

Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

Email to: RIIO3@ofgem.gov.uk

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To whom it may concern,

Response to the Electricity Distribution Price Control (ED3) framework consultation

EDF is the largest low carbon energy generator, as well as the only nuclear generator in the UK. EDF operates low carbon nuclear power stations and has a large and growing portfolio of renewables, including onshore and offshore wind, solar and energy storage. EDF has a large customer base and will be integral to Britain achieving net zero by building a smarter energy future that will support delivery of net zero carbon emissions, including through digital innovations and new customer offerings that encourage the transition to low carbon electric transport and heating.

EDF has also jointly launched ‘Electrify Britain’¹ with Octopus Energy to drive the widespread electrification of the UK by making energy cheaper, more secure and driving economic growth through electrification. This includes electrifying home heating, transport and facilitating electrification at a community level.

The Government’s Clean Power 2030 Action Plan has also set clear expectations for a significant growth in distributed flexibility and resources. This all highlights the importance of ensuring the next price control allows Distribution Network Operators (DNOs) to meet these challenges and opportunities.

We welcome the opportunity to respond to this framework consultation on the ED3 price control. While we are not responding to each of the questions given in the consultation, we provide some high-level comments that have been grouped by themes. Our response is set out below.

Overall opportunity

The next distribution price control comes at a critical time for the UK’s net zero journey, and we believe that distribution networks need to be an enabler of that journey for the benefit of customers.

We welcome Ofgem’s focus on increasing network investment to remove constraints, speeding up connections, and enabling the increased uptake of new Low Carbon Technologies (LCTs), while ensuring that consumer costs are minimised and controlled. This is important with Clean Power 2030 allocating ambitious generation and Demand Side Response (DSR) targets to the distribution networks and will require ambitious levels of LCT uptake, highlighting the immediate need to

¹ <https://electrifybritain.org/>

invest and improve the distribution networks to facilitate this uptake. We want to ensure that the DNOs are ready to play their part in supporting GB's ambitions during ED3. An important consideration is that the overall projected rate of distribution network connections is significantly higher than current rates, but some new generation projects are already experiencing delays to agreed connection dates.

We agree with Ofgem's proposals to move towards proactive investment in the network. We have seen multiple examples of network management practice by the DNOs leading to the curtailment of customer ambitions (discussed further in the next section), and we want to ensure that going forward, all customers have access to a robust network on the same basis GB-wide. We are keen to engage with Ofgem where appropriate and would be grateful to receive more information on any upcoming engagement opportunities taking place this year.

Distribution networks as a customer enabler

The DNOs should enable the customer to easily adopt new net zero technologies, which we believe requires increased investment and improvements in customer-facing processes and active management of quality of supply.

1) Greater investment

Consumers can often face several barriers to making net zero choices, such as high investment costs of LCTs and high operating costs of electrified heating technologies compared to gas boilers. This means that making a net zero choice is more complex and costly than the status quo.

It is crucial the electricity distribution network does not become an additional barrier. To allow customers to adopt new net zero technologies the DNOs must ensure they are properly investing in critical network improvements. This allows the DNOs and other market participants to act as enablers for consumers to make choices that contribute to net zero, promote energy independence, and encourage flexibility by adopting technologies like heat pumps, solar and batteries. The next price control needs to incentivise this crucial enabling work.

2) Improvements in customer-facing processes and quality of supply

Alongside network investments, DNOs should also invest in and improve their customer-facing processes to further enable customers to adopt net zero technologies. DNOs should also improve their physical quality of supply, with customers facing voltage issues and/or fuse trips that could impact their ability to adopt LCTs. We have identified the following examples of DNO practice that are currently delaying real customer journeys:

1. Instead of upgrading network infrastructure, some DNOs run load management schemes to manage customers between peak and off-peak periods to avoid overloading local networks. This has complicated customer switch-over to smart meters, with customers potentially losing their heating and hot water in the process. They also may be restricted in when they can access flexibility for LCTs.
2. Some customers must upgrade fuses to cope with increased LCT load which may lead to significant delays to replace their boilers with heat pumps, with the DNOs taking too long to upgrade the fuses. This issue also varies significantly based on which network area a consumer is in.
3. Unlooping of services at properties by DNOs before any installation works can be carried out – in some cases, properties may share mains cables and therefore if a

certain property wants to install a heat pump, these shared cables may need to be separated or 'unlooped' before proceeding with the installation.

4. Unnecessarily lengthy and inconsistent timeframes for DNOs to respond to applications for enabling works to be carried out, as well as bureaucracy and inconsistency across different DNOs' processes in handling applications.
5. Absence of cable mapping by DNOs at properties, requiring site visits that add additional delay for customers.
6. Delays in DNOs approving new suppliers and new build properties.

It is clear that the customer experience should be significantly improved to increase uptake in net zero technologies by the customer and the DNOs should help to facilitate that uptake seamlessly. DNOs can increase collaboration with each other and with industry participants to identify areas of improvement. In any case, ED3 must ensure it incentivises DNOs to undertake these critical changes.

Inter-related issues

We note that the price control is just one aspect of the overall regulatory framework for DNOs. Inter-related issues with ED3 like network charging (DUoS), flexibility, and the Regional Energy Strategic Plan (RESP) will significantly interact with the price control and ED3's future effectiveness will depend on taking these into account and taking a holistic approach.

1) Distribution network charging (DUoS)

The impact of distribution network charging on ED3 was not mentioned in the consultation. This will become an increasingly important tool in influencing the behaviours of those connected to DNO networks. Indeed, Ofgem through their own network charging reviews recognise the important role charging can play and its impact on future network investment. Ofgem needs to undertake a holistic assessment of the role of distribution network charging in ED3 before ED3 starts to better determine investment plans and consider how network charging should be better aligned with desired behaviours and outcomes as part of ED3.

2) Flexibility

Another important interaction is the scale of distributed connected flexibility and its role. We note Ofgem's views that rather than use flexibility to manage distribution reinforcement, distribution investment should happen, and flexibility should be used to manage the integration of intermittent renewables across the system. Ofgem emphasise that the DNOs should not act as a barrier to smaller-scale flexibility contributing to wider system flexibility. We support the important role that distribution connected flexibility can provide to the overall system and while we understand Ofgem's argument this is a material change to how DNOs currently approach flexibility. There are several DNO facilitated markets currently designed to defer or limit distribution investment. Ofgem should set out in more detail the rationale and supporting modelling for this policy change to close these markets and more importantly work with DNOs, NESO and Elexon to ensure that future flexibility market opportunities and their expected scale are shared with the market to build confidence.

3) RESP

As Ofgem note the RESP should provide a very useful input to ED3. However, we are concerned with NESO's ability to deliver a credible RESP update in time for ED3, especially considering NESO's

capacity in the near future as it delivers several critical transmission-level planning documents such as the Strategic Spatial Energy Plan (SSEP), the Future Energy Pathways and the Centralised Strategic Network Plan (CSNP). Future DNO plans should be informed by the RESP's findings, which is itself dependent on the conclusions of the SSEP and CSNP. There must be cohesion and consistency across all three documents and frameworks. Timings must also be aligned between the introduction of ED3 and RESP publication.

4) National Infrastructure Commission (NIC) electricity distribution review

Finally, we note that the NIC is currently undertaking an electricity distribution review. Given the importance and value of a similar review undertaken for electricity transmission this could also be a useful input into ED3.

Innovation and the use of data

We recognise the importance of increased investment in innovation and data. We believe that DNOs are not fully utilising the benefits of data and real-time information, which will become more critical for meeting the UK's net zero targets and maximising value for customers.

Some issues of note are:

1) More transparency and consistency around real-time data for innovation

Increasing transparency and consistency at lower-voltage levels for technologies like EV chargers and heat pumps will help DNOs to utilise and share this data for real time monitoring, making it easier to enable and develop new innovative solutions as it can allow for investments to occur at the right place and time. We believe that DNOs need to be increasingly proactive in this space and therefore, we would welcome further standardisation of data to help exchange data between DNOs and various stakeholders who have assets.

2) Developing frameworks to allow DNOs to innovate

As the electricity system becomes more complex, with more net zero-friendly flexibility assets being connected to the grid and increasing grid demand, it is imperative that frameworks are developed to allow the DNOs to utilise innovation opportunities to their fullest extent. More innovation in this space can mitigate the negative impacts of events causing system stress, such as poorly synchronised/centralised DSR events. Proper investment in new innovations can further improve the customer experience and should therefore be in the interests of the DNOs to do so. Creating the right regulatory environment that is conducive to this investment in innovation is therefore critical.

Ofgem should also consider financial incentives that are tied to measurable outcomes e.g. reducing network constraints, increasing flexibility, whilst also rewarding DNOs for collaborating with other stakeholders like aggregators and TOs in facilitating data sharing and innovation. Other considerations include incentivising DNOs to increase liquidity of distributed energy assets especially at the low voltage level and encouraging them to create frameworks that support aggregation of smaller-scale assets into larger market-ready resources.

We look forward to continuing to work with Ofgem in the post-consultation stages. Should you wish to discuss any of the issues raised in our response or have any queries, please contact me or Mathew Chandy at Mathew.Chandy@edfenergy.com.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'AM Cox'.

Mark Cox
Head of Nuclear and Wholesale Market Policy