

RIIO-ED3 team, Ofgem

3<sup>rd</sup> December 2025

Dear Ofgem,

## Response to RIIO-ED3 Sector Specific Methodology Consultation (SSMC)

EDF is the UK's largest producer of low carbon electricity. EDF operates low carbon nuclear power stations and is building the first of a new generation of nuclear plants. EDF also has a large and growing portfolio of renewables, including onshore and offshore wind and solar generation, as well as energy storage. EDF is therefore driving the transition towards 'an Electric Britain' – a secure, affordable, low-carbon future for everyone. As **Britain's biggest** generator of zero carbon electricity, we are investing more than £100 million weekly in **Britain's electricity infrastructure. We supply millions of customers with electricity and help** homes and businesses switch to electricity for heating, transport and industrial processes.

The RIIO-ED3 price control covers a critical period as the electricity distribution network scales up to meet the **UK's net zero** ambitions and consumer demand for low carbon technologies (LCTs). This is also coming in the context of significant ongoing consumer affordability and debt challenges in the energy sector. We are keenly aware of how important it is that the network companies are subject to effective scrutiny on cost and delivery.

Overall, we support Ofgem's proposals to radically improve the customer experience, but are cautious on Ofgem's implied pace of investment and the resulting impact on consumer bills. We also strongly encourage Ofgem to take steps to avoid the substantial cost stability issues seen in transmission repeating in the distribution price controls.

We welcome the opportunity to respond to the SSMC. While we are not responding to each of the questions given in the consultation, we provide some high-level comments that have been grouped by key issues. Our response is set out below.

### 1. Investment cost and customer bill impact

We agree that the distribution networks will require further investment to support the essential electrification of key consumers' needs, such as for low-carbon heating and transport. This investment programme needs to be very carefully managed to moderate the overall impact on consumer bills, particularly in light of major bill increases over the same period for electricity transmission where the customer bill impact is expected to rise in real terms by around £75 by 2030.

The final framework needs to balance Ofgem's preference for proactive investment with a pragmatic view on consumer and industrial electrification pace. Under-investment will make it harder for consumers to make low-carbon choices for their homes; excessive investment will raise further serious concerns over consumer affordability and will reduce the cost-effectiveness and adoption of those same low-carbon solutions. We are supportive of a price control framework that allows the DNOs to adapt to a range of possible futures as end-consumer need arises.

Our comments on the SSMC are severely constrained by a lack of information from Ofgem or the network companies on the key drivers for consumer cost, including investment scale, depreciation rate, and cost of capital parameters.

We would strongly encourage Ofgem, in collaboration with NESO and the DNOs, to provide a credible trajectory on costs to industry and suppliers as soon as possible – the failure to do this for RIIO-ET3 has led to substantial consumer detriment. This must be avoided for ED3. We also strongly encourage Ofgem to consider the overall customer bill impact more holistically across all its relevant workstreams, not just on a sector-by-sector basis.

## 2. Interactions with tRESP/RESP

We are concerned about the **dependence of the initial ED3 settlement on NESO's tRESP** output. At this stage, we are not confident that the tRESP will be able to provide a better view of investment needs than the DNOs. We also note that the tRESP does not attempt to cost its recommended level of investment, and therefore may overstate the need compared to a more balanced cost/benefit analysis using a delivery-focused perspective.

Ofgem needs to give a clear view on how DNOs manage the inevitable conflicts between the tRESP and their own views on investment need. For example, we have identified that the underlying data used by tRESP may be materially overstating likely levels of uptake of key low-carbon technologies that drive demand growth. This process could result in very high and over-optimistic levels of investment.

Ofgem should consider whether to change the balance of inputs for the DNOs in business planning, leaning more on DNO intelligence and other independent electrification forecasts, and less on the tRESP. Instead, **Ofgem's proposed** RESP reopener process could be used to transition the investment programme once the first full RESP has been properly tested and finalised. Either way, Ofgem will still have a key role to assess overall levels of investment and the wider impact on consumer affordability. We would also like some clarity as to whether the RESP reopener will be used for additional investment needs only, as implied by the wording in the SSMC documentation. More information will be welcome on how the reopener will function if less investment is needed than originally stated in tRESP.

We acknowledge the risk to consumer bill stability if there is a material difference between the final RESP and baseline DNO investment programmes for ED3. We are concerned that, **given the recent announcement of the SSEP's publication being delayed, this will have knock-on effects on the RESP's publication date, increasing the risk of divergence between tRESP, RESP, and what the DNOs have proposed in their business plans.**

Ofgem must therefore consider how the RESP reopener is implemented to smooth any impact on customer bills. There may be some lessons to learn from RIIO-ED1's mid-period review mechanism, intended to account for material changes to outputs (although not in the end activated by Ofgem). **We also understand that NESO's Network Planning Assurance exercise** (mentioned in their RESP Methodology consultation, which overlaps by 2.5 weeks with the SSMC) is designed to ensure DNO investment is aligned with the RESPs after final publication. Additional clarity on how this assurance exercise lines up with the overall price control and the RESP reopener is welcome.

### 3. Customer connections improvements

We strongly support Ofgem's proposals to reform the connections incentives for ED3. A renewed focus on domestic and small non-domestic electrification is welcome, and this will help ensure DNOs are an enabler, and not a blocker of the transition. Ofgem must ensure that DNOs are held accountable on their performance and are actively making improvements to the customer journey. Ofgem must ensure any changes to incentives will ensure some material financial impact on DNOs to ensure they do well in achieving the desired electrification outcomes.

EDF's customer business includes offerings for heat pumps, solar panels, and EV charging points – key pillars of GB electrification. Our businesses all report the same common failings on DNOs' connection performance. We have identified significant ongoing issues, including technical consistency and timing, which have directly led to a worse customer experience and a slower rollout of LCTs. There is also a substantial, enduring performance gap between the best and worst DNOs. We would strongly encourage Ofgem to act on this immediately to avoid excessive consumer detriment before ED3 begins. **We support Ofgem's approach to proactive unlooping (and completion of local enabling works) as a way to reduce customer issues, provided these are sensibly scoped and cost-assessed.**

Additionally, we are supportive of efforts led by the ENA to standardise notifications and approvals for LCT installations, and welcome their work programme to improve this system further. As a nationwide supplier and LCT business, deviations in requirements creates additional work and complexity that only raises costs for the end consumer. Ofgem should place further licence conditions on the DNOs to make more use of a standard approach, helping remove unnecessary costs and barriers in the connections process.

### 4. Use of flexibility

We welcome Ofgem's clarification in the SSMC that there remains a key role for flexibility in managing demand and mitigating the impact of investment programmes. We were concerned that the 'build-first' approach outlined in the framework decision implied a curbing of DNO flexibility that could lead to suboptimal outcomes in some scenarios. DNOs are well-placed to understand how flexibility can be used to manage network buildout, using local intelligence and tailored offerings to incentivise helpful consumer behaviour. Broader developments outside of ED3, including the establishment of the Market Facilitator for flexibility, will help balance local and national flexibility. There is now a balance between the cost impact on distribution consumer bills and the need to enable national-scale flexibility offerings to manage transmission network constraints.

We look forward to continuing to work with Ofgem in the post-consultation stages. Should you wish to discuss any of the issues raised in our response or have any queries, please contact me or Mathew Chandy at [mathew.chandy@edfenergy.com](mailto:mathew.chandy@edfenergy.com).

Yours sincerely,

A handwritten signature in dark ink that reads "Mark Cox".

Mark Cox  
Head of Nuclear and Wholesale Market Policy