

Consultation

Evidencing wider value in procurement decisions: Guidance

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Team:	Major Projects
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Email:	Transmission.Acceleration@ofgem.gov.uk
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Ofgem is consulting on guidance which is intended for electricity network owners, interconnector developers, and offshore hybrid asset developers. It sets out how regulated network owners and developers can present evidence demonstrating that procurement decisions deliver wider long-term benefits. This guidance applies where those benefits are used to justify associated impacts on costs, delivery timescales, delivery confidence, or risk.

This guidance is intended to sit alongside and complement existing guidance relating to relevant regulatory frameworks and arrangements where we assess whether proposed costs represent efficient value for consumers.

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Executive summary

We are consulting on guidance that is intended for electricity network owners, interconnector developers, OFTOs, and offshore hybrid asset developers. It explains how electricity network owners and developers may present evidence demonstrating that procurement decisions deliver wider long-term benefits, where these benefits are relied upon to justify associated implications for cost, delivery timing, delivery confidence, or risk.

The guidance recognises three distinct routes through which procurement decisions may create wider value: consumer value, whole-economy growth, and net zero. Consumer-value benefits may include long-term network cost reductions, due to improved supply chain resilience and competition, reducing exposure to disruption and supply-chain constraints. Economic growth benefits may include additional investment and improved productivity. Decarbonisation benefits may arise where procurement decisions reduce greenhouse-gas emissions relative to the best available alternative, for example through shorter supply chains.

The guidance does not create a new approval route, target, incentive, or GB supply-chain content requirement. It does not pre-approve any supplier, bid, GB supply-chain content claim, or procurement strategy. Companies remain responsible for demonstrating that procurement decisions are justified, proportionate, and in consumers' interests.

The guidance explains the evidence standards Ofgem would expect to see, including credibility, attribution, counterfactual analysis, materiality, proportionality, and (where growth claims are made) additionality. Companies are not expected to prove growth impacts with certainty. Rather, they should set out a credible theory of change, explain assumptions, provide proportionate evidence, and be transparent about uncertainty.

Companies will be aware of DESNZ's *Social and Environmental Guidance to the Gas and Electricity Markets Authority: Electricity Networks Growth*, and its focus on social value. The DESNZ guidance supports voluntary alignment with a minimum 10% social-value weighting in electricity network procurements and identifies working towards a 20% weighting as a longer-term ambition. Companies may therefore be considering how social value and other wider benefits should inform their procurement approaches. This Ofgem guidance has a distinct but complementary purpose: it helps companies understand how claims relating to social value, consumer value, whole-economy growth, net zero, resilience, and other wider benefits should be described and evidenced within the applicable regulatory framework.

The aim is to help companies make effective use of the flexibility already available within existing regulatory frameworks while maintaining consumer protection, competitive neutrality, and evidence discipline. The guidance supports judgement-

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based assessment of procurement decisions without creating automatic approval of higher-cost options or weakening existing legal, licence, procurement, or regulatory requirements.

Companies will not need, or wish to, make a wider-benefit case for every procurement decision or regulatory submission. This guidance is not intended to apply routinely to all submissions to Ofgem. It is available for use where a company considers that wider benefits are relevant to a particular procurement decision and wishes to rely on those benefits as part of its justification. In those circumstances, the guidance explains how the company may describe the claimed benefits, evidence the causal mechanism and counterfactual, and identify any associated cost, risk, or delivery trade-off.

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1. Introduction

This section explains why the guidance is needed and what it is intended to do. Its central purpose is to make Ofgem's existing regulatory frameworks easier to use without weakening the evidence discipline that protects consumers.

- 1.1 This guidance, we are consulting, on is intended for network owners, interconnector developers, offshore wind developers undertaking procurement within the OFTO regime, and future OFTO Build, or CATO developers undertaking procurement activity. It explains how companies may present evidence that procurement decisions are justified by wider economic value, whole-economy growth, net zero benefits, or a combination of these. It also explains the evidence standards Ofgem would expect to see when assessing such claims and how they may be considered alongside cost, risk, deliverability, and other consumer impacts.
- 1.2 Ofgem's existing regulatory frameworks provide scope for network owners and developers to take account of wider benefits where these are relevant to a procurement decision and supported by appropriate evidence. The guidance recognises three distinct routes through which procurement decisions may create wider value: consumer value, whole-economy growth, and net zero. Wider consumer-value benefits may include improved resilience, delivery confidence, or reduced exposure to disruption and supply-chain constraints. Growth benefits should be evidenced through additional investment, improved productivity, or both, supported by evidence of additionality. Net zero benefits may arise where procurement decisions reduce greenhouse-gas emissions relative to the best available alternative.
- 1.3 Ofgem's existing regulatory frameworks already allow network companies to take account of long-term consumer value, whole-economy growth, and net zero benefits where these are relevant to a procurement decision and supported by appropriate evidence. This guidance responds to stakeholder requests for greater clarity on the evidence Ofgem may find persuasive where companies bring forward well-justified proposals that rely on consumer value, whole-economy growth, net zero benefits, or a combination of these. The guidance does not create new obligations, targets, incentives, approval routes, or automatic entitlement to cost recovery. It should be read as further detail on Ofgem's approach to evidence, not as a substitute for the relevant licence, statutory, procurement, price-control, or project-assessment requirements.
- 1.4 Companies may use this guidance on a proportionate basis for live or upcoming procurement decisions. It is not necessary to develop a new standalone growth strategy before using the guidance. Where a company is considering growth-related evidence in a live procurement, it should explain the decision context, the

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evidence available at that stage, the assumptions being made, and how uncertainty has been considered.

Purpose of this consultation

We are consulting on draft guidance explaining how electricity network owners and developers may evidence wider benefits arising from procurement decisions where those benefits are relevant to cost, delivery timing, delivery confidence or risk. The guidance is intended to provide greater clarity on the evidence Ofgem may find persuasive; it does not create new procurement requirements, targets or an alternative route to regulatory approval.

The guidance considers three routes through which procurement decisions may create wider value: long-term consumer value, whole-economy growth and net zero. It explains how companies may demonstrate the relevant benefit, establish a credible link to the procurement decision, identify an appropriate counterfactual and provide evidence proportionate to the decision.

We welcome views on whether this approach is clear, practical and proportionate; whether the proposed evidence standards provide sufficient clarity and flexibility; and whether the examples appropriately reflect the procurement decisions and evidence companies are likely to encounter.

Context and related publications

Electricity networks are entering a period of significant investment, increasing the importance of securing the equipment, skills and supply-chain capability needed to deliver network infrastructure efficiently and reliably. Ofgem has been considering how existing regulatory frameworks can support companies in taking account of wider benefits from procurement decisions while maintaining consumer protection, competitive neutrality and appropriate evidence discipline.

The guidance complements DESNZ's *Social and Environmental Guidance to the Gas and Electricity Markets Authority: Electricity Networks Growth*; which itself provides the wider government policy context on growth and social value in electricity-network procurement. This guidance, which is being consulted on, explains how companies may evidence wider benefits within applicable regulatory frameworks.

Overview

- 1.5 The draft guidance explains how electricity network owners and developers may present evidence that procurement decisions deliver wider benefits and how Ofgem may assess that evidence within existing regulatory frameworks.

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- 1.6 It first establishes the scope and status of the guidance and explains how wider benefits may arise through long-term consumer value, whole-economy growth or net zero. For growth claims, it proposes a framework based on additional productive investment, improved productivity and additionality. It also explains how indicators such as domestic content, jobs and skills, regional activity, supplier capability, resilience and innovation may provide relevant evidence without automatically demonstrating growth.
- 1.7 The guidance separately considers net zero benefits and long-term consumer value, including supply-chain resilience and delivery confidence. Finally, it sets out common evidence standards covering credibility, attribution, counterfactual analysis, materiality and proportionality, and explains how Ofgem will consider those factors alongside costs, risks, uncertainty and consumer impacts when assessing individual cases.

Consultation stages

Stage 1 Consultation open: 13 October 2026

Stage 2 Consultation closes (awaiting decision). Deadline for responses: 17 November 2026

Stage 3 Responses reviewed and published: 5 January 2027

Stage 4 Consultation outcome (decision or policy statement)

How to respond

We want to hear from anyone interested in this consultation. Please send your response to the person or team named on the front page of this document.

We have asked for your feedback in each of the questions throughout. Please respond to each one as fully as you can.

We will publish non-confidential responses on our website.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

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If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Appendix 4.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a consultation

1. Find the web page for the call for input you would like to receive updates on.
2. Click 'Get emails about this page', enter your email address and click 'Submit'.
3. You will receive an email to notify you when it has changed status.

A consultation has three stages: 'Open', 'Closed (awaiting decision)', and 'Closed (with decision)'.

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2. Scope and status of this guidance

This guidance explains how evidence may be presented. It does not change the applicable legal, licence, procurement, or regulatory requirements.

- 2.1 This guidance applies where a company wishes to present evidence that a procurement decision delivers wider value and seeks to explain how such evidence may be presented and assessed. The relevance of such evidence will depend on the applicable regulatory framework and decision being considered. This guidance does not alter the criteria applicable to any approval, re-opener, cost-assessment, project-assessment, or other regulatory process.
- 2.2 In this guidance, ‘procurement decision’ includes both procurement strategy decisions and specific procurement outcomes. Procurement strategy decisions may include procurement design, supplier engagement, demand signalling, where supported by a credible mechanism through which procurement behaviour may influence supplier investment, capability, or capacity decisions, lotting, evaluation approaches, contract structure, risk allocation, and pipeline or capacity-reservation decisions. Procurement outcomes may include the selection of a preferred bidder or preferred option within a procurement process.
- 2.3 This guidance does not:
- change the applicable legal, licence, procurement, or regulatory requirements;
 - create a separate approval route, safe harbour, or automatic entitlement to cost recovery;
 - set a GB supply-chain content target, mandate, quota, or social-value requirement; or
 - remove the need for companies to demonstrate that the regulatory treatment sought is justified, proportionate, and in consumers’ interests.
- 2.4 Companies remain responsible for making a positive, transparent, and proportionate justification for any procurement decision they ask Ofgem to recognise in cost assessment or related regulatory processes.
- 2.5 The remainder of this guidance is structured as follows. Sections 3 to 5 explain how Ofgem defines and assesses whole-economy growth, including the core economic test and the evidence standards that apply to growth claims. Section 6 explains how common procurement indicators may support different benefit categories. Sections 7 and 8 explain how companies may present evidence relating to net zero benefits and long-term consumer value, including resilience. Sections 9 to 11 explain how Ofgem will assess evidence in the round, the

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principles that maintain consumer protection and competitive neutrality, and practical considerations for companies applying the guidance.

3. Defining growth: a whole-economy concept

Economic growth should be assessed as a whole-economy concept. Local or sector-specific activity that delivers a net benefit to the economy overall falls under this definition, but displacement of jobs or economic activity from other sectors or areas does not support growth at the whole-economy level. Generating additional investment, enhancing productivity, and supporting job opportunities for those out of work are the main routes through which supply-chain growth helps the wider economy.

- 3.1 For the purposes of this guidance, economic growth should be understood as a whole-economy concept. It should not be used as a loose label for energy-sector activity, domestic content, local spend, employment, industrial capacity, resilience, supplier capability, or regional activity. Those factors may nevertheless provide relevant evidence for a wider-benefit case. Depending on the mechanism and evidence, they may support long-term consumer value or contribute to a growth case where the company demonstrates additional investment, improved productivity, and additionality.
- 3.2 Whole-economy growth means a credible, additional improvement in economic outcomes across the economy, not merely a transfer of activity from one place, sector, supplier, or procurement route to another. In practice, Ofgem expects growth claims to be framed through evidence of investment, productivity, and additionality. Investment and productivity are the principal channels through which growth may arise; additionality is the discipline that tests whether those effects are net benefits rather than displacement, substitution, or crowding out.
- 3.1 The whole-economy framing does not mean that regional or local economic benefits are irrelevant. Regional employment, local investment, GB supply-chain content, or place-based economic change may help explain how a procurement decision could generate wider economic effects. Companies should explain how evidence of such outcomes translates into a credible whole-economy growth case. For example, a regional employment claim may be more persuasive where it reflects the use of underemployed labour, underused productive assets, scarce skills, or capability that would otherwise be less productive, rather than simply reallocating activity from elsewhere in the economy.

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4. The growth test

Where companies use growth claims to justify additional expenditure, they should structure growth evidence around investment, productivity, and additionality. These are the central questions Ofgem would expect a growth claim to answer.

Investment

- 4.1 A company should explain whether the procurement approach supports additional productive investment. Investment in the electricity-network supply chain may support a growth claim where the company shows that the procurement decision enables new or greater productive investment than would occur under the counterfactual. Moving planned investment or existing activity between suppliers, sectors, or locations does not, by itself, demonstrate growth.
- 4.2 Investment evidence, where proportionate and available, may include commitments to new productive capacity, tooling, workforce development, facilities, innovation, repair capability, testing capability, or other productive assets. However, a company should not assume that investment by a supplier is automatically a growth benefit. It should explain why the investment is additional, how it relates to the procurement decision, and how it improves outcomes beyond the company or supplier directly involved.

Productivity

- 4.3 Productivity means generating more output from a given set of inputs or maintaining output while using fewer inputs. For this guidance, productivity evidence should explain how the procurement choice increases output relative to the labour, capital, energy, and other resources used, rather than simply increasing activity, expenditure, or gross value added.
- 4.4 Productivity may arise through investment in the supply chain supporting network delivery. A procurement decision may support productivity where it enables suppliers to invest in new productive capacity, facilities, tooling, workforce capability, repair capability, testing capability, automation, process improvement, or innovation. These investments may allow goods and services to be produced more efficiently, increase output from a given set of inputs, reduce delivery constraints, or improve the utilisation of labour and capital. Companies should explain the mechanism by which the procurement decision is expected to lead to those productivity improvements and why the effect is expected to be material relative to the counterfactual.
- 4.5 A useful discipline is that every productivity claim should answer the following question: what constraint, bottleneck, delay, risk, cost, or inefficiency is removed, and how does removing it allow more output to be produced from the same resources?

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- 4.6 A company should explain whether the procurement decision removes or reduces a constraint, bottleneck, delay, risk, cost, or inefficiency in a way that increases output relative to the inputs used across the wider economy. This may include improved access to critical equipment or specialist capability, reduced dependence on concentrated suppliers or facilities, lower input costs, reduced downtime, improved delivery confidence, faster network delivery or connections, or reduced exposure to disruption. The evidence should show the mechanism by which these effects improve productivity, rather than simply asserting that a preferred supplier or procurement approach is beneficial.
- 4.7 Productivity evidence should be specific to the decision under assessment. General statements about supply-chain resilience, GB supply-chain capability, or market development should be linked to a measurable or well-evidenced reduction in constraint, delay, risk, cost, or inefficiency. Where evidence is qualitative, companies should explain why quantified evidence is not available or not proportionate, and how the qualitative evidence has been tested.

Table 1: Illustrative productivity channels

Channel	Mechanism	Productivity logic
Supply-chain investment and capability	The procurement decision enables investment in manufacturing capacity, tooling, workforce capability, testing capability, repair capability, automation, or process improvement.	The investment allows goods and services to be produced more efficiently, increasing output relative to labour, capital, or other inputs and improving productivity within the supply chain and potentially across the wider economy.
Faster network delivery or connections	The procurement choice reduces expected connection or delivery delays, including future network needs identified through the CSNP.	Earlier access to electricity enables firms to begin production sooner, reduces idle labour or capital, increases utilisation, and allows more output from existing resources.
Lower system or network costs	The procurement choice reduces the long-run cost of delivering or using electricity.	Lower energy-related input costs can allow businesses to operate energy-intensive capital more intensively, reduce marginal production costs, and increase output

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		relative to labour and capital inputs.
Improved reliability or reduced outage risk	The procurement choice reduces outage risk, downtime, operational disruption, or exposure to a material supply-chain dependency.	Fewer interruptions mean labour and capital spend less time idle, assets can operate for longer, and existing inputs generate more output.
Reduced bottlenecks or constraints	The procurement choice removes or mitigates a constraint – including a shortage of critical equipment, capacity, testing, repair, maintenance, refurbishment, or specialist engineering capability – that limits production, investment, or delivery.	Removing or reducing the constraint increases utilisation of existing assets, avoids delay or downtime, unlocks otherwise idle capacity, and enables additional output without proportionate increases in labour or capital.

Additionality

- 4.8 A company should explain why the claimed benefits are additional to what would otherwise have happened. This includes considering displacement, substitution, crowding out, and the possibility that a procurement choice increases costs without increasing overall economic output. The assessment should identify whether benefits are new, larger, earlier, more certain, or more productive than under the counterfactual procurement option.
- 4.9 Additionality is particularly important where claims are based on jobs, local content, supplier investment, industrial capability, or regional impacts. These indicators may be relevant evidence, but they are not, by themselves, evidence of growth. Companies should avoid presenting activity as growth where the same activity would likely have occurred elsewhere in the economy, or where higher costs would crowd out more productive investment or impose disproportionate costs on consumers. A growth case may rely on evidence of investment, productivity, or both. In all cases, however, companies should explain why the claimed benefits are additional relative to the counterfactual.

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5. Application to benefit categories

Common procurement indicators may be relevant evidence, but they are not determinative. The same indicator may support different benefit categories in different circumstances, depending on the mechanism by which it creates value and the evidence available. This section explains how Ofgem may consider common procurement indicators under the consumer-value, growth, and net zero routes. Companies should identify which benefit category they are relying on, explain the mechanism by which the indicator supports that category, and provide evidence proportionate to the claim being made.

- 5.1 Ofgem will consider wider benefits according to the evidence provided and the regulatory context. Companies should identify which route a claimed benefit supports consumer value, growth, net zero, or more than one route. The same indicator may be relevant under different routes in different contexts, but the evidence should explain the mechanism for the route being relied on. For growth, the relevant question is whether the evidence shows additional investment, productivity improvement, or both, and whether the claimed benefit is additional after considering displacement, substitution, and crowding out. For net zero, the relevant question is whether the preferred option results in lower greenhouse gas emissions than the best available alternative. For consumer-value claims, the relevant question is whether the preferred option credibly improves long-term consumer outcomes through reduced risk, disruption, delay, constraint, or other factors affecting cost, delivery, or reliability.

Table 2: Treatment of common procurement indicators and benefit categories

Indicator or benefit category	Treatment under this guidance
Domestic content, UK content, UK value-add, or UK spend percentages	May be relevant evidence but should not be treated as a proxy for growth or as a preference based on origin. A percentage tells Ofgem where activity or value is located; it does not, by itself, show that the procurement decision has increased whole-economy output. These indicators may support a growth case where the company shows that the higher UK share reflects additional productive investment, additional capability, productivity improvement, or reduced constraint that would not otherwise arise.

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Imported content percentages	May be relevant to the counterfactual and to understanding the location of value in a procurement decision. A lower imported-content share does not automatically demonstrate growth. The company should explain whether the change reflects additional UK activity, higher-value domestic activity, reduced bottlenecks, or a more productive supply chain, rather than a simple relocation of spend or a higher-cost substitution.
Total investment or capital investment in UK manufacturing	May support a growth case where the procurement decision credibly unlocks additional productive investment, such as new facilities, tooling, manufacturing lines, testing capability, repair capability, or workforce development. The company should distinguish investment that is genuinely enabled by the procurement decision from investment that would have happened anyway.
Domestic production capacity, utilisation of UK facilities, or capability by equipment type	May support a growth case where the evidence shows additional capacity, higher utilisation of otherwise idle productive assets, reduced delivery constraints, or durable capability that improves future productivity. Capacity or utilisation figures alone are not sufficient if they only describe existing activity or a transfer of demand between suppliers.
Gross value added (GVA), gross domestic product (GDP), or economic-output estimates	May provide useful evidence, but should be interpreted carefully. Companies should explain the assumptions, counterfactual, attribution, and risk of displacement. A modelled GVA estimate is not enough unless the company can show why the claimed effect is additional, attributable to the procurement decision, and material relative to the cost premium or regulatory treatment sought. An increase in value added should not be treated as productivity unless the company also explains the quantity of inputs used and why output has increased relative to those inputs.

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Regional GVA, local economic contribution, or place-based impact	May support a growth case where the evidence shows that the procurement decision unlocks underused labour, assets, capability, or investment that would not otherwise be used productively. It should not be treated as growth where the effect is primarily a transfer of activity from one region to another.
Jobs, skilled roles, wage premiums, apprenticeships, or training pipelines	May support a growth case where linked to additional productive capacity, higher-value activity, workforce capability, productivity, or reduced delivery constraints. Job numbers, wage levels, or apprenticeship counts alone are not sufficient. The company should explain whether the roles are additional, whether they develop scarce capability, and whether they improve economy-wide outcomes rather than displacing labour from elsewhere.
Productivity per worker, GVA per FTE, GVA per pound spent, or output per hour	May be directly relevant to the productivity limb of the growth test. The company should explain how the procurement decision improves productivity compared with the counterfactual, rather than simply reporting a productivity ratio or higher value added. Evidence should distinguish higher output from higher cost, and should explain whether any productivity gain is material, attributable, and linked to the quantity of inputs used. Companies may use qualitative evidence where robust quantitative evidence is not reasonably available.
Supplier concentration or market capacity	May support a growth case where the evidence shows that the procurement decision expands available productive capacity, reduces dependency on a constrained supplier base, or enables additional investment or capability that would not otherwise arise. Competitive tendering is an expected procurement baseline; supplier numbers, diversity, or competitiveness are not, by themselves, evidence of growth unless they lead to a material improvement in investment, productivity, delivery capacity, or long-term consumer outcomes.

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Supply-chain resilience, delivery confidence, reduced lead times, or reduced bottlenecks	May support a growth case where the avoided delay, delay, downtime, or constraint has a credible link to additional investment, improved productivity, or wider economic activity. These factors may also support long-term consumer value where they reduce the expected cost or consequences of supply disruption or improve timely and reliable network delivery.
Innovation, commercialisation, R&D investment, or technology development	May support a growth case where the procurement decision helps translate innovation into productive investment, capability, cost reduction, efficiency improvement, export potential, or wider productivity gain. Innovation claims should identify the mechanism and counterfactual, rather than relying on novelty alone.
Sustainability, low-carbon materials, or carbon reduction	May be relevant under the net zero route where the company shows lower greenhouse gas emissions compared with the best available alternative. It may also be relevant under the growth route where the company separately evidences additional productive investment, innovation, industrial capability, or productivity improvement. The company should explain which route it is relying on, and should not use sustainability, low-carbon materials, or carbon reduction as a proxy for a different benefit.
Community benefits, local amenities, health, housing, or transport benefits	May be relevant in other policy or consumer-value contexts where appropriate but should not normally be presented as growth unless the company can show a clear and material link to investment, productivity, and additionality. These benefits should not be used to dilute the growth test.

Worked examples: applying the same test to different indicators

- 5.2 Table 3 shows how different indicators may, or may not, support a growth case. These examples are not thresholds, safe harbours, or approved procurement routes. They illustrate the same discipline in different contexts: the company should identify the indicator, explain the claimed mechanism, set out the

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counterfactual, and show whether the benefit is additional, attributable, material, and proportionate.

Table 3: Worked examples for applying the growth test

Indicator	Procurement context	What does not work	What could work	Core point
Domestic-content or UK-spend percentages	A network company is developing a major reinforcement project involving cables, substations, civil works, installation, and specialist services. It estimates that one procurement strategy would result in 2% UK content across the project, while an alternative strategy could result in 10% UK content but at a higher expected cost.	Treating the higher project-level percentage as growth in itself. The percentage may describe where activity or value is located, but not whether the project increases whole-economy output.	Showing that the procurement strategy would unlock additional productive investment, such as new manufacturing capacity, tooling, testing capability, workforce training, or durable UK capability that would not proceed under the counterfactual.	The growth claim is not that UK content equals growth. It is that the procurement strategy may support additional investment, capability, or productivity that is attributable to the project and additional to what would otherwise happen.
Social-value weighting	A network company applies, or proposes to apply, a social-	Treating the existence or percentage of a social-value weighting as	Showing that the criteria assessed through the weighting are	A social-value weighting may support a growth case where the

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	value weighting in a procurement exercise and considers that the resulting procurement decision will deliver whole-economy growth.	evidence of growth in itself. A weighting describes how bids are evaluated; it does not demonstrate that the preferred procurement outcome will generate additional investment, improve productivity, or increase whole-economy output.	expected to change supplier behaviour or the procurement outcome in a way that credibly unlocks additional productive investment, develops otherwise underused or scarce workforce capability, removes a material constraint, or improves productivity relative to the counterfactual.	company demonstrates that the procurement outcome it helps secure delivers additional investment or productivity benefits.
Jobs, skills, and apprenticeships	A network company argues that a major project will support jobs, skilled roles, or apprenticeships in the supply chain.	Relying on job numbers, wage levels, or apprenticeship counts alone, especially where the supplier would meet the contract by redeploying workers from similar activity elsewhere.	Showing that the procurement strategy creates additional training capacity, develops scarce skills, or enables workers not otherwise in comparable	The growth claim should focus on additional capability and productivity, not on headcount alone.

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			activity to contribute to productive capacity.	
Regional economic contribution	A network company identifies project benefits in a region with lower employment, underused manufacturing capacity, or relevant industrial capability.	Presenting regional jobs, local spend, or regional GVA as growth where the project mainly reallocates existing staff, equipment, or activity from other UK work.	Showing that the project unlocks idle productive assets, new tooling, training for workers not currently in comparable activity, or additional capacity that could serve future network projects.	The claim is not that local activity is growth. It is that the procurement strategy helps unlock additional productive investment, capability, or labour that would not otherwise be used in the economy.
Supplier investment and industrial capability	A network company argues that its procurement strategy will support investment in a new facility, testing capability, repair centre, manufacturing line, or specialist capability needed for future network delivery.	Relying on supplier investment that was already committed, or treating higher supplier margins as evidence of growth without showing changed investment behaviour.	Providing evidence that the supplier commitment is specific, time-bound, linked to the project, and unlikely to proceed under the counterfactual.	Supplier investment may support the investment limb only where it is credible, attributable, and additional.

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Supply-chain resilience and delivery confidence	A network company argues that a procurement strategy improves delivery confidence for a critical reinforcement or reduces exposure to supply-chain bottlenecks.	Relying on general assertions that a supplier is familiar, local, or more resilient without identifying the dependence, disruption scenario, or practical effect on delivery or consumers.	Showing that the strategy materially dependence on a single supplier, facility, technology, jurisdiction, or logistics route; secures credible alternative sources of critical equipment; or improves access to specialist engineering, testing, repair, maintenance, refurbishment, spare-parts, or contingency capability. The company should explain how this reduces the likelihood or consequences of delay, disruption, downtime, or constraint compared with the counterfactual.	Resilience may support long-term consumer value by reducing expected disruption costs or improving delivery confidence. It supports a growth claim only where those effects credibly enable additional investment or improve productivity. Neither route creates automatic approval of a higher-cost option.
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Innovation and low-carbon capability	A network company identifies a procurement strategy that uses innovative technology, lower-carbon materials, or a lower-carbon manufacturing process for a major project.	Presenting novelty, lower embodied carbon, or sustainability benefits as whole-economy growth without explaining the economic mechanism.	Showing that the strategy unlocks additional productive investment in low-carbon manufacturing capability, process innovation, testing capability, workforce training, or production capacity that would not proceed under the counterfactual.	Carbon reduction or innovation may be relevant as wider value, but it supports a growth claim only where linked to additional investment, capability, or productivity.
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- 5.3 This purpose of this approach is to preserve discipline while allowing judgement. Ofgem will not apply a mechanical tick-box assessment or prescribe a single methodology. Companies should explain the theory of change, evidence, uncertainty, consumer impact, and regulatory treatment sought clearly enough to support an informed judgement.

6. Net zero considerations

Network owners and developers should consider whether procurement decisions deliver wider net zero benefits and, where relevant, explain those benefits alongside other procurement considerations.

- 6.1 Companies should consider whether wider net zero benefits are relevant to their procurement decisions and, where appropriate, take them into account alongside other relevant factors. For example, shorter and more efficient supply chains may deliver net zero benefits through lower embedded carbon and reduced transport and logistics emissions. Where a company considers that its preferred procurement option delivers a net zero benefit it should identify the emissions

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mechanism, quantify the reduction where proportionate and reasonably available, and explain the assumptions, data sources and uncertainty. Evidence should be practical and proportionate to the scale and significance of the decision.

- 6.2 **Embedded carbon.** Companies should consider whether the preferred option, compared with the best available alternative, results in demonstrably lower lifecycle embedded emissions than the counterfactual. This may include emissions associated with raw material extraction, manufacturing, processing, assembly, installation, maintenance, replacement, and end-of-life treatment.
- 6.3 **Transport and logistics emissions.** Companies should identify whether the preferred option results in demonstrably lower emissions associated with transport and logistics than the counterfactual. This may include shorter transport distances, fewer freight movements, less carbon-intensive transport modes, more efficient logistics arrangements, and geographically shorter supply chains.
- 6.4 **Counterfactual.** The comparison should always be made against the best available alternative procurement option. Companies should explain whether apparent reductions in one part of the supply chain are offset by increases elsewhere, and should avoid presenting a partial emissions reduction as a net benefit where the total effect is unclear.

7. Resilience and long-term consumer value

A procurement decision may deliver long-term consumer value where it credibly and materially reduces supply-chain risk or its consequences for cost, delivery, reliability, or consumers.

- 7.1 Resilient supply chains can support long-term consumer value by reducing the likelihood or consequences of supply-chain shortages, disruption, delay, constraint, or failure. Encouraging or enabling the domestic supply chain to grow can help address supply-chain shortages and constraints. Shortages and delays in the supply chain can create costs and risks for consumers because critical equipment may become more expensive or take longer to arrive, leading to project delay, cost escalation, and prolonged network constraints. A procurement decision that credibly and materially reduces such risks may therefore be defensible within the existing regulatory framework.
- 7.2 The assessment should focus on the specific risk and the effect of the procurement decision compared with the best available alternative. Relevant risks may include supply-chain bottlenecks; long or uncertain lead times; shortages of critical equipment, materials, or skills; market concentration; and dependence on single suppliers, facilities, technologies, jurisdictions, or logistics

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routes. Companies should consider both the likelihood of disruption and its potential consequences for cost, delivery, operation, recovery, and consumers.

- 7.3 Relevant evidence may include improved access to critical equipment or alternative sources of supply; greater market or manufacturing capacity; reduced exposure to concentrated suppliers or production sites; strengthened contingency arrangements; and improved delivery confidence. It may also include access to specialist engineering capability, testing facilities, repair and maintenance services, refurbishment capability, spare parts, replacement equipment, or other capabilities needed to operate, restore, or adapt assets over their lifecycle.
- 7.4 Companies should explain how the preferred option addresses the identified risk, how the position differs under the counterfactual, and how the resulting benefit translates into improved consumer outcomes. They should also consider whether the same or similar benefit could be achieved through a lower-cost or lower-risk approach, including diversified sourcing, appropriate contractual arrangements, standardisation, inventory, contingency planning, or other proportionate measures.
- 7.5 Resilience evidence should meet the evidence standards set out in Section 5. Companies should identify the dependency or disruption risk, explain the causal mechanism, and be transparent about uncertainty and residual risk.
- 7.6 Ofgem will consider resilience evidence in the round, taking account of future wider policy direction from DESNZ (if any). The assessment will be evidence-led and judgement-based rather than a mechanical scorecard.

8. Evidence standards

Evidence should be credible, attributable, material, and proportionate. Companies should explain the theory of change, assumptions, evidence, and uncertainty underpinning the claimed benefit.

- 8.1 Ofgem will expect evidence to be credible, attributable, material, and proportionate. Where a company is making a growth claim, it should also demonstrate additionality. Companies are not expected to prove growth, resilience, or emissions effects with certainty. They should set out a credible theory of change, explain the assumptions on which it depends, provide proportionate evidence, and be transparent about uncertainty, including where evidence is qualitative or incomplete.

Credibility

- 8.2 Evidence should be specific, transparent, and capable of scrutiny. Companies should identify the source of the evidence, whether it comes from the company,

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supplier, third party, or public data, and any assumptions, limitations, uncertainties, or commercial constraints. Evidence may be qualitative where quantified evidence is not reasonably available or would be disproportionate, provided the company explains how the qualitative evidence has been tested and why it is sufficient for the decision being made.

Attribution

- 8.3 Companies should explain why the claimed effect is attributable to the procurement decision rather than to wider market trends, government policy, existing investment plans, or other external factors. Where a supplier claims that a procurement decision will unlock investment or capability, the company should explain the link between the procurement decision and the supplier's commitment, including whether the commitment is binding, conditional, time-limited, or dependent on other buyers or policy decisions.

Counterfactual

- 8.4 Companies should set out a credible counterfactual. This should normally include the best alternative procurement option or options, including expected cost, delivery, risk, capability, and wider impacts. The counterfactual should be proportionate to the decision but sufficiently developed to show whether the claimed benefit is additional. Where evidence is incomplete, companies should be transparent about the uncertainty and explain why the counterfactual is still a reasonable basis for judgement.

Materiality

- 8.5 Companies should explain whether the claimed benefits are material relative to the cost premium, delivery risk, consumer impact, and uncertainty involved. A claimed benefit should not be used to justify a higher-cost option where the benefit is marginal, speculative, or unrelated to the expenditure requested. Where benefits are uncertain, companies should explain the level of confidence, the assumptions being made, and the consequences if the benefits do not materialise.

Proportionality

- 8.6 The depth of evidence should be proportionate to the scale and significance of the decision. More extensive evidence will be expected where the cost premium is material, the procurement decision is large, the claimed benefits are central to the case, or the risks to consumers are significant. Conversely, Ofgem recognises that evidence requirements should not unnecessarily delay or distort live procurements, particularly where major procurements are already detailed, lengthy, and costly for bidders.

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- 8.7 **Indicative proportionality example.** A small, low-risk procurement with a limited cost premium may only need a short explanation of the claimed benefit, the counterfactual, and why the evidence is sufficient. A major procurement with a material cost premium, reliance on a new supplier, or a claim that the decision will unlock wider productive capacity, materially improve resilience, or deliver significant emissions reductions should provide a fuller evidence package. That package may include supplier commitments, investment plans, delivery assumptions, sensitivity analysis, and an explanation of what would happen if the claimed benefit does not materialise. These examples are not thresholds or safe harbours. They illustrate the principle that the evidential burden should increase with the scale of the cost premium, the importance of the claimed benefit, and the risk to consumers.

9. Decision-making and assessment

Ofgem will consider evidence in the round. Assessments will be evidence-led, judgement-based, and focused on proportionate justification rather than certainty.

- 9.1 Ofgem will assess whether evidence is credible, attributable, material, and proportionate to the cost premium or regulatory treatment sought. Assessment should focus on the incremental costs and benefits of the preferred option compared with the best available alternative.
- 9.2 Ofgem will consider the evidence in the round. Companies should explain how the chosen justification route, evidence, counterfactual, cost premium, risk profile, consumer impact, uncertainty, and claimed benefits come together into a coherent case.
- 9.3 A company seeking recognition of a higher-cost option should show that the option is justified when assessed against the best available alternative. The company should identify the incremental cost, the claimed incremental benefit, the confidence in that benefit, and the risks if the benefit does not materialise. The company should also identify whether the same or similar benefits could be achieved through a lower-cost or lower-risk procurement approach.
- 9.4 Where a company relies on wider-value evidence in cost assessment, uncertainty mechanisms, reopeners, or price-control submissions, it should make the claim transparent and separately identifiable. Companies should therefore distinguish ordinary efficient cost, risk allowances, supplier pricing, and any specific premium or trade-off associated with the claimed wider benefit.
- 9.5 **Indicative decision summary.** A company should be able to summarise the case in a short table or equivalent format, covering (but not limited to):
- the preferred procurement option;
 - the best alternative option;

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- the incremental cost or cost premium;
- the route or routes relied on;
- the claimed benefit category;
- the proposed growth channel, emissions channel, resilience mechanism, or other consumer-value mechanism, as relevant;
- the evidence source;
- the confidence level;
- key uncertainties; and
- the regulatory treatment sought.

9.6 For example, where a company is seeking recognition of a cost premium or other regulatory treatment on the basis that a procurement decision will unlock supplier investment, it should identify the supplier commitment, whether it is binding or conditional, what investment would happen under the counterfactual, and how consumers would be protected if the claimed benefit does not materialise. Where a company is seeking recognition of a cost premium or other regulatory treatment on the basis of carbon reduction, it should identify the relevant emissions source, the counterfactual, the estimated reduction in tCO₂e where proportionate and reasonably available, and any offsetting emissions increases elsewhere in the supply chain. Where a company is seeking recognition of a cost premium or other regulatory treatment based on resilience benefits, it should identify the dependency or disruption risk, the likelihood and consequences under the preferred and alternative options, the capability or mitigation secured, any residual risk, and the expected consumer benefit. This summary should support Ofgem's assessment; it should not be treated as a substitute for the underlying evidence.

10. Maintaining discipline and consumer protection

The guidance is intended to support well-evidenced procurement decisions while maintaining consumer protection, competitive neutrality, and compliance with relevant legal and regulatory requirements.

- 10.1 Companies should clearly identify the route or routes on which they rely and explain the mechanism by which such evidence supports that route.
- 10.2 A domestic-content percentage or social-value weighting does not itself demonstrate wider value. A company relying on the resulting procurement outcome should evidence the claimed benefit in accordance with this guidance.
- 10.3 Companies should also avoid claims that create procurement, competition, or legal risk. Any use of wider-value evidence should remain compatible with applicable procurement rules and should not discriminate unlawfully or operate as a proxy preference for origin.

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- 10.4 Companies should identify risks of crowding out. Where procurement strategies that affect access to scarce suppliers, contractors, manufacturing capacity, or specialist services, companies should explain how they have considered competitive neutrality and the effects on other market participants.

11. Practical considerations for companies

- 11.1 Companies should consider wider-value evidence early enough for it to inform procurement strategies, but not in a way that delays or distorts live procurements. Evidence may be generated at different stages, including procurement strategy, tender design, evaluation, award decision, cost submission, project assessment, price-control submission, or uncertainty-mechanism application. Companies should explain where the evidence sits, who produced it, when it became available, and how mature it is.
- 11.2 Ofgem recognises that evidence maturity will vary. Some evidence may already exist within companies' procurement, project, engineering, or supplier-assurance processes. Some may be developable within live procurement timelines. Some may be too uncertain, burdensome, commercially sensitive, or disproportionate to require in a particular case. Companies should be explicit about those distinctions and should explain why the evidence package is proportionate to the decision.
- 11.3 Companies should also explain how the evidence fits with existing procurement processes. Stakeholders have warned that major procurements are already detailed, lengthy, and costly for bidders, and that high-level guidance could create uncertainty or unintended consequences if it does not reflect how procurement decisions are actually made. Ofgem therefore expects companies to present growth evidence in a way that supports, rather than replaces, robust procurement governance.
- 11.4 Where relevant, companies should explain how a procurement decision fits with wider delivery, supply-chain, resilience, net zero, or investment strategies and commitments. This should help Ofgem understand whether the decision is part of a coherent approach to wider delivery, investment, supply-chain, or strategic plans and commitments. However, this guidance does not require a company to produce a new standalone strategy before bringing forward proportionate evidence for a specific procurement decision.
- 11.5 Companies should be particularly clear about how any cost premium interacts with applicable cost-assessment models or benchmarking approaches. Higher input costs may be treated differently across assessment approaches unless the treatment is transparent and consistent. This guidance does not resolve all modelling issues, but companies should make cost premia, assumptions, claimed benefits, and uncertainty as transparent as possible.

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12. Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.