

Regional Energy Strategic Plan policy framework consultation – Energy UK response

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Energy UK is the trade association for the energy industry with over 100 members - from established FTSE 100 companies through to new, growing suppliers, generators and service providers across energy, transport, heat and technology. Our members deliver nearly 80% of the UK's power generation and over 95% of the energy supply for 28 million UK homes as well as businesses.

The sector invests £13bn annually and delivers nearly £30bn in gross value - on top of the nearly £100bn in economic activity through its supply chain and interaction with other sectors. The energy industry is key to delivering growth and plans to invest £100bn over the course of this decade in new energy sources. The energy sector supports 700,000 jobs in every corner of the country.

Energy UK plays a key role in ensuring we attract and retain a diverse workforce. In addition to our Young Energy Professionals Forum, which has over 2,000 members representing over 350 organisations, we are a founding member of TIDE, an industry-wide taskforce to tackle Inclusion and Diversity across energy.

Executive Summary

Energy UK supports the principles underneath the Regional Energy System Plan (RESP), recognising the importance of establishing an effective approach to regional system planning that makes best use of differing regional attributes.

Energy UK would note the following considerations in response to this consultation:

- RESP must connect to other policy developments in energy, especially national spatial planning and the Government's Clean Power 2030 ambition. For example, timelines for RESP appear to be misaligned with wider spatial planning timelines.
- The availability of data for RESP delivery must be addressed.
- Clarification is required regarding which Net Zero targets are applied to RESP.
- Strategic planning will need to consider more than supply and demand modelling.
- Strategic boards must be fully representative and minimise scope creep.
- Local Authorities resourcing to enable involvement needs consideration.
- Scotland should be split into two RESP areas.

If you would like to discuss this response in further detail with Energy UK and its members, we would welcome further engagement.

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Consultation Response

Chapter 2: Laying the RESP foundations

Q.1. What are your views on the principles (in paragraph 2.8) to guide NESO's approach to developing the RESP methodology? Please provide your reasoning.

Energy UK supports the principles behind the RESP. Reaching Net Zero, adapting to future climate change, energy security, and keeping energy bills low are all additional principles that could be integrated more specifically into the four proposed principles of an energy system that is place-based, whole system, vision-led, and proactive.

Another potential principle could be the alignment and harmonisation of RESP with other key policy areas that affect investment, like Contracts for Difference (CfDs). More specifically integrating these could underpin these values slightly further, for example national priorities under the Vision-led principle being stated as low consumer bills.

Further information is needed on the transportation of these principles from Ofgem to the NESO. It is not clear from the consultation document that these will be upheld by NESO once the RESP comes under its remit, or what powers the NESO has to revise the principles presented here. Given the license conditions of the NESO, we expect this to be enforced under their remit. Commitment by the NESO to abide by these principles would assist their delivery and avoid future revision of RESP planning documents.

RESP must adequately connect up and assist other policies, especially with a view to reaching the Government's goal of Clean Power by 2030. The points around interactions with the price control later in the chapter are encouraging, particularly on the need for future distribution network investment. Ofgem's recognition of the need for adaptiveness is welcome as a guiding principle but what this means for the price control needs further consideration. This is not only in terms of uncertainty around key policy decisions like the role of hydrogen in heating, but also the multitude of uncertainties that arise from building out into individual streets, villages and towns.

The NESO, Government and Ofgem will need to work collaboratively to manage localised uncertainties, developing pathways for RESP to deliver where local barriers emerge and allowing the price control to adapt quickly. This needs to be complemented with enabled delivery and a price control that can adapt quickly to the changing and diverse needs of each region. The emerging centralised, top-down process under the Strategic Spatial Energy Plan (SSEP) and Centralised Strategic

Network Plan (CSNP) must be fused with an adaptive, bottom-up approach at the distribution level. A clear steer and more coordinated approach to infrastructure delivery both nationally and regionally will be needed, and the local and regional considerations that a RESP could bring into the national approach could be fundamental to identifying the most cost-effective delivery for the best overall value in the long-term for bill-payers and taxpayers.

The 'adaptive planning' process endorsed by DEFRA and Ofwat as a method for planning the expansion of water and sewage projects, and wider work to develop Smarter Regulation under DBT have gone some way to understanding the methods for delivery that could be adapted for regional planning and how this affects the price control. Continued consideration of this approach by Ofgem could facilitate a more adaptive price control at the transmission and distribution levels.

Timelines

The first RESP outputs are due to be completed towards the end of 2025. While this might form sufficient time to feed into RIIO-ED3 in 2028, Gas Distribution Networks (GDNs) will already be formulating their business plans for RIIO-GD3 for a start date in 2026. RESPs will almost certainly have effects on transmission investment, with business plans for RIIO-ET3 and RIIO-GT3 produced ahead of the first RESP outputs. The unique situation in Scotland, given the definitional boundaries of transmission and distribution are different to the rest of GB, may also cause additional challenges to how RESP is embedded into RIIO. While reopeners may cost-effectively deliver to some extent, this is not guaranteed and the sheer scale of potential re-openers may impact Ofgem's ability to deliver. There is, therefore, very little headroom for mistake when formulating the interaction of the RESPs and the next price control.

The SSEP and CSNP timelines also appear misaligned with the RESPs. The SSEP is expected to be delivered by the end of 2026 and the CSNP by the end of 2027. Yet the RESPs first output is due at the end of 2025. There is a concern that the RESPs will struggle to meaningfully reflect and inform the SSEP if the SSEP is not delivered in advance.

It is concerning that Ofgem appears to consider the RESP function to be limited with respect to the RIIO-GD3 price control. Given the RESPs are to be finalised in 2025 and the decision on hydrogen's role in gas is due in 2026 when the five-year RIIO-GD3 begins, the RESP will inevitably have implications for the price control.

GDN's understanding of the extent of change and mechanisms by which sections of the gas network will be decommissioned, not to mention the implications of other low carbon gases (including hydrogen, biogas and captured carbon dioxide) will be critical parts of regional approaches. Serious consideration on how to manage this uncertainty in line with the RESPs, beyond the Net Zero Reopener and baseline allowances in RIIO-GD3, is needed.

Alignment with wider policy

Energy UK strongly agrees with the stated need for alignment of local planning and with the wider spatial planning strategies found in the SSEP and CSNP. In developing the RESP, Ofgem should demonstrate how it is engaging with respective policies and teams in these areas, including proposals for changes to the National Planning Policy Framework.

With respect to the RESP methodology and operating model, the methodology must outline the approach to gathering data and modelling the RESPs. However, there is a serious question as to whether the level of detailed data to deliver the RESPs, especially with the short timescales for delivering them, is feasible. Wider alignment with data workstreams and clarification of what actions need to be taken under the wider digitalisation workstream must be set out in the upcoming digitalisation strategy.

Multiple workstreams are ongoing to improve the level of data in the energy system, regarding energy tariffs, vulnerability, local flexibility markets, building efficiency, and local network infrastructure. Much of this work should begin to become standardised and openly accessible as part of the Data Sharing Infrastructure (DSI) workstream. However, much of the needed data for the successful delivery of RESP will likely not be easily available under the DSI until at least 2026 when RESP will already be finalised. Coordination across workstreams alongside an accelerated delivery of these initiatives will be crucial for ensuring the meaningful delivery of the RESP.

From the outlined responsibilities in the consultation, much of the legwork for RESPs is expected to rest with the NESO 'hub' and not with the regional 'spokes'. While it is important that the RESP hub set the overall strategic direction for GB, it is essential that Ofgem carefully consider how such a centralised structure would enable genuine input and allow for the RESP, the SSEP and associated price controls to be genuinely iterative and feed into each other, both in an bottom-up and top-down fashion.

Further work and transparency is needed to clarify how the SSEP, CSNP and RESPs will interact in an iterative and adaptive manner.

Chapter 3: Key building blocks of the RESP

Q.2. Do you agree that the RESP should include a long-term regional vision, alongside a series of short-term and long-term directive net zero pathways? Please provide your reasoning.

Energy UK supports a long-term regional vision.

Energy UK expects that the NESO will ensure the modelling methodology will be delivered in a manner that is transparent to stakeholders. A shorter-term vision for 2030 is welcome, especially given the Government's Clean Power 2030 mission.

Factoring in the price of failing to reach Net Zero is an important step and distinction to make, as it actively encourages the NESO to be proactive rather than passive and encourages decision-making to look at both costs and opportunities of Net Zero, rather than just focusing on the near term cost.

Scenario planning is vital for more unpredictable areas of Net Zero, such as heat decarbonisation. The speed of uptake and mix of technologies in any given region is less certain and regional planning with consideration of economic and system variations is a key part of delivering cost-effectively. Given long timescales, scenario planning is a sensible approach to considering potential impacts on the future energy system, underpinned by considering a wide range of interlocking policies and sufficient data on various technology options and types. Greater clarity on how other projection processes, such as the Future Energy Pathways (FEP) will inform these scenarios, as well as longer term measures like the SSEP, would be welcome.

Additional clarity is needed on the degree to which the long-term vision and short-term pathways are prescriptive as opposed to predictive. While it is clear that the RESP, at face value, is more about identifying system need to provide clearer direction to needed investment, the implication is that the RESP will form part of some degree of top-down investment direction. Greater clarity is required on where prescriptiveness from the RESPs ends and where predictive analysis based on market trends begins.

It is essential that the RESP feeds into network Cost Benefit Analysis (CBAs) to facilitate anticipatory investment in the network.

Modelling the development of the system means accounting for the impact of various workstreams that will aid in this process, including the harmonisation and standardisation of processes, connection charges and data between DNOs. As these efforts progress, they will inevitably have an impact on the short-term pathways and long-term vision.

Q.3. Do you agree there should be an annual data refresh with a full RESP update every three years? Please provide your reasoning.

Energy UK agrees that an annual data refresh and full RESP update each three years would be appropriate.

In light of the rapid changes required, as well as an evolving suite of low carbon technologies, this approach is sensible for future adaptation. The three-year benchmark itself may need to change in future to adjust to these changing circumstances but three years is an appropriate timeframe at this point.

Q.4. Do you agree the RESP should inform the identification of system need in the three areas proposed? Please provide your reasoning, referring to each area in turn

Energy UK broadly agrees that the RESP should inform identification of system need in the proposed three areas.

Given the unpredictable nature of some of these system needs, full accuracy in anticipating these will be limited. Energy UK would support the proposal to standardise the projections for needed energy supply and infrastructure. However, clarity is needed on how this is to be achieved. This underscores the need for as much identification of system need as possible.

This will be highly relevant to heat and transport decarbonisation, given the anticipated increase in demand and network impacts from EVs, heat pumps and heat networks. Other policies around energy data sharing are currently in flux, and connected policy around future flexibility markets under design through the Review of Electricity Market Arrangements is also a live issue that could affect future demand levels. An acceleration of those wider data workstreams and coordination with the DSI and other data workstreams is therefore required.

Visibility of assets in the system remains an issue and could affect the profiles for technologies and interactions between low carbon technologies. When considering demand prediction, we would point to work to create asset registers, such as the Automatic Asset Registration (AAR), Central Asset Register (CAR), and the open Flexibility Market Asset Registration consultation. Going forward, this will help to ensure energy demand is modelled and predicted based on the actual assets in use – and vice versa.

Strategic planning will need to consider more than supply and demand modelling. It must also account for the optimal mix of low carbon energy in a region, demand-side response (DSR) participation in markets, public EV and Heating infrastructure, and non-energy infrastructure buildout that may interact with the RESPs, for example local industry plans. Wider considerations of local politics, energy poverty and vulnerability alleviation measures are also critical to effective delivery.

Developers remain best placed to select the optimal locations for generation assets, and although strategic system planning is valuable, it should not result in highly prescriptive mapping of where different forms of generation should locate. This being said, the majority of the assets needed to deliver for 2030 targets are already in the connections queue, but are unable to connect, with processes currently under review.

Climate adaptation measures also need to be considered in the context of consumer behaviour profile changes. The starting point for RESP policy on adaptation should be alignment with the ongoing profiles of the National Adaptation Reporting

framework, and consider a range of future potential scenarios, including extreme use cases.

Q.5. Do you agree technical coordination should support the resolution of inconsistencies between the RESP and network company plans? Please provide your reasoning.

Energy UK agrees that wherever possible technical gaps should be filled under this framework.

Given the short timescales the industry and the NESO are working to for the establishment of RESP, resourcing for identifying gaps in optioneering may present a challenge to delivery. Ofgem and the NESO will need to ensure the technical coordination role is sufficiently resourced to ensure its work is completed expediently.

NESO may not, at least at present, be best positioned to fill certain technological gaps and this must be addressed alongside consideration of whether certain RESP Strategic Board or workshop participants are best positioned to deliver under given circumstances.

Q.6. What are your views on the three building blocks which come together to form the RESP in line with our vision? Are there any key components missing?

The proposed building blocks for the RESP cover all the main components.

Some clarification is needed on the role of RESP in strategic investment given the RESP approach will not be directly involved with network planning. This question speaks to a wider need for clarity on the degree to which the RESPs will be prescriptive as opposed to predictive.

Q.7. Do you agree with the framework of standard data inputs for the RESP? Please provide your reasoning.

Energy UK agrees that the framework of standard data inputs under RESP as outlined is a comprehensive approach, attempting to integrate the full range of potential policies and sectors.

More detail is required regarding the coordination of these different data inputs. This is likely to cause issues given that NESO's primary area of expertise will be data for system planning and management, whilst RESP will likely be more detailed in understanding of local infrastructure needs.

While having the maximum granularity of data available allows further opportunities to link up policies, it is not clear how the large range of potential policies, given their overlap, are going to be aligned in a way that is transparent and consistent.

There is a need to identify and utilise data from those that have best understanding of given areas or given technologies to ensure maximised accuracy in approach. For example: energy retailers have the best understanding of their customers' energy consumption; those operating in flexibility markets have the best understanding of the capabilities of their solutions, and; low carbon heating and electric vehicle charger providers have the best understanding of the scale of uptake of their technologies and how they are likely to be used. Ensuring diverse parties have the opportunity to input their data and expertise into RESP is essential to success.

Further information is needed in the next stage of presenting a more comprehensive RESP plan but as an outline for the different policies to integrate into RESPs, the consultation document's findings seem accurate.

The DSI is still being established and is not likely to be fully operational in time for the creation of RESP. The same can be said for other ongoing data workstreams. Ofgem must consider how data inputs can be best delivered in the limited timeframes available, especially for distribution networks where data visibility continues to be far below what is needed.

Q.8. Do you have any suggestions for criteria to assess the credibility of the inputs to the RESP?

Credibility of the inputs to the RESP will be reliant on the transparency of the approach and clear definition of how these inputs are applied to a range of projections, which could greatly differ dependent on uptake of key technologies.

RESP needs to consider a range of probabilistic scenarios to accommodate for this wide potential range of different technology pathways. All scenarios must be linked to credible Net Zero pathways.

Other data inputs should include consumer preferences and relevant opinion polling.

Q.9. Do you agree with the framework for local actor support? Please provide your reasoning.

While the framework is quite broad in detail, Energy UK supports the approach.

Energy UK would caution that, while an emphasis on integrating local authorities into the framework is welcome, the RESP boards must factor in (and be mindful of) the relative resources of different local authorities. Certain areas should not be penalised

unfairly due to their local authority having less resources to engage with the RESP. Indeed, support funding and guidance through RESP or from wider policy routes may be needed to support less well-resourced authorities.

Further clarity on the interaction of RESP and the local planning system is required. The placement of Local Authorities on RESP boards does not and should not mean that inclusion in a RESP becomes a pre-requisite to receive planning consent from Local Planning Authorities. Further clarity is also needed on the interaction between the RESP and connection queue management in the area.

Managing conflicts at both the hub and spoke levels will also require clear guidance. Ofgem might be well placed to play a mitigating role here in providing guidance and even arbitration.

Further clarity is required to ensure RESP boards deliver at pace while having a wide range of input from stakeholders, including energy suppliers, manufacturers, commercial businesses, generators, storage providers, aggregators, consumer representatives and DSR providers. Without clear guidelines on how these boards are to be genuinely democratic, they risk giving DNOs the power to develop RESPs in a black box with input from other stakeholder being reduced to a box-ticking exercise.

Ofgem should consider some important questions about implementation. Namely:

- Who is the NESO directly accountable to locally regarding the RESPs if they fail to meet local needs?
- What governance arrangements will be put in place to ensure the RESPs strike the right balance between local engagement and delivery at pace?
- How and using what mechanism and governance arrangement will NESO enable effective input and coordination from local authorities with very disparate resourcing?

Chapter 4: Regional Governance

Q.10. Do you agree with the purpose of the Strategic Board? Please provide your reasoning.

Energy UK agrees with the purpose of the Strategic Board with a final decision taken by the central body.

This enables both local participation and an open process for hearing local concerns, but ultimately taking a centralised decision aligned with national planning and the best overall outcomes for all consumers. Clear efforts should be made to ensure Strategic Boards do not experience mission creep and become planning authorities in their own right.

More clarity is needed to ensure the board has genuine accountability to local actors and other industry stakeholders while still delivering at pace. While final say should rest with the NESO central body, a route to recourse is needed to ensure local consumers and industry are not seen to be left without a voice. An obligation and framework for publicly available organograms embodied in RESP guidance would aid in this effort.

Guidance is needed on how the 'regional spokes' will navigate disagreements between stakeholders as well as with the responsible delivery body. This is especially the case with respect to disagreements between local authorities and from local residents.

Clarifying how input from stakeholders can genuinely impact the RESPs is vital to ensuring these are seen to be democratic in nature.

Q.11. Do you agree that the Strategic Board should include representation from relevant democratic actors, network companies and wider cross-sector actors in each region?

Energy UK agrees that the Strategic Board should include representation from a wide range of actors including those noted in the consultation document.

There is potential for issues to arise from the number of representatives from various different actors. A tiered approach to engagement might be an alternative avenue to signal some of the most directly involved decision-makers in the region, filtering down to those with specialist knowledge but less direct involvement.

The embedded model approach would be preferred as more streamlined than alternatives. Clarity on how and why local actors are brought in, and how their input would be tiered, must be produced to ensure consistency across regions.

Regarding the inclusion of GDNs, there is a wider question about their role in the Strategic Boards and RESP, especially given RESP is intended to be a whole system plan.

Failing to manage engagement and participation to ensure effective input and powers risks giving DNOs and NESO too much authority with little incentive to manage conflicts between stakeholders and the potential political fallout and resulting delay to low carbon technology deployment. As with the caution expressed in answer to Question 9, respective local authorities will have unequal resources, and effective mechanisms to support their engagement should be considered in board design where possible.

Q.12. How should actors (democratic, network, cross-sector) be best represented on the board? Please provide your reasoning, referring to each in turn.

As noted in response to Question 11, clear guidance on such a tiered, embedded system would need to be produced by Ofgem.

Chapter 5: Boundaries

Q.13. Do agree with the adaptations proposed for Option 1? Please provide your reasoning.

Energy UK agrees with the adaptations proposed for Option 1.

Regional authorities such as the Greater London Authority, West Midlands Combined Authority, and Greater Manchester Combined Authority, among others, stand out under this model as obvious delivery partners.

An additional complication could be the Government's proposals for greater devolution within England through the developing English Devolution Bill, with additional powers being granted to regional authorities. The proposed approach for RESP appears sufficiently adaptable in structure to accommodate most likely changes, but Ofgem and the NESO must take future devolution changes into account as they occur, and ensure they are prepared to revise regional boundaries in the future. A process for developing this will likely be needed from Ofgem.

It will be impossible to perfectly align other areas of regional powers, such as DNO and GDN boundaries. Having RESP boundaries cross DNO and GDN boundaries inherently means accepting a slightly higher degree of uncertainty. Therefore, processes to manage and revise boundaries in the future need to be clear, transparent and efficient. Cross-boundary considerations need to be further baked in, and either Ofgem or NESO should illustrate how the various decision-makers across these boundaries should coordinate across borders.

Q.14. Do you agree with our assessment that Option 1 is a better solution than Option 2? Please provide your reasoning.

Energy UK agrees that further constraints and bottlenecks in networks are addressed in Option 1 as opposed to Option 2.

While difficult to analyse, Ofgem should consider how defining the regional boundaries for RESP may place the energy, and subsequently economic development, pathways of regions into a confining position. Potential synergies and unexpected innovations or merging of political and cultural regional boundaries may

be effectively closed off by the proposed boundaries. Ofgem should consider how regional economic and political interactions could realistically develop in the future and how best to ensure the RESPs are not limiting such processes unnecessarily.

Q.15. Do you agree a single region for Scotland is optimal? If you think a two-region solution is better, do you agree the split should occur at the SSEN and SPEN DNO boundary? If not, please provide your reasoning and alternative option(s)

Energy UK disagrees with the proposal for a single region for Scotland.

There are unique circumstances for Scotland from an electricity perspective, such as the larger mismatch in generation and network infrastructure. Following the existing boundaries for DNOs in Scotland could be a helpful alignment and help more effectively inform strategic planning.

Two zones would also allow more space for Scottish Councils and more localised actors to participate in delivery, while still allowing for steer from the Scottish Government.

Further work is needed to align the proposed two zones with council boundaries, but these should follow the principles outlined for RESP boundaries in the consultation document and noted in response to other questions.