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# FINAL Response | Ofgem | ED3 Sector Specific Methodology Consultation

## 3 DECEMBER 2025

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### **Context**

ADE: Demand welcomes the opportunity to respond to Ofgem's consultation on the ED3 Sector Specific Methodology.

Our vision, and what ADE: Demand exists to make happen, is no less than a complete re-imagining of the role of demand in our energy system so that:

1. Demand is given equal consideration to generation.
2. Every household, commercial business and industrial site has a commercially viable path to decarbonisation.
3. It is recognised that energy users and their assets have a day job – they shouldn't have to work around the energy system, the energy system should work around them.
4. Millions of users with automated energy provision can play a major part in keeping the lights on.

### **ADE: Demand Response**

Broadly, while we believe that there are benefits to refining the role of the DSOs and implementing further accountability measures for the DNOs during ED3, we are disappointed to see that the messaging around flexibility continues to be negative and contradictory. ADE: Demand has strongly opposed Ofgem's position on consumer-led flexibility (CLF) in ED3, and while we are supportive of further network build and reinforcement, we are concerned with the shortsightedness of the approach detailed in this consultation. Ofgem is proposing a seemingly unrestricted blank cheque to DNOs to validate the network reinforcement, while not adequately addressing how costs will continue to rise for consumers or what can be done to reduce costs. Alongside last week's announcement that the Price Cap will rise 0.2% for the period 1 January – 31 March 2026, we cannot see how the SSMC is looking at how to keep consumers central to their decision making. The emphasis that CLF is a tool that DNOs will use to justify deferring network investment is both incorrect and harmful to the perception of the sector. This decision from Ofgem has the ability to substantially impact consumers bills and harm future investment for network reinforcement by taking away the incentive to use flexibility to provide stability and assurance of supply to consumers at both the domestic and non-domestic levels.

In parallel, we have significant concerns about the inputs and approach to spatial planning in ED3. It is critical that industrial consumers, particularly those operating in dispersed sites, are accurately represented in network planning and have fair access to timely, transparent, and cost-effective grid connections. Delays and high connections costs have posed significant barriers to industrials seeking to decarbonise. While Ofgem's proposal to complement major connection incentives with penalties for non-compliance is a step toward reducing delays, it does not address the deeper systemic issues that shape DNO decision-making. For instance, critical inputs to DNO investment planning such as tRESP rely on narrow or incomplete data sets, this integration risks baking in distorted assumptions. The exclusion

of local data and industrial decarbonisation projects from tRESP's demand modelling undermines its reliability and may misguide DNOs on the timing, scale, and nature of required investment—ultimately disadvantaging industrial users who already face significant barriers to electrification.

What is missing from Ofgem's proposals is a clear and robust plan for improving transparency, consistency, and data quality across the connections process. Ofgem's claim that existing MCCSS and MCAR mechanisms have "delivered satisfactory outcomes" overlooks persistent issues experienced by industry: opaque connection offers, variable treatment between DNOs, and limited visibility of network headroom. Similarly, Ofgem's reluctance to incentivise the use of flexibility in larger connections ignores flexibility's value in reducing reinforcement needs and preventing unnecessary network overbuild. Without measures to mandate more granular data publication, standardise processes, and enhance DNO-NESO coordination, these systemic inefficiencies will persist, particularly for industrial decarbonisation projects whose connection experiences remain highly inconsistent and poorly explained. The SSM should therefore include a strengthened and comprehensive connections incentive, modelled on the successful ED2 DSO incentive, to drive real reform. This should encompass mandatory publication of detailed connection and headroom data (similar to C31E), standardised timelines and methodologies for producing connection offers, clearer justification of quoted costs and dates, and formal requirements for coordination between NESO and DNOs.

Finally, we are concerned that this consultation is seeking to reintroduce elements of CLASS through the voltage management (VM) proposals. The benefits of having greater oversight on voltage management and implementing options like low voltage on LV networks, which has well documented and proven cost savings and consumption reduction, can be delivered through less monopolistic methods. The consultation provides very little detail to demonstrate the impacts or benefits of the proposals where we know that the introduction of an incentive for flexibility provision through VM and DNOs has the ability to flatten provider and market incentives. The potential impacts of CLASS were discussed during both ED1 and ED2, and we are very surprised to see a similar proposal being introduced for a third time.

### **Long-term integrated network development plans**

#### **Q1.What are your views on our regulatory guiding principles that will inform the development of accountable investment planning and delivery?**

No comment.

#### **Q2.Are the proposed objectives for the long-term integrated network development plans appropriate?**

We believe that proposed objectives are appropriate and in particular believe that the objectives do not inhibit investment into consumer-led flexibility (CLF), as they are seeking DNOs to consider "a holistic and long-term view of network needs across multiple price control periods" and "coordinate network interventions to realise efficient delivery and identify innovation opportunities". These objectives can be advanced and supported by CLF and its ongoing benefits to the network and network planning.

**Q3.What are your views on proposed structure and contents of the plan?**

The proposed structure of the plan clearly ties in the proposed objectives and follows a similar outline to previous iterations. We believe that the structure is sufficient for the DNOs to supply the intended information and embed the long-term investment strategies that are expected within ED3.

**Q4.Do you agree with the proposed use of tRESP outputs in DNOs' network impact assessments?**

tRESP is listed as a critical input to DNO planning, set to inform DNO timing and scale of investment, modelling, cost-assessments, and business plans. Ofgem wants to ensure that through tRESP “DNOs are integrating a range of investment drivers across load, asset health, climate resilience and environmental goals, to deliver long-term system needs spanning the next 25 years.” However, we have significant concerns about the validity of tRESP projections, particularly regarding how demand is currently represented in tRESP’s data collection and engagement processes. tRESP relies heavily on Future Energy Scenarios and DNO data sets for quantitative inputs, while explicitly excluding local data sets that are essential for accurately reflecting regional demand patterns. The exclusion of industrial decarbonisation projects from demand data further limits accuracy and may lead to tRESP misrepresenting demand needs to DNO’s investment planning. Without improvements to the quality and representativeness of its inputs, the approach of integrating strategies through the SSM risks compounding misleading investment calculations based on inaccurate or incomplete data, limiting its effectiveness in guiding long-term DNO decisions. We strongly question the credibility and validity the tRESP will have based on the most recent NESO consultation.

**Q5.What are your views on the guidelines for proactive investment decision-making across all DNOs?**

We do not believe that the rationale laid out for proactive decision-making will lead to a more dynamic and adaptable investment plan. Ofgem have failed to present a proposal that presents enough evidence to show that there will be a level of standardisation amongst DNOs, or a guideline that can be easily replicated for a fair playing field across the DNOs. As well, recognising that the intended opportunities will likely be outside the primary scope of network build and reinforcement we believe it would be of greater benefit to reorientate the proposal to re-introduce CLF as a consideration for DNOs in the guidelines where it can be highlighted as a tool to achieve the elements of the observed indicators (ie. working around future constraints or connection delays) and support planning for expected network needs.

**Q6.Do you agree that LV network reinforcement and unlooping of legacy service connections are suitable areas for a programmatic, area-based approach in ED3? Why or why not?**

At this time we do not believe there to be an obvious unintended consequence of a programmatic, area-based approach to LV network reinforcement. Regardless of what decision is made we believe that the DSOs need to be given the opportunity and support to determine the best option for their network whilst considering what the final cost to consumers will be.

**Q7.What are your views on the need for national consistency in the delivery of proactive unlooping programmes?**

We support a more streamlined and targeted programme for unlooping. It is in the best interest of the DNOs, and the Delivery Partners, to eliminate as many obstacles as they can that reduce consumer autonomy, have a negative impact on consumer bills or limit electrification. Establishing a proactive programme will also likely lead to a more cost-effective approach, as long as it is consistently delivered and data-driven, and the programme can enable an environment of ongoing improvements, such as energy efficiency measures.

### **Strengthening delivery accountability**

#### **Q8. What are your views on high-level delivery accountability options and their respective strengths and limitations?**

We support the inclusion of a strong delivery accountability mechanism for DNOs during ED3, and we agree that it needs to be proportionate to the intended scale of investment, have accountability measurements that clearly align with their investment plans and outlines consequences for those that under-deliver. Across the three options we are conscious that the positive aspects do not outweigh the negatives of each and we do not believe one option will perform better than the others. Our understanding of the options is as follows:

- The positive outcomes associated with Price Control Deliverables (PCDs) are due to the strong alignment with the tRESP and ED3 investment plan interventions, but it is not as easily adaptable over the period.
- The positive outcomes associated with the Output-based metrics option are due to the inherent flexibility and suitability to address changing needs within the system. But its overall effectiveness is contingent on the relevance and quality of the final metric's focus and design.
- The positive outcomes associated with Volume-based measures are due to the broad ease of alignment with the ED3 plan, however it raises the possibility of a too narrow measurement.

#### **Q9. Should delivery accountability mechanisms prioritise certainty over flexibility when funding low-regret, proactive investments aligned with strategic value decarbonisation and growth goals?**

While in principle and given changing circumstances, flexibility should be prioritised, the phrase "low-regret, proactive investments aligned with strategic value decarbonisation and growth goals" is so vague as to actual meaning that it seems almost anything could be justified by this standard. Rigidity in a rapidly changing landscape is not helpful for anyone. Equally, given the opacity, lack of standardisation, and unpredictability of DNO actions to date, especially in relation to connections, it does not seem advisable to have amorphous standards for network spend.

#### **Q10. Are additional delivery incentives needed, or can a combination of accountability mechanisms and output-based incentives sufficiently ensure delivery performance?**

Given the success of the DSO incentive in ED2, we believe a similar incentive should be introduced for connections reform, driving greater clarity, consistency, and certainty. Industry has consistently reported that connections offers, especially for industrial decarbonisation projects, are arbitrary, opaque and very often lacking in any real explanation. The same political and regulatory weight that has been levelled at NESO connections reform now needs to be filtered down to the distribution system. Greater data

provision by DNOs (akin to C31E), standardised timelines for making connections offers, proper explanations as to how the offer price/date was arrived at and mandating better collaboration and coordination between NESO and DNOs are all facets that should be explored in a connections incentive.

### **Adapting for additional investment needs during the ED3 period**

#### **Q11. What are your views on the assessment of the adaptability mechanisms, and should additional criteria be included?**

No comment.

#### **Q12. How could the adaptability options be refined or combined to better support timely and strategic investment during ED3?**

No comment.

#### **Q13. How can adaptability mechanisms be designed to ensure DNOs respond quickly to new network needs while maintaining transparency, accountability and value for money?**

No comment.

#### **Q14. What are your views on the proposed timing of the RESP reopener windows in years 2 and 4 of ED3?**

No comment.

### **Conceptual models for ED3 delivery**

#### **Q15. What are your views on the combination of mechanisms presented in the two conceptual models? Do they effectively illustrate how different regulatory tools could be packaged to support strategic delivery in ED3?**

No comment.

#### **Q16. In the context of ED3, do you consider that we should put more emphasis on Plan and Adapt or Plan and Deliver – to be more appropriate for achieving the guiding principles set out in Paragraph 3.5? Please explain your reasoning.**

We agree that there are merits to both options and would benefit from further detail from Ofgem on the models and how they expect them to be utilised. In lieu of further detail, we would be supportive of the intended benefits of “Plan and Adapt” in that it is more likely to recognise the uncertainty that DNOs deal with, and would better enable them to prioritise, adapt and utilise increased smart and flexible options.

#### **Q17. Are there additional mechanisms or combinations of mechanisms that should be considered to better support strategic, accountable, and adaptable delivery in ED3? If so, how might they complement or improve upon the models presented?**

No comment.

## Connections

### Redefining connection types

**Q18. Do you agree that the connection types of 'minor' and 'major' should be redefined? If so, do you have thoughts on how they should be redefined, via voltage works required, customer type, a blend of the two, or a split not considered here?**

Yes, we agree that the current definitions of "minor" and "major" connections should be re-evaluated. Classifying connections on the basis of maximum import or potential export capacity fails to capture how many customers now actively manage their demand and generation through on-site assets, colocated technologies, or flexible operation. These arrangements can significantly reduce reliance on the wider network and alter the real impact a site has on local capacity and reinforcement needs. A more sophisticated approach is needed to ensure that customers who use colocated assets or flexible operation to lower their reliance on the grid are assessed more accurately and not penalised by overly simplistic categories.

**Q19. Do you have views or suggestions on how redefining connection types, with potentially more types being introduced, will be able to be operationalised at this level of granularity? See Paragraph 4.18.**

No comment.

### Incentives for smaller connections

**Q20. Do you agree with our proposal for LCT connections and their associated enabling works to be brought into the connections scope and incentivised, with the potential to set varying working day targets for different connection activities? Why?**

Yes we agree.

**Q21. Do you agree the incentive should be reward and penalty (as per the RIIO-ED2 minor connections incentive)? Why?**

Yes we agree.

**Q22. Do you think any LCT connection incentive should be for domestic, non-domestic, or both? Why?**

As above (Q.10), we do not agree that a connections incentive should be limited to LCTs. As per the findings of DESNZ's industrial electrification call for input, connections and the cost of electricity are the single biggest barriers to industrial electrification outside of clusters which account for 50% of industrial emissions in this country. Without radical reform to distribution connections for sites of all sizes and at all voltage levels, we are abandoning rural industry, leaving billions of investment on the table and putting up to 1.4m jobs at risk. The fact that this is not addressed head on in the SSMC is frankly quite startling.

**Q23. Notwithstanding the proposals we have set out under 'Redefining Connections Types', do you have alternative proposals for what DNOs need to do to speed up connection times for LCTs,**

**and what incentives (other than those we have discussed in this chapter, obligations and/or funding may be required to support this? (chapter 4)**

See questions 10, 18 and 22.

### **Incentive for larger connections**

**Q24. Do you agree changes should be made to the MCCSS to increase participation and better reflect the customer journey? If so, what changes do you think are required and why?**

There is not enough detail on improving data transparency for connections or headroom beyond minor changes to the existing survey processes and mechanisms of the Major Connections Incentive (the MCCSS and the MCAR) from RIIO-ED2 for ED3, as they claim it “delivered satisfactory outcomes.” ADE: Demand questions this success and is very concerned that without a detailed plan requiring new forms of data to be published regarding connections or headroom, there will continue to be inconsistencies between DNOs and inadequate transparency. As industry representatives, we have not considered the MCCSS a success or to have drastically changed the outlook for industrial sites.

**Q25. Do you agree with the proposals we have set out for changing the incentives for the RMS for the MCCSS for the purposes of encouraging faster and more transparent connections and improving the quality of offers and post-offer services provided by DNOs? If not, what other proposals do you suggest?**

No comment.

**Q26. Do you think we should financially incentivise the TTC metric in order to accelerate connections and achieve the right outcomes? Are there other changes we should consider? How would any change sit alongside the current incentives?**

ADE: Demand welcomes a financially incentivised TTC metric to accelerate connections and is in firm support.

**Q27. Do you see value in incentivising SLAs/minimum standards? How should it be done and are there any associated risks or impacts?**

ADE: Demand welcomes Ofgem’s proposal that incentives on major connections be supplemented by applying penalties to non-compliance with minimum standards/Service Level Agreements that are considered under the end-to-end connections review. This will help reduce DNO delays on connections.

**Q28. Do you agree that we should not pursue the options we have set out that we would not consider further, ie incentivising flexibility and the SO:TO incentive? Why?**

ADE: Demand supports the inclusion of the incentivising flexibility and the SO:TO options. We are very disappointed to see that Ofgem is sidelining the proposed incentive for the use of flexibility in larger grid connections out of concern that “flexibility could be prioritised at the expense of network build.” While we support further network build and reinforcement, we are concerned about the shortsightedness of this approach and the very likely impact that this will have on consumer bills. ADE Demand believes that underutilising flexibility in network planning could result in over-build of the network, creating inefficiencies and adding unnecessary costs to consumers. We see Ofgem’s view “that the proposals described above should motivate DNOs to explore innovative ways to speed up the



process, and that therefore no additional connections incentive is required," as a weak justification to not pursue important options further.

**Q29. Notwithstanding the proposals we have set out under 'Redefining Connection Types', do you have alternative proposals for how to incentivise timely connections and improve the quality of service for larger connections?**

See question 10 above. ADE: Demand reaffirms that accountability for delays (through penalties) is critical to improving timeliness and quality of connections at.

**Broad Measure of Customer Service**

**Q30. Do you agree with removing the 'Connections Survey' and the LCT related elements from the 'General Enquiries Survey' from the CSS part of the BMCS and putting this into the new smaller connections incentive? Why?**

We agree with moving the 'Connections Survey' into a separate connections incentive survey. This change makes sense as it would bring together all elements around connections into one survey.

**Q31. Do you agree that the remaining surveys under the BMCS CSS then be split between 'Planned Interruptions', 'Unplanned Interruptions' and 'General Enquiries'? Why?**

Yes we agree.

**Q32. Do you agree with the proposal to also report on and incentivise PSR vs Non-PSR survey results for each interruptions survey? Why?**

We can see the merit in this proposal as long as the intended customers (those living in vulnerable circumstances) are treated fairly and given the services they are seeking, and this incentive does not become a 'tick-box' exercise.

**Q33. Do you have a view on what weightings should be applied to the different surveys now proposed for the CSS part of the BMCS? Why?**

We do not have a specific view on what weightings should be applied.

**Q34. Do you agree the CSS part of the BMCS should remain a penalty and reward incentive? Why?**

We support maintaining the penalty and reward incentive as this appears to support high levels of customer service.

**Q35. Do you agree with our proposals to retain the complaints metric as a penalty-only incentive and to leave the weightings applied to each category unchanged? Why?**

We agree with the decision to continue to use the complaints metric as is, and use it to assist in monitoring DNO performance.

**Q36. Do you agree with our decision not to take forward the proposals set out in 'options considered but not proposed'? Why?**

We agree with the decision to not continue with these options as they do not appear to be sufficient to meet the intended outcomes.



## Consumer vulnerability

**Q37. What is your view on the PSR Reach metric and whether this should form part of the AVR as a reputational incentive? If we were to continue this metric as a financial incentive, do you think it should continue as a reward/penalty or penalty only and should we change the weighting?**

No comment.

**Q38. What are your views on the Social Value metric and the CSS elements of the CVI incentive. Are there any areas you think we should amend or adapt for ED3?**

No comment.

**Q39. Do you think the targets for the CVI metrics should be made common across DNOs? Why?**

No comment.

**Q40. Do you think the AVR should be carried forward as an ODI-R to ED3, and why? If it is carried forward, are there any changes you think should be made to the structure and content?**

No comment.

## Energy efficiency

**Q41. Do you have any views on our proposal for DNOs to play a bigger role in the delivery of energy efficiency and low carbon measures?**

We would emphasise that by introducing a role for DNOs to have greater influence in delivering energy efficiency and low carbon measures threatens to shift them into a monopolistic position. To meet the individual targets that each DNO will be required to set and follow, they will need to be more hands on in the rollout of low carbon technologies, which could lead to the disincentivisation of retail market actors, and reduce consumer choice and autonomy.

## Environmental framework

**Q42. How should the EAP baseline expectations be revised to drive improved environmental outcomes in ED3 and beyond?**

No comment.

**Q43. What criteria should be prioritised in a structured evaluation of DNOs' EAP for ED3?**

No comment.

**Q44. Is the proposed approach to SF<sub>6</sub> - focusing on reducing both absolute emissions and the total SF bank - appropriate and proportionate?**

No comment.

**Q45. Do you think we should introduce a specific mechanism to hold DNOs to account for delivering on their Fluid Filled Cables reduction targets? If so, what should this take the form of?**

No comment.

**Q46. How can tools like the AER and PCDs be used to strengthen delivery and accountability of the EAPs in ED3?**

No comment.

**Consumer voice/research**

**Q47. Do you have any comments on the proposed guidance on consumer research set out in Appendix 3?**

No comment.

**Enhanced stakeholder engagement (Independent Stakeholder Groups and guidance)**

**Q48. Do you have any comments on the proposed ISG guidance as set out in Appendix 4?**

The proposed ISG guidance is adequate to meet the scope of the ISG's. In particular the separation of responsibilities when looking at financial or cyber security concerns.

**Accountability for consumer outcomes**

**Q49. Do you agree with our proposal to retain and adapt SLC50 Business Plan Commitment Reporting? Do you have suggestions for how the reporting should evolve?**

We agree with the proposal.

**Q50. Do you agree that we should proceed with the development of a Consumer Value Framework for ED3 and if so, do you agree with the principles set out above as the basis for developing a CVF?**

We agree that there is merit in developing a Consumer Value Framework. The principles, if executed correctly, would mean that the CVF bridges a gap in the overall communication of DNO's and their business plans. This can only work if there is consensus across the DNOs, and the framework is easy to add inputs into and simple to interpret. Any additional complexity on a tool like this will reduce its value.

**Digitalisation and data**

**Q51. Do you agree with our proposed approach on all five themes? Why?**

We agree with the proposed approach because it aligns the digitalisation themes that are at the core of digital policy in the flexibility sector. In particular, the place for the Data Sharing Infrastructure, and a specific outcome on asset visibility and dynamic asset data, which is part of the Market Facilitator scope.

**Q52. Do you agree with the need and role of the independent expert panel on interoperability? Why?**

At face value we can understand that there would be tangible benefits to having an independent panel that could map out where there is the greatest alignment and ensure the DNOs are producing data sets that are aligned and meet needs. But, we would question the cost of bringing together an expert panel, the scope of their work and the intended timescale, ie. would this become an ongoing panel, or only short-term?

Ofgem should also consider the current state of consumer-led flexibility digitalisation initiatives. The approach is difficult to navigate, with the scopes of the different working groups and committees bleeding into one another, leading to incorrect and dispersed attendance.

**Q53. Do you agree that DSAPs should include outcome-linked digital spend? Why?**

No comment.

**Innovation**

**Q54. Do you agree that we should maintain the current NIA Eligibility Criteria? Why?**

We agree.

**Q55. Do you agree with our suggested approach for assessing and setting NIA? Why?**

We think there will need to be a balance between how prescriptive the required information and detail should be and encouraging DNOs to propose innovation projects that could provide benefits to the network.

**Q56. Do you have examples of projects that weren't able to deploy in RIIO-ED2 due to the lack of funding, or that you anticipate wouldn't be able to deploy in ED3 without the extension of the Deployment Fund to cover DNOs in ED3?**

No comment.

**Q57. Do you perceive a lack of coordination and direction as an issue for the deployment of innovation in the ED sector, and do you think a similar intervention to the TID is needed to resolve this?**

No comment.

**Q58. Do you agree that further incentivisation is needed within the price control for innovation that doesn't primarily benefit networks? Do you have evidence to support this?**

No comment.

**Q59. Do you have any feedback on what kind of mechanism would best provide this incentive, while ensuring that networks are only rewarded for actual delivery of consumer or system benefit?**

No comment.

**Distribution System Operator (DSO)**

**DSO network planning**

**Q60. Do you agree with our proposed scope for the DSO's role in network planning for ED3, including leading long-term integrated development planning and enhancing forecasting? How should DSOs ensure that future iterations of these plans align with emerging strategic inputs such**

### **as the Regional Energy Strategic Plan (RESP) and Strategic Spatial Energy Plan (SSEP) when they become available?**

DSOs should use a mix of inputs, such as DESNZ strategic priorities and data, as well as RESP and SSEP to have a balanced plan. Given the current limitations of tRESP, DSOs should treat it as only one component of a broader evidence suite rather than the primary determinant of future planning. tRESP relies heavily on Future Energy Scenarios and DNO-provided datasets, while deliberately excluding local datasets that are critical for accurately reflecting regional demand variations. Its omission of industrial decarbonisation projects further undermines the accuracy of demand modelling and risks directing DNO investment planning on the basis of incomplete or distorted assumptions. Strengthening the quality and representativeness of demand inputs will be essential to avoid embedding inaccurate forecasts into the SSM framework and to support more accurate, efficient long-term investment decisions.

DSOs should use a mix of inputs, such as DESNZ strategic priorities and data, as well as RESP and SSEP to have a balanced plan. Given the current limitations of tRESP, DSOs should treat it as only one component of a broader evidence suite rather than the primary determinant of future planning. tRESP relies heavily on Future Energy Scenarios and DNO-provided datasets, while deliberately excluding local datasets that are critical for accurately reflecting regional demand variations. Its omission of industrial decarbonisation projects further undermines the accuracy of demand modelling and risks directing DNO investment planning on the basis of incomplete or distorted assumptions. Strengthening the quality and representativeness of demand inputs will be essential to avoid embedding inaccurate forecasts into the SSM framework and to support more accurate, efficient long-term investment decisions.

### **Q61. How should DSOs best coordinate with other parties (eg NESO, local authorities, iDNOs, gas networks) to deliver whole-system outcomes through network planning? Are there specific governance or data-sharing arrangements that should be strengthened?**

From our engagement with industrial stakeholders, we believe enhanced mechanisms are particularly important to ensure the effective inclusion of dispersed industrial sites, which account for a significant share of UK industrial emissions but often fall outside existing planning frameworks.

To support whole-system outcomes, we suggest Ofgem explore the following enhancements:

- **Regional coordination forums for dispersed industry:** Regional-level forums convened by DSOs could bring together local authorities, gas networks and industry to map timelines for industrial fuel switching. These would complement NESO's strategic planning role by ensuring local insights inform network development and transition timing.
- **Clarifying respective responsibilities:** We support a governance framework that distinguishes NESO's role in national-level strategic planning (particularly for major industrial clusters) from DSOs' responsibility for distribution-connected dispersed sites. Introducing formal coordination protocols for sites that may shift between voltage levels could help avoid planning gaps and duplication.

**Structured DNO-iDNO engagement:** Given the prevalence of industrial customers on iDNO networks, we encourage consideration of standardised coordination requirements. These could

include expectations around data-sharing, aligned planning cycles, and coordinated connection offers to support efficient delivery of decarbonisation solutions.

**Q62. What additional data, digital tools, or visibility improvements are needed to enable DSOs to deliver proactive, spatially targeted network planning in ED3? Please provide examples of gaps or best practices.**

We agree that data-sharing is foundational to effective coordination. In relation to industrial demand, current gaps remain material. We suggest:

- **Shared industrial site registers** maintained by DSOs, gas networks and local authorities, identifying decarbonisation readiness and likely fuel-switching pathways.
- **Structured bilateral data arrangements** capturing industrial electrification plans, flexibility potential and on-site generation, to support anticipatory network planning.
- **Regular DSO-gas network data exchanges**, focused on industrial connection enquiries and known decarbonisation drivers, to identify opportunities for cross-vector optimisation.

To support transparency and alignment with local planning, we also propose DSOs publish periodic assessments of industrial decarbonisation readiness, indicating where demand growth and network capacity may diverge geographically. Formal access to local authority planning datasets would further support timely and spatially informed investment decisions.

**Q63. How should DSOs incorporate flexibility services and connection process improvements into their network planning approach to ensure timely, efficient, and predictable connections? Should this be incentivised, and if so, how?**

DSOs should embed flexibility services and improved connection processes directly into their network planning by treating flexibility as a core accompaniment to reinforcement rather than an optional add-on, or avoiding it. This means systematically assessing how demand-side flexibility, storage, and on-site generation can release or preserve headroom, shorten connection timelines, and avoid unnecessary network build—particularly for industrial sites. To do this effectively, DSOs must work from high-quality, locally grounded data and incorporate transparent, standardised processes for forecasting, queue management, and capacity allocation. A dedicated connections incentive would drive DSOs to use flexibility proactively and deliver predictable, efficient, and well-explained connections. This incentive should require: publication of granular connection and headroom data; standardised timelines and methodologies for offers; clear justification of costs and dates; and improved NESO-DNO coordination.

**Flexibility**

**Q64. Do you agree that changes are required to the CEM tool to implement our proposed approach in ED3? Are any other changes needed?**

Yes, we agree that updates are required for the CEM tool but we do not believe that this should be jointly updated by the DNOs. This is a tool that's entire purpose is to assist the DNOs to independently review their own network planning and understand where there are financial incentives, and while their insights are beneficial, we believe that this should be managed through a collaborative approach with industry and the Market Facilitator.

But ED3 should not forego the opportunity to update the CEM tool. The methodology is no longer fit-for-purpose and does not accurately reflect the benefits and values of flexibility services, these include how demand turn up can be used to reduce curtailment, and accelerated connections. And, while we understand that ED3's position is to move away from any network deferral, that does not negate the documented and accepted benefits of flexibility on the network.

**Q65. How can we best ensure that flexible connections aren't deployed at the expense of network reinforcement?**

We believe that the premise of the question is flawed for two reasons, first that throughout this consultation flexible connections and flexibility are being conflated as the same service. And two, that the approach for DNOs utilising flexibility should not be a question of one option versus the other.

If we consider the benefits that flexibility can provide to the network by assisting in preventing outages, faster connections, and reducing curtailment by using demand turn up, and we apply these to a period of infrastructure development and delivery, we can see that there is a complimentary relationship in how the flexibility benefits could interact with build out. This also has positive benefits to consumers, in particular reducing costs across bills and allowing for individual autonomy. Whereas flexible connections, while they can provide cost saving benefits, remove the important assertion of being able to flex at times that work with their life or business, rather than at the whim of the DNO.

**Q66. How can we best ensure that DER/CER are not prevented from accessing wider flexibility markets due to the use of ANM or lack of NESO-DSO coordination?**

Frankly, this is a question that should have been resolved long ago. Both DNOs and NESO should be mandated by Ofgem in licences to collaborate more closely on ANM and connections more generally, see above.

**Q67. Are further incentives required to incentive and encourage the use of flexibility in line with our approach for ED3?**

As with our answer above in Q65, we believe that the approach for ED3 should not be about one option versus the other, and that there is an obligation to better outline the benefits that flexibility can give the DNOs during this period of investment into the distribution network. Flexibility is the tool that can be deployed to maintain security of distribution, reduce curtailment and allow DNOs the room to plan for and implement network reinforcement, while still ensuring that consumer bills do not become any more expensive. At this time, the consultation and Ofgem's public decision making do not show a consideration to lowering consumer bills but rather a focus on build out at all costs.

**Voltage management**

**Q68. Do you agree with the proposed voltage management responsibilities, for DSOs? Are there any aspects you disagree with, or any additional responsibilities we should consider?**

We agree with the proposal to allow DSOs to have greater management responsibilities for voltage management, in particular this should give DNO/DSOs the opportunity to better manage their network and ideally lead to greater connection of low carbon flexible assets, and improve network utilisation.

**Q69. In your view what would be appropriate metrics or KPIs by which the success of delivery of these responsibilities could be measured? For each of these metrics or KPIs, should this target be codified in a licence condition or otherwise incentivised?**

For this to be codified within a licence condition we would need to see that the DNO/DSOs are consistently and efficiently managing their voltage networks and are not, as we have previously responded, undermining commercial markets by billing consumers for the construction of CLASS-capable assets and then bidding them into the balancing markets cheaply. Ofgem can consider KPIs and incentives which see the DNO/DSO integrate VM responsibilities which lead to consumer benefits like cost savings but these should not be contingent on DNO procurement of flexibility services.

**Q70. How can we support DSOs in getting access to useful 3<sup>rd</sup> party voltage data from assets such as EV chargers?**

Presently, DSOs have access to smart meter data, and they should be utilising this data in the first instance. When this has been sufficiently applied then additional sources can be considered.

**Q71. Do you support our proposal to include the reduction of reactive power injection on the transmission from distribution networks? Are there additional implications of this on the operation of distribution networks we should consider?**

We support the DSOs role being expanded to emphasise their continued responsibility to improve network management, in particular the security and reliability of supply across the voltage networks. But we are wary of introducing measures which can indicate support or a positive environment or for CLASS and CLASS related practices.

**Q72. For each of the options outlined for Providing Flexibility what are the advantages and disadvantages, and which would be your preferred option, including any that we have not considered?**

We believe that there are unintended consequences with this proposal that Ofgem has not fully considered. In particular, that by incentivising DNO/DSOs to seek flexibility procurement through voltage management you are beginning to promote monopolistic behaviour from the DNO/DSO and then reducing incentives for providers.

We would recommend that Ofgem consider having the Market Facilitator consider the primacy issues between NESO and DSO instructions and that NESO, who will benefit from the inclusion of these proposals, should consult with stakeholders on their plan on how they will use the benefits from DNO/DSO VM and how this will impact decision making.

Finally, Ofgem is not fully considering that in this proposal DSOs will be working with customer-funded assets, and that as part of their obligation to spend efficiently and effectively, they need to ensure that consumers are adequately recompensed.

**Q73. Do you have any comments on the proposal for the creation of a new incentive for the provision of flexibility through demand reduction?**



We see this proposal as having the ability to disincentivise the already stated voltage management responsibilities that have been outlined for the DSO. By emphasising the possible provision of flexibility through VM you run the risk of flattening incentives for providers and flattening the market, and damage confidence in a fair flexibility market.

**Q74. Do you support the requirement for a published voltage management strategy from each DSO, with an annual reporting requirement?**

We would support the DSOs producing a clear VM strategy that illustrates how they are considering the impacts of VM losses on smart and low carbon devices utilising the system and how they are seeking ongoing benefits to consumers through improved VM.

**Losses**

**Q75. Do you agree with the proposed working-level definition of loss optimisation as a cost-based, system-wide approach to managing distribution losses?**

We agree with the proposed definition.

**Q76. Do you support Ofgem's focus on loss optimisation over loss reduction in ED3? Why?**

We support this focus as it will lead to a more comprehensive understanding of the losses that are occurring in the system, allowing for a holistic understanding of where they are occurring and the duration. This should also better incentivise DSOs to consider a more nuanced interpretation of losses.

**Q77. How should we embed loss optimisation into ED3 and what are some of the challenges with this?**

No comment.

**Q78. What mechanisms should be used to monitor and assess DNOs' impact on network losses, and how can loss optimisation be embedded into planning, operational, and investment decisions under ED3?**

No comment.

**Q79. Do you believe there is a case for introducing financial or discretionary incentives to encourage active loss optimisation by DSOs? If so, what form should these incentives take (eg direct financial, reputational, discretionary rewards), and what risks or complexities should be considered?**

It may be difficult to implement financial mechanisms that address losses, but the use of reputational impacts could be a useful tool as active loss optimisation could be addressed as an example of good business and network planning.

**Q80. Are there additional strategic or policy measures you believe should be considered in ED3 to manage losses?**

No comment.

**DSO incentive framework**

**Q81. Do you agree that the proposed aims for the DSO incentive framework appropriately reflect the core functional areas for ED3 (flexibility services, network planning, voltage and loss management)? Are there any additional priority areas that should be included, and how should these be measured?**

Superficially, the proposed aims for the ED3 DSO Incentive Framework are in line with the changing responsibilities that have been set out for the DSOs and we can see that the emphasis has been shifted towards longer-term network planning but all of this is at the cost of de-incentivising consumer-led flexibility. We are disappointed to see that in the effort to put further weight to network build and reinforcement, the role of the DSO is being shifted so dramatically from its original scope. CLF is an established service that can provide security of supply, and help to mitigate rising costs for consumers, both of which are necessary for the ongoing trust of the energy system.

**Q82. How should the incentive framework evolve to reflect the DSO's more proactive role in network planning, operational use of flexibility, flexibility market development, and whole-system coordination?**

The DSI is an opportunity to better reflect the benefits that flexibility can provide to overall network planning and we believe that it needs to be structured in such a way that it promotes DSO implementation of flexibility across its network planning. The current proposal for the updated design of the DSO is effectively eliminating the standing roles of operational use of flexibility and flexibility market development, thus rendering the current framework ineffective. For the incentive framework to evolve, it will first need to be used against a DSO whose role actually seeks to improve the use and growth of consumer-led flexibility, and then considers the role that CLF has in supporting ongoing network build and reinforcement.

**Q83. Are the current parameters (Stakeholder Satisfaction Survey and Performance Panel) an effective way of measuring DSO performance? How do you view the role of Regularly Reported Evidence (RRE) in complementing these assessments?**

We agree that the current parameters have been an effective tool in measuring the DSO performance, and we have provided our feedback on the process during the recent assessment period.

**Q84. How can the DSO Incentive be designed to complement, and not duplicate, other mechanisms such as the Connections Incentive, BMCS and the Interruptions Incentive Scheme?**

As the DSO role is shifting to be even more strategic, this should open the opportunity to tailor the incentive further to consider how the DSO is achieving its objectives, without necessarily duplicating what the other schemes are seeking to understand.

See above question 10.

### **Resilient networks - Introduction**

**Q85. Are there additional risks, dependencies or policy areas that we should consider strengthening network resilience in ED3 beyond those set out in this chapter? (chapter 6)**

No comment.

### **Network Asset Risk Metric (NARM)**

**Q86. What are your views on setting outputs on additional asset classes not currently reported in NARM?**

No comment.

**Q87. What are your views on our proposed approach to increasing our reporting on non-NARM assets to improve our understanding of asset health?**

No comment.

**Q88. What are your views on our approach to enhancing data assurance on the data input into the NARM? Are there alternative ways we could enhance our data assurances processes?**

The proposed approach of an audit that is targeting key assets that are looking at critical and high-impact areas would be a reasonable option.

**Q89. What are your views on introducing subsidiary targets in NARM to hold DNOs accountable to their Business Plans? Are there other ways we could hold DNOs accountable?**

No comment.

**Q90. Do you agree with our approach to enabling the future effects of climate change on asset deterioration to be modelled in NARM?**

No comment.

## **Climate resilience**

### **Long-term goal and stress testing**

**Q91. What are your thoughts on our phased approach to stress testing which seeks to provide greater clarity on investment costs and rationale whilst building up capabilities to support government in setting national resilience standards/goals?**

No comment.

**Q92. What are your reflections on the stress testing methodological framework for the first phase (see Climate resilience stress testing methodological framework annex)? Does it align with your expectations of the responsibilities of a DNO and current capabilities? Can you foresee any support or changes that might improve its effectiveness? Do you have any views on priorities for future phases of work?**

No comment.

### **Hold to account**

**Q93. Do you agree with our proposed granular approach to categorising climate resilience investment to hold DNOs to account? What are your views on the suggested categories (ie direct, incremental, load, non-load, operational, reactive, incremental and transformational)? How can we ensure that this works effectively alongside other approaches in ED3, notably LRE and asset health proposals? What are the risks and challenges?**

No comment.

### **Improved rationale**

**Q94. Do you agree that strengthening the rationale for investments is required to allow for differences in local contexts between networks and that our proposed approach to improve guidance for climate resilience strategies and business plans is the best way to do this? Do you agree that we need a clear link between CRS and LINDPs and what are your thoughts on how we can do this?**

No comment.

### **Longer term re-openers and future price controls**

**Q95. Do you think we have struck the right balance between early action and building long term capability? Can you identify any other areas for early action on climate resilience?**

No comment.

**Q96. Do you agree with our approach to introduce Climate Resilience Metrics and Indicators (CRMI) at the start of ED3 and use the learnings to shape future decisions (either for future price controls or via a re-opener)?**

No comment.

**Q97. Do you have any views on the proposed CRMI Framework (Climate Resilience Metrics and Indicators (CRMI) Annex)? Do the CRMI Framework objectives and attributes reflect what's needed to measure climate resilience? Are there specific metrics or indicators we should consider?**

No comment.

### **Reliability**

**Q98. What is the impact of short interruptions on consumers and are certain regions or customer groups more affected? Do you expect the severity of these impacts to change over the ED3 period? If so, in what way and why?**

No comment.

**Q99. What drives short interruptions and how can these be reduced? Could innovation, data analytics, and enhanced network visibility play a role in reducing the frequency and impact of short interruptions? If so, how?**

No comment

**Q100. Do you agree that a formal mechanism should be introduced to recognise and address the experiences of customers significantly impacted by short interruptions? If so, what form should this mechanism take (eg enhanced reporting, adjustments to existing incentives, or alternative mitigation approaches)?**

No comment.

**Q101. Are long-duration outages becoming a more significant concern, and could a targeted IIS incentive or penalty for 12+ hour events effectively address this? How could such a mechanism work and are there system or data barriers to implementing it?**

No comment.

**Q102. How should multiple unplanned interruptions be defined (qualifying criteria similar to WSC?) and monitored over time, and could targeted incentives or reputational tools help improve outcomes for customers who are persistently affected?**

No comment.

**Q103. Do you agree we should review the extreme weather event thresholds for IIS to determine whether they are still appropriate in light of the changing climate? If so, do you have a view on the possible approaches we have set out, and why.**

No comment.

**Q104. If our review of the extreme weather event threshold does result in a change in the threshold for IIS, how do you think we should manage the interaction with GSoPs?**

No comment.

**Q105. Should the IIS be amended to reflect the expected increase in planned interruptions from the increase in network investment in ED3? If so, how, and how can this be done whilst ensuring that customer impacts are effectively mitigated?**

No comment.

**Q106. Beyond the UIOLI mechanism, what additional regulatory or operational measures could be introduced to ensure sustained and equitable improvements for WSCs?**

No comment.

**Q107. Is the current threshold for defining WSCs still appropriate? If not, what principles should guide any revision to ensure it remains fit for purpose?**

No comment.

**Q108. Is it appropriate to update the VoLL for ED3? Do you think price control mechanisms that utilise VoLL should use a more dynamic value? If not, how should the results of the study feed into a revised uniform figure**

No comment.

### **Resilience re-opener**

**Q109. Do you agree with our proposal approach to introduce a resilience re-opener? Why?**

We support a more comprehensive and targeted resilience reopener, following Ofgem guidance that this would lead to a streamlining of the reopeners.

## **Cyber**

### **Q110. Do you agree with our proposed approach to cyber resilience in ED3, and do you have any suggestions for improvements?**

We support a consolidated and targeted cyber resilience reopener that has clear linkages to cyber policy across relevant to the sector.

## **Supply Chain and Workforce**

### **Q111. Do you agree with our proposal to require a ten-year Delivery Strategy (ED3+ED4) that embeds supply chain and workforce plans? Are the content expectations complete and proportionate? Where should we be more/less prescriptive and why?**

We note that Ofgem have not considered the potential role that consumer-led flexibility has in smoothing supply chain bottlenecks, reducing system pressures, and assisting with promoting prioritisation of actions.

### **Q112. Do you agree that DNOs should publish annual equipment and people volumes for ten years to provide better market visibility? What minimum granularity would be most useful to suppliers and training providers?**

No comment.

### **Q113. Do you agree that Delivery Strategies should be in scope of BPI Stage A and Stage C? What evidence and criteria should we emphasise in assessing quality and credibility?**

No comment.

### **Q114. Should we introduce a supply chain and workforce monitoring framework for ED3 and future price controls? What metrics and reporting frequency would provide the greatest value while remaining proportionate?**

No comment.

### **Q115. What do you consider essential for these mobilisation reopener windows in RII OED2 to be effective in supporting timely ED3 delivery? For example, how should we specify eligible activities (eg design, surveys, factory deposits), require evidence of supplier commitments, or introduce minimum thresholds for submissions? Are there other measures that would make these windows more useful in accelerating mobilisation and reducing ED3 delivery risk?**

No comment.

### **Q116. How can DNOs demonstrate active engagement in industry and government-wide initiatives such as DESNZ's upcoming industry-led Electricity Networks Sector Growth Plan, the Transmission Operators skills alliance, and OCEJ's Clean Energy Workforce Strategy? What steps should Ofgem take to ensure DNOs play a leading role in these programmes?**

No comment.

**Q117. What is the current level of UK content and social value in supply chains for distribution network investment?**

No comment.

**Q118. Are there features of the price control framework that create barriers to sourcing from UK suppliers or SMEs? How could Ofgem enable greater social value in a way that protects consumers, ensures value for money, and remains compliant with trade obligations?**

No comment.

**Re-openers**

**Q119. Do you agree with our proposals for pass-through costs? Why?**

We agree with the proposal to review the current pass-through costs and look for options to move any amount off final consumer bills and absorb through established DNO processes. We welcome further guidance and consultation on this.

**Q120. Do you agree that we should consider incentivising DNOs to reduce costs associated with business rates? Why?**

As above.

**Q121. Do you agree with our proposals for volume drivers? Why?**

No comment.

**Q122. Do you agree with our proposals to consolidate reopeners relating to resilience and cyber? Why?**

We can see the value in consolidating the two reopeners and bringing the overall total down from 15 to 7. This is a targeted tool that should not be considered as something that 'will' happen but 'could' happen, and DNOs will benefit from a place where there are fewer reopeners with more clearly outlined scopes.

**Q123. Do you agree that costs associated with Wayleaves and Diversions and Streetworks should be included in baseline allowances? Why?**

We can see the value in moving these into the baseline allowance and further reducing DNO need for reopeners.

**Q124. Do you agree with retaining the existing RIIO-ED2 materiality threshold at which reopeners can be submitted at 0.5% of baseline revenue? Why?**

We support maintaining the existing materiality threshold.

**Business Plan Incentive**

**Q125. Do you agree with our proposals to retain Stage A of the BPI as per RIIO-3 BPI? Why?**



Yes we agree with the retention of Stage A as this creates a clear accountability measure for maintaining the minimum requirements that can be easily assessed against the DNOs.

**Q126. Do you consider that an asymmetric incentive for Stage B, weighted towards rewards, would deliver the greatest benefit for consumers, as per RII0-3 and if not, do you consider that BPI Stage B should be removed?**

The benefits laid out for this option are valid, and should lead to the DNOs developing more comparable Business Plans but there is always a risk with a financial penalty that some DNOs will hold back and only develop plans for projects that know they can deliver fully. We welcome Ofgem's further considerations on how to best split an asymmetric incentive.

**Q127. Do you agree with our proposed changes to Stage C of the BPI, including our approach to seeking early proposals and the principle of deferred rewards? Why?**

We agree that moving clarity from stage C, to stage A as a minimum requirement is an appropriate change. We can also see the value in using the BPI as a mechanism to drive long-term ambition but this raises the issue that the incentive structure does not create a level playing field at the starting point of Business Plan development and we may continue to see some DNOs excel at this point while others do not. This could be remedied through deferred awards but we do not see that using deferred awards is a valuable option for all commitments.

**Q128. Do you have any views on the strength of the BPI?**

No comment.

**Incentivising delivery**

**Q129. Do you agree with our proposed approach to setting TIM sharing factors? Why?**

We agree with the proposed approach as it is important to maintain cost confidence within the BPI assessment and have ongoing alignment with wider incentives.

**Q130. Do you agree with our proposals regarding the application of PCDs? Why?**

We agree with the proposal for the application of PCDs. It will be in consumer benefit if there are additional mechanisms that can bring costs down.

**Q131. Do you think that additional delivery incentives might be needed in ED3 and if so in which areas?**

No comment.

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