

Registered Office:
Newington House
237 Southwark Bridge Road
London SE1 6NP

Company:
UK Power Networks
(Operations) Limited



Registered in England and Wales No: 3870728

By email only to: transmission.acceleration@ofgem.gov.uk

8 May 2026

Dear Sir/Madam,

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

Thank you for the opportunity to comment on the above call for input. This letter should be treated as a consolidated response on behalf of UK Power Networks' three licensed distribution companies: Eastern Power Networks plc, London Power Networks plc, and South Eastern Power Networks plc. We are Great Britain's largest electricity Distribution Network Operator (DNO), dedicated to delivering a safe, secure, and sustainable electricity supply to 8.5 million homes and businesses.

We are supportive of Ofgem's desire to ensure that the future capital expenditure in energy networks translates to a resilient and sustainable supply chain. As the only DNO accredited Advance Platinum under the CIPS Procurement Excellence Programme, UK Power Networks has demonstrated a resilient supply chain that has been fundamental to the successful delivery of our investment programmes.

Our response is intended to be read alongside the Electricity Networks Association's response and, as an active participant in the Electricity Network Sector Growth Plan, we support the general messaging of the response. We note that large scale reform in time for the start of ED3 is likely not possible within the bounds of existing procurement legislation. With that in mind, we believe Ofgem should set up more specific engagement with network companies before introducing additional reporting requirements.

You can find our responses to the specific questions in the appendix to this letter. If you have any questions about our response or would like to follow up regarding the topic as a whole, please do not hesitate to get in touch.

Yours faithfully,

James Hope

Head of Regulation & Regulatory Finance, UK Power Networks



Appendix

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? What trade-offs (if any) do you anticipate?

UK Power Networks already places a strong emphasis on supply chain resilience, recognising its importance to the reliable delivery of network services. As a DNO, we have a clear commercial and operational interest in maintaining robust supply chains and we regularly review our internal practices to ensure we are operating at the highest standard possible, within legislative boundaries, to deliver for our customers. To ensure this, we already seek to ensure long-term viability through measures such as awarding long-term contracts where possible, investing in supplier relationship management, and preference to avoid spot tendering.

However, more sustainable supply chain solutions often come at an increased cost which ultimately affects unit cost performance. Increased costs are, in general, passed on to consumers so introduction of these solutions must be supported by strong evidence of benefit.

Further investment in sustainability within procurement is most effectively achieved where the financial trade-offs are well understood and can be done using well-understood approaches and methods.

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

From our perspective, there are no material barriers within Ofgem's regulatory framework that prevent the consideration of wider social value objectives in procurement decisions. UK Power Networks already seeks to operate as a responsible corporate citizen and to secure value for money for consumers by procuring goods and services that meet required standards at the lowest overall cost.

It is important to note that the Procurement Act requires network operators to avoid discrimination based on geography. As result, whilst the current iteration of the Procurement Act is still in effect, any approach that appeared to favour suppliers on the basis of location would introduce legal and delivery risk.

That being said, UK Power Networks already works closely with a broad range of UK-based supply chain partners. We already consider factors such as lead times, installation support, after sales support, and general resilience into our contract award decisions. As investment in the network increases and so does overall demand, we expect these benefits to become more important in procurement decision-making.

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

The main strengthening signal required from Ofgem is a clear view of how investment would be funded. In our opinion, there are no other key regulatory barriers to prevent investment in resilient and sustainable supply chains.

Incentives for resilience would be particularly challenging to measure, however sustainability could be managed and measured by tweaking existing metrics, such as emissions measures, to make them more appropriate. Overall, incremental approaches that provide clearer signals on funding

treatment and align with existing reporting and assurance mechanisms are likely to be most effective in encouraging continued progress.

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?

The simplest definition would be UK-based suppliers being defined as those with headquarters in the UK and registered in the UK for tax purposes.

“UK material value-add” is a considerably more complex term and may be difficult to report on effectively. One potential approach could be to frame UK material value-add as the proportion of additional value created in the UK, expressed as a percentage of the final sale price. However, for this to be consistently and reliably reported, a very clear definition, supported by standardised calculation rules and guidance from Ofgem, would be essential.

Ofgem should be aware that network operators will necessarily be obliged to push reporting requirements down to our supply chain partners. While larger multinational suppliers may have the resources to support detailed data collection and reporting, this could present a disproportionate burden for smaller UK-based SMEs, potentially increasing their administrative costs and creating barriers to participation. Ultimately, the knock-on effect of this could be to make the UK a less attractive market to serve.

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

If reporting were to be introduced, the benefit to including services would be unclear as the majority of services are already UK delivered – although if the desire is to show a broader picture, then there may well be merit in developing some high-level statistics encompassing spend on services. Further work will be required if this is to be progressed.

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.

If this policy were to be introduced, we would support the implementation of a minimum contract value as it would necessarily reduce the reporting burden. However, determining an appropriate threshold would require more discussion and wider engagement from all involved parties.

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?

At this high-level stage, it is difficult to have an in-depth view. However, our initial assessment is that £ value would be the best and most effective metric as it does not require the nuance and context that a % share would. This would invariably introduce complexity into reporting and the regulator’s assessment of the reporting. Categories used should align with the Business Plan Data Tables / annual Regulatory Reporting Packs, following an exercise to identify some potential simplifications.

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

Currently, we believe this to be suitably covered by the Procurement Act.

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.

Without seeing the draft proposals of what information Ofgem may seek to collect, it is presumptive to take a firm view on the most appropriate reporting arrangements at this early stage. Where possible, inclusion in an existing, well-established regulatory submission would be our preferred option – given the governance and assurance arrangements in place, which DNOs ought to be able to leverage.

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

Our initial view is that industry aggregated publication would be the most appropriate approach. Ideally, this should include not only regulated electricity network operators, but also other relevant non-regulated sectors such as Network Rail, Independent Connection Providers and Independent Distribution Network Operators. Excluding parts of the market could risk presenting a partial or distorted picture of supply chain dynamics.

A clear principle would need to be established as to whether reported volumes relate to the ordering of equipment, the delivery of equipment, or the energisation or operational use of equipment. This principle would need to be established before further comment or policy development can be given.

Q11. What evidence could you provide to demonstrate that a higher-cost option delivers proportionate long-term benefits for consumers?

We currently have no evidence to demonstrate this within our current reporting and evidence collecting arrangements. At the time of making Business Plan submissions, there is the opportunity for DNOs to put forward evidence for bespoke unit costs – we have successfully done this in previous price controls with respect to higher regional costs in the areas we operate in.

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

There are a number of potential implementation risks and unintended consequences that may warrant further consideration as proposals are developed. In our opinion, the key ones are as follows:

- Limited clarity on how other countries may respond in terms of British exports.
- Behaviour of the UK supply chain is uncertain. There is a real risk that, instead of increasing UK capacity, a “bidding war” develops for the capacity that already exists – driving overall costs up without necessarily increasing the UK share of the overall supply chain. We have a strong desire for our supply chain to commit to developing and growing resources through investment (upskilling, retraining, and progression) rather than competing for existing resources and moving to the highest bidder.
- International suppliers will still be vital in any version of the future and this could be detrimental to their approach to the UK market.
- Additional reporting may simply make the UK a less attractive market and increase costs for both consumers and suppliers.
- Tracking the delivery of “promised” UK orders through the price control and subsequent performance of higher cost equipment may create a cottage industry of micro-level reporting – ultimately driving up costs to all customers.