

BEAMA response to Growing Great Britain's electricity network supply chains: Ofgem position and call for evidence

Who we are

BEAMA is the trade association for electricity infrastructure and systems, representing 200 manufacturers of electrical equipment and products across networks, flexibility and low carbon buildings:

- equipment for distribution networks and transmission networks;
- low-voltage equipment including LV boards, cutouts, wiring accessories and feeder pillars;
- building electrical infrastructure products;
- smart energy products such as smart meters, smart home devices, EV chargers; heating & ventilation products including heat pumps, thermal storage, and electric heaters.

The BEAMA Electricity Networks Infrastructure (ENI) group is the voice of Britain's grid technology providers. Our scope covers manufacturers and suppliers of electrical network equipment, services and digital solutions, covering all voltage levels and supplying to both the regulated network companies and private markets. Member companies supply products and services including transformers, switchgear, protection and control, High Voltage Direct Current (HVDC) and automation.

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Summary:

- We welcome Ofgem's consideration of how best to support supply chain resilience and sustainability and acknowledge repeated reference to the interim publication of the Electricity Networks Sector Growth Plan as a key source of sector insight. However, we do not agree that Ofgem has a coherent approach to supporting the supply chain, nor do we agree that the position set out in the call for input is likely to give sufficient cover for network companies to take their own measures to support the supply chain.
- The measures taken at transmission level through ASTI and the APM have delivered some benefits but are incomplete and not sufficient to make the UK an attractive market. Ofgem has yet to commit to any measures to support the distribution sector, and we urge Ofgem to be ambitious in what they confirm in

the upcoming SSMD to give the supply chain sufficient visibility and confidence to underpin investment.

- We also urge Ofgem to undertake more explicit, regular and direct supply chain monitoring and engagement to proactively identify and mitigate potential bottlenecks before they occur. Ofgem must be cognisant that it is not sufficient to identify current component constraints; Ofgem must be able to put the conditions in place to grow capacity before issues emerge, given a lead time of up to five years to build new capacity.
- We appreciate that Ofgem has been actively engaged in the Electricity Networks Sector Growth Plan process, which BEAMA is co-leading with the Energy Networks Association. Ofgem has a critical role in co-creating measures to support the supply chain and ensure the right evidence is collected. Even where actions would be delivered by TOs and DNOs, they are likely to require tacit or explicit underpinning from the regulator. We would urge Ofgem to hold off on any decisions on monitoring or incentivising local content until after the final growth plan has been published, allowing Ofgem and the sector to take a more evidence-based view on what measures might be desirable.
- We welcome the early thinking on proposals to report levels of UK content and broadly agree with the diagnosis of the benefits of strengthening domestic supply chains. In particular, it will be useful for the sector to have a single consistent language for how we speak about levels of UK content.
- However, it is not clear to us that reporting alone will make a material difference to improve any of these outcomes. In general, BEAMA feels that Ofgem overemphasises the effects of reporting and disclosure relative to the practical impacts of the incentives that Ofgem sets for network operators. Ofgem should put greater focus on actions which mandate or financially incentivise actions to support the supply chain, underpinned by a clear theory of change.

Supporting the supply chain

(Q1. What level of additional investment in supply chain resilience and sustainability can be achieved within the current regulatory regime and what would you need to change in your current procurement arrangements (e.g. weightings or frameworks) to achieve it? Which trade-offs (if any) do you anticipate?;

Q2. What barriers, if any, within the current regulatory framework discourage taking account of domestic sourcing, or wider social values in procurement decisions?;

Q3. How could Ofgem strengthen incentives to invest in resilient and sustainable supply chains, and remove regulatory barriers to doing so?)

We welcome Ofgem’s consideration of how best to support supply chain resilience and sustainability, as well as the explicit reflection that the expansion and maintenance of the transmission and distribution networks is essential, and must be managed in the context of global demand and challenges.

We agree that it is critical that TO and DNO investment can “provide a strong and predictable demand environment that supports further growth in UK-based manufacturing capacity”. However, we do not agree that Ofgem has a coherent strategic approach to supporting the supply chain.

Without taking more action in this area to ensure that the supply chain has the environment required to grow to meet the demands of the future network, Ofgem is likely to fail in all three of the objectives set out in the Ofgem review – impeding net zero, impeding economic growth, and exposing future consumers to unnecessarily higher costs.

The Electricity Networks Sector Growth Plan

BEAMA is working closely with the Energy Networks Association, supported by government, to develop the Electricity Networks Sector Growth Plan (ENSGP). This will set out a Strategic Action Plan to maximise the contribution that the electricity networks sector makes to UK growth. The Interim Report was published in December 2025 and the Final Report is due to be published on 8th September 2026.

The Final Report and Strategic Action Plan will set out a roadmap of collaboratively agreed actions and priorities for the sector, based on a comprehensive economic and supply chain analysis, with a particular focus on growing the supply chain for manufacturing.

We welcome Ofgem’s recognition of the role that the ENSGP can play in setting out how the industry, government and Ofgem can go further in unlocking investment and growth and would encourage Ofgem to support delivery of the co-developed actions set out within the Final Report.

Supporting the growth and resilience of the supply chain is critical to meeting all three of Ofgem's new duties set out in the Ofgem review. We will look to Ofgem to actively co-create measures with the industry through this process, and to take a leading role in ensuring that the evidence developed is useful in understanding where additional measures would be most helpful.

We would also urge Ofgem to align timing of policy development with the publication of the final growth plan, ensuring that decisions can be made with the best possible evidence.

Context on the UK's manufacturing sector

As set out in the ENSGP Interim Report, the UK has a well-established and significant networks supply chain. BEAMA members in the networks sector have an annual turnover of around £2 billion and employ 14,000 people in the UK.

There has been investment in the networks manufacturing sector - BEAMA network members have announced or made almost £150m in investment in new UK manufacturing capacity in the last five years, and member companies are considering further investment in manufacturing, design/engineering and R&D. And recent survey evidence from BEAMA's market pulse shows that companies in the sector remain positive – though this was concluded before the beginning of the current conflict in the Middle East. That said, there is much further to go - the scale of the examples given in the call for evidence are not sufficient for the UK supply chain to keep up with increases in future demand, let alone to grow UK production relative to demand.

Within BEAMA's members who produce electricity network products, there are a range of production models. Some companies wholly or predominantly produce in the UK, some wholly or predominantly produce abroad, with a number who have production processes that combine significant activity in both the UK and overseas. The median company in BEAMA's networks sector estimates that they use 20-40% local content, though it should be noted that companies may have taken different approaches to make this estimate.

Companies in the sector also take different approaches to serving customers, particularly at distribution voltages – some focus entirely on the non-regulated/private market, some supply only the DNOs, and others have customers in both sectors. Companies focusing on the regulated market see it as valuable to be on DNO frameworks but are often frustrated by the “boom and bust” nature of procurement and the lack of guaranteed volumes even when a framework contract is in place.

BEAMA members stand ready to support the needs of a growing network, but expanding capacity requires a clear business case for investment. In particular, manufacturers need:

- visibility of demand to create a clear pipeline of work;
- greater confidence and clarity that those volumes will come forward, through ensuring that network plans are delivered and providing greater contractual certainty of demand over a multi-year period – in particular, full, firm orders as far ahead of time as possible;
- greater standardisation and harmonisation of procurement to improve predictability and allow capacity to be used more efficiently;
- more efficient procurement and approval processes from network companies to ensure that new products can be supplied without excessive administrative burdens; and
- policy and regulatory clarity on key issues like the approach to procurement of SF6-free equipment, allowing greater confidence in planning future product development and investing in capacity.

It is critical that Ofgem provides the right cover to network companies to enable them to act in these areas. Some of these are entirely within network operators' gift, but most of them will require tacit or explicit approval from Ofgem. The signals that are given by the regulatory processes are a critical determinant of whether manufacturers can justify expansion, or indeed maintain the scale of their current operations.

Strengthening progress at transmission level: It is particularly important not to conflate transmission and distribution voltages. There has been action at transmission level in introducing the Accelerated Strategic Transmission Investment (ASTI) and the Advanced Procurement Mechanism (APM).

Both of these are welcome developments but Ofgem could go further in incentivising networks to place full, firm orders ahead of time, increasing the attractiveness of supplying the UK market. In particular, the restriction to a 20% deposit for APM projects only gives the supply chain limited opportunity to proceed with projects. Ofgem should move further towards uninhibited sign offs earlier in the project life cycle, as well as moving further towards signing off programmes of work rather than individual projects.

Making progress at distribution level: Ofgem has yet to take action to support the supply chain at distribution level – proposals in the sector specific methodology consultation are still subject to confirmation, both in principle and on key details. Ofgem has yet to make a final decision on their proposals to require suppliers to publish ten-year demand forecasts for key categories of network equipment at DNO level, nor on the amount of data that DNOs would be required to publish.

For these measures to be beneficial, it is critical that Ofgem provides visibility at the right level of granularity (in terms of products) and sufficient frequency.

And visibility alone is not enough, especially if funding for key components is held back behind uncertainty mechanisms, potentially creating significant uncertainty about the actual size of the market.

We welcome the move to require delivery strategies from DNOs, though it is not clear how much of a direct impact these will have – and links to the point made below about the tendency of Ofgem to overweight the impact of reporting and transparency requirements relative to the practical implications of the incentives Ofgem set.

We refer Ofgem back to our response to the ED3 methodology consultation – in particular, it is critical that Ofgem’s approach to ED3 supports:

- a clear long term timeline for investment, with actions to smooth delivery across price controls and counteract the risk of “boom and bust” (with under-delivery in the earlier years of price controls followed by a sudden spike in the final years);
- greater upfront funding leading to earlier full, firm orders, including reopeners during ED2; and
- clarity for DNOs that Ofgem expects them to order SF6-free equipment where available, ahead of a legislative phase out.

Giving network companies sufficient cover to act: While procurement decisions are for network operators, we feel that the statement of position from Ofgem in this call for input is not likely to give sufficient cover to network operators to change their procurement decisions. Ofgem should set out a more definitive and complete position on their expectations rather than expecting network companies to proceed at risk.

It would not be proportionate for network companies to have to demonstrate the social value from every individual procurement decision, given that the high-level benefits are likely to apply broadly. This would likely act as a disincentive to consider social value rather than an incentive.

Ofgem’s role in monitoring the supply chain:

Ofgem should take a more proactive approach to monitoring the supply chain themselves, in addition to placing incentives on network operators that drive a long-term approach to investment.

It is critical that the approach to monitoring the supply chain is sufficiently forward looking. Any intervention to promote supply chain capacity needs to take place **before** supply chain bottlenecks and extended lead times occur, because of the lead times for new investment in capacity.

BEAMA members consistently tell us that expanding capacity beyond the simple measures like adding shifts takes time, particularly if new facilities are required. Most companies in a recent survey of our networks members said they would need at least two years to deliver a 50 per cent increase in capacity, with some needing five years or

more. This means that intervention only after capacity constraints emerge is likely to lead to extended disruption that increases costs to consumers.

Monitoring local content

BEAMA welcomes Ofgem's early thinking on proposals to report levels of UK content on the equipment and services that are procured by TOs and DNOs.

It is critical that any moves to encourage local production take account of the current state of the supply chain and those areas where the UK has true advantages and existing capacity to build on. Evidence from the final Electricity Network Sector Growth Plan will provide a greater evidence-based underpinning for decisions on how best to support the UK supply chain.

We broadly agree with the diagnosis that strengthening domestic supply chains and domestic sourcing can improve resilience, reduce exposure to shocks and create opportunities for regional skills and growth. We also agree that any action must preserve competition and align with legal guidance on procurement.

In general, BEAMA agrees that it will be helpful to have a single consistent "language" to talk about local content, allowing us to understand where we are as a sector and how this is changing over time.

We also agree on the desirability of improved resilience monitoring, market signalling and an understanding of the trade-offs of procurement from UK suppliers.

However, it is not clear to us that reporting and disclosure as suggested here will make a material difference to improve any of these outcomes. Ofgem needs to develop a clear theory of change for how these measures will support supply chain resilience, and the specific decisions about e.g. granularity and specificity needs to be underpinned by this to avoid overly burdensome reporting that is not useful.

Regarding supply chain policy, Ofgem tends to overweight the impact of disclosure and transparency, while drastically underweighting the practical impact of the incentives that they set on the procurement decisions that network companies make, as well as the need for long term regulatory certainty to underpin decisions by the supply chain to invest.

While BEAMA welcomes this call for input, the issue of monitoring local content is much lower priority to manufacturers than providing long term visibility and confidence in demand. Focusing significant resource on this area over and above the material changes to incentives that manufacturers need to see to be able to have confidence in the future pathway in demand is likely to be counterproductive.

Q4. What definition of a UK-based supplier and UK ‘material value-add’ (e.g. assembly, manufacturing) would keep reporting practical while delivering meaningful insight?

Definitions of a UK supplier should be based on the location where the value is added rather than the ownership of the company i.e. the physical location where production or services take place.

Defining material value add is not straightforward. To maximise benefit to the UK, all activity that takes place in the UK should be considered beneficial, and a blunt description of a product as “wholly UK” or “wholly non-UK” where this is not the case is likely to create incentives for gaming.

It is beneficial to the UK economy and the networks sector if e.g. design and engineering services take place in the UK, even if the physical manufacturing takes place abroad; similarly it is beneficial if assembly takes place in the UK even if component manufacturing does not.

Incremental increases to the level of UK production create economic benefits and jobs, as well as incrementally delivering the resilience and regional skills benefits that Ofgem has set out.

It is critical to incentivise and credit the onshoring of parts of the process even if it is not possible for the entire value chain for a product to take place in the UK.

Q5. Should reporting cover both equipment and services? Are there categories that should be prioritised or excluded to keep burden proportionate?

Reporting should cover both equipment and services. Ofgem should engage directly with manufacturers on how to account for contracts that cover not only equipment but also installation and maintenance services.

Q6. Do you think a minimum contract value threshold should apply specific criteria (list if you have specific comments on certain criteria) and, if so, what threshold do you think would be appropriate? Please explain your rationale.

We agree that there should be a minimum contract value threshold, while noting that this could potentially provide an avenue for gaming if set at the wrong level. Ofgem should also ensure that any approach considers and incorporates framework contracts with no guaranteed volumes or low guaranteed volumes – it is likely that this would need to be based on volumes ordered/delivered.

Q7. For the core metrics, do you agree we should capture £ value and % share for UK vs non-UK spend, by broad categories? Which broad categories (e.g. Tier 1, etc. develop) would you recommend? Are there refinements we should consider?

We agree with capturing £ value and % share for UK vs non-UK spend.

We would not agree with attempts to report on UK content beyond Tier 1/OEM level – this is likely to introduce significant reporting burdens for both suppliers and networks. If taken forward, we would recommend a split by asset type (e.g. transformers, switchgear, etc.) and by type of service (e.g. construction/civils, design, engineering, operations/maintenance).

Q8. Should we include social-value and/or supply-chain-length indicators where proportionate? Which indicators are most useful for resilience monitoring and why?

We agree that Ofgem should do more to monitor and encourage social value and supply chain resilience. This should be in the context of a wider supply chain monitoring and engagement strategy.

Ofgem should set out what metrics they feel would help them to develop a clear understanding of the supply chain, linked to a clear theory of change and with a clear understanding of what the knock-on data requirements on suppliers would be and how those requirements would be proportionate.

Q9. Should the reporting be delivered through RIIO RIGs processes, via a standalone annual return, or alternative data collection options? Please set out pros/cons, including assurance and administrative burden.

Q10. What publication approach (and level of aggregation) strikes the best balance between transparency and commercial sensitivity?

We agree that annual publication of outcomes by category and network company would represent a reasonable balance.

Q12. Are there any implementation risks, costs or unintended consequences we should consider at this stage?

Ofgem should engage closely and directly with supply chain businesses in developing these requirements in order to ensure they are proportionate, workable and line up with how their businesses actually operate.

It is critical that any monitoring is proportionate for both network operators and the supply chain. We have seen from moves to improve monitoring of embodied carbon that poor coordination can lead to suppliers being asked to submit similar information in multiple formats or calculated based on different assumptions. Ofgem should mandate a single collection method for data from suppliers, whether devised by Ofgem or coordinated by the relevant network operators.