

Smell gas?

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Steve McMahon
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3rd December 2025

Dear Steve,

Re: ED3 Sector Specific Methodology Consultation (SSMC)

Thank you for the opportunity to input into the ED3 SSMC, which Northern Gas Networks (NGN) has responded to below. We consider this to be a critical time to adopt a whole systems perspective and have therefore provided responses to specific questions where we consider it pertinent.

Gas plays a critical role in a whole energy system by providing flexibility, reliability, and transitional support as economies shift toward low-carbon energy sources. Natural gas infrastructure (such as pipelines and storage) can be repurposed for alternative fuels like hydrogen or biomethane, making it a strategic asset in decarbonization pathways. Additionally, gas supports industrial processes and heating needs that are currently difficult to electrify, helping maintain energy security while cleaner technologies scale up. Its versatility and existing infrastructure make gas a key enabler in the transition to a more sustainable and resilient energy system. It is therefore important that gas is considered a vital part of that energy transition, with the resulting benefits taken into account when developing the ED3 regulatory framework to ensure other alternative energy sources are able to contribute to the future energy system.

We note Ofgem's proposal for Distribution Network Operators (DNOs) to *"play a substantial role in ensuring the effective delivery of energy efficiency and low carbon measures (such as heat pumps, solar PVs and batteries) where there would be a network benefit."*¹ While we understand the sentiment, we are concerned that such a move could lead to unintended consequences for the wider energy industry should DNOs be encouraged to actively promote electrification as a means to decarbonise our homes and businesses. Such a move would likely skew the competitive landscape by placing electricity focused solutions at an unfair advantage, simply due to the DNOs direct relationship with the end users. We consider that the wider competition impacts should be very carefully considered in this context to avoid both a potential breach of competition law, but also unintentionally disadvantaging owners of other solutions by limiting their access to the end users. We note the intention to consult on this issue separately and will provide our response to that accordingly.

Yours sincerely,

Greg Dodd

Regulation and Strategic Planning Director

Northern Gas Networks

**we are
the network**

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Paragraph 4.128

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Appendix One – Question Responses

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 consider that encouraging DNOs to play a bigger role in delivering low carbon measures requires very careful consideration given the potential for introducing market distortions due to the natural monopoly market structure creating a position of dominance for the DNOs. Naturally, DNOs have a vested interest in encouraging electrification and incentivising DNOs in this space risks creating additional barriers for smaller entrants or alternative fuel sources. There is therefore a risk that alternative solutions could be excluded from the market, potentially resulting in consumers losing out on solutions which could have been more cost-effective in their situation. It is essential that other energy sources are not excluded from the market by encouraging electrification.

Smarter networks

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

The consultation rightly highlights the importance of interoperability and coordination in the field of data and digitisation. We strongly support this view, as smart networks deliver significant benefits to the energy sector, including enhanced efficiency, reliability, sustainability, and economic growth.

We consider that data interoperability should extend not only across Distribution Network Operators (DNOs), but also across the wider energy system, recognising the critical role that Gas Distribution Networks (GDNs) play in achieving Net Zero. Ensuring that smart network principles apply to both gas and electricity infrastructures will enable effective information sharing between the two systems and unlock the full range of associated benefits.

Distribution system operator

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?

We are supportive of the proposal for collaboration across energy vectors and consideration of whole systems development. Active engagement across all energy vectors is an essential part of the planning process to ensure that interdependences are fully understood and leveraged. Integration is key to maximise efficiency, encourage cost minimisation and to deliver a secure and sustainable energy system.

Paragraph 5.79 states “DNOs should proactively plan and build their network to ensure network headroom capacity stays ahead of need.” Whilst we can understand the logic for increasing the pace of rollout to meet decarbonisation targets, we do consider that this approach introduces additional challenges when considering a whole systems approach given potential for misalignment between energy vectors, either

through encouraging electrification as the dominant pathway, or through discouraging investment in alternative fuels such as hydrogen, biomethane or other renewables which will play an important role in decarbonising hard-to-electrify sectors or areas. In addition to moving away from regulatory precedent in sectors such as gas, which require the needs case to be demonstrated prior to investment, such a move risks long term system inefficiency given the risk of over-investment and/or the geographical misalignment of energy infrastructure.

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?

Ensuring interoperability of data across all parties in the energy sector is fundamental to unlocking the full value of digitalisation, enabling seamless coordination between electricity, gas, and emerging energy vectors. Without common standards and interoperable systems, the benefits of smart networks and digital innovation risk being fragmented and diminished.

The success of the proposed Data Sharing Infrastructure will depend critically on interoperability and access to data or information on an equitable basis. Only by ensuring that good quality data can be shared, accessed, and utilised consistently across different organisations and platforms will the infrastructure deliver the efficiency, transparency, and innovation outcomes it is designed to achieve.

In this context, NESO has a key role to play in promoting and embedding interoperability throughout the sector. As the central system operator, NESO is uniquely positioned to set expectations, align standards, and foster collaboration across network operators, market participants, and technology providers. By championing interoperability, NESO can ensure that the Data Sharing Infrastructure becomes a cornerstone of whole-system coordination and a driver of progress towards Net Zero.

To ensure efficient coordination, electricity DSOs and GDNs should adopt a common decarbonisation roadmap which recognises the complementary roles of electrification, hydrogen, and renewable gases. Part of this should be to provide clarity on what data should be shared, with whom, ensuring information and data are shared equitably so that all parties are operating on a level playing field.

DSO incentive framework

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?

We consider that the regulatory incentive framework should adapt to reward system-wide benefits such as carbon reduction, reliability, and consumer affordability across the energy system as a whole. One way this could be achieved is through additional shared allowances for cross-network collaborative projects.