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10th March 2025

Dear Fiona,

Wales & West Utilities (WWU) response to Regional Energy Strategic Plan Impact Assessment

Thank you for the opportunity to respond to this consultation. WWU is a gas transporter and a regional gas distribution network (“**GDN**”), serving 2.6 million supply points in Wales and south-west England. This response is not confidential and may be published by OFGEM.

To re-iterate our key points in response to the framework consultation in October 2024 were:

- the role of the RESP Plan in relation to future network licensee business plans needs to be clearly stated by Ofgem: whether it is something the networks must adhere to, or it is advisory;
- expectations on network licensees around engagement and provision of information to NESO should be clearly stated; the lack of clarity on this point means that we will probably be reliant on uncertainty mechanisms to fund this resource in the GD3 price control;
- a clear definition of ‘whole system’ is vital; and,
- practical considerations on areas such as planning and supply chain, including workforce, materials and equipment, must be included in RESP Plans.

We would encourage this points to be considered in conjunction with the impact assessment consultation. These are fundamental issues which need to be clarified to understand the benefits of the proposals and costs described.

Wales & West Utilities Limited

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In addition, our key points in response to the impact assessment consultation are:

- the RESP IA does not appear to consider true whole system costs and impacts as research and reports utilised have focus on electrification solutions. The IA should be clear on whether focus is on electrification solutions or whole energy system design and implementation;
- further clarity required on how network efficiency improvements will be measured and delivered by RESP including mechanisms by which Ofgem intend to enforce these efficiency targets, including benefits of a decarbonised gas distribution network;
- the RESP IA needs to ensure all distribution networks are considered as they will be directly impacted by its establishment;
- The IA needs full and proper consideration of cost and resource impacts on GDNs, DNOs and local authorities, not just NESO. These are potentially significant requirements to deliver effective RESPs which need to be recognised and planned for.

Consultation Questions

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

No.

The document has not sufficiently identified the impacts of RESP on GDN, DNO or local authority operations and resource requirements, it is not clear if these impacts will be further assessed during subsequent review.

The introduction of RESP can only be supported if sufficient resource, skills, knowledge and finance is available with engaged stakeholders to support delivery.

The document refers often to investment or impact on the distribution network, which implies consideration of only one distribution network. We would encourage that the document is amended to reflect the whole systems approach mentioned in the document which will involve the planning of both gas and electricity distribution networks.

- **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?**

No.

While a range of stakeholders and impacts have been identified, the direct impact is not necessarily clear from a GDN perspective. We note this question refers to the distribution or supply of **electricity**, which is not aligned with whole systems thinking.

We would expect that the impact is considered for persons engaged in the generation, transmission, distribution, supply and planning of energy systems, to enable them to fully consider the costs and benefits.

The introduction of RESP will have impacts on different stakeholders for different reasons, the exact impacts on each expected stakeholder could be made clearer, for example what are the expected impacts on local authorities due to the establishment of RESP. Given that resource is often a barrier to support future planning and deployment of energy plans or local plans. The impact assessment should ensure that the needs and support required by local authority stakeholders is considered, including differentiating needs of stakeholders across different demographics and environments, for example urban vs rural locations.

• 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

No.

The document has not changed our views/response to the July 2024 RESP policy framework consultation, we would strongly recommend the views articulated in previous response are taken into account and fully understood.

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

No.

The cost and potential benefits of delivering an efficient energy system have been omitted, particularly around implementation of decarbonised gas solutions, and where multi-vector solutions can provide both benefit and cost savings. Costs included would need to be expanded on and made clear through the IA, particularly where there are cost implementations and impacts on distribution networks or other stakeholders such as local authorities.

In addition, costs for any additional support or requirements from engaged stakeholders to support with data sharing, or building of relationships at regional levels where pre-existing partnerships already exist, appear to have been omitted.

As an example, we would expect the cost of implementing RESP into the working groups established for industrial clusters in each network's geography to be considered. This could

involve significant logistics, engagement and understanding for various parties to understand the function, benefits and risks of the RESP.

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

No.

The document has failed to realise the potential benefits and efficiency improvements utilisation that a decarbonised gas distribution network could offer when designing whole energy system infrastructure.

In addition, we re-iterate the importance and benefits of RESP being able to **inform** and not **define** the networks' plans as the networks have the obligation to provide a fit for purpose network to meet demand. As we noted in previous consultation responses, GDNs, DNOs and others need clarity on this to support business planning and understand regulatory decisions.

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

Yes.

As mentioned in our previous response we would encourage consideration to be made around impacts on the supply chain for RESP implementation, as well as any potential impacts on local or national planning constrains and how they may be alleviated through the establishment of RESP or eradicated where applicable.

In addition, the current approach does not appear to fully recognise hydrogen, despite the role that government has set out for industrial decarbonisation in particular. Reporting and evidence gathered to inform costs is focused on electrification solutions, and has not fully considered whole system benefits or the role of future biomethane or low carbon hydrogen gas distribution, which in turn may offer even greater cost efficiency savings for network planning, investment and infrastructure upgrades.

We look forward to continuing to engage on these important topics.

Yours sincerely,



Matthew Hindle
Head of Net Zero & Sustainability
Wales & West Utilities