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Fiona Campbell
Head of Local Governance and Flexibility Strategy
Ofgem
10 South Colonnade
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E14 4PU

By email only to: resp@ofgem.gov.uk

10 March 2025

Ref: UK Power Networks' Response to Ofgem's Regional Energy Strategic Plan Impact Assessment Consultation

Dear Fiona,

Thank you for the opportunity to comment on the Regional Energy Strategic Plan Impact Assessment (IA) Consultation. This letter should be treated as a consolidated response on behalf of UK Power Networks' three distribution licence holding companies: Eastern Power Networks plc (EPN), London Power Networks plc (LPN), and South Easter Power Networks plc (SPN).

UK Power Networks remains a strong supporter of robust regional energy planning, as highlighted in our previous response to Ofgem's Regional Energy Strategic Plan (RESP) policy framework consultation. We recognise the importance of policy frameworks like the RESP in driving efficient, coordinated energy and whole system investment and that it can help address the recommendations outlined in the Network Infrastructure Commission (NIC) report.

We believe that the IA Consultation includes significant cost figures that may lead to distributional impacts in terms of cost recovery. As a result, it would be helpful to understand their confidence levels and identify opportunities for collaboration to prevent unnecessary costs to customers and especially for those who face affordability challenges.

We value Ofgem's engagement and remain available for further dialogue at any time.

Yours sincerely,

A handwritten signature in blue ink that reads 'James Hope'.

James Hope
Head of Regulation & Regulatory Finance
UK Power Networks



Consultation Questions

Question 1 - Do you agree that we have, to a reasonable extent, identified and understood the potential impacts of the introduction of the RESP?

UK Power Networks acknowledges the effort made in the draft Impact Assessment (IA) to outline the potential impacts of the introduction of the RESP. The IA provides a structure and positive evaluation of benefits, costs, and expected efficiency improvements associated with the RESP. We particularly welcome the emphasis on whole system planning and the recognition of the need for coordination across energy vectors. We see this as an important step towards a more integrated and efficient energy system.

We would welcome further clarification on how RESP will interact with the existing DNO planning process, including the use of Distributed Future Energy Scenarios (DFES), Local Area Energy Planning (LAEP), and RII0-ED3 Business Plan submissions, would enhance understanding of regional-specific challenges and practical implementation issues. Furthermore, it is necessary to consider the disruption costs associated with any changes in roles and responsibilities to avoid potential issues.

We also encourage further elaboration on how RESP will interact with upcoming policy challenges, such as connections reform and heat policy decisions, and a clearer delineation of responsibilities between the Strategic Spatial Energy Plan (SSEP) and RESP.

Question 2 - 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 IA identifies broad categories of stakeholders and their expected involvement in RESP. UK Power Networks believes there is room for a more detailed and analysis from the distribution network perspective, particularly regarding:

- **The vital role of DNOs in the RESP process:** DNOs already play a critical role in facilitating regional energy developments that the RESP should build on, not duplicate, to positively enhance, existing engagement frameworks. We believe the IA would benefit from a more thorough assessment of the impact on DNO planning processes, recognising the necessary adaptations of systems and processes.

We believe it is essential to understand how the RESP can unlock additional value beyond our current efforts. Further analysis of the interaction between strategic investment and the role of flexibility would we believe be beneficial in determining the respective value of both approaches.

- **The positive impact on flexibility markets:** The IA should further explore how the role of the RESP interacts with the market facilitator to support the development of local flexibility services. It is important to clarify the respective responsibilities to each party to ensure a competitive market is fostered that provides best whole system value;
- **The collaborative role of local authorities:** We see significant value in aligning RESP with local net zero ambitions. Further clarity on how local authorities will be supported to engage effectively, despite resource constraints, would be beneficial; and

- **Consumer benefits:** Whilst the RESP's long-term impact on electricity costs holds promise and efficiency savings are projected, particularly in relation to asset strategy, making use of the full toolkit of interventions, both physical reinforcement and flexibility solutions will be required to keep costs down in the energy transition.

Question 3 - 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.

The draft IA does not change UK Power Networks' overall position, or the key points outlined in our response to the October 2024 RESP policy framework consultation. We continue to support a coordinated approach to regional energy planning, with a focus on effective governance, alignment with existing DNO processes where possible, and the responsibility for planning and operating the distribution network remaining with DNOs.

Question 4 - Do you agree that we have, to a reasonable extent, identified and understood all the potential costs of implementing the RESP?

The draft IA provides a high-level cost estimate for implementing RESP; however, we believe that certain cost factors require further assessment to provide a more comprehensive picture.

For example, UK Power Networks believes that the costs associated with investment planning and interaction with regulatory arrangements should be carefully considered. Following the introduction of the tRESP, due Q1 2026, we will be expected to utilise the tRESP outputs in our RIIO-ED3 Business Plan submission. The full RESP output is scheduled for delivery in December 2027, effectively at the same time as Ofgem is scheduled to issue its Final Determinations for RIIO-ED3. Given the wider policy goals at stake, including CP2030, the advent of the full RESP should not be a reason for deferring decisions needed at Final Determinations. The full RESP output should not be a complete re-writing of the price control, as this will be hugely disruptive and significantly costly for customers if major projects and/or programmes of work have to be stopped / rescope. Steps and guidance should be developed, with a high materiality threshold applied for any changes to be implemented in RIIO-ED3.

While UK Power Networks acknowledges that RESP has the potential to deliver efficiency savings, we believe the assumption of a 0.45% saving on the required network investment to break even requires further validation. We encourage a more detailed breakdown of the cost calculations to better understand the basis for this estimate.

Another key factor is the support for local authorities. Many face a shortage of resources and capacity to develop LAEPs and need support to create decarbonisation strategies that align to their ambitions. To address this, the RESP could offer support to build local capacity and provide additional resources to stakeholders, ensuring that their contributions to Regional Energy Plans are made possible. Ofgem's IA should model these scenarios to assess the potential benefits of NESO taking a more active role in supporting local authorities' net zero ambitions, particularly by complementing and building on the work delivered by DNOs today.

Question 5 - Have we, as accurately as possible, identified and understood all the potential benefits of implementing the RESP?

UK Power Networks agrees that the RESP has the potential to deliver positive benefits, particularly through:

- Enhanced alignment of network investment with long-term network needs;
- Strengthened whole-system planning;
- A clearer and more consistent framework for local energy planning; and
- Integration of local and national energy plans

We encourage Ofgem to explore a wider range of scenarios and provide more evidence to support the claim that efficiency gains will be sufficient to justify the cost of implementation. Notwithstanding the modelling assumptions, it is clear that there will be an ongoing need to monitor the realisation of the benefits associated with the introduction of the RESP and work across the system to keep the costs of this addition to the sector landscape as efficient as possible.

Question 6 - Are there any unintended consequences of implementing RESP that we have not identified?

We at UK Power Networks highlight several potential unintended consequences that we believe require attention. One of our main concerns is the need to minimise duplication of responsibilities, especially given the significant investments we are making to develop our DSO capabilities under the RIIO-ED2 framework. We strongly emphasise the importance of clearly defining NESO's role to avoid overlapping with our existing planning functions. By doing this, we can ensure that responsibilities are allocated efficiently, allowing each entity to focus on its core tasks without unnecessary redundancy.

We also want to ensure that RESP has a positive impact on local flexibility markets. While RESP can support these markets, fostering competition and innovation should primarily fall under the market facilitator's responsibility. We encourage careful consideration of how RESP can complement, rather than drive, the development of local flexibility solutions, ensuring clear roles and accountability for all stakeholders.

Additionally, we are mindful of the need to maintain efficient timelines for network investment. To prevent delays, we recommend putting measures in place that would reduce the risk of delays caused by any new review processes or misalignments with the RIIO price control cycles. At the same time, we recognise the importance of ensuring a smooth transition from tRESP to enduring RESP, avoiding inefficiency and additional cost. This would ensure that the RESP's implementation does not hinder the timely progress of essential network investments, helping to maintain momentum for future developments – in this regard we believe the starting point for RIIO-ED3 should be that the tRESP outputs and Ofgem's Final Determinations provide a strong foundation for DNOs to deliver against and any changes from the first full RESP output would need to be material to justify a reopening of the price control before it has even commenced.