

**NATIONAL GRID ELECTRICITY TRANSMISSION (NGET)
INDEPENDENT STAKEHOLDER GROUP (ISG)**

**RESPONSE TO OFGEM'S RIIO-3 DRAFT DETERMINATION –
ELECTRICITY TRANSMISSION, NGET**

August 2025

NATIONAL GRID ELECTRICITY TRANSMISSION (NGET) INDEPENDENT STAKEHOLDER GROUP (ISG)

Response to Ofgem's Draft Determination (DD) for RIIO-3

Who we are

The NGET ISG is an authoritative group of senior level, cross-sectoral stakeholder experts who represent the interests of NGET's key stakeholder constituencies as users, or future users, of the electricity transmission system in England and Wales, with a view to ensuring end consumer and societal value, now and into the energy future.¹ We are completely independent of NGET and Ofgem, and our remit, as set out by Ofgem, is to provide challenge and scrutiny to NGET as it both develops its Business Plan and, on an enduring basis, the delivery of its plan. Our remit does not extend to cyber and physical security, nor to costs assessment, financing and the financeability of the Business Plan, but we do have a role in consumer affordability, bill impact and fairness to existing and future consumers. A key part of our role is to scrutinise and challenge, in depth, how NGET has engaged with its stakeholder base and the extent to which the Business Plan has stakeholders at its heart. We are responding to this Draft Determination in the interests of stakeholders of NGET and the wider electricity transmission system and in the interests of existing and future consumers.

We have not addressed here every part of the scope of the DD, the overall approach to which we welcome and support. If we are silent on particular issues or topics, it is because we are supportive. We have focused on:

- the areas where we have questions and would welcome further clarity and explanation in the Final Determination (FD).
- Areas where we believe that Ofgem and NGET should work together before the FD to deliver the best outcomes for stakeholders and customers.
- Areas where we believe that Ofgem perhaps lacks ambition and could do more to work with stakeholders.

The Regulatory Framework

Ofgem has a complex job in balancing the creation of longer-term consumer value, support economic growth and achieve net zero objectives while ensuring that today's consumers receive value for money through effective regulatory scrutiny (which we support).

In our response to Ofgem's Call for Evidence², we are positive about the level of ambition in NGET's Business Plan which tells a clear story of the consumer bill impact and longer-term consumer value through cheaper, cleaner energy and increased security of supply. We were also positive about the plan seeking baseline (and pipeline) investment only where the needs case has been clearly demonstrated, taking into account a changing external environment and uncertain future demand scenarios.

We welcome and support the direction of travel that Ofgem is taking in this very complex environment and the strategic choice that Ofgem has made to enable investment now to avoid higher costs for consumers later through flexible, adaptive and agile regulation.

¹ The ISG comprises experts from the following sectors: consumer and community, decentralised energy and heat, distribution network operators, innovation and new business models, regional combined authorities, major energy users, energy suppliers, the environment and net zero, renewables generators and developers, NESO. The ISG Members are listed at the end of this document.

² <https://www.independentstakeholdergroup.co.uk/library-of-information>

However, while we completely support the intention and approach, we do have some concern about the complexity of the overall package of incentives, uncertainty mechanisms and reopeners and the risk that this will work against the deliverability of Ofgem's overall intention, with potential adverse unintended consequences and impacts on stakeholders and consumer bills. We are not critical of most of the measures in themselves and we welcome the use of high-powered incentives to drive performance. However, the incentive mechanisms are still not well defined, and if not addressed before the start of the period they will not create the desired impacts/benefits for customers.

We are not seeing a strategic "guiding mind" throughout the DD or a thread throughout on how the different measures will work together and be deliverable as a package, with the right level of pace, at strategic level within and across Ofgem. For example, it is not always clear to us how the strategic policy ambition of Ofgem to accelerate investment is working through, and down, to the detail of engineering judgements, some of which appear to row back on these aims. As a result, we are concerned that the process through the RIIO-3 period might become lengthy, stretching into closeout and RIIO-4.

We believe that the FD will gain more stakeholder confidence if it sets out that "guiding mind" with an overarching view on how the moving parts will fit together so that the framework does indeed deliver the outcomes that Ofgem is seeking to achieve.

On the detail of the regulatory package:

- NGET has been penalised in the business plan incentive for lack of ambition over the small size of the baseline (insufficient project maturity to demonstrate that ambition). We understand the argument here, but it is at odds with the need to protect consumer value, given the degree of uncertainty in the pipeline and until the need has been demonstrated. We have previously expressed concern to NGET that pace of build should not be detrimental to wider progress that has been made on environmental issues, collaboration, responsible business and innovation. We would like to see and understand more explanation of how Ofgem has approached its assessment of ambition in this space. For example, how the concern on project maturity has taken into account external dependencies, uncertain demand, deliverability, and no-regrets decisions to ensure consumer value.
- We would encourage Ofgem to provide more clarity and information on the funding route process for T2/T3 crossover projects. Given the significant amount of investment falling into this category, we would like confidence that any close-out mechanism does not become an industry in its own right and disturb the drumbeat of T3 investment. Stakeholders will be concerned if this becomes a lengthy process concerning a significant amount of funding across ASTI, load and non-load. We believe that it would be beneficial for Ofgem to set out how this process will be managed to ensure the best option for stakeholder benefit and longer-term consumer value.
- We are concerned about the logic being applied to the load re-opener with regard to fast-tracking on the basis of project readiness. This could incentivise investment and construction that meets engineering principles but fails to address stakeholder priorities, regional growth needs, environmental imperatives, responsible business or innovation. A careful balance is needed here to avoid disincentivising projects that more clearly demonstrate longer term stakeholder and consumer value, and we believe that the FD should set out more holistic criteria for this reopener. If this is indeed Ofgem's intention, then this is not clear in the DD.

- Regarding the New Infrastructure Stakeholder Engagement Survey, the ISG agrees that NGET should continually seek to improve engagement with impacted communities. However, we believe that there is a key difference between stakeholders having feedback on specific engagement methods and processes and having more general opposition to new schemes. We do not believe that the proposed survey methodology is robust enough to differentiate between the two. We think the survey design needs further thought, with more focus placed on gathering qualitative feedback. Fundamentally, this survey needs to capture the thoroughness of TO engagement; whether stakeholders trust and feel listened to, even if they aren't happy with the final outcomes of any consenting decisions. We acknowledge that a primary aspect of this incentive is to provide clear comparisons between TOs. However, for example, the scale of works is drastically different for NGET. We point to the variation in the quantity of public responses to the call for evidence from those opposed to new transmission infrastructure – the vast majority were associated with NGET-led projects. This supports the need for further consideration of the methodology and perhaps a more qualitative approach. We would be happy to help and work with Ofgem on reaching a methodology that meets your objectives through the appropriate measures.

Stakeholder Engagement

We were very positive about NGET's stakeholder engagement in our call for evidence response and, on the whole, we disagree with Ofgem's assessment of stakeholder engagement in the Draft Determination. We believe that it has been underplayed in the DD. It could have been acknowledged more directly throughout the determination; there isn't a clear golden thread linking the feedback received to policy outputs.

We commended many aspects of NGET's stakeholder engagement, such as their "best in class" consumer research into affordability and the excellent detail provided in their engagement logs and challenge log responses. Aside from referencing the wider work done by ISGs, we do not feel that Ofgem has recognised these aspects. Ofgem points to the lack of clarity between the business plan proposals and consumer/stakeholder benefits, and while our call for evidence response highlighted the need to strengthen the narrative thread in some areas, strict page count limitations were placed on stakeholder-related content, and therefore Ofgem has not seen a substantial amount of positive evidence.

It is absolutely right that Ofgem pushes NGET to properly justify its costs. Nevertheless, the lack of stakeholder evidence in the DD points the asset management, cost and end of life assessments to be engineering focused. It is not clear that Ofgem has considered that stakeholder priorities may drive a different approach to assessing short versus long term costs, lowest cost versus long term consumer value, and the opportunities of taking this wider approach.

For example, it appears that engineering justification papers have been fundamentally assessed on a narrow cost and engineering need basis. However, NGET showed us how their optioneering was influenced by local stakeholder engagement and regional planning. We would like to see Ofgem and NGET working this through as we head towards the FD so that, yes, effective cost scrutiny has taken place, but that there has also been thorough consideration of local and regional stakeholder evidence and benefits in order to achieve longer term value and growth and the trade-offs with lowest cost.

We believe that Ofgem should very clearly set out its view on what it sees as "best in class" stakeholder engagement, and what it is trying to measure when making decisions in the FD.

Regional Implications

The DD is largely silent on this, and on economic growth more generally. The UK Government's recently published Industrial Strategy³ sets out the importance of support for the UK's regions and clusters. The expectations in this arena are changing, and an increased focus on regional planning is needed to help achieve the energy transition and deliver major upgrades to Britain's transmission infrastructure. Regional stakeholders are no longer purely reliant on dealing with the distribution network – it's vital that Transmission Operators are proactive in forging and strengthening relationships with key regional partners. They must also align their approaches to emerging governance frameworks such as NESO's Regional Energy Strategic Plans and Strategic Spatial Energy Plans.

We believe that Ofgem, generally, needs to set out how it will support the growing regional plans and ambitions, and that the FD should start to make it clearer how it sees the regulatory framework evolving and adapting to regional differences. This cannot wait until RIIO-4. The increased focus towards strategic demand connections such as data centres, which can be constructed rapidly and therefore require connectivity faster than previous expectations, will require a shift in mindset which may have to consider place-based network investment ahead of need on a strategic regional basis. While the overarching responsibility rests with NESO, it will require consideration of a change in the regulatory approach in order that regional stakeholders and potential regional investors have the confidence that they need.

Asset Management

As we stated above, it is absolutely right that Ofgem pushes NGET to properly justify its costs and that the engineering solutions are the right ones. But they also need to be the right solutions for stakeholders, consumers and stakeholders. The DD is not clear on how these wider priorities have been factored into Ofgem's decisions on what options to pursue. We believe that is important that Ofgem's asset management optioneering in the FD is stakeholder- as well as engineering-led and with a longer term and wider focus on what Ofgem means by value in this space.

A "touch it once" process for infrastructure work is hugely important to stakeholders and consumers in terms of system access and reduction in outages. System access is a valuable commodity and, given the multi-layered complexities of energy network investment over the next five to 10 years, there will be significant benefit of going to a site only once, with a view to carrying out works that are suitably future proof. We are optimistic about NGET's dynamic methods, such as asset maintenance bundling, which are designed to be less disruptive to communities and provide longer-term efficiencies. We look to Ofgem and NGET to work together as we move towards the FD so that costs are justified but that the best options for stakeholders are reached and subsequently delivered.

Regarding Ofgem's challenge towards NGET's frequent usage of SF6 GIS switchgear, we understand both points of view and it is important that NGET provides strong evidence in order to make a more robust case for its preferred switchgear. However, it is important to note that, while SF6 GIS switchgear is more expensive and has implications around carbon emissions, it has a smaller site footprint than AIS and is quicker to install in confined spaces. NGET optioneering should consider the use of AIS and clean air GIS solutions as part of its planning processes. Land and time are both valuable currencies which will be constrained in many instances throughout the next few years of delivery. A case-by-case approach should

3

https://assets.publishing.service.gov.uk/media/68595e56db8e139f95652dc6/industrial_strategy_policy_paper.pdf

be taken from a stakeholder lens to ensure the most appropriate strategic solution is taken. This is an issue that has significant implications for communities, and we recommend that Ofgem conducts consumer research on this topic, with a focus on the communities impacted.

In general, we would like Ofgem to ensure that broader stakeholder and regional priorities are fully considered when assessing asset maintenance. This will help drive different approaches to assessing short vs long-term costs and generate more efficient consumer value.

The Environment

It is vital that the rapid delivery of strategic infrastructure builds on previous progress on the environment and on nature. There are concerns that nature protection may be compromised in the rush to deliver net zero infrastructure, and this could have repercussions for public and political support. Stakeholder and public insight highlight the need for a balanced approach and some willingness to pay to improve nature and wildlife. How net zero infrastructure is delivered matters, and the role transmission companies can play in the wider transition of the UK economy also needs to be considered, given their extensive buying power and visibility.

We appreciate some of the uncertainties that Ofgem has set out in the DD. Nevertheless, we are disappointed with Ofgem's level of ambition with regard to the environment and we urge the regulator to review its approach across the board, and to two areas in particular:

- On biodiversity net gain, funding criteria appear to be narrow and focused on the statutory 10% level only, despite nature groups encouraging NGET to be more ambitious.
- We also believe that Ofgem should also review its decision on the Emerging Low Carbon Opportunities UIOLI provision. The industry could play a significant role in stimulating markets for low carbon materials and drive wider decarbonisation in the UK economy. We firmly believe that now is the opportunity for Ofgem to show real leadership in this space and stretch the companies to go further.

We believe that there is a key piece of Ofgem stakeholder engagement with environmental groups and other relevant stakeholders that needs to be done before the FD so that Ofgem has the best evidence possible on the value and impacts of a more ambitious and wider range of measures.

In our response to the Call for Evidence, we were positive about NGET's progress on the environment. We commended the work done on construction, recognising NGET's stretching goals on low carbon concrete and better ways of working with its supply chain. The evidence on trade-offs, especially on SF6, was comprehensive and had been weighed up with careful consideration. However, we also pointed out that there were key aspects of NGET's environmental submission that lacked justification, particularly around why certain targets were set, and areas where it could have gone further, for instance in resource efficiency.

In the run up to the FD, we have encouraged NGET to share more of its optioneering so we can be confident that the targets it has arrived at are the most effective and deliverable, while also maximising value for future consumers and fulfilling Ofgem's net zero duty.

It is important that Ofgem and network licensees show leadership in this space. While NGET has more work to do in justifying proposed expenditure, and we would like it to show further stretch, we would be concerned if properly justified costs underpinning a greater level of

ambition were not recognised by Ofgem, which is why we urge Ofgem to carry out further engagement with NGET and other stakeholders in this area.

Supply chain and Workforce

Electricity Transmission network companies face significant deliverability challenges ahead due to the sheer scale of works required, and this is particularly acute for NGET. It is good that Ofgem is content with companies' supply chain and workforce resilience strategies. But more is needed, and will continue to be needed, given that these aspects underpin the whole delivery of the business plans. We believe that Ofgem could show further ambition on workforce development and work proactively and strategically with government and the companies to ensure that NGET and the other TOs are at the forefront of skills development. The pipeline of talent coming through will be vitally important. We are concerned with the rejection of the need case for investment in the Eakring Training Centre, which we strongly supported after receiving detailed evidence and giving much challenge. We strongly urge Ofgem to work with NGET to review this.

The role of the ISGs

The ISG appreciates the positive feedback from Ofgem about the critical role that ISGs play in shaping company plans and scrutinising submissions and welcomes the fact that Ofgem have stated that our feedback was considered when forming the draft determinations. We do note, however, that there were limited references to the NGET ISG in the company-specific annex.

We fully recognise that Ofgem has to consider all stakeholder feedback in the round. However, it is also the case that the ISGs are mandated parts of the regulatory framework. Given our close involvement and challenge in the shaping of NGET's plan, we would have welcomed more visibility on specific decisions where our feedback may have played a crucial role and/or influenced Ofgem's approach and decision.

We support the proposal that ISGs should be mandated to play an enduring role throughout the RIIO-T3 period and agree that we should help monitor company performance. It is, of course, important, that ISGs do not duplicate the role of the regulator but, in the interests of transparency, work from the stakeholder perspective, and utilising the range of expertise that exists across the breadth of those who use the transmission system now and in the future.

Following the RIIO-2 FDs, NGET proposed to the ISG that, despite not being mandated by Ofgem, it would be beneficial for the ISG to continue in an enduring role throughout the RIIO-2 delivery period. We defined our purpose within three areas of focus:

- 1. Scrutinise and challenge company periodic business plans:**
 - a. Scrutinise and challenge the development of company regulatory business plans, consistent with Ofgem' requirements.
- 2. Monitor, interrogate and enhance transparency of performance against commitments:**
 - a. Hold NGET to account in delivering its business plan commitments by monitoring delivery and enhancing transparency.
 - b. Act independently and publicly share its assessment as the voice of NGET'S stakeholders.
 - c. Shaping NGET as the pathway to Net Zero is developed and challenging how it responds to external change.
- 3. Critical friend for strategy, culture and processes in key areas**

- a. Provide input and challenge to NGET'S priorities and activities.
- b. Provide input and challenge to NGET'S stakeholder engagement and ensure that it's part of decision-making processes and plans.
- c. Help NGET to become more stakeholder-led; demonstrating fairness, legitimacy and consumer-focus throughout the business.

On performance, the ISG receives a performance scorecard, reflecting company targets and business plan commitments, from the NGET President at each bi-monthly meeting. NGET has told us how valuable they find it to receive stakeholder feedback on performance and to get a sense of stakeholder priorities, experiences and concerns. We have received an annual update on performance against RIIO-2 business plan commitments and have published our own report setting out the areas and issues that are important to stakeholders.

In the critical friend role, we have discussed, and challenged throughout, NGET's early stage thinking and approach to the key issues that ultimately form the basis of the next Business Plan.

NGET INDEPENDENT STAKEHOLDER GROUP MEMBERS

Chair

Trisha McAuley OBE, Consumer Expert and Portfolio Non-Executive Director

Members

Cheryl Hiles, Director, Energy Capital, West Midlands Combined Authority

Roz Bulleid, Research and Policy Director, Green Alliance

Alex Schoch, Global Head of Flexibility and Electrification, Octopus Energy

Stew Horne, Group Head of Sector Intelligence, Energy Saving Trust

Jane Cooper, Director of Offshore Wind, Renewable UK

Karl Drage, UK Country Head, Noventa Energy

Paul Wakeley, Head of Strategic Network Development, National Energy System Operator (NESO)

Kieran Coughlan, Director of Asset Management, UK Power Networks (UKPN)

Zoe McLeod, Independent Consumer Advocate, Associate Director, Sustainability First

Denise Massey, MD, Energy Innovation Centre

Eddie Proffitt, Technical Director, Major Energy Users Council