

Regional Energy Strategic Plan Impact Assessment consultation

National Grid response to Ofgem's consultation

10 March 2025

About National Grid

National Grid Group's operations in the UK include National Grid Electricity Transmission (NGET), which owns the high voltage transmission system in England and Wales; National Grid Electricity Distribution (NGED), which owns and operates electricity distribution networks in the Midlands, the South West and Wales; National Grid Ventures (NGV), which owns and operates energy businesses in competitive markets, including sub-sea electricity interconnectors.

This response consists of three sections:

- **Section 1:** Executive statement and key messages
- **Section 2:** Response to specific consultation questions
- **Section 3:** Annex: Worked example 1 discussion of where RESP can enhance investment decisions. This is identical to the Annex to our RESP policy framework consultation response (8 October 2024).

Executive statement and key messages

We welcome the opportunity to continue engaging in the creation of the Regional Energy Strategic Plan (RESP). We support the introduction of RESP and recognise the strategic context and the case for change. National Grid supported the development of the RESP as detailed in our submissions to the previous consultations on the Future of Local Energy Institutions and Governance¹ and on the Regional Energy Strategic Plan policy framework².

We appreciate the opportunity to be part of the Ofgem RESP Policy Framework Working Group. We believe that it is important that stakeholders have the opportunity to contribute to the design of RESP. In parallel, we are regularly engaging with industry bodies, such as the Energy Networks Association (ENA), and key parties in the establishment of RESP, and we look forward to continuing engaging through bilateral and multilateral fora.

A strengthened impact assessment: While we agree with Ofgem that quantifying the benefits attributed to the RESP policy is inherently difficult, the quantitative assessment of the draft Impact Assessment (IA) can be strengthened. This will lead to a more robust final IA and decision on the RESP policy framework. We recommend that Ofgem explores case studies showcasing how RESP can lead to measurable consumer benefits. We would welcome the opportunity to provide case studies to Ofgem, demonstrating how RESP could help deliver efficiencies in real world conditions and how this could be measured through quantitative metrics. We believe this could inform Ofgem's Final Impact Assessment, and indicative examples could encompass:

- Examples where NESO can demonstrate that investment decisions have been coordinated across licensees to drive efficient whole system outcomes for customers. We have examples

¹ [Consultation: Future of local energy institutions and governance | Ofgem \(1 March 2023 – 11 May 2023\)](#)

² [Regional Energy Strategic Plan policy framework consultation | Ofgem \(30 July 2024 - 8 October 2024\)](#)

where this is currently being undertaken in the absence of RESP and believe there are learning points that can help ensure that these benefits are widely realised across the system.

- The principle of RESP to facilitate proactive investment in networks is inherently related to the processes DNOs follow to deliver timely customer connections. We believe there is an opportunity to establish metrics which demonstrate that RESP has had an impact on network investment.

The above examples are not an exhaustive list, and we would welcome further engagement with Ofgem on this topic.

Increased transparency: Transparency in establishing and operating the RESP framework will help provide assurances to stakeholders, the market, and consumers that the RESP framework leads to a net benefit for society on an enduring basis. This can be achieved through the introduction of periodic reporting requirement on NESO regarding the costs and benefits associated with RESP.

In the interests of transparency, we also ask that Ofgem provides more granular numbers in its Final IA on the implementation and operational costs for the RESP. The draft IA provides aggregated values of the expected RESP costs, stating that this approach was chosen “to avoid any disclosure of potentially commercially sensitive data” (para 3.2 of the draft IA). As NESO is a public corporation established by statute, we would not expect information pertaining to NESO to be commercially sensitive. We appreciate that there may be elements in the total costs that cannot be disclosed (e.g. financial offers from third-party suppliers). However, it should be possible to provide more transparency through a more granular breakdown of costs.

Conclusion

We look forward to working with Ofgem in the next stages of the Clean Power Plan 2030 (CPP2030) and RESP framework design. We need to work on this in a timely manner to ensure RII0-ED3 business plans, which are due for submission at the end of 2026, meet expectations. We are also keen to support NESO in building the necessary capability and knowledge to deliver CPP2030 and RESP. In this context, we will make ourselves available to share our expertise and learnings from pertinent areas, such as network planning, Distribution Future Energy Scenarios (DFES) and stakeholder engagement.

We are keen to remain engaged with Ofgem on this topic. Should you have any questions about the points raised in this consultation, please contact Louise Schmitz, UK Senior Manager, Regulatory Delivery and Strategy Electricity Distribution, at Louise.Schmitz@nationalgrid.com and/or Cathy McClay, Managing Director of DSO, at Cathy.McClay@nationalgrid.com.

Response to specific questions

Q1: Do you agree that we have, to a reasonable extent, identified and understood the potential impacts of the introduction of the RESP?

Quantitative Assessment

We appreciate that quantifying the benefits attributed to the RESP policy is inherently difficult for the reasons set out in the draft IA. However, we consider that the quantitative section of the draft IA can be developed further. We recommend that Ofgem explores case studies showcasing how RESP can lead to measurable consumer benefits.

As noted in our response to the RESP policy framework consultation, NESO can play a role in optimising and coordinating discussions and decisions between Transmission Owners (TOs), Distribution Network Operators (DNOs), and Gas Distribution Networks (GDNs) where whole-system optioneering is required e.g. across the Transmission-Distribution boundary, or between GDN and DNO investment. While it is not possible to measure the benefits of this coordination at a system-wide level, Ofgem could estimate a potential range of consumer savings in relation to a smaller number of case studies.

Qualitative Assessment

We agree with the impacts identified in the qualitative assessment section of the draft IA. As noted in our RESP policy framework consultation response, there is a significant opportunity for NESO and RESPs to bring whole-system benefits; notably, by providing assurance for investments identified which involve multiple licensees across the transmission-distribution boundary or between GDNs and DNOs.

Q2: 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?

As mentioned above, the quantitative section of the draft IA can be strengthened, for instance through case studies showcasing how RESP can lead to measurable consumer benefits.

Regarding the potential impacts of the introduction of the RESP on DNOs, we note that these depend on the precise delineation of responsibilities between DNOs and NESO. We welcome the clarification from Ofgem that detailed network planning and strategic investment decisions will remain with DNOs following the establishment of the RESP framework, and we are committed to working through the detailed data and information exchanges to facilitate this. DNOs undertake a wide range of activities that result in capacity being added to the distribution network. We believe that some of the activities could be enhanced by the introduction of the RESP function within NESO, as set out in our response to the RESP policy framework consultation (see Annex 'Worked example #1: Discussion of where RESP can enhance investment decisions').

Q3: 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, nothing in this draft IA has changed our views/response to our July 2024 RESP policy framework consultation.

Q4: Do you agree that we have, to a reasonable extent, identified and understood all the potential costs of implementing the RESP?

Because the draft IA does not contain sufficiently granular figures, we are not able to provide informed views in relation to the potential costs of implementing the RESP. The draft IA provides aggregated values for the expected RESP costs, stating that this approach was chosen “to avoid any disclosure of potentially commercially sensitive data” (para 3.2 of the draft IA). As NESO is a public corporation established by statute, we would not expect information pertaining to NESO to be commercially sensitive. We appreciate that there may be elements in the total costs that cannot be disclosed (e.g. financial offers from third-party suppliers). However, it should be possible to provide more transparency through a more granular breakdown of the costs listed in Appendix 2, with an explanation of what is included in each category. This will allow stakeholders to scrutinise these numbers and provide informed views. We ask that Ofgem provide more granular numbers in its Final IA on the implementation and operational costs for the RESP.

Furthermore, we stress the importance of transparency and accountability in the establishment and operation of the RESP framework. NESO should publish periodically information about its costs and activities, to provide assurances to Ofgem and stakeholders that the RESP framework has a net benefit for society on an enduring basis.³

Q5: Have we, as accurately as possible, identified and understood all the potential benefits of implementing the RESP?

The quantitative section of the draft IA can be developed further. We would welcome the opportunity to provide case studies to Ofgem, demonstrating how RESP could help deliver efficiencies in real world conditions and how this could be measured through quantitative metrics. We believe this could inform Ofgem’s Final Impact Assessment, and indicative examples could encompass:

- Examples where NESO can demonstrate that investment decisions have been coordinated across licensees to drive efficient whole system outcomes for customers. We have examples where this is currently being undertaken in the absence of RESP and believe there are learning points that can help ensure that these benefits are widely realised across the system.
- The principle of RESP to facilitate proactive investment in networks is inherently related to the processes DNOs follow to deliver timely customer connections. We believe there is an opportunity to establish metrics which demonstrate that RESP has had an impact on network investment.

The above examples are not an exhaustive list, and we would welcome further engagement with Ofgem on this topic. We agree with the impacts identified in the qualitative assessment section of the draft IA, notably around whole-system benefits.

³ NESO’s reporting could be similar to Ofgem’s annual Performance Report, which is published as part of its Annual Report and Accounts. The Performance Report provides a short summary and quantifies the impact of Ofgem’s decisions on consumer welfare for the preceding Financial Year.

Q6: Are there any unintended consequences of implementing RESP that we have not identified?

Unintended consequences could arise in a scenario where the policy framework created duplication of roles and responsibilities. In this scenario, there is a risk that the RESP framework might not produce sufficient efficiency gains to achieve a benefit-cost ratio (BCR) of 1, thereby leading to a net negative impact for consumers.

Annex

Worked example #1: Discussion of where RESP can enhance investment decisions

The table below shows typical activities undertaken by DNOs that result in capacity being added to the distribution network. These are intended to facilitate discussion on whether these would be defined as anticipatory investment, strategic investment or otherwise.

#	Activity	Description	Typical cost/timescale (full lifecycle)	Trigger for investment decision
1	Asset replacement	Replace existing asset with the nearest modern equivalent size, which results in a capacity uplift	Considered like for like in terms of costs (factored into unit cost) Delivered in 1-2 years	Asset replacement programme
2		Replace existing asset with a larger size, as requirement for a larger asset in the future identified	Dependent on project, next size up roughly 20% more expensive than like for like Delivered in 1-2 years	
3	Secondary reinforcement	Replacing looped LV services/cut-out fuses based on projected uptake or notifications of LCTs in an area	<£10k per service < 3 months to replace	Based on LCT notifications or MPAN level projections
4		Upgrading of distribution transformers and circuits based on projected LCT uptake and current utilisation	Transformer = £80k-£120k Circuit (per km) = £65k - £170k (Unit cost) Identification to delivery within a year	Periodic assessment of secondary networks including load projections for duration of price control, asset sizing based on longer term
5		Multiple projects brought together as a programme of works for area-wide upgrade (such as 6.6 kV to 11 kV conversion)	Dependent on scope of works (>£5M) Likely to take 2-5 years	Analysis using load projections at both primary and secondary and coordinated solution identified, with clear benefits from combining

6	Primary reinforcement	Upgrading existing assets across primary networks based on load projections and current utilisation.	£1-10 million 1 – 5 years	Triggered through analysis using load projections, investment aimed at delivery in anticipation of projected need. Asset sizing based on longer term
7		Establish new substations/circuits across primary networks based on load projections and current utilisation, where multiple reasons for work brought together	£1-40 million 2 – 10 years	
8	New transmission capacity	Application by DNO to NESO for new transmission capacity at existing site	£10-100 million 4 – 10 years	Triggered through analysis using load projections and Grid Code data exchanges. Investment triggered by connection application by NGED to NESO
9		Application by DNO to NESO for new transmission capacity at new site, because of multiple drivers	£60-300 million 6 – 15 years	
10	Connections led reinforcement	Reinforcement triggered by connection applications, where customer is offered Minimum Scheme as per CCCM Schedule 22	Cost and timescales dependent on scale of works, reinforcement costs now heavily socialised	Triggered through connection applications, perceived highest level of certainty
11		Reinforcement triggered by connection applications, where customer is offered Enhanced Scheme as per	Cost and timescales dependent on scale of works, reinforcement costs now heavily socialised	Overlap identified between primary reinforcement plan and connections led reinforcement

		CCCM Schedule 22		
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The table demonstrates that there is a wide spectrum of activity undertaken by network which results in capacity being released across the network. Of those, we have outlined below the areas which we believe could be enhanced by input from Regional Energy Strategic Plans. These are driven by the following factors:

- Nature of the work to be undertaken, by identifying a solution to solve multiple constraints or sizing new assets based on long-term projection of load growth.
- Where input is required by multiple licensees to identify the optimal solution.

5: Secondary reinforcement (significant programme of works)

We expect RESP to inform our network planning which, in turn, helps identify reinforcement across secondary networks. Much of the investment will be done on an incremental basis for specific assets. However, there could be some schemes identified which are strategic in nature. An example of this would be city-wide uprating of a network operating at 6.6 kV to 11 kV to release capacity for future load growth, which could be triggered by upstream constraints on the primary networks.⁴ Such works may be unsuitable for funding through the same volume driver mechanism as currently used in RIIO-ED2.

We envisage that the RESP could provide additional assurance of the needs case for anything identified in DNO plans as a coordinated and efficient investment and the views of relevant stakeholders impacted by the plans.

The following two examples demonstrate where we believe NESO can bring the whole system principle to life (paragraph 2.8 of the consultation).

7: Primary reinforcement (extensive new build)

Primary reinforcement covers a very wide range of activities; however, the establishment of significant new substations and circuits could be considered strategic due to the amount of external engagement and capacity released by such solutions. An example of this would be the establishment of a new Bulk Supply Point (132/33 kV) substation with associated circuits.⁵ The location of the new site should be chosen aligned to the spatial view of load growth and demonstrate it meets the current and future needs of customers.

⁴ See constraint 3.2 Salutation primary transformer and circuit overload in The Leicester Group Network Development Report as part of the 2024 Network Development Plan publication. (<https://www.nationalgrid.co.uk/downloads-view-reciteme/662715>)

⁵ See constraint 4.6 Combined Reinforcement Strategy (Briton Ferry and Tir John groups) of the Briton Ferry & Tir John Network Development Report as part of the 2024 Network Development Plan publication <https://www.nationalgrid.co.uk/downloads-view-reciteme/662727>

We envisage that the RESP could convene discussions between multiple network license holders. This could provide additional assurance of the needs case for anything identified in DNO plans as a coordinated and efficient investment across the whole energy system.

9: New transmission capacity (extensive new build for distribution customers)

The electricity Transmission/Distribution interface is an area where RESP could add value by ensuring the SSEP and the RESP is aligned and to provide assurance to Ofgem given the highly strategic nature of the work and requirement for whole system engagement. An example of this would be the location of a new Grid Supply Point substation driven by the long-term demand requirements of customers⁶. The location of such a substation should be considered with reference to the transmission and distribution assets required to establish the new substation.

Specifically, NESO could convene discussions between different licensees where a cost benefit analysis between solutions needs to be carried out. NESO can ensure that the justification of need is aligned to RESP and SSEP for a given proposal and ensure that each licensee has considered whole system has been sufficiently considered in any solutions.

⁶ See constraint 2.11 Stanton / Heanor N-2 in the Willington 132 kV Network Development Report as part of the 2024 Network Development Plan publication
<https://www.nationalgrid.co.uk/downloads-view-reciteme/662715>