

Schneider Electric response to the Sector specific methodology consultation: electricity distribution price control (ED3)

About Schneider Electric

Schneider Electric is a global €38bn, Fortune Global 500 company, employing 160,000 people worldwide and 5,000 in the UK, including 2,000 in manufacturing roles. Together with our fully owned subsidiary AVEVA, we invent and deploy the technology that makes the new energy landscape possible, enabling the UK's most important infrastructure, buildings, data centres, factories, and grids to operate. We help to unlock the full value of energy and resources for our customers by simplifying complexity and enabling smarter, more efficient operations across every sector.

Schneider Electric welcomes Ofgem's consultation on the electricity distribution price control (ED3). We have a significant, historic footprint in the UK. Operating in 13 sites nationwide - including major manufacturing hubs in Scarborough and Leeds - where we design and produce systems and solutions essential for the UK's energy and digital transitions. This includes investing in technologies like switchgear, smart building systems, EV charging solutions, and grid automation solutions, where the UK has a competitive advantage.

Over the past two years we have invested nearly £50m in the UK. This investment includes £42m to build a new smart manufacturing plant in Scarborough, North Yorkshire, creating new local manufacturing jobs, in addition to the 450 workers already on-site. This follows almost £10m of investment to expand our Leeds manufacturing facility and expanding our London Victoria head office.

Executive summary

ED3 represents an opportunity to create a different model for DNO procurement that could help provide greater certainty for the supply chain and drive investment in domestic manufacturing and production. The next 10 years will see significant investment in once-in-a-century build-out of distribution networks, essential to meeting the government's clean power and electrification ambitions. This is an important opportunity for Ofgem to deliver on its growth duty and ensure that the impact of this investment is felt across the UK in terms of creating new jobs and stimulating regional and economic growth. The domestic distribution network supply chain will play a vital role in this.

The consultation rightly recognises that significant but unpredictable shifts in spending by DNOs are not incentivising manufacturers, contractors, and educators to expand production and develop workforces in line with network expansion. This volatility of spending amplifies the scarcity of equipment and talent in the electrical products manufacturing sector, driving delays, inflating costs, and heightening delivery risks for distribution networks. We welcome Ofgem's commitment to seeing a step change in terms of stricter environmental frameworks, supply chain and workforce planning, and procurement and order pipeline transparency for DNOs.

- **Supply chain certainty and growth:** ED3 presents a unique opportunity to reshape DNO procurement models to deliver greater certainty for suppliers, stimulate domestic manufacturing, and create jobs. Current volatility in DNO spending discourages investment and exacerbates equipment and workforce shortages. Schneider Electric supports Ofgem's proposals for stricter frameworks and transparency but urges further measures:
 - Clearer guidance on SF₆-free equipment adoption.
 - Greater visibility of procurement pipelines.
 - Prioritisation of suppliers delivering UK social value.
- **SF₆:** Schneider Electric strongly supports Ofgem's ambition to cut SF₆ emissions and reduce the SF₆ bank. However, regulatory uncertainty is delaying investment in SF₆-free technologies, risking UK competitiveness versus the EU and other markets. Stronger interim milestones and promotion of SF₆-free equipment are essential to unlock innovation and investment.

- **Ten-year delivery strategy:** Schneider Electric endorses Ofgem's proposal for a combined ED3+ED4 Delivery Strategy embedding supply chain and workforce plans. To be effective, this must include:
 - Mandatory annual reporting of forecast volumes by product and skill type.
 - Mechanisms for early engagement, such as advanced orders or binding demand signals.
- **Market visibility and monitoring:** Annual publication of equipment and workforce forecasts for ten years is critical for supplier confidence. Schneider Electric recommends:
 - Minimum granularity by product category and skill type.
 - Assurance mechanisms limiting forecast deviations to 30%.
 - A robust monitoring framework to stress-test supply chain resilience and encourage domestic manufacturing.
- **Social value and UK content:** Current UK content in network investment averages 20-40%, reflecting heavy reliance on imports. Schneider Electric calls for:
 - Incentives and procurement frameworks prioritising social value.
 - Annual reporting on local economic impact and jobs.
 - Collaboration mechanisms to scale UK manufacturing and skills.

Questions

Q44. Is the proposed approach to SF₆ - focusing on reducing both absolute emissions and the total SF₆ +bank – appropriate and proportionate?

Schneider Electric strongly supports Ofgem's ambition to cut SF₆ emissions across the network and its proposal to strengthen baseline expectations by requiring DNOs to adopt both an SF₆ emissions reduction target and a target to reduce the total SF₆ bank held in equipment. While the transmission sector has made notable progress, distribution networks fall behind. Reducing SF₆ bank emissions is critical - not only for meeting Net Zero goals but also for ensuring the long-term resilience of UK distribution networks.

However, the current lack of clarity on the future regulatory framework for SF₆ is creating investment paralysis. Manufacturers and utilities cannot plan procurement or technology transitions with confidence. UK networks have committed to eliminating SF₆ by 2050, but without interim milestones, companies struggle to justify early adoption of SF₆-free technologies – despite investments by manufacturers to ensure SF₆-free products are available on the UK market. This lack of clarity slows innovation and risks the UK falling behind the EU, which has already confirmed an SF₆ ban and attracted significant investment. Other jurisdictions, including the US and China, are moving in the same direction.

If the UK fails to provide clarity, it risks becoming a less attractive destination for investment. Stronger regulation would not only give certainty to the UK supply chain but also unlock exports, boost domestic industrial capacity, and support government ambitions for closer regulatory alignment with the EU. While the decision to ban SF₆ ultimately rests with government, Ofgem should go further in promoting SF₆-free equipment - especially given the scale of procurement expected under ED3. Without this, the SF₆ bank embedded in the network will grow, undermining Net Zero targets.

We recognise that SF₆-free equipment currently carries a cost premium, but viable alternatives are already available in the UK market. The real risk is that the UK falls behind other countries and the EU, which are phasing out SF₆ and attracting investment into next-generation technologies. Acting now will position the UK as a leader in clean network innovation rather than a follower.

Q111. Do you agree with our proposal to require a ten-year Delivery Strategy (ED3+ED4) that embeds supply chain and workforce plans? Are the content expectations complete and proportionate? Where should we be more/less prescriptive and why?

Schneider Electric welcomes Ofgem's proposal for a ten-year Delivery Strategy (ED3+ED4) that embeds supply chain and workforce plans. Greater transparency is essential: the current lack of visibility on procurement pipelines has made it increasingly difficult for suppliers to invest in new capabilities, scale production of critical equipment, and recruit and train the workforce needed to meet network growth ambitions. This uncertainty is already contributing to workforce shortages, extended lead times, and higher costs.

However, the Delivery Strategy will only deliver value if Ofgem enforces strict and common reporting metrics. Experience shows that DNO reporting on similar metrics has been inconsistent, creating uncertainty for the supply chain. We therefore support Ofgem imposing clear, prescriptive criteria on how and when DNOs report supply chain and workforce content, ensuring that data is accessible, comparable, and actionable for suppliers.

On prescriptiveness, we believe Ofgem should be more prescriptive in two areas:

- **Reporting standards and timelines:** Mandatory annual reporting of forecast volumes per product category and workforce skill type, with clear definitions and formats, to avoid ambiguity.
- **Mechanisms for early engagement:** Ofgem should consider allowing DNOs to place advanced orders or provide binding indications of demand ahead of ED3. Given long lead times for equipment and the scale of network build-out, suppliers need certainty well before 2028 to invest in capacity and skills.

Finally, while Ofgem is considering permitting preparatory works for DNOs ahead of ED3, similar flexibility should be extended to component and equipment suppliers. Given that this consultation confirms that Ofgem will not introduce an Advanced Procurement Mechanism (APM), there is a risk that suppliers will be unable to scale in time, jeopardising delivery targets. A clear mechanism for early commitment - whether through advanced orders or indicative demand signals - would significantly strengthen the effectiveness of the Delivery Strategy.

Q112. Do you agree that DNOs should publish annual equipment and people volumes for ten years to provide better market visibility? What minimum granularity would be most useful to suppliers and training providers?

Schneider Electric agrees that DNOs should publish annual equipment and people volumes for ten years to provide better market visibility. Greater oversight of likely demand from each operator will serve as a critical indicator for suppliers and training providers, enabling them to plan investments in domestic production, manufacturing capabilities, and workforce development with greater confidence. This visibility is essential for building resilience across the supply chain and ensuring the availability of skilled labour.

However, for this approach to be effective, there must be clarity on the level of certainty associated with these forecasts. Publishing indicative volumes without any assurance mechanism could undermine confidence, particularly if actual demand diverges significantly from forecasts. For example, if actuals vary by 100% from published forecasts without any mitigation or compensation, suppliers may be reluctant to commit resources. Therefore, we recommend establishing an acceptable threshold for variation - such as a maximum deviation of 30% - and providing at least one year's notice for any changes beyond this threshold. This would give suppliers and training providers sufficient time to adjust plans and avoid unnecessary risk.

Given the bespoke nature of much of the equipment involved, close collaboration between DNOs, suppliers, and training providers is essential. While firmer enforcement of forecasts could provide certainty, it also carries the risk of reducing flexibility and collaboration. To avoid unintended consequences, we suggest developing an assurance mechanism that balances predictability with adaptability, ensuring that all parties agree on what constitutes acceptable variation and how adjustments will be managed.

To ensure suppliers and training providers can plan effectively, DNOs should report annual forecast quantities broken down by specific product categories and workforce skill types, rather than using aggregated figures that mask critical details. For equipment, forecasts should include volumes for standard categories of equipment which are typical for DNOs and reflect the types of assets required for network build-out under ED3, such as:

Switchgear

HV / MV

- 145kV Switchgear
- 33kV Indoor Switchgear
- 12kV Indoor Extensible Panel Switchgear
- Ring Main Units
- HV Metering Units
- Auxiliary Equipment

LV

- 400v LV distribution pillars
- 400 v LV distribution fuse boards

Transformers

- Distribution transformers (11kV)
- Primary transformers (33kV)
- Grid transmission transformers (132 and 275kV)

Q114. Should we introduce a supply chain and workforce monitoring framework for ED3 and future price controls? What metrics and reporting frequency would provide the greatest value while remaining proportionate?

Schneider Electric believes that a robust monitoring framework is essential to complement the proposed ten-year Delivery Strategies and to safeguard the resilience of supply chains and the workforce. We recommend that DNOs report under this framework on an annual basis, alongside the equipment and workforce volumes set out in their Delivery Strategies. This approach would keep data current and relevant while avoiding duplication and reducing the administrative burden on DNOs.

In addition, DNOs should publish annual forecast quantities by product category, with at least one year's notice for any variation exceeding 30%. This level of transparency would give suppliers confidence to invest in capacity and skills, reducing the risk of shortages and long lead times.

Annual monitoring exercises should also serve as an opportunity for DNOs to stress-test the resilience of their supply chains. This includes demonstrating that procurement strategies are not overly reliant on imported components where reliable local alternatives exist. Stress testing should assess how long networks could operate if imports were disrupted - for example, during a three-month global supply chain shock similar to COVID-19. Insights from these exercises would inform regulators and government about systemic vulnerabilities and help shape contingency planning.

Finally, the monitoring framework should act as a catalyst for domestic manufacturing and investment in UK supply chains where gaps exist, aligning with Ofgem's new growth duty and supporting strategic objectives for energy security and economic resilience.

Q116. How can DNOs demonstrate active engagement in industry and government-wide initiatives such as DESNZ's upcoming industry-led Electricity Networks Sector Growth Plan, the Transmission Operators skills alliance, and OCEJ's Clean Energy Workforce Strategy? What steps should Ofgem take to ensure DNOs play a leading role in these programmes?

The Electricity Networks Sector Growth Plan

Schneider Electric is actively participating in the development of the Electricity Networks Sector Growth Plan, which aims to address long-term challenges in supply chain capacity, skills development, and infrastructure resilience. For the Plan to deliver meaningful impact, it is essential that Ofgem, government, and the wider energy industry remain closely involved throughout its implementation. DNOs can demonstrate active engagement by not only contributing to the Plan's development but also by taking a proactive role in collaborative initiatives that bring together all relevant stakeholders.

To ensure structured and consistent involvement, Ofgem, in partnership with the ENA and BEAMA, should consider convening a series of thematic working groups that include DNOs, supply chain companies, educators, and training providers. These groups could focus on tackling specific barriers to sector growth, such as workforce skills gaps, manufacturing capacity constraints, and innovation adoption. While these working groups may not always produce formal outputs, they would create a transparent and accountable framework for engagement, ensuring that discussions are inclusive, coordinated, and action oriented.

The Clean Energy Workforce Strategy

The Clean Energy Workforce Strategy rightfully recognises electricity networks as an area that can deliver substantial job benefits for the UK. To ensure DNO engagement with the strategy, Ofgem should consider mandating DNOs to demonstrate alignment of their ten-year workforce plans with the Clean Energy Workforce Strategy, including the direct and indirect jobs impact of their suppliers. This would encourage them to show how their workforce plans are contributing to the overall targets in the strategy, as well as those associated with priority professions.

Q117. What is the current level of UK content and social value in supply chains for distribution network investment?

According to BEAMA's 2025 survey of electricity networks manufacturers, the median company reported UK content in the range of 20-40%, although there is significant variation across the sector. This reflects a heavy reliance on global supply chains for critical components such as transformers and high-voltage equipment, while domestic contributions are concentrated in civil works, installation, and ancillary services.

Despite the importance of local content for energy security and economic growth, there is currently no comprehensive dataset tracking UK content and social value across the electricity networks supply chain. This evidence gap limits the ability of policymakers and industry to measure progress or identify barriers to domestic capability growth. The Electricity Networks Sector Growth Plan will help to address this gap by mapping current supply chain capacity, setting out workforce requirements, and identifying opportunities to increase UK manufacturing and skills investment.

The reliance on global supply chains creates exposure to long lead times and cost volatility for DNOs. A coordinated approach is needed to significantly increase UK content and deliver greater social value, including strategic investment in domestic manufacturing capacity, workforce training, and structured engagement between DNOs, suppliers, and government. We recommend exploring a variety of mechanisms, including minimum UK content targets for key categories of equipment and services, reporting requirements for DNOs, incentives for domestic production and leveraging procurement frameworks (within WTO rules), and structured collaboration mechanisms to identify barriers and co-develop solutions for scaling UK manufacturing and workforce skills.

It is worth noting that the EU is already moving in this direction through the Net Zero Industry Act, which sets a target for at least 40% of clean technology manufacturing to be domestic by 2030 and introduces new procurement rules favouring non-price criteria such as sustainability and supply chain resilience. These measures aim to boost European strategic autonomy and reduce reliance on imports for critical technologies, providing a clear signal to industry and investors about the importance of local capability development.

Q118. Are there features of the price control framework that create barriers to sourcing from UK suppliers or SMEs? How could Ofgem enable greater social value in a way that protects consumers, ensures value for money, and remains compliant with trade obligations?

The price control framework has historically been highly focused on delivering at the lowest unit cost for any individual investment. Ofgem should move towards an approach focused on maximising the value of investment to the economy (accounting for the direct cost implications, the benefits of investment to the energy system and the benefits to the UK economy of investment choices). Networks should be encouraged to develop long-term partnerships with key UK suppliers, providing confidence to both the supply chain and the DNOs about the future pathway of investment.

Schneider Electric also believes that the regulatory settlements should prioritise social value within procurement frameworks. This would support domestic manufacturers and SMEs who may be disadvantaged within tender processes that prioritise cost considerations. This will, in turn, lead to industrial, jobs, and local growth benefits associated with increased domestic production and local supply chains and originating from network build-out. Actively encouraging DNOs to procure more local content would also fulfil Ofgem's growth duty.

Although in some cases domestic manufacturing may be more expensive than importing components, the apparent discount for imports needs to be properly weighed against the social value, resilience, reduced dependency and local capacity effects of a strengthened local supply chain.

We believe there is room for Ofgem to identify new ways to remove the barriers to sourcing from UK suppliers and SMEs without breaching trade obligations. This includes:

1. *Publish guidelines that align with the consultation's broader ambitions to embed social value in procurement*

This would encourage DNOs to preference suppliers which are likely to have a larger impact in terms of jobs and regional economic contributions. This would provide specific guidance on how DNOs should weigh cost, value for money and social value when issuing a tender.

2. *Mandate DNOs to monitor and publish annual reviews on the impact of their procurement in terms of social value*

These reviews should include metrics on local impact, induced regional economic growth, jobs directly and indirectly created or supported, and the number and types of businesses engaged throughout their supply chains.

This would not only encourage DNOs to increase the social value impacts of their procurement but also provide an overview for Ofgem and the government of where more could be done to increase the benefits to consumers and communities from the build-out of networks.

3. *Embed procurement requirements or conditions in regulatory settlements based on local and regional impact/benefits*

This wouldn't place local content requirements on DNOs that could breach trade obligations, but rather incentivise them to procure from supply chains that are producing direct domestic benefits and social value as well as SMEs.

A scoring mechanism in the framework's procurement process could be considered. Currently, the share of allocation within a tender is the result of the scoring on several criteria, price being one of them, and social value or jobs and local growth benefits could be added as another.