

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

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About National Grid

National Grid Group's operations in the UK include: National Grid Electricity Transmission (NGET), which owns the high voltage transmission system in England and Wales; National Grid Electricity Distribution (NGED), which owns and operates electricity distribution networks in the Midlands, the South-West and Wales; National Grid Ventures (NGV), which owns and operates energy businesses in competitive markets, including sub-sea electricity interconnectors. This consultation response represents the view of National Grid Group.

Executive Summary

Energy underpins economic growth, competitiveness and opportunity across the UK. National Grid sits at the heart of Britain's energy system, connecting millions of people and businesses safely, reliably and efficiently to the energy they use every day.

In partnership with our supply chain, we are delivering the largest overhaul of the electricity grid in generations. **National Grid is investing £40 billion to 2031 to upgrade networks across England and Wales.** Over the last two years, we have put in place commercial agreements supporting more than £20 billion of supply chain investment, with over 80% of our procurement coming from suppliers with a UK footprint.

We welcome the opportunity to respond to Ofgem's consultation on growing GB's supply chain and are supportive of increased transparency around UK spend. To support this, **we will publish an interactive map of our supply chain and regional spend in the coming weeks**, and update this regularly (at least annually) and reflect any changes in agreed definitions on what qualifies as local content. **A clear and consistent definition of "local content" is a key foundational step to enabling meaningful progress** in this area, and we set out our proposed approach in this response.

Overall, we do not see fundamental barriers within the existing regulatory framework that require significant reform. The priority should instead be on building greater clarity, consistency and transparency, ensuring interventions are targeted and proportionate, and aligned with the frameworks already in place.

Context

At National Grid, it is our belief that a diverse, globally competitive supply chain is fundamental to delivering a resilient, secure and cost-effective energy system. A significant proportion of the supply chain required to deliver the energy transition, particularly HVDC cables and transformers, comprises of highly specialised, technically complex components, supported by capital-intensive manufacturing processes and deep engineering expertise. These capabilities take decades of sustained investment, innovation and scaling to reach maturity. Establishing, relocating or growing these capabilities in the UK is complex, capital intensive and requires sustained collaboration over many years.

The examples below illustrate this long-term trajectory in action:

- Sumitomo Electric's contract to supply and install subsea cable for the Sea Link project will support a £350 million investment in a new HVDC manufacturing facility at the Port of Nigg in Scotland, creating more than 200 direct jobs and around 700 indirect jobs in the UK. This is the first time in around 20

years that HVDC transmission cable will be manufactured in the UK and flows from a decade of collaboration, strengthening domestic capability and supporting local supply chains.

- Through our joint venture with SP Energy Networks, GE Vernova have been contracted to supply key equipment for the Eastern Green Link 1 (EGL1) project, a two-gigawatt high voltage connection between Scotland and England. This is supporting the expansion of GE Vernova's facility in Stafford, where transformer production capacity is set to double and around 100 jobs have been created.

However, the future pipeline for HVDC projects in the UK is currently limited and the technology transfer risk is high relative to other manufacturing sectors. We believe that a narrow focus on HVDC misses wider economic growth opportunities in other areas of our supply chain.

Our Accelerated Strategic Transmission Investment ASTI programme and T3 investment plan are encouraging local investment and skills development across our broader supply chain for equipment and services. Through our partnership-based approach, we have taken decisive action to create the conditions for the UK supply chain to succeed, providing long-term visibility, investable pipelines and robust commercial frameworks that enable supplier commitment and growth.

The Great Grid Partnership and Electricity Transmission Partnership have been central to unlocking investment and delivery at scale. By moving away from short term, transactional contracting, towards a more alliance-based approach, we provide long term visibility and certainty of demand, enabling suppliers to plan production years ahead. This gives them the confidence to invest in the UK through new facilities, expanded manufacturing capacity and the development of a domestic skills pipeline. In turn, these partnerships strengthen UK capability across critical equipment and services, reduce delivery risk, and ensure essential infrastructure can be delivered at pace.

The examples below show the impact of our partnerships on UK investment and jobs:

- Murphy is investing **£35 million** in a new training facility in Ollerton, Nottinghamshire, focused on overhead lines, high voltage cables and substations, alongside a further **£40 million investment** in a new hub in Golborne creating around **215 jobs**.
- National Grid is working with Balfour Beatty to support the expansion of the UK's energy network and enabling the transition to a lower-carbon future. Balfour Beatty's contribution spans both overhead line and substation projects, as well as work for National Grid Electricity Distribution. To meet growing demand, the company is significantly expanding its workforce – increasing from around 1,800 to approximately 3,500 people across its power transmission and distribution business.
- The presence of an established assembly and installation base in the UK has allowed **Siemens** to rapidly expand and transfer skilled activities from Germany, leading to a substantial increase in jobs outside of manufacturing (e.g. control system configuration).

As the above investments show, capturing the broader economic benefits of supply chain expansion, even where manufacturing of components happens outside of the UK, is critical. Poorly targeted measures to influence procurement might therefore miss opportunities for economic and skills growth. Our key recommendation is that **the definition of local content and associated reporting must capture the full suite benefits to the UK economy from manufacturing and services. It should also be aligned with the recommendations within the Networks Sector Growth Plan.**

Additionally, a narrow focus on local content risks undermining competition, inflating costs and weakening overall system resilience. Existing legal and procurement frameworks limit the extent to which domestic supply can be prioritised. As such, intervention should only be pursued where there is a clear, evidence-based case that meets these constraints and delivers net system benefit. **Ofgem should provide clarity on how local content and cost trade-offs will be assessed.**

Where there is a compelling strategic and commercial case for Network Operators to directly support UK capacity growth, it must be explicitly enabled through upfront regulatory support for the associated costs. It is additionally important that the direction of travel between the UK and its key trading partners are also considered, as this is an ever-changing landscape. We should **ensure ongoing engagement as the procurement landscape continues to evolve**.

Ensure the definition of local content and associated reporting aligned with the recommendations within the Networks Sector Growth Plan

The Networks Sector Growth Plan, due to be published in Summer 2026, should be where decisions are made on the definition of local content and any reporting requirements, as it brings together key stakeholders from across government, Ofgem, networks and the supply chain. This is critical to ensure alignment across parties, and to ensure that outcomes are practical and deliverable.

The definition of local content must ensure it captures the manufacturing, services and local jobs which are created in the UK through supply chain investments. This is critical as more than two thirds of our spend is with Tier 1 construction and service companies, with work delivered locally across the UK. It is important to capture broader benefits to the UK economy, even when manufacturing happens outside of the UK. An example of this is Prysmian, who manufacture HVDC cable overseas, but have a major marine base in the Port of Middlesbrough which supports installation and repair of subsea cables and delivers high skilled jobs, strengthening national energy security and delivery confidence for offshore wind and interconnection.

There is potential for networks to be required to report separately on local content to Ofgem, government and through the Growth Plan, therefore it is important to reduce duplication that requirements are streamlined and agreed through the Growth Plan itself. Key considerations for reporting should include data availability and practical delivery of reporting to ensure it minimises undue administrative burden and implementation timescales, taking into consideration any system changes. To reduce complexity, it should focus primarily on Tier 1 suppliers and contracts, aligned to the capital plan and construction delivery, rather than attempting to capture multitier supply chains. We support Ofgem's proposal to include a minimum spend threshold and recognise that this may be different across transmission and distribution.

Considering trade-offs between objectives

While we support expanding domestic supply chain capacity and fostering local economic growth, it is important to recognise the potential trade-offs between delivering critical infrastructure to support growth and clean power at pace, cost to consumers and additional local content. In a procurement process, any additional weighting in a particular category comes at the expense of another. For example, additional weighting to social value/ local content, could necessitate a reduced weighting on cost.

The regulatory framework already allows for local content today, with National Grid spending over £3bn in 2025 with companies registered in the UK. Further clarity is however required from Ofgem on the guiderails it will apply when assessing trade-offs. This is particularly important to understand in practice as Ofgem's new equal objectives are introduced, focusing on the interests of existing and future consumers, net zero and growth. This clarity is critical to ensure that procurement decisions can be taken confidently, consistently and at pace. The clear and transparent framework is required across transmission, distribution and interconnectors.

Alongside this framework, a holistic implementation approach is required across government and Ofgem to ensure that there is alignment across policy and regulatory assessment teams.

Ensure ongoing engagement as the procurement landscape continues to evolve

It is important that the direction of travel between the UK and its key trading partners are also considered, as this is an ever-changing landscape. The UK-EU Trade and Cooperation Agreement (TCA) embeds level playing field provisions that aim to prevent competitive distortions between the UK and EU, and in some areas puts in measures to ensure regulatory alignment (in particular in the energy sector following the 2025 UK-EU Summit). These constraints are particularly relevant in areas such as emissions trading and procurement, where divergence could trigger trade barriers or legal challenges. As the EU advances its procurement framework, especially around the Industrial Accelerator Act (IAA), it is essential for the UK to remain attuned to these developments, ensuring there are no unnecessary barriers between UK and European procurement law and regulatory frameworks.

Responses to questions

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?

The current regulatory framework already permits additional investment in supply chain resilience and sustainability, provided there is a clear link to long-term consumer benefit. Within existing arrangements, resilience and sustainability are routinely considered as part of procurement assessments, alongside cost, quality, and deliverability.

However, greater clarity from Ofgem on how it defines and evaluates “resilience” and “sustainability” in this context would increase confidence to go further. In practice, this can include a wide range of factors, including the ability of suppliers to deliver at scale, diversity of supply, workforce capability, environmental performance, and long-term reliability. Clearer articulation of Ofgem’s expectations would enable more consistent and transparent trade-offs in procurement decision-making.

The primary trade-off relates to upfront cost versus long-term value. More resilient or sustainable supply options can carry higher initial costs, require earlier commitment, or introduce greater procurement complexity. These decisions are justified where they demonstrably reduce delivery risk, improve reliability, shorten lead times, or lower whole life costs. Continued regulatory support for outcome-based justifications, rather than prescriptive inputs, is therefore critical.

Overall, at the Transmission level, no fundamental rule changes are required ahead of any wider discussions around public procurement reform. What is needed is clearer regulatory support and confidence to act earlier and more strategically, where doing so delivers long-term value for consumers. Crucially, Ofgem should ensure that the policy intent around resilience and sustainability is reflected at all stages of the regulatory life cycle and is well understood by different parts of the organisation.

At the Distribution level, the current regulatory framework and current price control limits the development of supply chain resilience and sustainability. As the next price control is developed, we would benefit from regulatory cover to provide funding to procure earlier in the project life cycle (where doing so delivers long-term value for consumers). We will work proactively with Ofgem on this.

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

There are no explicit regulatory prohibitions on considering domestic sourcing or social value, but several factors influence behaviours in practice.

Public procurement rules, including the Procurement Act 2023 (PA23) and previously the Utilities Contracts Regulations 2016 (UCR 2016), prevent the use of country of origin as a selection criterion and promote equal treatment across suppliers. While this protects competition and consumer value, it also means that domestic sourcing considerations can only be reflected indirectly through outcomes such as resilience, delivery confidence, or wider social value, rather than being assessed explicitly in a manner that is disproportionate.

These are not structural barriers, but they do shape decision making in practice. Addressing them is therefore less about introducing new obligations and more about providing greater regulatory clarity, improving consistency of definitions, and supporting earlier, more strategic procurement decisions where these deliver genuine long-term consumer benefit. In doing so, it will be important to strike a careful balance: approaches should avoid disincentivising participation from the global supply chain, reducing competitive tension, or creating captive demand, all of which could ultimately increase costs and reduce value for consumers over time

Finally, there is a fundamental mismatch between the long-term nature of supply chain investment and the short-term horizon of price controls. Developing capital-intensive, specialist capability requires confidence well beyond a single control period. Clear, consistent policy objectives that endure across price controls are therefore essential to provide the investment certainty needed and avoid delaying critical capacity.

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

Ofgem could most effectively strengthen incentives by providing clearer and more explicit regulatory signals on acceptable trade-offs between upfront cost and long-term resilience. Rather than focusing solely on project level cost outcomes, Ofgem could set out how it expects trade-offs to be managed across a portfolio, including the circumstances in which higher initial expenditure is justified by robust evidence of long-term consumer benefit such as reduced delivery risk, improved system reliability, or lower whole life costs.

In doing so, Ofgem may wish to consider how individual project decisions interact with wider market behaviour. Outcomes at project level can influence supplier confidence and willingness to participate in future frameworks. Explicit recognition of these portfolio effects, and of the importance of maintaining healthy competitive tension over time, would support more sustainable procurement strategies and a more resilient supply chain overall.

Continued support for early and strategic procurement is also critical through regulatory funding mechanisms and protections to enable network companies to engage the markets with confidence. Incentives are strongest where network companies can engage markets early, provide greater pipeline visibility, and secure capacity ahead of delivery pressure. This approach reduces cost escalation and delivery risk, particularly in constrained supply chains. Enabling this will require earlier funding certainty and approval mechanisms, alongside recognition of the system and market benefits created by forward looking commitments.

To remove barriers, Ofgem should also focus on reducing uncertainty around ex-post cost assessment and determinations. Clearer guidance on how resilience, deliverability and sustainability considerations will be assessed retrospectively, both at project and portfolio level would enable greater confidence to make procurement decisions that balance these criteria.

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?

A practical definition should recognise the nature of electricity network procurement, which often combines equipment, services, materials, and labour into integrated delivery contracts. Splitting value rigidly between goods and services is therefore not always practical.

A proportionate approach would define a UK-based supplier as one that can demonstrate one or more of the following criteria:

- Has established UK operations (e.g. manufacturing, assembly, engineering, a registered UK office or service delivery)
- Employs a material (>10) UK workforce contributing to contract delivery that includes deployment of UK labour for activities such as design, testing, commissioning, and integration, not solely raw materials or component manufacture.

To keep reporting practical, definitions should remain high level and principles based, focus on material contracts and categories, and avoid excessive granularity or subjective interpretations of what should be reported.

Although we plan to publish data on our supply chain in the near future, it is important to note that we do not currently collect data from our supply chain at level of granularity required to report in line with the criteria suggested above. As such, an implementation period would be essential in the roll out of any new requirements so that the appropriate data collection arrangements could be put in place.

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, as this provides a more complete picture of where the domestic supply chain is engaged, capturing only one or the other would present a skewed view of domestic supply chain participation. It should however be noted that reporting at this level will require significant investment. Ideally, the reporting should create the opportunity to capture where spend supports the UK economy and jobs.

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.

The appropriateness of any criteria will be determined by the definition used for the purposes of reporting. In any event, a minimum contract value threshold is essential and reporting at Transmission level and should be linked to major project and capital spend to ensure reporting and any associated criteria remain proportionate and focused on material risk. At Distribution level a similar approach could be taken with reporting aggregated to licence area.

Thresholds should capture contracts that are high value, long lead time, or strategically significant to programme delivery or system risk, while excluding low value, routine, or highly commoditised procurement

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?

Capturing both £ value and percentage share of UK versus non-UK spend at framework level across our key asset classes would provide useful but limited insight into the quantum of UK investment. We should also consider how to capture value created in the UK when elements of a contract are delivered overseas but economic value and jobs are created in the UK (for example through UK installation, engineering and testing).

Reporting should focus primarily on Tier 1 suppliers and contracts, aligned to the capital plan and construction delivery, rather than attempting to capture complex multi-tier supply chains. Aggregation should be permitted where markets are competitive and low risk, with greater detail reserved for categories where concentration, capacity, or lead-time risks exist.

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

Indicators should be proportionate, directly relevant to delivery risk, and flexible enough to reflect different procurement contexts.

The most useful indicators for resilience monitoring include:

- **Workforce capacity and skills**, including the size, stability, and training investment of the UK delivery workforce supporting critical contracts
- **Supply chain depth and concentration**, such as reliance on single suppliers, factories, or geographies
- **Supply chain length and complexity**, including use of extended global supply chains versus UK-based integration, testing, or final assembly

These indicators provide practical insight into capacity, vulnerability, and long-term capability rather than abstract social value metrics, but the level of insight will be limited if reporting at portfolio level.

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.

There may be opportunities to leverage existing RIIO and historic spend data, including automated approaches and existing mapping tools, to minimise administrative burden. Alignment with existing processes would reduce duplication and improve data consistency, provided assurance requirements remain proportionate. A yearly publication strikes the right balance between transparency and proportionality.

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

The optimal publication approach would balance transparency with commercial sensitivity by:

- Focusing on aggregated, high-level data rather than contract- or supplier specific disclosures
- Enabling trend analysis over time rather than comparison of individual procurement decisions
- Ensuring consistency across network companies

This would allow Ofgem and stakeholders to understand systemic risks and market dynamics without exposing commercially sensitive information or undermining competitive tension. It should be noted that contract award outcomes are already published as required under UCR 2016 and PA23

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

Evidence to justify higher-cost options would typically include:

- Comparative analysis of delivery risk, lead times, capacity security, or exposure to disruption
- Whole-life cost assessments demonstrating improved reliability or reduced future remediation
- Evidence of supplier investment in UK workforce, skills, or facilities supporting sustained delivery

Equally, it is important to recognise that higher-cost options do not always deliver better outcomes. Maintaining flexibility and judgement remains critical.

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

Key risks include:

- **Disproportionate burden**, where additional reporting diverts resource from delivery and market engagement.
- **Behavioural distortion**, where prescriptive definitions reduce procurement flexibility or narrow supplier markets
- **Competition and cost impacts**, particularly where domestic factory viability depends on export markets or wider global demand
- **Supplier participation risk**, where policies or reporting expectations are perceived as favouring specific locations or supply chains, potentially disincentivising non-UK-based suppliers from competing for UK work, or UK-based suppliers with a significant proportion of their supply chain located overseas. This could reduce competitive tension and increase costs over time.
- Linked to the above, **supplier diversification is a key aspect of supply chain resilience**. Having optionality allows us to respond better to disruptions in the supply chain/regional market movements.
- **Ex post assurance risk**, which could drive excessive risk aversion
- **Data availability**

Overall, any new measures should be proportionate, outcome focused and clearly framed as evidence gathering to avoid unintended consequences for delivery, competition, and consumer value. There should be a lead in time for the implementation of new reporting requirements to enable arrangements to be put in place for data collection and validation.