

Email to:

ED3@ofgem.gov.uk

December 2, 2025

Dear Ofgem,

Response to ED3 Sector Specific Methodology Consultation

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs and social benefits and reduce the carbon emissions which cause climate change. Our 360-plus members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

The publication of Ofgem's ED3 Sector Specific Methodology serves as another reminder of the vital role that Distribution Network Operators (DNOs) are playing in our energy transition, and we welcome the regulator's noticeable recognition of this through both tone and ambition in the document. With strategic investment at the heart of the national clean power agenda, we are pleased to comment on a long-term plan and delivery strategy for the distribution networks.

While ambition and accountability are a must for our members, the plan must also be deliverable and focused on areas with the greatest potential value for consumers. At present, the methodology pursues numerous different accountability mechanisms, which risk distracting the networks and limiting their ability to realise tangible change if drawn in too many different directions. The affordability challenge is inevitably colouring all strategic decisions but the limits of the DNO price control in addressing this national issue must be acknowledged to avoid developing an unrealistic and detrimental framework. We encourage Ofgem to revisit some of the methodology to insert more detail in order to maintain upfront funding certainty and accountability while enabling DNOs to be more flexible in their approach to achieve maximum beneficial outcomes.

Incentives: connections

For an incentive package to be of value to the customer and end consumers, it must include attainable opportunities to earn rewards and genuinely drive performance. If incentives are perceived as being overly ambitious, they are at risk of being entirely ignored leading to no performance improvements. We would like greater clarity on how the incentives in the methodology have been calibrated to motivate change and the positive outcomes being sought by each, particularly in relation to connections. Likewise, the lack of detail around penalties is a concern and we would welcome more clarity on these.

Our members strongly support the inclusion of connections incentives and supporting the customer journey. However, we disagree with the current proposed approach of categorising connections by highly subjective sizing definitions that do not account for the nuances of each connection and risk

stifling innovation in this area. As customers call out for greater consistency across all DNO activity, the introduction of a subjective assessment mechanism will only exacerbate the discrepancy in treatment of projects. We suggest Ofgem develops more reporting mechanisms on the customer journey, for example through optimising the process of triaging connections, but maintaining the existing voltage categorisation. As raised also in our response to the RIIO-T3 draft determinations, customer survey engagement should be better promoted to yield greater insight into the quality of connections.

Advanced funding

Similarly to how transmission has seen the swift development of the Advanced Procurement Mechanism (APM) to unlock early procurement, distribution would benefit significantly from some form of advanced funding to secure timely buildout. For a strategic buildout plan to be meaningful, it needs to be supported by enablers that allow DNOs to act early, such as through advanced commitments to the supply chain. A mechanism of this sort would prevent the stalling of development that can occur between price controls due to restricted funding, either between ED2 and 3, or ED3 and 4.

DNOs are already having to employ load-related reopeners to secure funding for procurement and therefore, streamlining and expanding this process would be more time and resource efficient for all stakeholders. To avoid potential delays from manufacturing production pause during such lulls, we urge Ofgem to begin developing the right form of advanced funding for DNOs to sit alongside the price control.

Flexibility and optimisation

Members agree with Ofgem's intimation of a change of role for flexibility, but we would caution against the use of language that implies opposition to flexibility. A build and flex approach that recognises the importance of flexibility to manage network access while stressing the need for continued build and reinforcement that is not deferred but enhanced through innovation would be more palatable to stakeholders.

Likewise, a more balanced picture needs to be given around the conversation on optimising volts and reducing losses. To reduce losses, DNOs must inherently make trade off decisions in that loss reduction can weaken resilience. Therefore, the prioritisation of this reduction must be combined with the wider context of the implications of such actions so as not to inadvertently drive unwanted outcomes, e.g., increased outages.

Strategic plans

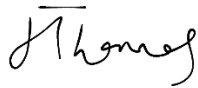
NESO's efforts to accelerate the development of the transitional Regional Energy Strategic Plan (tRESP) to account for the upcoming distribution price control are recognised and valued. However, the use of the tRESP remains vague at present and stakeholders would benefit from greater instruction on how to engage with the plan. We encourage Ofgem to work with NESO to ensure practical guidance is developed and disseminated as soon as possible ahead of or combined with the plan's publication in early 2026. Likewise, information around how the enduring RESP will interact with the price control once

implemented in 2027 is required to move from high level discussion to certainty around price control deliverables.

In summary, the overall direction of the framework is right in setting a strategic and ambitious course and now relies on greater detail for effective and realistic delivery of benefits. Ofgem should work out greater detail on penalties, incentives and areas such as provisions for climate resilience, while working with the other regulatory authorities to detail the interaction with wider strategic plans.

Scottish Renewables would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H Thomas', with a horizontal line above the 'H'.

Holly Thomas

**Grid & Systems Policy Manager
Scottish Renewables**