Via email: ED3@OFGEM.gov.uk

3rd December 2025

Email: Tom.Steward@RWE.com

Ref: RIIO-ED3 Sector Specific Methodology Consultation

Dear RIIO-ED3 Team,

RWE is the leading power generator in the UK, with a diverse operational portfolio of onshore wind, offshore wind, hydro, biomass and gas. We produce enough energy to power the equivalent of around 12 million UK homes. We are investing today, with 2.2GW of new renewable projects currently in construction. This includes our 1.4GW Sofia offshore wind farm, three new onshore wind farms totalling 169MW, 11 new solar farms totalling 530MW and four co-located battery storage sites totalling 105MW.

We have ambitious plans to expand our UK footprint even further, with over 15GW of renewables at various stages of development. This includes nine new offshore wind farms totalling nearly 10GW, and a GW scale pipeline of onshore wind and solar projects. Complementing our renewables pipeline, we have over 3.6GW of battery storage under development, and we are in the early stages of developing four gas carbon capture and storage (CCS) projects across the UK, totalling up to 4.6GW.

In addition, as a key component in the energy transition, RWE is developing a portfolio of large-scale green hydrogen opportunities across the UK

We directly employ over 3,100 people across the UK and our planned investment will continue to create green jobs, developing green skills up and down the country.

We are committed to working in partnership with the government to deliver its 2030 clean power mission, and to deliver clean, secure and affordable energy for the UK.

Overview

- Connection delays impose a significant risk on development of new generation – increasing costs for consumers
- RWE proposes a new policy regime to ensure timely connections and reinforcement of the network – network delivery milestones
- Incentives for early delivery are unhelpful in that they drive up costs with little benefit to connecting parties that may not be able to adapt their own timelines to match

- Flexible connections impose unnecessary and avoidable risk on generators – increasing costs for consumers – a principle of 'no flexibility without grid transparency' should be adopted
- We welcome OFGEM's focus on the costs of contestable works and ask that this also extends to seeking to minimise costs through a focus on non-contestable works and procurement standards

Importance of timely connections

Securing timely network connections is essential for minimising costs for consumers, ensuring the highest levels of system security, and for the delivery of the Government's Clean Power mission. However, we currently face a situation where a significant proportion of RWE's live development projects are facing connection delays. This issue is present across connections for all technologies at all network voltage levels (Distribution and Transmission) including onshore and offshore wind, solar, battery, thermal generation and demand projects (green H2 production and datacentres). Depending on when they occur, delays can sometimes be accommodated by the project shifting timelines - albeit not without cost and wider commercial impact. However, in many instances, delays come too late in the development process for us to adjust our timelines, with significant negative impacts on projects. Although connection offers do include provision for liquidated damages as a liability for the connection provider, these are invariably set to zero. Often it is delays to wider network reinforcements, rather than delivery of assets at the point of connection, which lead either to connection delays, or to connections being offered as non-firm (which have associated issues – see below).

Connection incentives in the price controls

We welcome the consultation's acknowledgement of calls for stronger measures to hold network companies to account on timeliness of connections. We note the view that this cannot be addressed effectively through price control frameworks, however, would suggest that a well-designed incentive framework which includes meaningful financial delivery penalties (reflected through reductions in allowed returns) must, if not directly be written into price control frameworks, dovetail perfectly with them. It is essential that any penalties for late delivery cannot be passed through to network users, and ultimately consumers. We look forward to engaging fully with the next stage of the forthcoming end-to-end connections review, which we hope could deliver meaningful improvements in the connection regime ahead of the beginning of RIIO-ED3.

New policy proposal to ensure timely connections

The introduction of any incentive / penalty regime for network development must be undertaken with care. Any regime must minimise the risk of driving network operators to push connection dates far into the future, in order to make them easier to achieve, and therefore easier to avoid penalty.

Introduction of network milestones

We believe that one of the best routes to supporting timely delivery that minimises such a risk is the introduction of an evolving system of network development milestones. Since 2023, generators have begun to have milestones placed into their connection offers – requiring them to evidence progress on the path to connection, or risk losing their connection agreement. We believe there is significant value to be had in applying equivalent milestones to network companies' activities – applying to both connections (minimising connection date risk for generators) and to reinforcements of the wider network (whilst facilitating firmer connections for generators – helping to ensure the market works efficiently). Milestones would be tailored to the nature of the investment – i.e. voltage level, connection or wider works. Wherever a milestone was missed, this should result in a penalty on the rate of return that the network operator is permitted to make from the investment. Milestones should be kept under review and refined over time – if network companies consistently meet milestones early, this implies milestones are not sufficiently tight to drive ambitious delivery timelines, and should be reviewed for future investments. If milestones are consistently missed by networks, and this can be clearly shown to be despite every effort being made by the network company, then this could imply milestones are overly punitive and are therefore in need of review for future investments.

Increased transparency

Often generators do not find out until very late in the development journey that key network infrastructure has been delayed. The use of milestones in this way would also help improve transparency for generators of network companies' delivery progress – as well as for OFGEM, and DESNZ.

Missing milestones

As for generators, where a missed milestone can be demonstrated as beyond the control of the network company, no penalty would be levied. It would be essential to very clearly define what might be considered 'beyond the control of the network company', otherwise this would either place unnecessary and avoidable risk on network operators, or potentially render the milestones ineffective. For example, a full and detailed planning submission submitted on time but with a decision delayed by government or the LPA could be deemed beyond the control of the network company. Not commencing procurement activity on time to deliver, or submitting planning applications late, is within the control of the network.

Any degree of lateness of a connection risks imposing unforecastable costs on connecting users. Therefore, in contrast with incentives currently in use at the Transmission level (notably the ASTI regime), we propose that there should be no grace period for missed milestones.

Incentives for early delivery

It is not clear there is justification for rewarding early delivery. An early delivery incentive risks creating a perverse incentive for network operators to exaggerate the time it will take to deliver a network asset / connection. A connection that is ready early is unlikely to benefit a connecting user, whose development timeline will be planned based on the

agreed connection date. Timely completion of works should be considered part of the minimal requirements for a network operator.

Use of flexible connections

The use of flexible connections, otherwise known as curtailable connection offers, at the distribution level currently imposes unnecessary risk on generators. Historically, connection offers were not provided with maximum annual curtailable hours. Only recently, generators started receiving information on the number of hours they can expect to be curtailed per year. However, this leaves significant commercial uncertainty, as there is no timing detail for these events. For example, a solar generator whose connection is curtailed for 300 hours of winter nights will face a very different commercial impact to a solar generator curtailed for 300 hours of summer days. If flexible connections are to be used, meaningful forecasts of curtailment hours must be given, with this acting as a cap on curtailment which cannot be breached without adequate compensation (commensurate to lost revenues). Flexibility can be a valuable tool for managing network capacity, but without adequate transparency, flexible connections risk undermining project investments – a principle of 'no flexibility without transparency' should be applied to generator network connections.

Contestable works

We welcome OFGEM's focus on the costs associated with contestable works, and would ask for a detailed examination of costs also associated with non-contestable works. We also believe there may be merit in reviewing DNO's procurement requirements to ensure that the standards required of sub-contractors are appropriate. Where standards are unnecessarily high or 'gold-plated' this directly pushes up delivery costs (which is passed through to consumer bills) as well as narrowing the breadth of possible suppliers, thereby also limiting competitive pressure on costs.

Standards of service

It is essential that RIIO-ED3 helps to support improving levels of service from DNOs. Connection offers must at minimum include firm statements on programme, scope, and cost of works, along with any exclusions. We would anticipate that as connection reform takes effect and projects are removed from the queue, that the reduced workload on DNOs gives space for higher levels of service. We ask that RIIO-ED3 takes all opportunities to drive further improvement for both generation and demand network users.

We hope you find this input useful. If you have any questions, please do get in contact.

Yours faithfully,

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RWE