

ED3 Sector Specific Methodology Consultation

Deadline: 3rd December 2025

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Introduction

CSE is an independent national charity, established in 1979 to tackle climate change and end the misery of cold homes. We undertake practical work to support households and communities to act on energy, alongside original research and analysis to inform local and national policy.

For over 45 years, we've supported people to take effective action on energy in their homes. We help communities and local councils to understand energy issues, set priorities, and put plans into action. Our research and analysis work focuses on making the energy system greener, smarter and fairer. We work across many dimensions of the energy system with a range of stakeholders who will play a crucial role in energy governance: NESO (RESP), DESNZ (heat zoning modelling), communities (supporting the development of community energy projects, facilitating community engagement and consultation on local energy infrastructure), local councils (LAEPs, resource assessments, local plan support), DNOs (administering community grants for community building energy upgrades, Innovation projects to improve inclusion) and energy companies (energy advice services). We previously submitted comments in respect of the Regional Energy Strategic Plan and the ED3 Framework consultations.

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

We welcome and support the proposed guiding principles, which should ensure that the step-change in infrastructure provision needed for the energy transition is delivered cost-effectively and in a timely way, and that DNO's deliver the infrastructure needs identified in tRESP, though it is not clear why the principles mention the transition RESP but not the full RESP.

We also welcome the principle on building supply chain readiness. Our perception is that the supply chain and workforce must be further developed if the extent of infrastructure provision needed is to be delivered.

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

Yes, we support the objectives laid out, which take an appropriately long-term and joined up perspective on network planning.

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

We don't have specific views on the proposed structure of the plan. But we wonder where network companies will be required to set out their proposals for supporting vulnerable customers and the interaction between that work and their investment plans. We also wonder if there should be a more explicit requirement for network companies to set out their plans for using flexibility markets operationally (as opposed to deferring investment).

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

Yes. T-RESP will not include the richness of data to be provided in the full RESP outputs, in particular missing bottom-up data from local authorities and other local stakeholders. We acknowledge the concerns raised by ADE that t-RESP relies heavily on Future Energy Scenarios and DNO-provided datasets, while excluding local datasets and industrial decarbonisation projects that are critical for accurately reflecting regional demand variations.

Given the timelines for full RESP will likely preclude it being used for ED3 plans, tRESP will still add useful context to DNO Network Impact Assessments, but we share ADE's view that it should be treated as one component (albeit a very significant one) of a broader suite of evidence in determining future planning.

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

We welcome and support the indicators of network need and proactive investment opportunities. We assume that this would be in addition normal grid investment planning, for example where projects are identified and "ready" and "needed" in the grid connection queue.

We also welcome the proposed indicators for low-regret proactive investment. We suggest that bullet point 3 is amended to make explicit reference to the greater societal benefits arising from local authority and community owned energy projects. This would

align with the intent to grow the community energy sector and local authority led generation through the Local Power Plan.

We support the proposed guidelines for evaluating and prioritising low regret proactive investment.

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, we agree that unlooping legacy connections would be highly suitable for a programmed, area-based approach. We encountered this issue when trying to plan the deployment of heat pumps across Bristol as part of our DESNZ funded Heat Pump Ready Programme pilot (Bristol Heat Pump Ready). As acknowledged in your consultation, this problem is widespread and frustrates and slows the installation of EV chargers and heat pumps, and as stated in the consultation, any delay in installing a new heating system will impact homeowners' decision on whether to decarbonise or not.

In parallel with this work, DSOs should continue to focus on improving network visibility and digitalisation. We know from our work with DNOs that they have very poor data on the low voltage network beyond the sub-station, making large scale roll out of heat pumps problematic. And we know the impacts of this. Recent innovation projects like DESNZ Heat Pump Ready were very negatively impacted. The DNO, National Grid Electricity Distribution, have very poor data on the low voltage network i.e. beyond the sub-station. We were not able to identify which homes were connected to which sub-station and accessing clarity on this point took a long time. We understand that the majority of DNOs haven't digitised information on their low voltage network and as such access to data is a common issue.

To effectively plan large scale roll-out of heat pumps in a concentrated area we need the low voltage network data to be available digitally i.e. ideally as a GIS spatial layer or database with UPRN. Likewise, to optimise whole system benefits we need to be able to make informed localised decisions on the best way to decarbonise our homes and businesses. It is impossible to determine the likely headroom without accurate data. This data should also be freely available. Ofgem should require all DNOs to digitise their low voltage network data as part of their transition to DSO.

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

We anticipate that proactive unlooping programmes would be well suited to being standardised and could offer economies of scale and benefits to consumers.

Strengthening delivery accountability

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

We agree with the summary of the different characteristics of the three accountability options, that none stands out as universally optimal, and consider there is a likelihood to need all three approaches in different contexts.

However, ED3 and RESP requires a step change in the delivery of infrastructure in order to achieve decarbonisation and meet the increased demand arising from electrification. Whilst there will always be a need for a degree of flexibility as more is known about the intervention needed, Regional Energy Spatial Plans will provide more data than ever previously available as to our investment needs.

Therefore, where possible we would support the use of ideally Price Control Deliverables or potentially Volume Based Measures (if that is likely to deliver the network needed at lower cost to consumers) to ensure that the infrastructure needs identified through RESP are delivered on the ground, rather than measuring outputs. Consumer value should be prioritised, and where certainty is available as to the intervention needed, rewards should be linked to the delivery of business plan commitments.

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

Yes.

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

We support the use of Totex Expenditure Mechanism (TIM) to incentivise efficient delivery and protect consumers and support the principle that it should only be used once agreed activities and outputs have been delivered.

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?

We acknowledge the need for mechanisms to adapt DNO's original investment plans to meet newly identified needs coming through RESP and tRESP. We therefore support planning formal reopener windows timed with the likely publication of RESPs in 2027 and 2030, ahead of the ED4 period. We acknowledge further that there may be a role for all of the review options you outline: Volume driver, RESP re-opener and Ex post review.

Having stated this, as discussed above, RESP will offer the greatest detail yet available of regional infrastructure needs across the energy sector. Therefore, we would support the use of formal RESP reopeners where significant new investment needs, to ensure that DNO's investment plans align with the needs outlined in the relevant RESP. We support the proposals to reduce the number of reopeners.

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

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

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

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?

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 more emphasis should be put on plan-led delivery, using PCDs and volume-based measures as the primary accountability tools, using the RESP reopener to accommodate material revisions to strategic planning inputs and specifying agreed interventions based on ED3.

The t-RESP and RESP mechanisms will invest significant time and effort identifying regional strategic investment needs across the energy sector.

It may be that as the efficacy of RESP is tested and learnings emerge, a more relaxed approach can be adopted, but initially, regulatory mechanisms should ensure that the specific needs identified in t-RESP and RESP are delivered in full.

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?

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?

Given the recent significant work on connections reform, it would be appropriate to ensure connection types are redefined to relate to the new criteria of the connections queue. We would suggest being able to identify demand verses generation connections and also being clear on whether connections are associated with a local authority or community energy scheme (looking to be accelerated by the Local Power Plan).

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.

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 support LCT connections and their associated enabling works being brought into the connections scope and incentivised. It is important that household scale decarbonisation projects such as the installation of heat pumps, EV charge points are made as simple, predictable and user friendly as possible to accelerate uptake. From the consumer's point of view it does not matter whether a brand-new connection is required or an amendment to an existing connection.

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

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

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)

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?

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?

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?

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

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?

We agree in part with your position on incentivising flexibility and with the use cases you summarise. Flexibility has a tactical role in managing outages, accelerating

connections, reducing the need for curtailment and scheduling reinforcement. It is evident that the distribution grid does need major overhaul and capital investment to be fit for Clean Power 2030 and the balance of risks and benefits points towards a need to provide more capacity head of need, rather than reinforcing the network reactively. We support the principle of “touching the network once”.

However, we consider that both planned network reinforcement and flexibility have a role to play, and the use of flexibility in larger connections can help bring down the costs over overbuilding, to the benefit of everyone. We agree that flexibility shouldn't be used to avoid needed network reinforcement, however, consider that where it can remove constraints to allow the normal functioning of the grid and reduce costs, it could perform part of an enduring solution.

We agree that DNO's should identify and justify these incidences in their business plan submissions, but allowing this approach in only rare circumstances may inflate costs unnecessarily.

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?

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?

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

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

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?

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

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?

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

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?

We support the retention of the reach metric and the retention of reporting against this metric. It's important that DNO's identify as many eligible vulnerable customers as possible for additional support through the PSR, and that they regularly refresh their PSR to reflect changes in consumer vulnerability in their areas. However, now performance on extending the reach of the PSR is becoming more BAU, we would support changing this to a penalty only incentive or focussing on needs cases where there is under-representation and high vulnerability.

NB: The ultimate aim should be for DNOs to be encouraged and incentivised to support a shared utility PSR, reducing costs and improving service for vulnerable customers.

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?

CVI and SECV have provided good mechanisms for reporting on DNOs work supporting vulnerable customers. For ED3 we need to maintain the publication of performance tables to maintain transparency, with continued reporting on DNO activities to support fuel poor and vulnerable customers. But, in addition, Ofgem should:

1. Require DNOs to report on their engagement with RESP as part of the stakeholder engagement process.
2. Perform some independent evaluation of the DNOs delivery of the CVI to underpin the performance tables.
3. Require DNOs to report on their activities to leave no one behind, to demonstrate there are tracking and understand the distributional impacts of their activities.

Incentives will need to adapt in ED3. E.g. the Customer Vulnerability Incentive (CVI) needs to ensure higher and more consistent service standards for fuel poor and vulnerable customers across all DNOs whilst retaining mechanisms to reward innovation and better practice.

New obligations or incentives also need to be introduced to develop stronger understanding across all DNOs of the distributional impacts of their investments and services on different consumers. And DNOs should be obligated to report on their work to leave no-one behind (not just their support for fuel poor and vulnerable consumers).

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

Now that DNO's are close to reaching a performance ceiling in terms of the proportion of eligible customers signed up to the PSR, we can see value in setting a common reach target across DNOs.

Ofgem should also consider greater alignment between DNO and Gas Network CVIs (as set out below). However, we would be concerned about the potential disruption and negative impact of forcing DNOs and GNs to report jointly or deliver joint CVI activity, particularly with geographic boundaries not aligning and with different organisational approaches.

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?

Yes, the Annual Vulnerability Report should be carried forward as an ODI-R to ensure DNOs are held accountable for implementing their vulnerability strategy commitments and meeting the vulnerability baseline expectations.

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 raise concerns about DNO's playing a bigger role in the direct delivery of energy efficiency and low carbon measures, and in agreeing the measures which should be funded. The prospect of DNO's playing a coordinating role also raises concerns, as in our view this role should be delivered through local authorities and housing providers. Whilst DNO's have expertise in their area, they do not have the knowledge or background to undertake this role.

The recent report from the National Audit Office on the failure of nearly all the solid wall insulation installations carried out through the Energy Company Obligation outlined the risks of broadening the type of bodies carrying out and directing energy efficiency projects, and the risk of poorly set incentives and procurement processes resulting in unwanted outcomes.

The installation of energy efficiency measures requires a complex skillset and there are significant risks if installed badly. Evidence submitted to parliament suggests that the costs of remediating the ECO failures will be in the hundreds of millions. The delivery of energy efficiency measures to vulnerable households should be left to local authority led schemes funded by the Government.

However, we would wholeheartedly support DNO's developing programmes to accelerate and remove the grid barriers to the uptake of LCT's including heat pumps, EV chargers and rooftop PV installations.

Additionally, current estimates suggest that the saving to DNOs from energy efficiency measures are nowhere near sufficient to payback their cost i.e. savings of 10s rather than 100s of £s.

Environmental framework

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

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

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

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?

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

Consumer voice / research

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

We support the ambition to give a strong voice to consumers and ensure robust consumer representation through, high quality consumer research and improved transparency and collaboration.

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?

Whilst we agree that companies should be responsible for setting up their own ISG, there should be a transparent process for appointments made to it to build trust.

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?

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?

Digitalisation and data

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

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

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

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

Yes, the current scope to “facilitate energy system transition and/or benefit to consumers in vulnerable situations” is appropriate and effective.

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.

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?

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?

Yes, we support the scope set out for DSOs in network planning for ED3.

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?

We welcome and support the use of t-RESP and RESP which will offer greater granularity of data regarding whole system infrastructure needs, and believe that this, the strategic spatial energy plan, and Centralised Strategic Network Plan will offer the best vehicles through which optimal whole system outcomes can be achieved.

We would advocate for improved data sharing across all areas. DNOs currently have very poor data on their low voltage networks i.e. beyond the sub-station. For enablers like CSE, local authorities and community energy groups, access to accurate data on the low voltage network is critical to planning future projects. For example, retrofitting heat pumps where knowing headroom availability is crucial or identifying constrained sub-stations where there's potential for local flexibility projects (to offset investment).

Alongside incentives we would therefore like to see some mandated basic levels of data provision. Our experience accessing data on the low voltage network did not align with best practice guidance whereby network companies should treat data as "presumed open". We would like to see a list of datasets that Ofgem expect DNOs to provide without the need of further GDPR assessment.

We would like the incentives regime to also consider DNOs' role as enablers, particularly around flexibility and network planning. DNOs should be encouraged to make data open source and make tools available that help enablers like CSE to support the transition to net zero. We are aware of tools such as NGED's LAEP+ tool which can reduce the cost of strategic planning for local authorities and community energy groups (who are keen to design local projects that help deliver net zero).

The ED3 framework consultation noted the risk in siloed development of digital products and services in the ED3 period. There are many datasets which could be generated nationally (with input from DNOs) and then shared at no or low cost with stakeholders. Rather than expecting each DNO to generate similar datasets which they then share (or do not share) with stakeholders, we would advocate for more centralised data production, standardisation and distribution, with a platform that is easy for local authorities, communities and enablers like us to use. This should support the activity of the RESP in its assessment of system need and reduce the cost of LAEPs for local authorities.

Greater data sharing can be achieved through the adoption and utilisation of the Data Sharing Infrastructure (DSI) and the Smart Optimisation Output (SOO) licence condition. We would like to see greater standardisation and consistency across DNOs.

The performance of leading DNOs should be the benchmark for others to adhere to. For example, it's notable that UKPN has an open data platform and a data dictionary for users to access and use. We have witnessed a number of local authorities (in the UKPN distribution area) LAEP procurement exercises reference the need for any digital outputs to be compatible with UKPN's data dictionary. This clarity is useful for stakeholders, but the lack of consistency across DNOs is an issue for stakeholders like the RESP who need to assess needs that span DNO boundaries.

An outstanding concern we have is how the wind-down of the gas network will be managed over the coming decades and how the costs for this will fall and consider that planning for this must start now. There is a risk that in the future, gas network costs will fall to a dwindling customer base with a high proportion of less affluent customers, picking up a higher share of network costs each with regressive impacts. One potential concept that should be explored is a single energy network charge to facilitate the energy transition.

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.

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?

Flexibility

We welcome the inclusion of incentivising and rewarding DSOs for provision of flexibility, including through voltage management at substations. Flexibility should be used to drive down network costs for customers and drive more effective use of the existing network. System operators must improve the co-ordination and use of flexibility. Ofgem should encourage network companies to innovate solutions to utilising flexibility for decarbonisation at pace and at lowest cost to consumers.

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

We do not have expertise in the use of the CEM tool, however, support the principle that assessment tools should ensure that DNOs do not use flexibility to defer investment,

unless there is a clearly evidenced case to do so. We also support the use cases you have outlined for flexibility in paragraph 5.80.

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

Through ensuring that network reinforcement plans align with and deliver the capacity improvements identified in T-RESP and RESP. Predominately, we consider the approach set out within the consultation is appropriate and will achieve this, however, we do consider that flexibility and flexible connections may play a role in bringing down costs and in speeding up decarbonisation by allowing earlier connections while capacity is being built.

We agree that flexibility shouldn't be used to avoid and defer needed grid investment. Where flexible connections are proposed as the enduring solution, DNOs should identify and justify these in their business plan submissions. We would expect DNOs to demonstrate that the proposed flexible connection:

- will be effective in removing constraints,
- will allow the normal functioning of the grid across the price control period (taking into account anticipated demand growth modelled through t-RESP or RESP)
- will simplify and speed up connections
- and will reduce costs compared with the counter-factual

We would highlight ADE's comment that the consultation conflates flexibility and flexible connections. Flexibility has the potential to offer both the network and the user benefits: preventing outages, faster connections, and reducing curtailment by using demand turn up, and offering bill reductions. Flexible connections by contrast primarily offer the network benefits, but the user constraints. Demand constraints can be acceptable if they serve to achieve 2030 clean power targets faster and at lower total system cost.

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?

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

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?

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?

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

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?

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?

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

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

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?

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

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

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?

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?

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

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?

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?

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?

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

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)

Network Asset Risk Metric (NARM)

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

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

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?

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?

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

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?

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?

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?

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?

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?

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)?

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?

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?

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?

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)?

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?

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?

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.

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?

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?

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

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?

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

Resilience re-opener

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

Cyber

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

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 strongly support the requirement for a long-term delivery strategy embedding supply chain and workforce plans and agree that this will be necessary to deliver the scale of investment now needed. The approach suggested seems proportionate and will help build the confidence of the supply chain to invest and expand.

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?

Yes. The requirement for a ten-year annualised view of equipment volumes and people volumes by discipline will be particularly helpful to reduce uncertainty in the supply chain and support long-term planning to ensure the workforce and supply chain is capable of meeting future needs.

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?

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?

Q115. What do you consider essential for these mobilisation reopener windows in RIIOED2 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?

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?

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

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?

Managing uncertainty and adaptation

Re-openers

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

Yes, we agree with the proposal to allow for an adjustment to some specific allowances for costs incurred by the network companies, over which they have limited or no control.

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

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

We agree with the logic for including volume drivers where the volume of work required over the price control period is uncertain, but the unit costs are stable.

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

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

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?

Business Plan Incentive

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

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

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?

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

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 approach suggested. The use of TIM to share cost savings and cost overruns between DNO's and customers is appropriate to manage costs and create efficiency incentives for DNO's, however this should be conditional on DNO's delivering their business plans. We therefore welcome the greater use of PCD's and volume drivers to measure the delivery of network investment and capital expenditure, rather than measuring outcomes.

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

1. Do you have any comments about the overall process of this consultation?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?

The length of the consultation document and the number of questions made the consultation difficult to respond to and is likely to have significantly reduced the number of consultation responses you are likely to receive, the quality of those responses and the variety of organisations submitting responses.

With such a long and complicated consultation, further support is needed to help consultees absorb and understand the information presented, such as for example the current RESP consultation, where a series of webinars is going through the consultation

chapter by chapter. In our view this type of approach was necessary for this consultation too.

4. Were its conclusions balanced?

Yes.

5. Did it make reasoned recommendations for improvement?

6. Any further comments?

Please send any general feedback comments to
stakeholders@ofgem.gov.uk