

Ofgem ED3 Sector Specific Methodology Consultation - BEAMA Response

Who we are

BEAMA is the trade association for electricity infrastructure and systems, representing 200 manufacturers of electrical equipment and products across networks, flexibility and low carbon buildings:

- equipment for distribution networks and transmission networks;
- low-voltage equipment including LV boards, cutouts, wiring accessories and feeder pillars;
- building electrical infrastructure products;
- smart energy products such as smart meters, smart home devices, EV chargers; heating & ventilation products including heat pumps, thermal storage, and electric heaters

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Summary

- We welcome the explicit acknowledgement of the need for DNOs to ensure supply chain readiness in order to deliver their ED3 delivery profiles, as well as the measures proposed to require supply chain strategies from networks. The proposals to make volumes visible are particularly critical in providing certainty.
- We particularly welcome the measures to smooth delivery across ED3 and ED4, avoiding boom and bust cycles in investment, as well as the general move towards promoting proactive and anticipatory investment. This should be supplemented by explicit incentives for timely delivery and explicit encouragement of using the reopener windows in ED2 to place full, firm orders at the earliest opportunities.
- The target to reduce SF6 leakage and the absolute bank of emissions is welcome, but is not sufficient to provide clarity to the supply chain on levels of demand for SF6-free investment. Ofgem should set out an explicit expectation on DNOs to purchase SF6-free investment where available and consider the merits of specific incentives in line with ET3.
- We welcome and support the strong focus on reliability and resilience as being critical to powering economic growth and supporting the evolving needs of customers. In particular, we welcome the focus on short interruptions as increasingly important as electrification accelerates and agree that a formal mechanism should be introduced to address these challenges.

- We welcome the continued commitment to innovation funding, and agree that more needs to be done to ensure that innovations become part of BAU operations and are propagated across network companies.
- We agree with the proposals to require a greater role for DSOs in voltage management, while noting that voltage management can serve a number of purposes, but can usually only serve one of those purposes at a time, and Ofgem will need to be clear on how these should be prioritised.
- We would welcome stronger action from Ofgem to promote local content, as well as stronger engagement from Ofgem as a key enabling body in cross-sector programmes like the Electricity Networks Sector Growth Plan.

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?

We broadly agree with the guiding principles set out in paragraph 3.5. We particularly welcome the explicit recognition of the need to ensure supply chain readiness, as well as the shift towards holding DNOs to account for infrastructure delivery and ensuring that regulatory mechanisms are proportionate to the scale and complexity of the investment.

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

We broadly agree with the proposed objectives, and particularly welcome the desire to smooth delivery of investment across ED3 and ED4, as well as the explicit recognition of the need to provide certainty to the supply chain of future demand.

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

We agree with the guidelines for proactive investment decision-making across DNOs, in particular:

- The need for an anticipatory approach to investing ahead of future demand and generation growth.
- Ensuring network reinforcement can be upsized for long-term need and taking advantage of economies of scale.
- The need to avoid constraints or connection delays caused by delaying investment.
- The need to enable wider societal benefits such as housing, clean growth and significant infrastructure projects.
- The need to consider risks to reliability and resilience.

We also support the move towards upfront funding for low-regret proactive investment, which should allow DNOs to take a more strategic approach with greater supply chain engagement. We support balancing this with clear expectations and delivery accountability.

We do not have firm views on the specific indicators, other than the connection of LCTs. Delays of one month to install low carbon technologies such as electric vehicles and heat pumps are unacceptably long and we would not support setting this as a baseline expectation, even implicitly.

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?

Yes – these are (generally) low risk projects with clear future need and a programmatic approach should give greater predictability to all parties. As noted in paragraph 3.32, this should be accompanied by the deployment of technologies to increase network visibility in order to prioritise the programme, as well as delivering other benefits.

Strengthening delivery accountability

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

We broadly agree with the assessment of the delivery accountability options set out in Table 1, and the conclusion that a different balance will be required for different types of investment.

For output-based metrics, the design is clearly critical, and will determine the balance between flexibility and certainty, as well as how likely this is to determine the desired outcome. It is hard to comment further without seeing the detail of a proposed metric.

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

Yes. These are the investments where the greatest level of certainty should be achievable and should be required of DNOs. It will never be possible to get complete certainty – particularly in the case of named projects – but clear expectations should be set that ensure delivery except in exceptional circumstances where the DNO could not deliver for unavoidable reasons outside their control. PCDs and volume-based measures will be appropriate measures to drive the delivery of these options, as well as well-designed output-based metrics in some circumstances.

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

We would welcome additional delivery incentives in addition to accountability mechanisms and output-based incentives. These should include financial penalties for under-delivery. The other measures in the ED3 consultation are welcome improvements over the current framework – but without direct financial incentives to deliver new capacity in line with the plans that have been set out, it will not be possible to guarantee that DNOs prioritise this delivery and the preparatory supply chain engagement required to ensure it happens.

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 agree that a greater role in coordination for DNOs is likely to be appropriate in an area-based approach to decarbonisation, though we would note that DNOs do not have interactions with homeowners in the same way that energy suppliers do, and that this unfamiliarity may make it initially more difficult for them to play a delivery role.

The precise definition of the requirement for there to be a “network benefit” from upgrades will be important in determining the shape of the policy. The interaction with other energy efficiency and heat policies will be important, especially given the end of the Energy Company Obligation in order to reduce bills and the upcoming Warm Homes Plan.

We look forward to providing further input as the policy develops. It is difficult to give detailed feedback without more concrete policy proposals, and would urge Ofgem to develop sufficiently detailed proposals before the next consultation.

BEAMA’s 2017 paper “[Electrification by Design](#)” is likely to be a useful input in the development of a more area-based approach to energy efficiency and heat upgrades.

Environmental framework

Q44. Is the proposed approach to SF₆ - focusing on reducing both absolute emissions and the total SF₆ bank - appropriate and proportionate?

Focusing on reducing both absolute emissions and the total SF6 bank seems a proportionate and appropriate response.

It would be helpful to the supply chain to have greater clarity on Ofgem's expectations on when it would be appropriate for DNOs to purchase SF6-free switchgear for network expansion and asset replacement in order to deliver reductions in the total SF6 bank (or prevent increases). A target to reduce the SF6 bank would imply that DNOs are expected to purchase SF6-free equipment where available. Ofgem should make this an explicit expectation.

Lack of regulatory clarity over the approach to SF6 is causing significant uncertainty in the supply chain and impeding investment. Regulatory clarity needs to come ahead of legislation in order to grow the market, especially given that government has given a clear intention in the Industrial Strategy that they intend to phase out SF6 and align with the EU process where appropriate.

There may also be a case to consider the introduction of financial incentives to reduce SF6 emissions similar to the Insulation and Interruption Gas (IIG) emissions ODI in ET3. This would send a stronger signal about the importance of SF6 emissions reduction.

BEAMA members would be happy to engage further with Ofgem on their product development plans regarding SF6-free switchgear in order to provide evidence to underpin further clarity over the regulatory approach.

Innovation

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

We agree with maintaining both the SIF and NIA, and with retaining the current NIA eligibility criteria, unless there are compelling examples given of innovation which would not be possible under the current framework.

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

We agree with the proposed approach to setting the NIA. It seems sensible to temporarily rather than permanently withdraw part of the allowance if the essential mechanisms are not in place, incentivising development of those mechanisms. It also seems sensible to require proportionate data about how the NIA is spent, as well as directly incentivising high quality innovation strategies.

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?

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?

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?

Some sort of mechanism to ensure that innovations are propagated between distribution networks and introduced even when they do not directly benefit the DNO, would be beneficial in ensuring customers can receive maximum benefit from innovation. We do not have strong evidence or therefore views on what form this should take.

There is also an issue with the time gap between innovation projects coming to an end and broader deployment starting. Most work is inevitably required between innovation and deployment, and the supply chain needs sufficient commitment and time to do this work before deployment. Even if the BAU project starts immediately, there is rarely certainty or commitment at that stage, which makes it hard for the supply chain to commit to the necessary work.

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 proposed voltage management responsibilities for DSOs. We would note that voltage can only be used once – lowering voltage as part of an optimisation programme would preclude using it for purposes like CLASS. DSOs should also be expected to globally optimise voltage rather than picking optimal solutions for local problems that cause less optimal global outcomes.

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

Interoperability is key, starting with the business layer. Ensuring that benefits to customers can be demonstrated will also be key in ensuring EV charge point manufacturers do not present a barrier.

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 would appreciate more clarity on what is meant by reducing reactive power injection on to the transmission network.

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 would not support a service being available to NESO with no restrictions, as this would not acknowledge that voltage management has a cost, as well as the need to consider available capacity at the time and how the DSO is choosing to manage their own network.

Option 2 seems to be a sensible compromise, focusing on the times of greatest need. Rotating this requirement between Grid Supply Points would allow the application of techniques like Conservation Voltage Reduction (CVR) at other times.

We expect that DSOs would likely already be making best endeavours to reduce voltage at the peak time for demand (similar to a CVR approach) and therefore Options 3 and 4 are less relevant.

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

It is important to remember that the permitted voltage band can be used for a variety of purposes but it can only be used for one purpose at a time - examples include extending the range of the network (in distance and load), CVR, flexibility services, and OC6 demand control. Ofgem should consider whether this choice is left to the DSO or whether an approach is mandated – we would recommend leaving this to the DSO for ED3 and then monitoring whether this approach works when developing ED4.

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

We would support the requirement for a published voltage management strategy and an annual reporting requirement.

NARM

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

We consider that a core aspect of evolving NARM must be a focus on increasing the coverage of asset categories over time, where it is practical to do so. This will enable a broad and targeted assessment of risk which is likely to lead to be a better understanding of the challenges faced, optimisation across a wider range of work and better outcomes for all customers.

We therefore welcome the proposal to create a testing ground for new asset categories where risk models can be developed with outputs linked to interventions. It would be better if these are specified in risk terms, if practical to do so, but otherwise volumes of interventions would provide a reasonable alternative.

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

There is merit in increasing the asset health reporting for assets where the full risk models may not be practical. This would support improved asset management decision-making and more targeted investment.

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?

It is important that there is high-quality data underpinning the NARM. We therefore welcome Ofgem's proposal to enhance the data assurance processes. We agree with the importance of proportionality with there being a greater focus on assets which are more critical or where greater investment is forecast.

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?

There needs to be an appropriate balance between holding DNOs to account for delivery of their asset replacement/refurbishment plans and flexibility in the NARM which allows DNOs to reprioritise between asset interventions as new information becomes available. There may be merit in having some subsidiary targets by asset class or by voltage to ensure minimum levels of intervention are retained in high priority categories. Another approach might be to introduce guidance around the circumstances in which reprioritising interventions is appropriate, supported by an ex-post review of delivery. However, such an approach risks being more burdensome and introducing unintended outcomes.

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

Given the greater focus on long-term network development plans and sustainable levels of investment over multiple price periods, it will be increasingly important to consider whether climate change will have a material impact on rates of asset deterioration, the results of the CNAIM, and therefore the need for investment. We welcome the proposal for DNOs to build the capability to model future climate impacts within the CNAIM as more evidence becomes available.

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?

BEAMA supports the phased approach to climate stress testing based on initially understanding whether maintaining current resilience is an appropriate goal and building an understanding of levels of investment required for this. We agree that over the longer-term it will be important for the DNO to build capabilities for understanding climate risks and options for addressing such risks.

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?

BEAMA welcomes the first phase of stress testing methodology. While there are many uncertainties and limitations associated with the analysis, it is an important first step in understanding the impacts of climate change on the likelihood of hazards, and investment needed to maintain levels of resilience. A key part of the role of DNOs is to invest appropriately to ensure the long-term resilience of their networks.

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?

Given the importance of ongoing investment to maintain/improve levels of climate resilience, we consider that it is appropriate to have price control deliverables and/or incentives that are well-defined. We support the distinction between direct climate

resilience investment where climate risk is the primary driver and incremental climate resilience investment, where the investment is based on multiple drivers.

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?

BEAMA agrees that it is important that the proposed investments in resilience considers the local context including the relevant climatic factors, geography, network design and stakeholder engagement on resilience needs. It is important that there is clear consistency between the Resilience Strategies and the Long-Term Integrated Network Development Plans.

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?

Yes, BEAMA supports the proposed balance between early and long-term actions. We have not identified any other specific areas for early action.

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)?

We support the introduction of the CRMI at the start of RIIO-ED3. This will be important as part of the identification and justification of appropriate levels of resilience investment,

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?

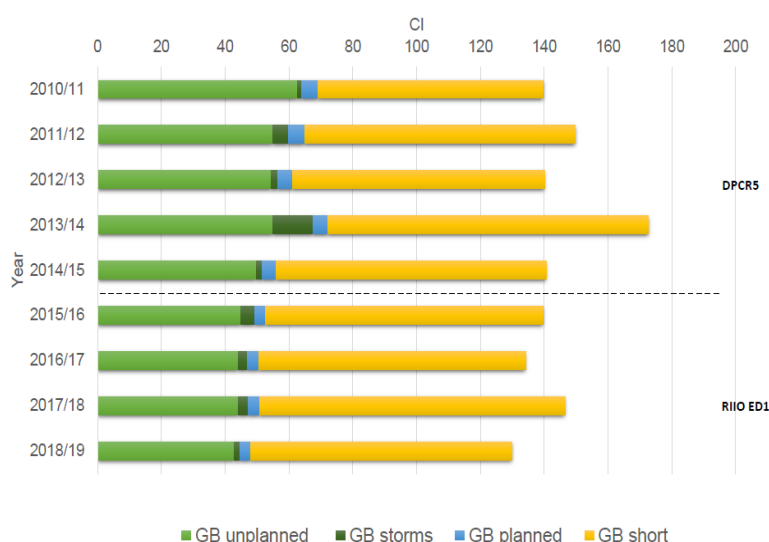
We support the overall approach for Climate Resilience and Indicators and the associated objectives. With regards to the list of example CRMIs included in table 5, we consider that it should include CI and CML including as well as excluding exceptional events. It would be worth also considering a range of other potential metrics including fault rates, CELID (customers experiencing long interruption durations > 12 hours), the IEEE proposal restoration effectiveness metric, and the time taken to restore [x%, y%] of customers.

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?

Short interruptions are an increasingly important part of the overall reliability impact on domestic, commercial and industrial customers. This reflects the fact that as levels of electrification rise, our reliance on electricity also rises, and the consequence of even a very short interruption is magnified. The following chart, shared by Ofgem as part of its Safety, Reliability and Resilience Working Group for RIIO-ED2, shows that the proportion of short customer interruptions has been increasing over time. Ofgem should publish the latest data for 2019 to 2025 to give further insights on how performance has evolved over the last few years.

Planned, unplanned, exceptional events and short Customer Interruptions – GB average



With increasing electrification and digitalisation for both households and commercial customers, there are growing volumes of devices that are sensitive to short interruptions including:

- EV charging for both homes and businesses
- Internet routers that typically take several minutes to reset following short interruptions, disrupting video calls or streaming services; and
- Digital equipment, sensors and alarms which are impacted leading to lost production and waste.

As Ofgem has highlighted short interruptions also cause operational disruption for critical service providers such as telecommunications operator, water companies and other essential services.

We expect that without some form of incentive in place, short interruptions will continue to increase over time due to more frequent and severe weather events, greater voltage variations, and increases in flexible demand and distribution generation.

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?

A certain level of short interruptions is needed as part of switching and reclosing to prevent longer duration interruptions (over 3 minutes) and to enable faster restoration of services. However, the overall number of customers impacted by short interruptions can be lowered by reducing the scope of customers impacted by short interruptions as well as improving underlying fault rates.

Innovation will continue play an important role in developing new technologies that can both address shorter and longer duration interruptions while improving network resilience. Data analytics and enhanced network visibility are an important part of the overall approach to improving short interruption performance, giving greater visibility of priority locations for investment to improve short interruption performance.

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)?

Yes, we would welcome new financial incentives which address short interruptions alongside the existing financial incentives on customer interruptions (CI) and customer minutes lost (CML). We consider that this should take the form of a financial incentive with rewards and penalties for performance that is better/worse than pre-determined targets for short interruptions. As short interruptions data has been collected over the RIIO-ED2 period, this should provide a robust basis for setting targets for RIIO-ED3.

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?

Without Ofgem publishing additional data it is unclear whether the frequency of long-duration interruptions (>12 hours) is increasing. Ofgem collects information on interruptions by duration band as part of its annual reporting, so it would helpful if it could share analysis of this data.

As Ofgem has noted, such longer interruptions pose risks to both domestic and business customers in terms of health, safety, economic output as well as general inconvenience.

An incentive mechanism could be implemented by imposing an additional penalty or greater weighting on interruptions lasting more than 12 hours within the IIS. CELID (customers experiencing long interruption durations) incentives or an equivalent measure are already used in other jurisdictions such as part of the U.S., Sweden and Finland.

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?

There is a risk, particularly at much improved levels of average performance, that the Interruption Incentive Scheme (IIS) incentivises further improvements in performance for those customers already experiencing good levels of reliability, while not sufficiently addressing those customers experiencing poorer performance.

We therefore welcome the proposed continuation and refinements to the Worst Served Customer mechanism. We consider there is merit in considering additional options for improving outcomes for customers that are worst affected. This could include adjusting the IIS to give greater weighting to the tail of the performance distribution, or the addition of an additional incentivised metrics such as the proportion of customers experiencing more than a certain number of interruptions.

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.

Yes, it's important that the extreme weather events threshold for the IIS are updated to consider the changing frequency and severity of severe weather events, both to-date and on a forward-looking basis for the RIIO-ED3 period. This is important to ensure that DNOs continue to have an incentive to invest in greater resilience and mitigate the impact of events that are becoming much more frequent and severe.

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?

It is important that the severe weather arrangements under both the IIS and GSoPs are considered in a holistic manner as they are designed to work together. All of the thresholds included in these mechanisms should be reviewed and updated, as necessary.

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 welcome the proposal to require a ten-year delivery strategy, and in particular the requirement to phase delivery across price controls.

A strong steer on the level of detail is likely to help set expectations for DNOs and ensure the plans are of high quality and meet Ofgem's expectations. This does not necessarily need to extend to being fully prescriptive, but setting expectations at the start will help to avoid large variations in quality between DNOs.

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?

We agree with the proposal to publish annual equipment volumes to provide better market visibility, which would be a significant step forward in visibility for the supply chain. We would agree with Ofgem specifying a consistent approach to providing data and that publishing the Business Plan Data Templates are likely to be the most efficient and effective way to do this. Ofgem should set clear expectations on what redactions would be justified, and look to identify whether some information can still be published in these cases e.g. through aggregation.

It is critical that Ofgem engages directly with BEAMA members on any proposed template to ensure that the level of granularity is sufficient to allow them to plan.

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?

We agree with the proposal for delivery strategies to be in scope of the business plan incentive. The key element for manufacturers is a clear, "true" and transparent assessment of volumes for products – setting this out in a consistent template should be a minimum bar for a plan to be considered as being of sufficient quality.

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?

We agree with the proposal to require annual monitoring to refresh delivery strategies. The key element for BEAMA members will be annual updates to the published data tables to ensure that manufacturers can plan. It would also be helpful to see an explanation for major changes in volumes between publications and a forward look of any risks that might lead to major changes in future years.

Q115. What do you consider essential for these mobilisation reopener windows in RIIO-ED2 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?

We welcome the proposal for reopener windows. DNOs should be encouraged to use these to place full, firm orders with the supply chain at an earlier stage to ensure that they can deliver at full capacity in the opening years of ED3. This is a key opportunity to start moving towards a more planned and smoothed trajectory for delivery for ED3 and ED4, in line with the proposals in other areas of the consultation. The supply chain will need to ramp up production in a managed way and early commitment to orders is a critical component of ensuring this can take place.

DNOs should be allowed to use these relatively flexibly to manage the delivery risks they have identified, including securing capacity in potentially constrained parts of the supply chain. This should not necessarily be restricted to equipment which already has highly visible supply chain constraints. Given the scale of the ramp up in demand we are expecting to see over the coming years, new constraints are likely to emerge, and being too prescriptive is likely to restrict DNOs' ability to respond to issues. The reopener windows should be coupled with strong delivery incentives in the first years of ED3 to ensure they are used to maximum value.

Ofgem should continue to consider whether there are other measures they can take to encourage or require earlier commitment to orders. We recognise that the different nature of the distribution network means a direct copy of the Advanced Procurement Mechanism is unlikely to be the best approach, but Ofgem should consider how they can encourage DNOs to provide that earlier commitment and whether a specific mechanism is required. Explicit delivery strategies, incentives for timely delivery and greater cover to engage in long term relationships with suppliers will all also help here.

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?

DNOs are generally well engaged with these programmes – it is key for Ofgem to support them in agreeing ambitious commitments that will support the supply chain to grow, and for Ofgem to provide the regulatory underpinning for those commitments, setting clear expectations for DNOs to support the UK supply chain. Our view is that Ofgem should engage much more deeply and extensively with projects such as the sector growth plan, co-creating ways forward with the industry.

In the event that it is not possible to agree a way forward, then it may be for Ofgem to step in and require a specific approach. But we would not agree that there is a need for regulatory intervention to ensure engagement at this stage.

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

A 2025 survey of BEAMA electricity networks members found that the median company reported 20-40% local content, with a significant range.

There is an evidence gap in this space and we hope that the analysis for the Sector Growth Plan will be able to provide a more definitive answer to this question. Individual BEAMA members may also be able to provide greater detail if they make individual responses.

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?

The price control framework has historically been highly focused on delivering at the lowest unit cost for any individual investment. Ofgem should move towards an approach focused on maximising the value of investment to the economy (accounting for the direct cost implications, the benefits of investment to the energy system and the benefits to the UK economy of investment choices). Networks should be encouraged to develop long-term partnerships with key UK suppliers, providing confidence to both the supply chain and the DNOs about the future pathway of investment.

Any local content incentives should be realistic both in terms of scope and timing, reflecting both the UK's true advantages in production and that there will be some components and products that it will always be more efficient to import. Any measures taken by Ofgem would need a sufficient transition and notice period, with input from the supply chain.

Actively encouraging DNOs to procure more local content would help to support both the resilience of the supply chain and fulfil Ofgem's growth duty. This could incentivise Tier 1 suppliers to procure more components of products locally and invest in a more UK-based supply chain as they grow their operations. Incentives for local content could

encourage new players to enter the market as Tier 2 suppliers, resulting in a more diverse Tier 2 and Tier 3 supply chain.

We are happy to continue engaging with Ofgem on both the evidence for current levels of local content and social value, and the measures that would be most useful in supporting the supply chain while protecting consumers.

Incentivising delivery

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

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

We agree with the principle that the TIM should become more conditional on delivery, and in particular, the potential under the current approach for network companies to significantly benefit from under-delivery in the first years of a price control period. We broadly agree that PCDs are likely to be an appropriate mechanism to address this, but in the case of both the TIM and PCDs, this will depend on the final design decisions made in the SSMD.

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

We would welcome additional incentives focused on annual delivery of outputs in addition to delivery over the price control period. We strongly agree that underspends in the early years of a price control are likely indicators of under-delivery or poor planning rather than genuine efficiency – and this would particularly be the case in combination with the ability to use reopeners in ED2 to bring forward spending with sufficient flexibility. However, we recognise that the need for an additional incentive will depend on the final design of the package of measures and how they fit together, and that it is right to avoid duplicative or contrary incentives.