

Reference

RESP Policy Framework
Draft Impact Assessment

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Ofgem

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**Regional Energy Strategic Plan Policy Framework:
Draft Impact Assessment**

As one of the largest regulated energy networks in the UK, we are working enthusiastically with our sector colleagues in the RESP teams in the NESO, as they establish themselves in what we firmly believe is a vital role for the UK's energy system.

To achieve the new organisation's potential, it must be seen by all sectors as a trusted, respected and credible voice at the heart of the energy system. This Draft Impact Assessment plays an important role in describing the outcomes and associated benefits Ofgem expect to see going forward.

We hope our comments below are useful to improve the robustness of the RESP Impact Assessment, which is critical to underpin the significant investment being made within the NESO organisation, and also from the energy networks in support.

In particular, we believe the Impact Assessment would be improved by the inclusion of more detail such as a suite of worked efficiency examples. Reference could also be made to additional benefits such as avoided asset stranding, and enabling an accelerated transition with associated lower emissions.

The attached Annex contains our response to the Consultation Questions. We hope you find them constructive, and we are very happy to follow up any of the points raised with you.

Yours sincerely

A handwritten signature in blue ink that reads 'S. Easterbrook'.

Stuart Easterbrook

Head of Net Zero Energy Frameworks

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Cadent Annex

Regional Energy Strategic Plan policy framework:

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Consultation Questions

- **Do you agree that we have, to a reasonable extent, identified and understood the potential impacts of the introduction of the RESP?**

We do not think all potential impacts have been referenced, and we have set out below additional areas to be considered.

Additional Complexity

The draft Impact Assessment is built on the assumption that the RESP will deliver a percentage of efficiencies from the required electricity distribution infrastructure. The RESP is adding a new 'step' in the delivery chain for new energy infrastructure, and there is therefore a risk that it could add complexity, uncertainty and delay.

We think there needs to be more information on how conflict between regional and national pathways will be managed, and also how conflict between a Local Authority ambition and the need to deliver an overall least cost transition will be resolved.

For example, if you take two end states for heat decarbonisation, how would the RESP manage one Local Authority keen to only support full electrification of heat, versus another wanting to maximise the conversion of the gas network to hydrogen? Would the RESP identify the least cost solution and impose this on the region? Would the region be able to force through their ambition, which is demonstrably higher cost?

How such potential conflicts and complexity will be managed effectively and efficiently must be clearly set out to avoid the RESP creating a new barrier to energy infrastructure investments.

Greater clarity on RESP efficiencies

The RESP has a critical role in seeking to optimise and help plan £100bn of energy infrastructure over a long term timeframe of 25 years plus. At this scale, and at this stage, we think the Impact Assessment would benefit from having some worked examples of the potential savings that could be achieved. This would be most valuable if the examples built a view of the scale of potential savings by estimating the volumes expected of each saving 'archetype'.

Further clarity on where efficiencies are expected to arise could also help understand and mitigate the risk of the RESP inadvertently adding complexity to the overall delivery path for new infrastructure.

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For example, we would welcome some practical illustrative worked examples of efficiency scenarios to be set out in the Impact Assessment.

Failing to deliver a least cost transition

A final impact to consider from the RESP is the potential to skew future decarbonisation decisions by installing upgrades ahead of need, therefore artificially reducing future costs compared to alternatives that have not been able to invest ahead of need. There is also the related impact from investing ahead of need, which then leads to asset stranding, should consumers pivot to an alternative if it became available.


If heat decarbonisation is to be customer led, and not centrally planned, then any related investment ahead of need is speculative and at risk of driving a sub-optimal energy transition. If such investment is to be accommodated, then it must be clearly identified, and unused capacity and associated investments at risk, robustly reported at least annually. Care must also be taken that investment ahead of need does not then result in inappropriate pressure being applied to consumers to make use of the new infrastructure, to avoid stranding costs.

- **Do you agree that we have, to a reasonable extent, captured and understood the potential impacts of the introduction of the RESP on different stakeholders including persons engaged in the generation, transmission, distribution or supply of electricity, as well as consumers?**

Our concerns with the impact on gas networks is covered in our response to other questions.

- **Has anything in this draft IA changed your views/response to our July 2024 RESP policy framework consultation? If so, please explain what part of your response/view has changed and the reasons why. Please provide as much detail as possible**

A detailed understanding is still emerging of exactly what the RESP processes will deliver and achieve, and the resources required to support the processes. We suspect that many different stakeholders, and potentially even Ofgem and the NESO are yet to all be fully aligned on exactly how the RESPs will work and their outcomes. We welcome the transparency and open consultation that exists and look forward to this continuing, so we have an ongoing opportunity to feed in our thoughts and observations as a key player, as we enter the final stages of detailed design, development and implementation.

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- **Do you agree that we have, to a reasonable extent, identified and understood all the potential costs of implementing the RESP?**

We believe some key implementation costs have not been appropriately referenced.

Gas Distribution Networks are not yet resourced or funded to support the new RESP processes, in which we will play an increasingly critical role as we move through the energy transition. We have included these costs and resources in our recently submitted plans for the next price control period from 2026-2031 (RIIO-GD3) and hope this will be funded. The Electricity DNOs have already received funding for this type of work in their recent price control settlements (RIIO-ED2) and they have been working with strategic planning initiatives such as the electricity connection works, alongside Local Area Energy Plans for some time. To fully represent the GDNs in this new process will require new baseline funding, and hence this should be referenced in the plans, and over 25 years out to 2050, this would be a material sum.

- **Have we, as accurately as possible, identified and understood all the potential benefits of implementing the RESP?**

No, we do not believe all the key benefits have been identified.

We believe there are greater potential benefits by ensuring the RESP considers full whole system solutions and considers the deliverability of the infrastructure plan. We are concerned that the focus on reducing electricity infrastructure costs alone risks not identifying lower cost and more deliverable solutions through other sectors or solutions. The RESP can enable significant savings by ensure the most deliverable overall infrastructure plan is identified and implemented.

Any requirement for new infrastructure adds risk to an overall programme, and that is all too clear from the issues with queues to connect to the electricity transmission and distribution networks in the UK. To improve the likelihood of meeting our net zero targets, it would be helpful to have an active duty on the RESP to consider fully solutions that maximise the use of existing assets, and minimise the need for new infrastructure.

Building new energy assets is rarely uncontentious, and the principles to drive maximum use of existing assets underpinning the establishment of the electricity Distribution System Operator (DSO) is an approach the RESP could build on. The benefit of the RESP identifying the least cost, lowest deliverability risk should be included in the Impact Assessment, with a measure of the carbon saving benefits of delivering carbon reductions early, or reducing the risk of delivering the required carbon savings late.

Such an approach requires the RESP to effectively assess and value an overall programme with lower deliverability risk, which



may well be largely driven by maximising the use of existing energy infrastructure, including gas and heat networks.

Another view of this issue is recognising the value of minimising stranding risk from existing assets, including the gas networks. Avoided stranding and associated decommissioning costs should be a measured efficiency the RESP could deliver.

- **Are there any unintended consequences of implementing RESP that we have not identified?**

As noted above, without the right objectives and safeguards, the focus on electricity infrastructure alone could result in asset stranding, a higher cost for the energy transition, and a greater risk of failing to meet our carbon targets.