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John Kennedy
Electricity Distribution Policy
Ofgem
10 South Colonnade
Canary Wharf
London E14 4PU
(by email: RIIOED2@ofgem.gov.uk)

9 July 2026

Dear John,

Load Related Volume Driver Review Decision and Notice of Statutory Consultation

I am writing on behalf of National Grid Electricity Distribution (South Wales) plc, National Grid Electricity Distribution (South West) plc, National Grid Electricity Distribution (East Midlands) plc and National Grid Electricity Distribution (West Midlands) plc, collectively known as “NGED”, in response to Ofgem’s decision on proposals to amend RIIO-ED2 Load Related Expenditure (LRE) volume drivers and the associated statutory consultation to amend Special Licence Condition 3.9 of the electricity distribution licences.

Low Voltage Services Volume Driver (LVSVD)

The changes to be made to the LVSVD are welcome. The increase in unit rates for services, recognising the increased costs in delivering this activity for consumers, will help DNOs to recover efficient delivery costs, and the changes to the ex-ante allowance values and Metric 6 will enable DNOs to deliver required increased levels of reinforcement at the service position without risking disallowed volumes.

We have no objection to the retention of the LVSVD caps at current values for NGED licence areas.

There is a minor error within the decision document. In Table 1, the current overhead line (OHL) unit rate (£k) for SWALES is stated as 0.18; however, the correct value is 0.35.

Special Licence condition 3.9

Generally we agree with the proposed modifications to special licence condition 3.9 of the distribution licences held by NGED. The values contained within Appendix 1 and 2 reflect the decisions that Ofgem have made in relation to the LVSVD changes.

For the avoidance of doubt, given regulatory reporting timescales in relation to the end of the regulatory year which means that data submissions are made during the following regulatory year, we propose the headings in Appendix 2 are changed as follows:

Appendix 2

LVSVD_t unit cost by activity type (£)

Type i Activity delivered LVSAR t,i	LVSUC t,i For activities delivered in regulatory years 2023/24, 2024/25 and 2025/26	LVSUC t,i For activities delivered in regulatory years 2026/27 and 2027/28
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This amendment would clarify that the applicable unit rates are determined by the year in which the activity is delivered, rather than by the year in which the volume driver allowance is established through annual regulatory submissions.

Secondary Reinforcement Volume Driver (SRVD)

We agree with Ofgem's proposals to leave the SRVD unit rates and caps unchanged. We are disappointed, however, that Ofgem has deferred its decision on proposed changes to the SRVD metrics and has now subsequently suggested in the LRE WG on 7 July 2026 that further evidence to support the changes is required.

The metric changes proposed in the consultation were pragmatic and important in ensuring that the SRVD does not operate in a way that inadvertently constrains the type or volume of reinforcement activity needed to be undertaken in response to customer needs. Such constraints risk reducing efficiency and limiting network readiness to accommodate the growth of low-carbon technologies (LCTs).

Ofgem should implement the proposed amendments to the SRVD metrics as consulted upon. While we will work with other DNOs to provide specific examples of reinforcement schemes that may be deferred under the current framework, at a strategic level it is difficult to justify metrics parameters that effectively operate as lagging indicators. The current approach relies on year-ahead utilisation forecasts and actual LCT uptake, rather than medium-term forecasts of network utilisation and LCT growth. Medium-term forecasts are more closely aligned with the timescales required for reinforcement planning and investment decision-making, and therefore provide a more appropriate basis for assessing network needs and triggering timely investment.

If Ofgem considers it cannot enact the changes it has consulted on at this stage, it is important that Ofgem reaches a decision on these metrics at the earliest opportunity, with a realistic view on what further evidence is required within these timescales. The SRVD metrics are a key consideration in determining the scale and composition of our transformer and circuit reinforcement programmes. Delivery of our 2026/27 programme is already underway, and planning for the 2027/28 programme is currently in progress. Consequently, the opportunity to make meaningful programme adjustments within the RIIO-ED2 period is limited, and any delay is therefore pushing this work out further.

We remain committed to working with you and the other DNOs on the changes that are required to the SRVD metrics, including the update of the LRE Volume Driver Governance Document, to ensure that Ofgem's decisions on both the LVSVD and SRVD changes are accurately reflected and that the volume drivers operate as intended.

Should you have any queries in relation to our response or wish to discuss, please do contact either Ruth Crascall (ruth.crascall@nationalgrid.com) or Matt Pope (matthew.pope@nationalgrid.com) in the first instance.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D Broderick'.

Dawn Broderick

RIIO-ED2 Regulation Manager
National Grid Electricity Distribution