



Independent Networks  
Association

ED3 Team  
Ofgem

Sent via email to: [ED3@ofgem.gov.uk](mailto:ED3@ofgem.gov.uk)

3 December 2025

### **ED3 Sector Specific Methodology Consultation**

I write on behalf of the Independent Networks Association (INA), a trade body which represents the interests of independent networks across the gas, electricity and water sectors.

Thank you for the opportunity to comment on this consultation. Please see the following points below.

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

##### **Question 4. Do you agree with the proposed use of tRESP outputs in DNOs' network impact assessments?**

The INA membership recognises that DNOs are expected to use the tRESP as a foundation for network planning over the ED3 Price Control period. However, whilst Independent Distribution Network Operators (IDNOs) have been included in the tRESP discussions, there is no clear mechanism for IDNOs to input. This omission could lead to the loss of solutions which are fundamental to addressing constraints and supporting the delivery renewable generation. We believe this is a fundamental gap in RESP that could lead to suboptimal investment decisions if IDNO networks and future plans are not adequately considered as part of the DNO's solutions. This is a point we have been making repeatedly in the tRESP discussions.

Excluding these projects leads to an incomplete picture of network readiness and fails to present the full range of solutions available to meet net zero, security of supply objectives and local area growth ambitions. It could also result in a duplication of projects. From an IDNO perspective this would create competitive disadvantages and undermine investment certainty. We urge that this issue be recognised and addressed by Ofgem.

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## **Long-term integrated network development plans – Questions 6 and 7.**

The SSMC rightly notes the challenge of ensuring local networks are ready for rapid and disruptive changes. The INA agrees that addressing this challenge will require proactive investment ahead of need - and specifically that this work could if directed and executed well support regional priorities such as local area growth ambitions. We therefore support a programmatic, area-based approach to LV network reinforcement and unlooping of legacy service connections. As you have noted, this would be particularly beneficial due to the potentially uneven need for LV network reinforcement and unlooping and the economies of scale and coordination benefits of a programmatic approach.

## **Connections**

### **Questions 18-29**

In respect of the package of changes that Ofgem are proposing to shake up how connections performance is incentivised, the INA and its members are broadly supportive. We recognise that there has been a great deal of progress in DNOs' understanding the needs of connection customers and through the previous incentive mechanisms we have generally seen progress. However, we also believe that there are lessons which could be learned from the design of these incentives noting that there is likely to be a great burden placed on connection services in the coming price control period than there ever has before.

It is important that the DNOs are incentivised on the provision of non-contestable services and we welcome the proposal in the SSMC to move to include this area of work into a financial incentive. It is imperative that DNOs should provide these services in such a way that allows parties to compete and to deliver efficiency and excellent service to connection customers through an open market. We would like to see this go further insofar as we believe that there is work which the DNOs retain as contestable, but which suitably accredited parties should be able to carry out on behalf of the DNOs. Not only does this enable connections providers to deliver for their customers but it also has the potential to reduce costs and frees up the limited time and resource that DNOs have in an increasingly constrained system to manage their networks on an ongoing basis.

IDNOs have demonstrated a proven ability to deliver for customers and to enable connections, improving the market for everyone. We would like for this to be recognised within the design of the proposed incentives framework to allow more detailed surveys with larger customers. This would represent a marked improvement on the current approach which has the unintended effect of limiting the voice of some of the largest (by connection numbers) customers that the DNOs have.

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INA members do have concerns that the TTC incentive being extended to larger connections may have the unintended consequence of driving behaviours that are not in the interest of connection customers or the wider customer base. In our view delivering connections is an important area for improvement but we believe that this is better achieved through the market than a mechanistic incentive which may have a detrimental impact on the customer experience, and quality of connection offers and services.

## **Customer Service**

### **Questions 30 – 40 and 47**

Vulnerable customers, including those registered on Priority Service Registers, often face unique challenges—such as health issues, financial hardship, or limited access to digital services—that can impact their experience during planned or unplanned service interruptions. We are supportive of the proposal to segment satisfaction ratings for PSR customers—distinct from the general population— to pinpoint gaps in service delivery and benchmark improvements over time.

We agree that it is important to use multiple survey channels, reflecting the preferences of the audience to increase response rates and ensure feedback from the full diversity of the customer base.

The INA welcomes a combined research approach where it is appropriate and cost effective for example where only a small population size is available to sample or where a common solution is required. The guidance on consumer research annex provides useful tools for developing and improving survey techniques and identifying which are most appropriate. It should also be noted that Electricity Supply Standard Licence Condition 31F encourages electricity suppliers to prompt engagement from their consumers and to promote switching. This is typically achieved by suppliers by including a statement that encourages switching and promotes the “cheaper tariff message” on their bill templates. There is not a broader requirement for consumer engagement in the licence, although we recognise that suppliers provide Ofgem with customer satisfaction reporting. It is important that surveys and research are co-ordinated across the electricity sector.

## **Energy Efficiency**

### **Question 41. 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?**

As Ofgem develops its thinking in this area, it will be important to understand how Ofgem sees the role of IDNOs. IDNO growth took off in the 2010s and currently connect around

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80% of new homes, often as multi-utility players (connecting gas and water networks in addition to electricity). IDNOs currently have approximately 2 million electricity connections. Due to significant improvements in building regulations, homes built in this period have much higher efficiency standards than typical homes. More recently, Government has mandated electric vehicle (EV) charging facilities for new homes and we are expecting the Future Homes Standard (due to be published later this year) will move new homes away from gas heating and onto heat pumps and solar. Our members also work with the ENA's connect direct programme, which can add visibility of the move to new low carbon technologies (where they are not already fitted).

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

#### **Question 48. Do you have any comments on the proposed ISG guidance as set out in Appendix 4?**

We largely agree with the approach Ofgem has set out. We note that the consultation states that representatives must have “... *suitable knowledge and expertise to enable meaningful challenge and robust engagement with companies. Members should act in an independent capacity and not solely as a representative of a particular organisation, or group of consumers or stakeholders.*” We acknowledge the intention of this proposal. IDNOs are significant and growing customers of DNOs and also have, across GB, around 2 million electricity customers who are directly affected by the performance and services provided by the upstream DNO networks. It is essential that this voice is heard in the Independent Stakeholder Group and should be an explicit requirement for membership to include knowledge and understanding of this important constituent group.

### **Data and digitalisation**

#### **Question 51. Do you agree with our proposed approach on all five themes? Why?**

On this and the wider discussion in the document on smarter networks, it is difficult to agree or disagree. In particular, it is unclear whether Ofgem envisions some obligations to be placed on IDNOs and the extent of any obligations. If this is the case, it is important that any additional costs are allocated in the electricity charging methodology models, at the correct voltage levels, so that appropriate charges are made to recover these costs. We recognise that Ofgem's Preliminary Strategic Direction Statement makes reference to the DUoS SCR in 12.2: Introduce low-regrets near-term reforms to support system efficiency. However, no additional or timed commitment is made to deliver this through Code Reform. Further, it is not anticipated that the Code Manager for the Electricity Commercial Code will be in place until Phase 2. Resumption of DUoS reforms are urgent and waiting until Phase 2 of Code Reforms is not the most expedient delivery mechanism. Therefore, we encourage

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Ofgem to resume the DUoS SCR through their existing SCR powers and resumption of the SCR needs to take place in parallel with any new obligations on IDNOs.

## **Resilient Networks**

### **Questions 85-97**

The INA has noted that this section in the consultation is very pertinent to IDNOs whose networks and operations will need to adapt to climate and cyber risk. They are accessing and competing for the same skills, resources and supply chains pools as DNOs. As they are also increasingly connecting to upstream networks at higher voltages they will also be expected to adopt new resilience requirements from NESO and also any asset health obligations that may come as part of the Government's proposed resilience White Paper. It is crucial that it is clear what obligations may be expected to be implemented by IDNOs and that any additional costs are allocated correctly in the electricity charging methodology models, at the correct voltage levels, so that appropriate charges are made to recover these costs. As stated in our responses to Q51, DUoS reform is now urgent.

## **Innovation**

### **Questions 54 -59**

IDNOs have long been incentivised through the open market to adopt innovative approaches to solving problems to ensure that they can continue to grow their businesses. These incentives are commercial in nature, but the INA would welcome the opportunity for a widening of the approach to SIF innovation funding through the RIIO framework and IDNO licence to allow IDNOs to bid for specific projects. IDNOs networks serve 2 million electricity customers across GB and there are opportunities on those networks for new, innovative ways of network management. This is particularly true of the fact that IDNOs connect the majority of new housing across the country and so the ability for DNOs to be able to undertake research of innovation projects of networks which connect these types of houses is limited.

## **Climate Resilience**

### **Questions 91 -93**

Environmental reporting is an important part of all companies' corporate responsibility and a robust framework that allows comparisons between DNOs is essential to maintain customer trust that energy networks are acting sustainably.

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Environmental reporting serves as a cornerstone of corporate responsibility for companies operating in the energy sector. By transparently disclosing environmental impacts—such as carbon emissions, resource consumption, and biodiversity effects—companies demonstrate transparency and accountability to key stakeholders, including customers, regulators, and investors, thereby building trust.

The INA is supportive of a robust and consistent reporting framework which provides comparable data sets for benchmarking purposes, improves customer trust that DNOs are proactively managing their environmental responsibilities, and includes regular stakeholder engagement to deliver continuous improvement and innovation in sustainability practices.

## **Reliability**

### **Questions 98 to 105**

The reliability of upstream DNO network impacts the reliability for IDNOs and their customers. DNOs routinely do not inform IDNOs of upstream faults affecting their network or even planned interruptions. This places IDNOs in the position that an IDNO customer complaint can be the first time that they will be aware of an upstream interruption. There are also different practices across the DNOs as to whether these result in GSOP payments being made to IDNOs to pass on to their customers. In addition, discussions within the Electricity Task Group have made clear that DNOs believe that they are incentivised through the ISS mechanism to treat IDNOs (and all the customers attached to them) as one customer, whilst this affects their stance on GSOP payment, it also incentivises them to connect their own customers first, ignoring the number of customers attached to IDNO network when considering system restoration plans. All of these factors mean that electricity customers are being treated differently, depending on whose network they are connected to directly or indirectly. Electricity network GSOPs should be written to accommodate DNO/IDNO interactions. There should also be mandated protocols on communications between DNOs and IDNOs on faults, restoration timescales and confirmation of restoration. These matters were reported to NESO, as part of the evidence submitted on the North Hyde incident. ED3 represents a clear opportunity to address these long-standing concerns.

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## **Finance Annex, Depreciation**

### **Finance Question 20. Do stakeholders have views on our application of asset lives for ED3?**

Competition case law dictates that competitive activities that replace a monopoly functions, such as IDNOs competing to provide electricity distribution networks, should be able to recoup the costs of a notional downstream network. It is therefore critical that any changes in the depreciation of monopoly electricity networks are reflected in the electricity charging methodology. If this does not take place then, there will perverse incentives or disincentives for investors to invest in one or the other.

Please do not hesitate to contact us if you should have any questions or concerns about our response.

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