2, this incentive is split into two components: the Stakeholder Satisfaction Survey and the Performance Panel assessment. In 2024-25, all companies earned an overall positive reward from the DSO incentive, totalling £39.6m.

The incentive continues to drive improvements in how DNOs develop and operate their networks. In 2024-25, performance continued to improve across all DNO groups. The sector average score for the Customer Satisfaction survey rose to 8.85 and for the Performance Panel rose to 7.63, reflecting progress in embedding flexibility and smart solutions into network planning and operation. All companies maintained positive performance across both components of the incentive building on the strong foundation established in Year 1.

- UKPN remains the leading performer, increasing its score from 8.99 in 2023-24 to 9.48 in 2024-25, well above the sector average, and consequently receiving 100% of its maximum available reward (£11.1m).
- NGED improved their score from 8.01 to 8.74, reinforcing its position as a leading performer and securing 100% of their maximum available reward (£14.9m).
- SSEN and SP ENW demonstrated notable progress, with scores rising to 8.17 and 7.79 respectively, securing 74% (£5.3m) and 61% (£2.1m) of their maximum available rewards.
- While NPg and SPEN remain the lowest-performing DNOs, both have demonstrated improvement in DSO performance—NPg increasing its score from 7.18 to 7.71 (42% of maximum reward, £2.6m) and SPEN from 6.61 to 7.55 (52% of maximum reward, £3.7m), with SPEN recording the largest absolute improvement in score—albeit still trailing their peers.

Overall, these results demonstrate that DNOs are responding positively to the DSO incentive, with year-on-year improvements across all groups. This progress is critical to enabling more efficient use of networks and supporting the transition to a low-carbon energy system.

## Environment

The environment reputational (non-financial) incentive is an important part of RIIO-ED2 as it encourages DNOs to minimise their environmental impact and enhance sustainability practices. Environmental performance in 2024–25 fell short of expectations, with all DNOs except LPN and SPD missing targets in at least one of the following areas:

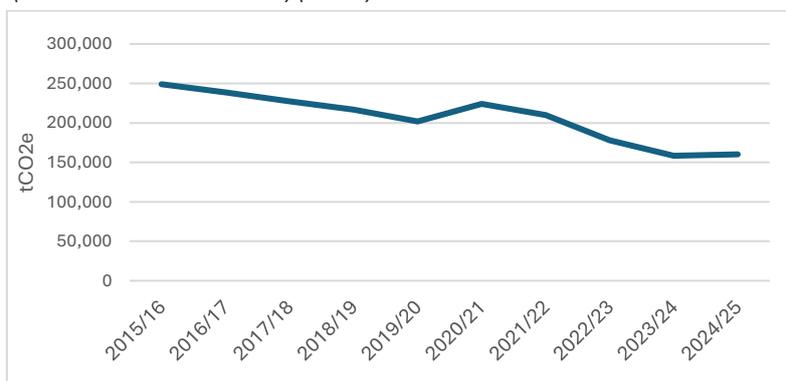
- Business Carbon Footprint (BCF),
- Fluid Filled Cable (FFC) leakage or
- SF<sub>6</sub> emissions.

These metrics are central to reducing greenhouse gas emissions and mitigating environmental risks associated with network assets. Underperformance in these areas suggests that, despite progress in some aspects of sustainability, further effort is required to achieve consistent compliance and deliver measurable environmental benefits.

### Business Carbon Footprint (BCF)

The sector’s BCF (excluding losses and contractors), has shown a clear downward trend across RIIO-ED1 and into RIIO-ED2. In 2023-24 BCF improved by 11% compared to 2022-23. However, performance in 2024-25 worsened by 1%, with several DNOs missing their internally set targets<sup>12</sup>.

Figure 17: BCF Performance (excl. losses and contractors) (tCO<sub>2</sub>e) – sector total



- SP ENW outperformed its 2024-25 science-based target, driven by energy efficiency measures and HVO biofuel trials.
- NPg reported an 8% increase on the previous year, missing targets in both licence areas.
- NGED also missed its group-level target, with SF<sub>6</sub> emissions remaining the main driver of its footprint, although energy efficiency projects and SF<sub>6</sub> reduction plans are underway.
- UKPN delivered mixed performance: LPN and SPN met targets aligned to its 3% annual reduction trajectory, while EPN fell short due to high fuel combustion, which is under review alongside trials of cleaner fuels.
- SPEN achieved its target in SPD but fell slightly behind in SPMW due to increased SF<sub>6</sub> emissions from asset disposals.

<sup>12</sup> We have not included a chart on performance against DNO internally set BCF targets, as these are not directly comparable. While all DNOs have targets, reporting varies – some provide data at DNO Group level, others at individual DNO level, and units differ (e.g., percentages versus tCO<sub>2</sub>e).

- SSEN met its annual target, delivering a 34.7% reduction against its baseline year.

The long-term trend demonstrates significant progress in reducing operational emissions, though sustained effort will be required to maintain momentum and meet RIIO-ED2 commitments.

### Fluid Filled Cables (FFCs)

There are around 5,300 km of FFCs in service across Great Britain, with UKPN owning the largest share (42%) and SSEN the second largest (21%). These ageing assets, installed in the mid-20th century, are increasingly prone to failure, degradation and leakage, which can be environmentally damaging. Since RIIO-ED1, the total length has reduced by 9%, but leakage remains a significant environmental concern.

Figure 18: FFCs in service (km) – sector total

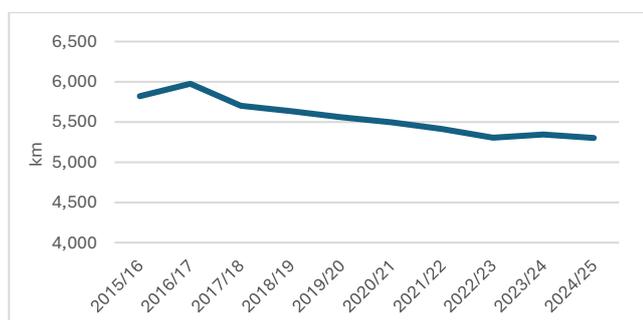
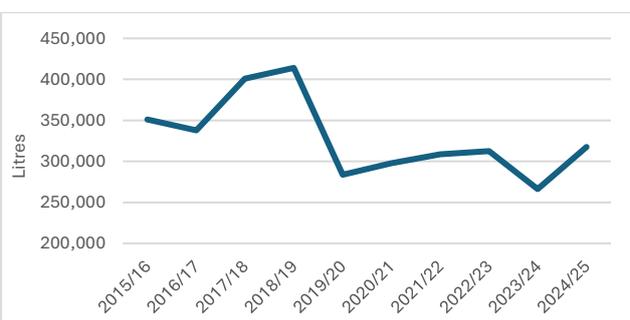


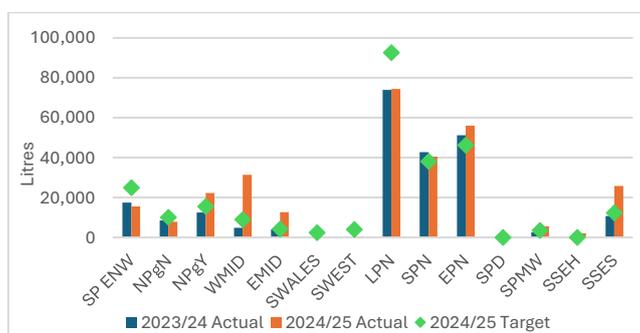
Figure 19: Top up of FFCs per year (litres) – sector total



In 2024–25, FFC oil top-ups<sup>13</sup> totalled 317,422 litres, a 19% increase on 2023–24, indicating that current mitigation measures are not delivering expected reductions. Performance varied widely across DNOs:

- NGED saw a 379% increase in oil top-ups from 2023-24, driven by severe failures and missed targets in WMID and EMID.
- SSEN recorded a 157% increase, while SPEN saw a 117% rise (mainly due to a 120% rise in SPMW).
- NPg’s oil top-ups rose by 22% despite significant investment in RIIO-ED1.
- UKPN missed targets in EPN and SPN but saw an overall 4% reduction in oil top-ups in 2024-25 and remain 3% ahead of its commitment to reduce annual leakage by 15% by the end of RIIO-ED2.
- SP ENW delivered a strong performance, achieving an 11% reduction in oil top-ups from 2023-24.

Figure 20: RIIO-ED2 FFC Leakage Performance (litres)<sup>14</sup>



<sup>13</sup> DNOs provide FFC oil top-up data to Ofgem as part of the annual RRP reporting process (as shown in Figure 19). FFC leakage figures (as shown in Figure 20) reflect each DNO’s internal targets and performance against those targets, which are designed to support delivery of their wider RIIO-ED2 commitments.

<sup>14</sup> SSEN did not set a FFC leakage target for RIIO-ED2. Performance has therefore been assessed against its final year of RIIO-ED1.

The variation in performance is reinforced in Figure 20, which shows eight DNOs missed their internally set FFC leakage targets in Year 2, with shortfalls ranging from small deviations to significant gaps.

DNOs plan to replace 547km of FFCs during RIIO-ED2, but progress is slow, with only 83km (15%) completed to date. Some operators, including SSEN and SPEN, aim to exceed commitments by prioritising high-risk circuits.

UKPN presents the greatest concern due to its large FFC population and the highest leakage volume in absolute terms. Despite this risk profile, progress on cable replacement has been slow, with only 10% of its RIIO-ED2 planned volumes delivered to date. This presents environmental risks, underscoring the need for accelerated delivery, though UKPN states it expects to deliver 102% of the planned 186km by the end of RIIO-ED2.

We expect to see better performance from DNOs through RIIO-ED2. As a minimum they must meet their target leakage reductions and replacement volumes. We also expect DNOs to be considering their plans for reducing the risk of leakage from these assets in ED3 and beyond and will expect to see clear and ambitious strategies as part of their Business Plans for ED3.

### Sulphur Hexafluoride (SF<sub>6</sub>)<sup>15</sup>

SF<sub>6</sub> is widely used in high-voltage switchgear for its excellent insulating properties but is the most potent greenhouse gas, with a Global Warming Potential 23,500 times that of CO<sub>2</sub> and an atmospheric lifetime of thousands of years. Its use is now restricted to electricity networks under UK F-gas regulations.

From 2016 to 2025, the SF<sub>6</sub> bank across Great Britain’s networks grew to 379,156kg (as per Figure 21), reflecting a continued reliance on SF<sub>6</sub>-insulated equipment. Annual emissions fluctuated between 903kg and 1,372kg and showed an upward trend despite leak management efforts. This highlights the challenge of balancing asset growth with environmental performance and reinforces the need for SF<sub>6</sub>-free alternatives.

Figure 21: SF<sub>6</sub> Bank – sector total (kg)

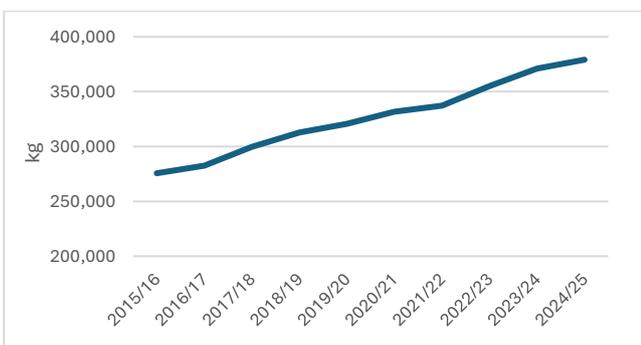
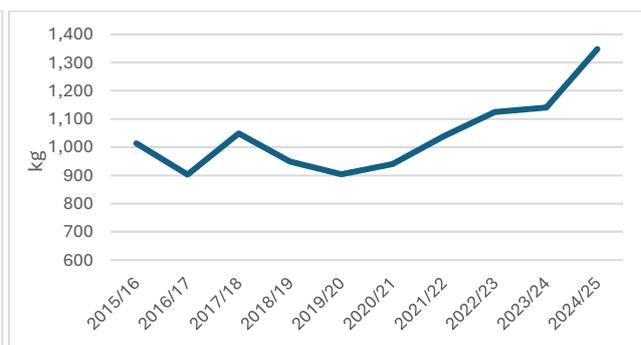


Figure 22: SF<sub>6</sub> Emissions – sector total (kg)



In 2024–25, DNOs reported the highest SF<sub>6</sub> emissions across RIIO-ED1 and RIIO-ED2, with five companies recording increases:

- SP ENW saw a 120% rise in SF<sub>6</sub> emission levels compared to 2023-24, driven by leaks at Sellafeld GSP 132kV switchgear and disposal-related losses from GVR units.

<sup>15</sup> We have not included a chart on performance against DNO internally set SF<sub>6</sub> targets, as these are not directly comparable. For example, UKPN does not report against specific annual targets.

- NGED emissions increased by 38%, influenced by higher scrappage volumes and older switchgear with greater SF<sub>6</sub> content in WMID. In SWALES, around half of emissions originated from nine coastal circuit breakers exposed to harsh environmental conditions.
- NPg reported a 37% increase, dominated by its 66kV asset base, which accounted for 60% of emissions.
- SSEN recorded a 25% rise while SPEN reported a 15% increase linked to asset disposals and improved reporting maturity.
- UKPN was the only DNO to reduce emissions (18%), which it considers normal statistical variation.

The rise in emissions reflects a combination of leaks from ageing assets and disposal-related losses. With more equipment reaching end of life, leakage is expected to increase before declining. SSEN and NPg currently exclude disposal-related emissions from reporting, which may understate figures. We will review this approach as part of the next RIGS update to ensure consistency and transparency.

Year 2 performance highlights the growing challenge of managing SF<sub>6</sub> emissions as alternatives remain limited and disposal activity accelerates. While DNOs have introduced measures such as improved monitoring and leak repairs, the upward trend reinforces the urgency of transitioning to SF<sub>6</sub>-free technologies and strengthening reporting requirements.

## Chapter Two: Output delivery performance

In this chapter, we review progress against Price Control Deliverables (PCDs) and the management of volume drivers, assessing whether companies are meeting their commitments and efficiently delivering outputs.

### Network Asset Risk Metric (NARM) PCD

The NARM is a key mechanism within RIIO-ED2 that measures how effectively network companies manage asset risk over the price control period. NARM delivery assesses whether companies are delivering the agreed risk reduction targets through efficient investment and asset management. Performance against these targets determines financial adjustments, ensuring that companies are incentivised to maintain network reliability and safety while delivering value for consumers.

Figure 23: NARM – RIIO-ED2 Cumulative Delivery (%)



At the end of Year 2, most DNOs appear behind their NARM delivery if measured against a straight-line, linear trajectory (which would indicate 40% completion to date). However, most companies have adopted profiles that front-load planning and procurement, with a ramp-up in physical delivery during later years of RIIO-ED2.

All DNOs continue to forecast meeting or exceeding their RIIO-ED2 targets, but progress to date varies considerably:

- SP ENW has delivered 26% of its NARM target and plans to recover through advance planning, equipment pre-orders and additional contractors.
- NPg has delivered 22%, the lowest among all DNO Groups, with NPgN at just 15% and NPgY performing better at 28%. It expects full delivery by the end of RIIO-ED2.
- NGED has delivered 36%, the highest NARM output so far in RIIO-ED2, achieving between 31 and 42% across its four DNOs. While cost pressures and limited availability of key materials pose risks, NGED has tested its plans and believes outcomes remain achievable.
- SPEN has delivered 28%, with SPD at 26% and SPMW at 29%. They attribute slower progress to supply chain and overhead line constraints, with recovery expected later in RIIO-ED2.

- SSEN has delivered 30% of its NARM target. SSEH is highest across all DNOs at 51%, supported by subsea cable projects and OHL circuit work, while SSES is second lowest at 24%. It anticipates a ramp-up through new contracting frameworks.
- UKPN has delivered 28% overall (SPN 27%, EPN 27%, LPN 37%) and although they are behind schedule, they forecast 101% by the end of RIIO-ED2, with significant ramp-up planned for Years 3–5.

Asset health investment is critical to network resilience. We will continue to prioritise this and monitor delivery closely including to ensure companies meet their commitments to consumers.

## Bespoke PCDs

Bespoke Price Control Deliverables (PCDs) are company-specific commitments under Ofgem’s RIIO framework, linking funding to delivery of agreed outputs. An overview of performance is below:

- **LineSight** (SP ENW) targets 2,200 sensors on the 11kV network to detect faults. By end of 2024–25, 46% of the RIIO-ED2 target was delivered, aided by better contractor availability. Spend to date: £13.7m (44% of allowances).
- **Smart Street** (SP ENW) installs voltage control technology in substations. In 2024–25, 146 transformers were added, bringing total to 170 (17% of target). Spend: £7.1m (25% of allowances). Delivery is back-end loaded but on track for 1,000 units by the end of RIIO-ED2.
- **New Depots** (NGED) will deliver new depots in the South West region with an allowance of £33.5m. Exeter is due for Q1 FY28 after mitigating contractor delays; Torquay is on track for Q4 FY26 with construction underway; Plymouth’s Wakehams Quarry site is progressing for Q3 FY26, while Elliott Road is planned for Q4 FY26–Q2 FY28. Timelines have shifted, but all projects remain aligned with RIIO-ED2 commitments.
- **Control Rooms** (SSEN) delivery of the two distribution control rooms for SSEH and SSES are on track for delivery in RIIO-ED2 at a cost of £41.1m. Sites have been secured for both buildings, and design and planning stages are progressing ahead of construction. The projects remain on schedule to complete by the end of RIIO-ED2.

## Volume drivers

A volume driver is a regulatory mechanism that adjusts funding based on the actual number of units delivered (e.g., connections or reinforcement works), rather than a fixed allowance, to reflect changes in activity levels.

The **polychlorinated biphenyls (PCB)** volume driver is a funding mechanism under RIIO-ED2 that adjusts allowances based on the actual number of pole-mounted transformers (PMTs) replaced because they are confirmed or statistically likely to contain PCBs. Delivery is broadly on track, though some DNOs report challenges and have accelerated programmes to meet the December 2025 compliance deadline. There is a risk

that certain cohorts in the shared PCB modelling tool may become 'statistically likely' to contain PCBs after the deadline, requiring further mitigation. While commitments should be met, these risks highlight the need for continued close monitoring.

The **load-related volume drivers** are mechanisms that adjust funding based on the actual volumes of network reinforcement required to meet changing demand, covering secondary reinforcement at substations (SRVD) and low-voltage service works (LVSVD) such as unlooping.

LVSVD programmes face cost pressures, with unlooping costs being a key challenge. DNOs argue that current unit cost benchmarks - based on properties unlooped rather than actual service additions - do not reflect true delivery costs. Additional costs often arise from meter positions, service locations and customer requirements. A review of the load-related volume drivers is underway, with a consultation expected in Spring 2026.



## Chapter Three: Innovation

In this chapter, we provide a brief overview of the expenditure related to the innovation activities for each company and an overview of the number of projects being advanced.

### RIIO-ED2 Innovation Development

The RIIO-2 innovation package encourages DNOs to do more than business as usual when it comes to finding a better, cheaper, smarter or more agile way of doing things. The package includes the Network Innovation Allowance (NIA), which is a flexible innovation fund that allows companies to carry out essential small-scale and early-stage Research and Development (R&D) in an agile way. The package also consists of the Strategic Innovation Fund (SIF), a competition-based fund that aims to finance ambitious, innovative projects with the potential to accelerate the energy transition.

The Network Innovation Competition (NIC) operated during the RIIO-ED1 price control period to support innovative projects delivering low-carbon and environmental benefits. While the NIC ceased at the end of RIIO-1, the RIIO-ED2 framework provides governance arrangements to manage the delivery and close-out of any remaining NIC-funded projects.

#### Network Innovation Allowance (NIA)

DNOs received NIA funding as part of the RIIO-ED2 price control that they can spend as they choose on innovation projects. These projects should facilitate the net-zero transition or should help customers in vulnerable situations. NIA provides 90% of the funding for these projects; the remaining 10% is funded directly by DNOs.

DNOs registered 56 projects in the 2024-25 regulatory year and spent £12.3m. This figure represents 16.1% of the total RIIO-ED2 NIA allowance that we awarded at the start of the price control (after 10% DNO funding is deducted from the expenditure). In October 2025, we announced that we would allocate additional NIA funding for the final two years of RIIO-ED2 for most DNOs following a consultation launched in March that year.

#### Strategic Innovation Fund (SIF)

The SIF seeks to provide flexibility to respond to innovation challenges as they arise, and potentially secure additional innovation funding for eligible SIF Projects (under SpC 9.9 of the licence).<sup>8</sup>

We note that the SIF reporting timeframes (calendar year) cross over the RRP timeframe boundary (financial year). The figures presented include both live projects still receiving funding and concluded projects, and are based on funding agreed and committed, rather than actual spend to date. Data is reported by DNO lead and includes only projects led by DNOs; projects where DNOs are partners on other SIF-funded projects are excluded.

- Overall SIF Funding of £64.33m allocated to DNOs.
- In 2024-25, 38 projects were funded. 12 were in Discovery, 17 were in Alpha, and 9 were in Beta.<sup>16</sup>
- **Beta funding** totalled £54.75m, with 85% of SIF funding allocated to DNO Beta projects, alongside required project partner contributions in line with SIF governance arrangements.

Table 14: Strategic Innovation Fund (2024-25)

DNO Group	Funded Projects	Project Cost (£m)	SIF Funding Received (£m)	Contributions (£m)
SP ENW	1	£0.6	£0.5	£0.1
NPg	8	£14.3	£11.6	£2.7
NGED	4	£8.7	£8.7	£0.9
UKPN	11	£35.3	£27.4	£7.9
SPEN	3	£10.0	£9.0	£1.0
SSEN	11	£9.0	£8.0	£1.0
Total	38	£77.9	£64.3	£13.6

<sup>16</sup> The SIF adopts a three Phase Project approach to mitigate the risk associated with innovation: Discovery Phase, Alpha Phase and Beta Phase. The Discovery Phase focuses on feasibility, the Alpha Phase on experimental development, and the Beta Phase on deployment and demonstration.



## Chapter Four: What level of cost performance are DNOs currently anticipating?

This chapter provides a summary of the DNOs' current view of cost expectations for activities permitted through the framework against the adjusted totex allowance position through to the end of the current five-year RIIO-ED2 period.

### Network Cost Performance

In the first two years of RIIO-ED2, five DNO Groups report spending below allowance, averaging 5%. This reflects slower-than-expected delivery of some programmes, particularly in load-related and non-load-related activities. NPg shows the largest underspend at 13%, while SSEN is overspending by 4%.

Over the full five-year period, forecasts indicate that this position will reverse, with most DNOs expecting costs to align closely with adjusted allowances, averaging a 2% overspend, and DNOs accelerating activity in the remainder of the price control to meet commitments. However, SPEN and SSEN currently project overspends of 4 and 5% respectively across RIIO-ED2.

Table 15: Total expenditure against allowances (cumulative and RIIO-ED2 forecast)

£m, 2020-21 prices	Cumulative Allowance	Cumulative Expenditure	Performance (£m)	Performance (%)	ED2 Allowance	ED2 Forecast	Performance (£m)	Performance (%)
SP ENW	684	622	-61	-9%	2,011	2,018	7	0%
NPg	1,020	883	-137	-13%	2,715	2,715	0	0%
NGED	2,245	2,086	-160	-7%	5,536	5,594	57	1%
UKPN	1,996	1,880	-116	-6%	4,664	4,582	-82	-2%
SPEN	1,252	1,205	-47	-4%	3,296	3,435	139	4%
SSEN	1,432	1,482	50	4%	4,524	4,745	221	5%
Total	8,628	8,158	-470	-5%	22,746	23,088	343	2%

To date, DNOs have spent **£8.2bn**, which is **£470m (5%)** below the cumulative allowance of **£8.6bn**. This underspend is broadly consistent across most groups, with five companies reporting variances between **4%** and **13%** below allowances. Key drivers of variance include:

- **Load-related activities:** New connections and capacity reinforcement have been delayed due to lower-than-forecast demand and extended lead times for critical assets.
- **Non-load-related activities:** Asset replacement and refurbishment programmes have been impacted by supply chain constraints and resource availability.

**SSEN** is the only group to show an overspend in the first two years of RIIO-ED2, totalling £50m (4%). They state this reflects significant upfront investment in transformation and enabling activities rather than direct output delivery. Key cost drivers include business transformation initiatives, organisational changes and process improvements. Additional expenditure has arisen from meeting regulatory re-opener requirements, developing long-term strategic network plans, and increased overheads linked to ramping up capital delivery.

Close monitoring will be essential to ensure that higher expenditure translates into tangible improvements as the price control progresses, and we will continue to review SSEN's plans to secure improved output delivery.

Looking ahead, forecasts indicate that expenditure will converge with allowances over the remaining three years, with an overall **£343m (2%)** overspend projected by the end of RIIO-ED2. This shift reflects planned acceleration of activity to recover delays and deliver outputs.

Three groups – NGED, SPEN and SSEN – expect overspends ranging from £57m (1%) to £221m (5%), while SP ENW and NPg anticipate alignment with allowances. UKPN is forecasting a modest underspend of £82m (2%), primarily due to efficiencies such as adopting pole pinning in place of full replacement. Further detail is provided in the non-load section. The latest projections incorporate DNO expectations shaped by increasing costs (see real price effects below) and reported significant delivery challenges to date, including supply chain disruption, extended lead times for EHV and 132kV assets, rising material and equipment costs, and shortages of key components such as wood poles and transformers. These issues have slowed delivery schedules, including NARM progress. To address these risks, DNOs report they are implementing recovery plans focused on advanced procurement, contractor mobilisation, and prioritising high-risk assets.

Looking ahead, accelerated activity will be essential to meet RIIO-ED2 commitments within the remaining timeframe. Close monitoring of cost performance and delivery progress will be critical to ensure consumer value is protected and outputs are delivered as intended.

### **Real Price Effects (RPEs)**

During the RIIO-ED2 period to date, DNOs have seen a downward adjustment in allowances, with DNOs' forecasts indicating this is set to continue over the price control due to Real Price Effects (RPEs). RPEs reflect changes in input costs relative to economy-wide inflation. DNOs report that this downward pressure coincides with rising costs for RPE-linked items, such as transformers, contributing to increased challenges in managing allowances and explaining some overspends.

In the Annual Report supplementary data file, RPE allowances are presented within the 'Other' category. For future reports, we plan to work with DNOs to agree a method for allocating RPEs across cost categories (e.g., Load and Non-Load). This will provide stakeholders with a clearer view of how RPEs impact each category.

The next sections examine DNOs' expenditure in comparison to the adjusted allowance for the first two years of the RIIO-ED2 price control period and evaluates DNOs' anticipated performance for the five-year price control period for each cost category.

## Load-related expenditure

Table 16: Load-related expenditure against allowances (cumulative and RIIO-ED2 forecast)

£m, 2020-21 prices	Cumulative Allowance	Cumulative Expenditure	Performance (£m)	Performance (%)	ED2 Allowance	ED2 Forecast	Performance (£m)	Performance (%)
SP ENW	70	69	-1	-1%	378	374	-4	-1%
NPg	154	72	-82	-53%	379	376	-3	-1%
NGED	356	210	-146	-41%	821	790	-31	-4%
UKPN	365	209	-156	-43%	647	524	-124	-19%
SPEN	179	153	-26	-15%	550	550	0	0%
SSEN	221	160	-61	-28%	973	966	-7	-1%
<b>Total</b>	<b>1,345</b>	<b>873</b>	<b>-472</b>	<b>-35%</b>	<b>3,748</b>	<b>3,580</b>	<b>-168</b>	<b>-4%</b>

Table 16 shows cumulative and forecast expenditure for load-related activities. So far, spend is **£873m** which is **£472m (35%) below allowances** – due to slower delivery in connections and primary reinforcement, while secondary reinforcement has picked up in Year 2. Most DNOs expect to catch up, but UKPN forecasts a **£124m (19%) underspend** driven by efficiency savings, such as redesigning the West London Growth Enabling project (**£13m**), along with lower reinforcement needs from slower low-carbon technology uptake.

### Connections

Expenditure on connections remains materially below allowances for all DNOs, ranging from £10.5m (39%) in SPEN to £127.4m (71%) in UKPN. Key drivers include:

- **Access Significant Code Review (SCR) and cost-sharing assumptions:** Allowances were set on the basis of anticipated impacts from the Access SCR and revised cost-sharing principles, with timing set in the first two years of RIIO-ED2. These have not yet translated into significant expenditure.
- **Lower-than-forecast uptake of Low Carbon Technologies (LCTs):** Growth in EVs and heat pumps remains below projections, reducing immediate reinforcement requirements.

Despite these factors, DNOs expect connections-related spend to increase as demand signals strengthen. This can already be seen from the rise in overall expenditure from £86.0m in Year 1 to £142.8m in Year 2.

### Primary Reinforcement

Primary reinforcement is significantly behind profile for NGED (**47%**), UKPN (**29%**) and SPEN (**34%**), due to rephased works and long lead times for critical assets, compounded by supply chain constraints and rising material costs. Many schemes remain in design or awaiting approvals. SP ENW and SSEN have reported overspends of **44%** and **61%** respectively, which they attribute to accelerated programmes aligned with their reopener submissions. Recovery plans for those underspending include early supplier engagement and advanced equipment ordering, and they aim to ramp up delivery from 2025-26. Close monitoring across all DNO Groups will be needed to ensure outputs are met within RIIO-ED2.

### Secondary Reinforcement

Expenditure increased in Year 2, with NPg, NGED, UKPN and SPEN reporting cumulative overspends between **£1.6m** and **£18.9m (5% to 34%)** against allowances. This is mainly driven by higher unit costs in LVSVD programmes, particularly in unlooping activities, driven by customer requests. A review of load-related volume drivers is underway, with a consultation expected in **Spring 2026** to clarify future funding.

SP ENW has a small underspend (£1.1m, 5%) and SSEN remains underspent by £2.3m (27%) as early focus on PCB PMT work delayed reinforcement delivery, though spend is expected to ramp up in later years.

## Non-load related expenditure

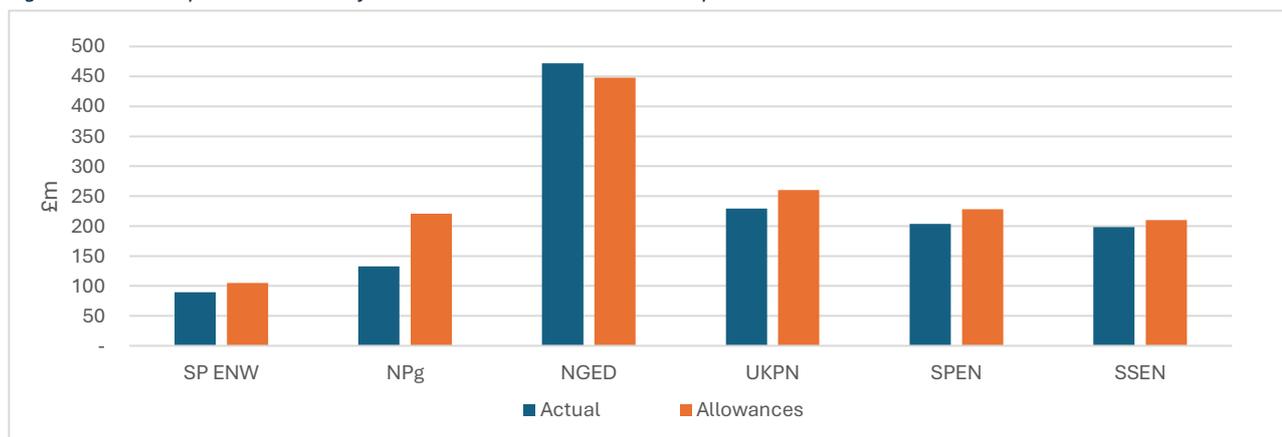
Table 17: Non-load related expenditure against allowances (cumulative and RIIO-ED2 forecast)

£m, 2020-21 prices	Cumulative Allowance	Cumulative Expenditure	Performance (£m)	Performance (%)	ED2 Allowance	ED2 Forecast	Performance (£m)	Performance (%)
SP ENW	214	185	-29	-14%	566	537	-29	-5%
NPg	331	225	-106	-32%	862	803	-59	-7%
NGED	714	623	-91	-13%	1,838	1,685	-152	-8%
UKPN	515	431	-83	-16%	1,280	1,053	-227	-18%
SPEN	437	393	-45	-10%	1,157	1,090	-67	-6%
SSEN	406	391	-15	-4%	1,467	1,401	-66	-4%
<b>Total</b>	<b>2,616</b>	<b>2,247</b>	<b>-369</b>	<b>-14%</b>	<b>7,170</b>	<b>6,570</b>	<b>-600</b>	<b>-8%</b>

At the end of Year 2, non-load-related capex spend is **£2,247m**, which is **£369m (14%)** below allowances. All DNOs report underspends, with NPg showing the largest variance of **£106m (32%)** and SSEN reporting the closest delivery to baseline at **£15m (4%)**. Across the full RIIO-ED2 period, non-load expenditure is forecast to remain below allowances, with a projected underspend of **£600m (8%)**, although some recovery is expected in later years as programmes accelerate.

### Asset Replacement and Refurbishment

Figure 24: Asset replacement and refurbishment - Cumulative Actual Expenditure vs Allowance



Asset replacement and refurbishment remains the largest contributor to the underspend. Delivery has been delayed by rephasing into later years, supply chain constraints, and extended lead times for critical assets such as EHV and 132kV transformers. **Rising material costs** and strategic planning to prepare for ED3 have also influenced spend profiles. The **PCB removal** compliance deadline has dominated overhead line resources during the first two years of RIIO-ED2, with completion materially expected by December 2025, freeing capacity for other priority work.

An overview of company performance is provided below:

- SP ENW** remains **£15.9m (15%)** below allowances after two years, reflecting a planned delivery profile. Year 1 was primarily a mobilisation year, with spend expected to ramp up in Year 2. The programme is still on track to meet RIIO-ED2 commitments, but delivery is heavily weighted towards the latter part of the price control. This rephasing poses a risk to timely delivery and RIIO-ED2 NARMS if delays persist, though targets are forecast to be achieved.

- **NPg** currently shows the largest variance, with an **£87.9m (40%)** underspend to date and a forecast shortfall of **£63.9m (11%)** by the end of RIIO-ED2. Delivery of NARM commitments is now heavily back-end loaded, creating a significant risk that requires close monitoring. The underspend is driven by contract transitions, supply chain delays, and the deferral of HV overhead line rebuilds to prioritise PCB transformer replacement. Additional pressures include the impact of Storm Éowyn, labour shortages in the overhead line sector, and global demand for wood poles linked to accelerated decarbonisation. Costs have also surged, with 132kV transformer prices increasing by 230%. NPg has introduced a pole support programme in NPgY, with plans to expand to NPgN in 2025-26, but despite these mitigations, and with the lowest delivery in the NARMs category (**22%**), this remains the most material underspend across all companies and warrants ongoing monitoring to avoid RIIO-ED2 delivery risks.
- **NGED** is the only DNO currently reporting an overspend in asset replacement and refurbishment, at **£24m (5%)**. They state this is largely due to an automated prioritisation process, enabling dynamic portfolio adjustments within procurement constraints. Delivery remains on track, supported by automated NARMs prioritisation, and while category-level volumes have fluctuated, NGED forecasts align with RIIO-ED2 targets. Notably, NGED has delivered the highest NARM output so far in RIIO-ED2 (**36%**), demonstrating strong resilience in managing cost pressures and navigating supply chain challenges.
- **UKPN** reported a **£30.8m (12%)** underspend in asset replacement and refurbishment, primarily driven by efficiency measures such as pole pinning rather than full pole replacement. PCB transformer replacement is being delivered alongside reinforcement activities, which helps offset the apparent underspend. Around £43.3m of non-load underspend is expected to be utilised later in RIIO-ED2 across asset replacement and other categories. While this approach supports cost efficiency, the back-end loading of delivery introduces risk that will require continued oversight. With only 28% of NARM outputs delivered to date, progress will need to be closely monitored to ensure RIIO-ED2 commitments are met.
- **SPEN** currently reports a **£24.6m (11%)** underspend, though spend has increased notably in 2024-25, supported by improved service partner performance and supply chain recovery. Overhead line modernisation is slightly behind plan due to contractor shortages, but mitigation measures - such as new contracts, overseas recruitment, and workforce expansion - are in place. In SPMW, capacity constraints in the OHL market remain a challenge. To mitigate this, SPEN have partnered with colleges and OHL suppliers, producing a significant number of graduates, strengthening long-term delivery capability. With only 28% of NARM outputs delivered to date, progress will need to be closely monitored to ensure RIIO-ED2 commitments are met.
- **SSEN** is underspent by **£12.0m (6%)** and has adopted a strategy of early plant procurement to mitigate lead-time risks and secure delivery for later years. While spend profiles remain uneven, this approach is intended to de-risk delays and maintain NARM alignment. SSEH is performing strongly, supported by the Whole Circuit Approach, whereas SSES continues to show an underspend, with increasing delivery anticipated in the second half of the price control through new delivery models and revised contracting arrangements. This is reflected in NARM progress, where only 24% of outputs have been delivered in SSES compared to 51% in SSEH. We will continue to monitor SSES delivery to ensure RIIO-ED2 commitments are met.

## Network Operating Costs (NOCs) expenditure

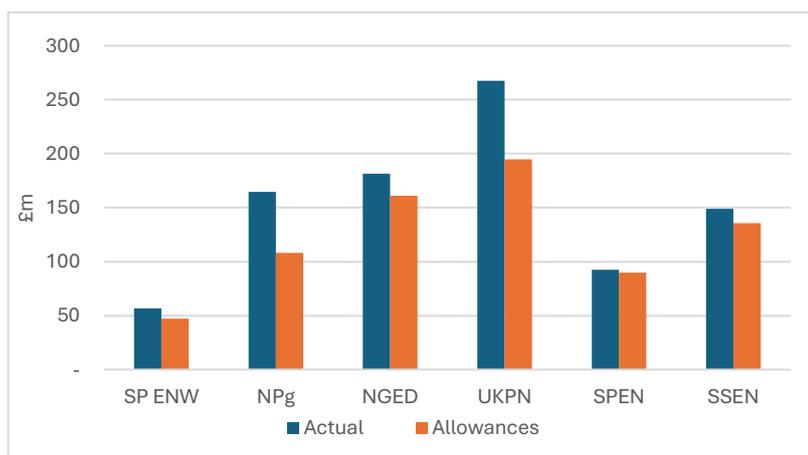
Table 18: NOCs expenditure against allowances (cumulative and RIIO-ED2 forecast)

£m, 2020-21 prices	Cumulative Allowance	Cumulative Expenditure	Performance (£m)	Performance (%)	ED2 Allowance	ED2 Forecast	Performance (£m)	Performance (%)
SP ENW	115	122	7	6%	280	300	20	7%
NPg	212	280	68	32%	534	633	99	19%
NGED	417	419	2	0%	985	991	6	1%
UKPN	416	477	62	15%	1,002	1,149	146	15%
SPEN	209	222	13	6%	481	534	53	11%
SSEN	287	289	1	0%	652	695	43	7%
<b>Total</b>	<b>1,656</b>	<b>1,809</b>	<b>153</b>	<b>9%</b>	<b>3,934</b>	<b>4,302</b>	<b>368</b>	<b>9%</b>

The NOCs category has a cumulative overspend of **£153m (9%)** and is forecast to remain consistently overspent, reaching £368m (9%) above allowances by the end of RIIO-ED2. All DNOs forecast overspends throughout RIIO-ED2, ranging from £99m (19%) in NPg to £6m (1%) in NGED.

This is mainly driven by **faults**, which account for most cost pressures. Combined, DNOs have overspent on faults by £175m (24%) and are forecast to reach £289m (16%) by the end of RIIO-ED2 (the highest forecasted overspend being UKPN at 32%). The key drivers are:

Figure 25: Faults - Cumulative Actual Expenditure vs Allowance



- **Severe weather events**, including multiple named storms such as Storm Darragh and Éowyn, significantly increasing fault volumes and restoration costs across all DNOs.
- **Additional costs** for generator deployment and preparation for severe weather events.
- **Rising contractor rates** and higher cable costs contributed to overspends.
- **Challenging CI/CML targets** and severe weather thresholds.

Another component of NOC expenditure is **Tree cutting**. Current overspends are projected to rise to £23m (4%) by the end of RIIO-ED2, with significant variation in approach and cost outcomes across DNOs:

- NPg has the largest overspend (£14m; 77%) to date, forecast £25m (56%) by RIIO-ED2 close, which is driven by an intensive programme in NPgY targeting high tree density areas.
- SPEN has a £7m (27%) overspend due to backlog clearance and resilience work aligned with ETR132/ENATS 43-8.
- SP ENW is £3m (26%) overspend following a policy change increasing inspection requirements.
- SSEN has a modest overspend of £3m (5%) linked to increased spans cut.
- NGED & UKPN have underspends of £12m (13%) and £9m (20%) to date respectively, achieved through risk-based, LiDAR-informed strategies with efficiencies expected to continue through RIIO-ED2.

This variation reflects different approaches to vegetation and storm resilience, with some DNOs spending heavily on resilience and backlog clearance while others use technology and targeted methods to control costs.

## Non-Op Capex expenditure

Table 19: Non-op Capex expenditure against allowances (cumulative and RIIO-ED2 forecast)

£m, 2020-21 prices	Cumulative Allowance	Cumulative Expenditure	Performance (£m)	Performance (%)	ED2 Allowance	ED2 Forecast	Performance (£m)	Performance (%)
SP ENW	40	27	-13	-32%	81	78	-3	-3%
NPg	52	45	-7	-13%	139	123	-16	-12%
NGED	170	115	-56	-33%	368	381	13	4%
UKPN	146	132	-14	-10%	282	224	-58	-21%
SPEN	65	49	-16	-24%	134	130	-4	-3%
SSEN	72	66	-6	-8%	173	171	-2	-1%
<b>Total</b>	<b>545</b>	<b>435</b>	<b>-110</b>	<b>-20%</b>	<b>1,176</b>	<b>1,106</b>	<b>-70</b>	<b>-6%</b>

Across all DNOs, cumulative non-operational capex expenditure to date stands at **£435m**, which is **£110m (20%)** below the combined allowance of **£545m**. While this represents a significant underspend, the forecast for the full RIIO-ED2 period shows some recovery, with total spend expected to reach **£1,106m** against an allowance of **£1,176m** – an underspend of **£70m (6%)**. The narrowing of the gap compared to last year’s forecast indicates progress, although delivery remains behind the expected profile.

An overview of company performance is provided below:

- **SP ENW** has spent £27m compared to an allowance of £40m, a **32%** underspend driven mainly by timing and rephasing of IT upgrades to prioritise CAF implementation, alongside minor efficiencies in property costs and delays in vehicle deliveries. The company expects to catch up later in RIIO-ED2, forecasting £78m against an allowance of £81m.
- **NPg** is **13%** below allowance, with £45m spent versus £52m allowed. While IT investment is accelerating through its RIIO-ED2 IT Transformation Programme, supply chain delays have slowed vehicle purchases. NPg forecasts a 12% underspend by the end of RIIO-ED2.
- **NGED** shows the largest current gap, spending £115m against £170m allowance (**33% below**). However, this is attributed to rephasing, and NGED expects to overspend by 4% by RIIO-ED2 close, driven by mobilisation of its IT transformation plan and a significant ramp-up in vehicle investment – fleet spend rose from £13m in 2023-24 to £30m in 2024-25.
- **UKPN** has spent £132m against allowances of £146m (**10% under**), mainly due to IT underspend, partially offset by higher vehicle purchases in late 2024-25. Their RIIO-ED2 forecast shows highest underspend (21%), driven primarily by IT&T as deliverables have been re-prioritised in period.
- **SPEN** is **24% below** allowance to date, reflecting rephased IT programmes and paused property projects pending cyber and building strategy reviews. Vehicle investment has also been deferred, though SPEN expects to recover most of this later, forecasting only a 3% shortfall by RIIO-ED2 end.
- **SSEN** is closest to their allowances, with an **8% underspend** so far and a forecast just 1% below allowance, indicating strong alignment with its investment profile.

Common themes across DNOs include rephasing of IT and property programmes, supply chain delays impacting vehicle deliveries, and strategic reviews influencing timing of spend. While NGED is set to exceed allowances and SSEN remains on track, others – particularly UKPN and NPg – anticipate continued underspend, largely driven by IT&T categories.

## Closely Associated Indirects (CAI) expenditure

Table 20: CAI expenditure against allowances (cumulative and RIIO-ED2 forecast)

£m, 2020-21 prices	Cumulative Allowance	Cumulative Expenditure	Performance (£m)	Performance (%)	ED2 Allowance	ED2 Forecast	Performance (£m)	Performance (%)
SP ENW	137	126	-11	-8%	359	346	-13	-4%
NPg	212	160	-52	-24%	533	425	-108	-20%
NGED	428	473	44	10%	1,053	1,065	12	1%
UKPN	434	438	4	1%	1,011	1,088	77	8%
SPEN	226	221	-6	-3%	574	561	-12	-2%
SSEN	300	348	48	16%	799	889	90	11%
<b>Total</b>	<b>1,737</b>	<b>1,765</b>	<b>28</b>	<b>2%</b>	<b>4,328</b>	<b>4,374</b>	<b>46</b>	<b>1%</b>

Across all DNOs, cumulative CAI expenditure to date is **£1,765m**, which is **£28m (2%)** above the combined allowance of **£1,737m**. This marks a shift from last year's underspend, with overall performance now slightly above allowances. For the full RIIO-ED2 period, DNOs forecast **£4,374m** against an allowance of **£4,328m**, a modest overspend of **£46m (1%)**.

An overview of company performance is provided below:

- SP ENW** remains below allowance, spending £126m against £137m (**8% under**), largely due to delays in capital programmes during early RIIO-ED2 and efficiencies in training and wayleave costs. Increased repairs and short-term vehicle hires have added pressure due to delayed fleet renewals, while CLASS service activities have driven additional costs outside allowances. SP ENW forecasts a 4% underspend by the end of RIIO-ED2.
- NPg** shows the largest underspend, with £160m spent versus £212m allowance (**24% under**). Despite scaling resources to support capital delivery and adding around 220 new roles, recruitment challenges and strong cost control have kept costs low. NPg expects this trend to continue, forecasting a 20% underspend for RIIO-ED2, using CAI efficiencies to balance Totex.
- NGED** has an overspend, reporting £473m against £428m allowance (**10% over**). This reflects investment in operational model changes, training, and fleet pressures, alongside behavioural safety programmes and new training facilities. NGED forecasts a slight overspend of 1% for RIIO-ED2, anticipating efficiencies later through its transformation programme.
- UKPN** is broadly aligned with allowances, spending £438m against £434m (**1% over**). Overspend is driven by investment in workforce training and challenges in electrifying its fleet, which increased leasing and fuel costs. UKPN forecasts an 8% overspend by RIIO-ED2 end, citing continued investment in people and operational readiness for Net Zero.
- SPEN** is slightly below allowance, spending £221m versus £226m (**3% under**). Recruitment volatility in Scotland has reduced staff and training costs, though wage growth and pension pressures remain. SPEN forecasts a 2% underspend for ED2, reflecting ongoing cost pressures balanced by efficiencies.
- SSEN** reports the largest overspend, with £348m against £300m allowance (**16% over**). This is driven by immersive safety training roll-out and increased overheads linked to rising capex delivery and regulatory requirements. SSEN forecasts an 11% overspend for RIIO-ED2, though expects transformation initiatives to offset some costs in later years.

## Business Support Costs (BSC) expenditure

Table 21: BSC expenditure against allowances (cumulative and RIIO-ED2 forecast)

£m, 2020-21 prices	Cumulative Allowance	Cumulative Expenditure	Performance (£m)	Performance (%)	ED2 Allowance	ED2 Forecast	Performance (£m)	Performance (%)
SP ENW	81	92	11	13%	209	227	18	9%
NPg	112	104	-8	-7%	287	286	0	0%
NGED	226	237	11	5%	562	610	48	9%
UKPN	183	175	-8	-4%	450	442	-8	-2%
SPEN	113	138	25	22%	270	352	83	31%
SSEN	154	165	11	7%	396	452	56	14%
<b>Total</b>	<b>868</b>	<b>910</b>	<b>42</b>	<b>5%</b>	<b>2,173</b>	<b>2,369</b>	<b>196</b>	<b>9%</b>

Across all DNOs, cumulative BSC expenditure to date is £910m, which is **£42m (5%)** above the combined allowance of **£868m**. This represents a shift from last year's position where overall spend was broadly in line with allowances. For the full RIIO-ED2 period, DNOs forecast £2,369m against an allowance of £2,173m, an overspend of £196m (9%). This indicates sustained upward pressure on business support costs, driven by IT investment, cyber resilience, and transformation activities.

- **SP ENW** has spent £92m against an allowance of £81m (**13% over**), reflecting increased costs in developing commercial services to support a larger capital programme and higher-than-expected inflationary impacts on audit fees. IT spend has been prioritised to meet Cyber Assessment Framework compliance, with other cyber initiatives rephased into later years. SP ENW forecasts a 9% overspend by the end of RIIO-ED2.
- **NPg** has the biggest underspend, spending £104m versus £112m allowance (**7% under**). While IT costs are rising due to data and digitalisation programmes and cyber resilience plans, cost control and internal savings have kept overall spend aligned with allowances. NPg forecasts to remain broadly on target for RIIO-ED2.
- **NGED** reports £237m against £226m allowance (**5% over**), driven by operational model changes and IT strategy mobilisation. NGED forecasts a 9% overspend for RIIO-ED2, though expects efficiencies later through its transformation programme.
- **UKPN** has underspent slightly, with £175m versus £183m allowance (**4% under**). While additional investment has been made in property refurbishment and initiatives for PSR and vulnerability support, overall costs remain effectively controlled. UKPN forecasts a modest 2% underspend by RIIO-ED2 end.
- **SPEN** has the highest variance in BSCs, spending £138m against an allowance of £113m (**22% over**). This overspend is driven by major investment in IT security tools, disaster recovery solutions, and infrastructure upgrades to strengthen cyber resilience. Looking ahead, SPEN forecasts a significant 31% overspend for RIIO-ED2, indicating persistent challenges in managing BSC costs effectively.
- **SSEN** has spent £165m versus £154m allowance (**7% over**), driven in part by contractor costs linked to transformation activities, business plan development for ED3, and regulatory re-opener processes. SSEN forecasts a 14% overspend for RIIO-ED2, though expects efficiencies later as transformation outputs materialise.

## Appendix 1 – List of DNO Groups and Corresponding DNOs

DNO Group	DNO
SP Electricity North West (SP ENW)	SP Electricity North West (SP ENW)
Northern Powergrid (NPg)	Northern Powergrid Northeast (NPgN)
Northern Powergrid (NPg)	Northern Powergrid Yorkshire (NPgY)
National Grid Electricity Distribution (NGED)	National Grid Electricity Distribution East Midlands (EMID)
National Grid Electricity Distribution (NGED)	National Grid Electricity Distribution West Midlands (WMID)
National Grid Electricity Distribution (NGED)	National Grid Electricity Distribution South Wales (SWALES)
National Grid Electricity Distribution (NGED)	National Grid Electricity Distribution South West (SWEST)
UK Power Networks (UKPN)	Eastern Power Networks (EPN)
UK Power Networks (UKPN)	London Power Networks (LPN)
UK Power Networks (UKPN)	South Eastern Power Networks (SPN)
SP Energy Networks (SPEN)	SP Distribution (SPD)
SP Energy Networks (SPEN)	SP Manweb (SPMW)
Scottish and Southern Electricity Networks (SSEN)	Scottish Hydro Electric Power Distribution (SSEH)
Scottish and Southern Electricity Networks (SSEN)	Southern Electric Power Distribution (SSES)

