

By email only: resp@ofgem.gov.uk

10 March 2025

RECCo response to: Regional Energy Strategic Plan (RESP) – Draft Impact Assessment

We welcome the opportunity to respond to Ofgem's consultation on the Regional Energy Strategic Plan Draft Impact Assessment. This non-confidential response reflects our views as the manager of the Retail Energy Code (REC), which governs key aspects of the retail energy market.

RECCo is a not-for-profit, corporate vehicle ensuring the proper, effective, and efficient implementation and ongoing management of the REC arrangements. We seek to promote trust, innovation and competition, whilst maintaining focus on positive consumer outcomes. Through the REC, the services we manage, and the programmes we run, we are dedicated to building a more effective and efficient energy market for the future. We are committed to ensuring that RECCo is an *"intelligent customer"*, ensuring efficacy and value-for-money of the services we procure and manage on behalf of REC Parties, including those which constitute the REC Code Manager.

We recognise the benefits that regional energy planning and coordination may bring, including increased accountability and strategic oversight for developing the energy system at national and sub-national levels, and its potential to help the UK meet net zero ambitions. We also agree that the RESP can ensure investment is made ahead of need, reducing the risk of over- or under-investment in energy infrastructure. Crucially, we see RESP enabling the cross-vector synergies required to maximise efficiency.

However, we are concerned the methodology is overly narrow, focusing primarily on two factors: efficiency savings percentage and total investment level. While the impact assessment acknowledges the difficulty in quantifying certain costs and benefits, it still estimates that a modest 0.45% efficiency gain could deliver a break-even point for RESP implementation. This limited scope risks oversimplifying the assessment and raises concerns about the robustness and reliability of the analysis.

There also appears to be insufficient analysis of the impact on the retail energy market. For instance, while the RESP presents opportunities to improve regional energy planning, enhance network efficiency, and enable innovative retail offerings such as local flexibility services, may also be significant risks to retail competition which have not been assessed. The introduction of regionally varied priorities and governance may lead to market fragmentation, increased operational complexity, and uneven supplier obligations across regions. This could disproportionately impact smaller suppliers with limited resources to engage in multiple regional processes, creating competitive imbalances. Additionally, inconsistent access to data and regional governance influence may lead to unequal opportunities for suppliers. We would welcome a more holistic impact assessment, incorporating a broader range of economic, consumer, and market considerations.

We set out below our response to the consultation questions and suggestions for further consideration.

Yours sincerely,

Jon Dixon,
Director, Strategy and Development

Annex – Response to 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 support the RESP's ambition to establish a whole-system approach that enhances coordination across multiple energy vectors. This framework has the potential to improve planning efficiency and accountability, addressing the current often siloed approach where electricity and gas network operators often operate independently. By ensuring investment ahead of need and enabling cross-vector synergies, the RESP could optimise infrastructure investments and deliver cost-effective decarbonisation.

However, we believe the methodology of the impact assessment could be strengthened by incorporating key uncertainties, indirect benefits, and broader risk factors:

- Hard-to-monetise benefits such as regional economic growth, consumer cost savings, and stakeholder costs are not sufficiently assessed, despite their potential to significantly impact RESP's overall value. A more comprehensive approach should quantify these impacts where possible or provide qualitative analysis to ensure they are not overlooked.
- The impact assessment does not fully explore RESP's interaction with existing energy planning frameworks, which could introduce administrative complexity and duplication of efforts. Greater clarity is needed on how RESP will align with ongoing regulatory and policy initiatives.
- Over-reliance on break-even calculations without accounting for external risks—such as implementation delays, regulatory costs, or inflationary pressures—may overstate efficiency gains.
- Retail energy market considerations and consumer impacts are not sufficiently addressed. While the impact assessment focuses on network investment and planning, it does not assess potential downstream effects on energy pricing, supplier obligations, or consumer protections. Given the RESP's role in shaping future infrastructure investments, these factors should be more thoroughly analysed.
- International benchmarking is absent in the assessment. Comparing RESP's costs and expected benefits to similar strategic planning models internationally would provide valuable context on whether the cost assumptions are realistic and competitive.

By addressing these gaps, the impact assessment would provide a more robust and credible foundation for evaluating RESP's long-term impact.

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?

The impact assessment primarily focuses on NESO costs and these appear well documented. However, we are concerned that similar levels of rigour or exploration has not been applied to the assessing the

additional financial or administrative burdens on other key stakeholders. A more comprehensive evaluation is needed to ensure that all affected parties are adequately considered. For example:

- DNOs and GDNs: The impact assessment does not quantify potential compliance costs or additional resources required for RESP integration.
- Local Authorities: The RESP may require local governments to increase engagement and data-sharing efforts. The impact assessment does not assess whether local governments have the capacity and resources to support these new responsibilities, nor does it estimate the potential financial or staffing burdens.
- Consumers: There is no estimate of potential consumer bill savings from RESP-driven network efficiencies, which would be a critical measure of success.

We also note that the impact assessment does not clearly define the role of energy suppliers in the RESP implementation. Greater engagement with this sector of the industry could strengthen understanding of potential risks, benefits and operational impacts.

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

As the impact assessment primarily focuses on estimated NESO costs, it is not clear if consideration has been given to potential higher than expected stakeholder costs, such as potential increased costs of regional actors. Therefore, we would welcome further assessment to include:

- Future inflationary costs/adjustments beyond 2028, so that potential costs changes are better accounted for as they are unlikely to remain static.
- Alternative cost models, such as phased v full-scale implementation. The variations may provide comparative analysis to better inform the path of progression.
- Allowing for delays in cost realisation due to slower than expected implementation where costs may increase and benefits may be delayed.
- Downstream costs and impacts on the retail energy market that may stem from engaging with regional/local pricing.
- The implications of increased regulatory complexity, which may require all stakeholders to incur costs to ensure compliance. This may unfairly impact smaller energy suppliers who are unable to accommodate the cost of additional regulatory burdens.

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

While RESP presents clear benefits for strategic energy planning, the impact assessment does not fully address financial risks, regulatory burdens, and consumer cost impacts. Further analysis is needed to ensure that hidden costs and market disruptions are minimised, while ensuring affordability and accessibility for all stakeholders. For example, there is little assessment of the benefits for consumers, both in understanding whether the RESP will bring cost savings that could be passed on to consumers or indeed whether the administrative cost for regional coordination could result in higher energy bills.

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

There are several potential unintended consequences that the impact assessment does not fully address. RESP may create administrative/regulatory burden for DNOs, GDNs, and local authorities, which could lead to increased compliance costs. RESP could favour larger energy suppliers with more resources to engage in complex planning processes and potentially lead to reduced market competition. While RESP aims for coordinated planning, there is a risk that regional priorities may not be adequately reflected in a nationally coordinated framework, or regional disparities prevent effective coordination. Lastly, if implementation is delayed, the uncertainty could slow down critical energy infrastructure investments rather than accelerating them.