



## Response to the Ofgem ED3 Sector Specific Methodology Consultation

December 2025

This response to the Ofgem ED3 Sector Specific Methodology Consultation (SSMC) is provided by the SP Energy Networks (SPEN) Independent Net Zero Advisory Council (INZAC).

The INZAC acts as the Independent Stakeholder Group (ISG) for SPEN, as mandated by Ofgem in its Business Plan Guidance published on 30 September 2024.

## Contents

INZAC CONSULTATION RESPONSES .....	3
1 Strengthening delivery accountability .....	3
2 Connections .....	3
3 Consumer vulnerability .....	3
4 Environmental framework .....	4
5 Consumer voice/research .....	5
6 Enhanced stakeholder engagement (Independent Stakeholder Groups and guidance).....	5
7 Accountability for consumer outcomes.....	8
8 Reliability.....	8

## INZAC CONSULTATION RESPONSES

**Please note:** The INZAC has only responded to questions that are pertinent to our role and where we believed we had a view that would be beneficial to share with Ofgem.

### 1 Strengthening delivery accountability

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

We support Ofgem's proposal to strengthen DNO accountability for delivery. The INZAC believes that this is important: if the DNOs underdeliver it could result in harm to consumers and customers, both from financial and service provision perspectives. There is the potential for damage to the reputation of the sector and the regulator. The INZAC also believes that the risk of potential harm increases with the size and complexity of the investment programme.

### 2 Connections

#### **Incentives for smaller connections**

#### **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?**

The number of domestic customers exploring and taking up connections services is expected to increase significantly in ED3. We therefore welcome the idea of bringing domestic customers' experiences into the redesigned incentives. The considerable variability across the many aspects of domestic LCT connections, such as property type, housing tenure and local authority approaches, to name just three, means there is scope for multiple types of 'pain points' for customers as they navigate the connections process. The INZAC believes that it is important that these possible 'pain points' are identified and understood, with effective approaches developed to overcome them, to make the process easier for customers. The INZAC sees that a well-designed incentive could play an important role here and would therefore encourage Ofgem look at an incentive regime covering both domestic and non-domestic connections.

### 3 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?**

#### **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?**

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

#### **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?**

The INZAC believes that the PSR Reach metric should continue to be measured as part of the AVR. Further, we believe that the DNOs should maintain, and where necessary extend, their PSRs, aiming for maximum coverage of eligible customers. As instances of extreme weather are expected to increase in frequency and intensity, there are likely to be increases in network disruption. The

services that the networks provide during power cuts are very important for those with additional needs. We would however, note that there is somewhat of a 'postcode lottery' for these services, depending on which DNO a customer is connected to. We would therefore encourage Ofgem to look to try and standardise what the network companies provide to their PSR (and vulnerable) customers, to ensure that there is a basic minimum that PSR customers can expect and receive.

Any changes to the Social Value Framework should continue to ensure that DNOs measure benefits and outcomes in a comparable and consistent way. We believe that this should drive up standards, and reduce the risk of companies 'gaming' the approach to maximise scores rather than meeting specific 'on the ground' customer needs.

Similarly, we believe that common targets for the Vulnerability incentive would mitigate any 'postcode lottery' effect and could drive performance improvements. However, we would suggest that Ofgem should also require DNOs to collaborate in the area of customer vulnerability, as it would benefit more vulnerable customers and hopefully reduce or remove the 'postcode lottery'. We would note, however, that there is a risk that DNOs will be less likely to share best practice and innovation if they are purely assessed and compared on common metrics.

Collaboration clearly also extends into the third sector. It is important to identify and mitigate the fair costs incurred by the charity sector in delivering impactful solutions, in particular for those who the sector has been unable to find optimal routes to engage with previously.

## **4 Environmental framework**

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

The INZAC believes that Ofgem should require all network companies to go beyond measuring their Business Carbon Footprint and setting carbon reduction targets, to set clear Net Zero targets. As key enablers of the energy transition, network companies play a critical role in helping the UK Government meet its climate goals. Net Zero targets would support better decision-making by the DNOs (and their shareholders), improve transparency and ensure network companies are fully aligned with the UK's climate commitments.

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

We support the use of standardised metrics, SMART targets, best proactive measures and the introduction of an Ofgem-led annual review of the AERs. This will enable more meaningful comparisons across companies, improve consistency in reporting and enable network companies to compare themselves against peers. This will also help ISGs to constructively challenge performance, particularly given the limited capacity ISGs have to carry out such analysis themselves.

### **Response to: Options considered but not proposed - Expanding the EAP scope to cover broader sustainability issues**

We have previously suggested that Ofgem should broaden Environmental Action Plans (EAPs) and Annual Environmental Reports (AERs) to mandate Sustainability Action Plans (SAP) and annual Sustainability Reports. The decision to exclude broader sustainability considerations from EAPs (or require SAPs) does in our view risk leaving material gaps in how network companies assess and report their sustainability performance. We believe that the targeted mechanisms and requirements mentioned (para 4.175) do not adequately cover the breadth of sustainability issues that network companies face and could positively influence, such as biodiversity, resource use and social impact.

The narrow focus is, and will increasingly become, misaligned with the integrated approach expected under emerging UK and international sustainability frameworks. Given that the price control spans a five-year period, it is essential that Ofgem anticipates how sustainability expectations will evolve over this timeframe and ensures that the focus of network companies is future-proofed. In particular, the forthcoming UK Sustainability Reporting Standards (UK SRS) will require more comprehensive disclosures across environmental, social, and governance dimensions, reinforcing the need for broader and more strategic sustainability reporting. We therefore believe that it is incumbent on Ofgem to future-proof the Price Control arrangements to ensure that the DNOs (and other network companies during subsequent Price Control periods) are aligned to the standards expected by the UK Government.

## 5 Consumer voice/research

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

We welcome Ofgem's decision to publish guidance for DNOs about their Consumer Research programmes. The guidance itself is well crafted, striking an appropriate balance between reminding DNOs of the role of research, the suitability of different research methods and the principles that contribute to high quality research, while making clear that Ofgem is not going to specify what research is appropriate; this is for the DNOs to decide.

Ofgem's emphasis on DNOs demonstrating "how the research findings are utilised for the benefit of the consumer and the company" is important. It is our view that research should not be commissioned to impress the regulator with the number of customers 'consulted', but that it must be relevant to business plan decision making.

We welcome Ofgem's proposal that ISGs have a role "assessing the research and its view on the approach, findings and use". We think ISGs with consumer research expertise are well placed to do this as they can be involved throughout the process, reviewing materials as needed and meeting regularly with the relevant DNO team.

We also support Ofgem's proposal that DNOs collaborate on some aspects of the research, and agree that this could improve comparability and reduce duplication - and thus be more cost-effective.

## 6 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?**

The ISG guidance in the SMCC builds on the RIIO-3 BP Guidance, adding further guidance on membership and Terms of Reference in Appendix 4. We welcome the guidance and concur with the general approach. We outline our thoughts below on areas that could be enhanced or refined to drive potentially better outcomes:

Topic	Reference	Comment
<b>ED3 Business Plan Guidance</b>	N/A	We request that for the ED3 Business Plan Guidance, Ofgem considers previous suggestions from ISGs for more detailed guidance on the ISG statement/report submitted with the Business Plan and the Call for Evidence so that there is more consistency between the ISGs. We believe that this would be of benefit to Ofgem and any other stakeholders who may be accessing and reviewing multiple reports.

Topic	Reference	Comment
<b>Membership</b>	Appendix 4, para A4.4	<p>Noting the role of the ISG is to be “encouraging change towards a culture of more consistent, relevant and more effective stakeholder engagement by the company through scrutiny, challenge and monitoring of its engagement strategy, plans and performance”, there could be a realistic expectation that the ISG should continue to encourage engagement within the ED3 plan period, as customer needs and expectations evolve and to take account of any micro or macro wider changes post business plan determination.</p> <p>The final bullet point of paragraph A4.4 focusses on informing the early stages of the business plan (“providing insight and feedback to the company to allow it to act on this information and use it to inform decisions early in the process of business plan development”), however as an ISG we believe that value will be derived from also ensuring ongoing engagement continues to inform the implementation of the plan.</p> <p>It is important to emphasise that engagement should not be over-weighted to the plan production phase alone, but must continue throughout delivery, as circumstances, technologies and customer expectations evolve. A continuous approach will ensure that ED3 development engagement feeds into and informs business-as-usual engagement, and vice versa, strengthening the overall effectiveness of stakeholder input</p>
<b>ISG topics in scope</b>	Appendix 4, para A4.6 and A4.7	<p>Whilst the guidance is welcome, we believe that Ofgem should not be overly prescriptive about the topics within the scope of the ISG. Ofgem may not expect an ISG to examine matters such as treatment of debt, the cost of capital, cyber security etc, but the ISG may choose to do so if this assists the wider challenge role being undertaken, over and above Ofgem’s expectations. Network companies may also choose to include some or all of these topics within the ISG’s scope to benefit from experience and challenge from the ISG.</p>
<b>ISG Chair statement</b>	Appendix 4, para A4.9	<p>Note that the ISG may not necessarily be a new body - the narrative suggests that it may well be - but could be an existing body that, as part of its constitution, delivers the ISG functions. The regulated DNO would be obliged to ensure that the ISG chair and its membership provided independent external challenge and was constituted to deliver the expectations as defined in the SSMC.</p>
<b>ISG remit</b>	Appendix 4, para A4.10	<p>Para A4.10 references that the ISG must “act in the interests of existing and future consumers and stakeholders”. There may be some benefit in broadening this point out within the guidance, to detail that the ISG should act in interests of all consumers who will be impacted by or benefit from the ED3 business plan, and decisions that stem from it in future years. This should include those who are not actively engaged in the energy system, either through choice or circumstance, those who have higher-than-average dependencies on energy, or those most likely to be impacted by the physical assets of the network itself.</p> <p>The word representative is used a number of times. It is important to be clear that ISG members do not represent organisations nor represent areas or groups etc on a constituency basis and should be appointed for the expertise they will bring.</p>

Topic	Reference	Comment
Membership	Appendix 4, para A4.11	<p>Para A4.11 proposes that ISGs MUST include a “consumer champion or equivalent represented by Citizens Advice, Consumer Scotland, Energy Saving Trust, Sustainability First, National Energy Action, or similar consumer body.” However, it is unclear what Ofgem means by ‘consumer champion’. This term should be clearly defined, including how it differs from the role of the ISG Chair in “recruiting ISG members that are able to act in the interests of existing and future consumers” as outlined in para A4.10.</p> <p>Citizens Advice and Consumer Scotland are the statutory consumer advocates for energy and are funded as such. Appointing these bodies as members of every ISGs is unrealistic given their current resources. The INZAC was confused by the additional organisations listed by Ofgem, as they each have different roles and areas of expertise, and do not receive funding in the same way.</p> <p>Citizens Advice and Consumer Scotland are independent of any particular company and exist specifically to champion consumers’ interests. By contrast, the Energy Saving Trust (EST) is “working to address the climate emergency”, while Sustainability First describes itself as an “independent charity and politically neutral thinktank”. We understand that both EST and Sustainability First receive some funding from individual network companies for specific projects. These funding mechanisms do, in the INZAC’s view, raise potential concerns around conflicts of interest.</p> <p>National Energy Action (NEA), also listed, is consumer-focused, but its remit is primarily on fuel poverty and it also has the potential to be funded by network companies. NEA’s focus on fuel poverty creates a risk that the perspectives of other consumer groups may be underrepresented, or that the needs of the fuel poor could be prioritised over those of other customers.</p> <p>To ensure clarity of roles, and to avoid conflating statutory advocates with consumer and environmental charities and organisations, and over-stretching the resources of these organisations, we suggest the following refinements:</p> <ul style="list-style-type: none"> <li>• The ISG should engage with the statutory consumer advocates for England, Wales and Scotland, as appropriate, at key points of the challenge process to understand their views and concerns regarding ED3 and ensure these are being considered by the DNO. Where possible, this should be done in collaboration with other ISGs to reduce the impact on these organisations.</li> <li>• The ISG Chair should ensure that the ISG has membership with expertise in customer and consumer insight, wants, needs, expectations and engagement, extending beyond those who are vulnerable. This should be achieved through the recruitment of members “that are able to act in the interests of existing and future consumers”, rather than by mandating membership from any particular organisation(s) that may not be especially consumer-focused or independent of the industry. We would further suggest that the ISG may be supplemented with Special Advisors at the discretion of the Chair, as required.</li> <li>• The ISG should satisfy itself that the DNO is actively engaging with environmental and customer-focused organisations as part of the development of the business plan.</li> </ul>

Topic	Reference	Comment
<b>ISG outputs – annual programme of work</b>	Appendix 4, para A4.15	<p>Para A4.15 includes examples of expected outputs from the ISG, including “An annual programme of work, including details of actions and attached timescales”. Whilst the INZAC believes that transparency is critical, and is something we have championed, concerns remain regarding the purpose of the annual programme of work. In particular, questions arise as to how these programmes will vary between ISGs, noting that some ISGs form part of a wider challenge group established by the network companies and that their work can shift within the year as new topics or challenges emerge, which can also be of a jurisdictional nature.</p> <p>There is also a risk that a fixed annual workplan could constrain the flexibility of an ISG to review and provide input into areas of the network company’s business as they arise. Experience from other challenge processes suggests that a forward and public view of areas to be challenged can inadvertently drive the eventual work undertaken, with the consequence that focus is placed on issues that were important yesterday rather than those that may be more pressing today. Therefore, any annual programme of work needs to balance transparency with sufficient flexibility, ensuring that ISGs can adapt to evolving priorities while maintaining accountability and effectiveness.</p>

## 7 Accountability for consumer outcomes

**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?**

The proposed Consumer Value Framework (CVF) must be clear, credible and relevant if it is to have any value to consumers and wider stakeholders. We believe that the suggested principles’ reference to proportionality and building on existing tools is appropriate, as is the proposal to identify 'simple common metrics' and then track them. However, the principles as they stand do not ensure that the framework will be clear to an 'informed lay reader', nor that the 'value' created will seem realistic rather than exaggerated, nor that the metrics will cover measures that consumers and wider stakeholders think are important. If a CVF is taken forward, the INZAC would recommend that it should be tested at each stage of its development with consumers and wider stakeholders to ensure that it will achieve the objective of clearly communicating the value created by DNOs' business plans.

## 8 Reliability

**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)?**

Some consideration should be given to understand the optimum level of service and reliability expected by worst-served customers in particular, to mitigate any risk of aiming to meet average (well served, with decent network reliability) customer expectations. As part of this, an understanding of the network company's potential role in supporting community resilience is important.