

# Regional Energy Strategic Plan policy framework consultation

## Reference

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## Ofgem

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## By Email:

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Please see Cadent's response and comment on this consultation; the responses to the 15 questions can be found in Annex 1.

We are supportive of the Regional Energy Strategic Plan (RESP) as part of the set of strategic planning frameworks and see these as critical to the future of the energy system in the route to net zero. The RESP will support local stakeholders and the details set out in this document enforce that as a primary function.

While we are very pleased to see the focus on whole system as a primary principle, we remain very concerned about the dominance of the electricity system across all the strategic planning documents, and are yet to be given confidence that the right tensions exist between vectors to drive the most effective and efficient outcomes. Cadent provides almost as much energy as the entire electricity grid, and the future of gas is vital to net zero. To this end, we expect that the National Energy System Operator (NESO) must be given a clear set of timed actions to achieve a truly whole system approach, which they will need to be measured against and held accountable to.

We are looking forward to more detail of how the wider role of the NESO will interact with the RESP, and how liaisons and directions between them and the networks will be managed. The RESP Methodology references a "Hub and Spoke" framework to effectively monitor the NESO's delivery and we would welcome a more thorough understanding of the definition.

We also need to understand how the needs and outputs of the RESP will align with price controls that will not be in the same schedule. Future price controls will need to account for the resources to support the RESP and directions for infrastructure investment. There are two areas where we anticipate funding requirements; in our work to support the RESP process which we need to include within our current RII03 business plan; and where infrastructure investments or decommissioning are triggered by RESP plans. In addition, Paragraph 2.21 says that Gas Distribution Networks (GDNs) would be enabled to request additional allowances relating to identified system needs in RESPs through a GD3 Net Zero Re-opener but we believe this should be reconsidered

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as the re-opener process would introduce 6-9 months minimum delay and stagnate work whilst a network awaits the funding green light.

While we are broadly supportive of the production of a series of directive strategic net zero pathways, it is important to stress that they should not be considered in the context of modelling supply and demand independent of system need and technical coordination, because the pathways will have an effect on and be affected by all three building blocks. It is also imperative that once a pathway is designed to conclusion, there is a review from the early stages again, to take into account the affect it has had on the wider system.

Finally, please can you confirm when the consultation on the guidance documentation will be published?

We will look forward to the response to this consultation and the further details therein, and will continue to support the development of the strategic planning framework.

Yours sincerely

Stuart Easterbrook  
Head of Net Zero Energy Frameworks, Cadent



## **Annex 1: Question Responses**

### **Question 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.**

We agree that a whole system perspective is imperative and are pleased to see this as one of the driving principles, as well as a proactive approach, which is needed to achieve net zero.

While we appreciate the reasoning behind a place-based and vision led approach, we are unclear how visions from a region can be realised given that the regions are responsible for neither energy policy nor the funding for infrastructure required, particularly if their vision does not align with the national transmission level planning. There also needs to be further clarity on the risk of stranded assets if proactive investments are made that do not end up meeting the whole system needs. A clear direction needs to be provided on who is taking the stranding risk of taking investment decisions based in information provided by a regional body. Without parties having a vested interest there is a higher risk that regional bodies will champion infrastructure investments with a weaker needs case, and the networks' and their customers should not bear this cost. This is a question that also needs to be answered in relation to costs incurred for accelerating infrastructure changes if a region wants to move more quickly.

We are also concerned about the interaction with price controls, as Distribution Network Operators (DNOs) and GDNs will need resources to support the RESP work to create plans as well as the infrastructure requirements that are identified. We will interact with 8 RESPS and are including set up and implementation costs within our RIIO3 business plans, but we do expect Ofgem to support efficient costs to set up these services in alignment with the allowances made for the NESO.

### **Question 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.**

Yes, and we look forward to more detail on this. It is imperative that a whole system approach is taken and the proposals seem to seek to account for this. In the shorter term, we see a strong role for place-based evidence from industry seeking decarbonisation options including hydrogen, to input into the RESP process.

It is important that a feedback loop is incorporated as the effect of certain pathways will necessarily change the landscape and requirements across vectors. It does currently look like infrastructure costs and deliverability issues are only latter stage considerations, after the supply/demand view has been committed, which will deliver sub-optimal solutions. For example, we would expect that taking account of cost and deliverability issues would result in a different supply/demand pathway being identified. By not including such consideration at the early stage, the process is not delivering whole energy system solutions – just within vector solutions. The result will be customers paying more for the energy transition than they otherwise should.



Optimising delivery across the whole system must be the first principle to be considered, with pathways developed to underpin it. If supply and demand pathways are developed independent of system need and technical considerations including whole system, it will be impossible to achieve an outcome that is the most efficient and effective route to a whole system solution to net zero. For example, it may be identified that the preferred pathway to net zero in an area is to electrify, but the infrastructure cannot support it and the deliverability of it is prohibitively complicated and expensive; .

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

Yes, as we believe that this will ensure the system wide feedback loop is taken into account and will also enable investment signals for regional development across vectors. It will also enable DNOs/GDNs etc to ensure their plans align, with investment requirements accounted for within their price controls. We do suggest that DNO and GDN price controls should align in future, as the complexities of different timing in price controls will become a barrier to a whole system approach.

**Question 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**

Broadly we do agree that the RESP should inform the identification of system need in the following areas:

- Providing consistent assumptions
- Setting out spatial context for capacity needs
- Informing strategic network investment

Ensuring assumptions are consistent is essential and we are supportive of this sitting within the RESP function. Similarly, having an overarching understanding of the energy needs within regions will help with the identification of system need. We think the independent role of the NESO in the development of RESPs is vital to impartially confirm some of the key parameters that will drive the cost of net zero transition. We would however urge that safeguards are put in place to avoid bias in this process e.g. making unjustified optimistic assumptions for one vector, and more severe pessimistic assumptions in others. We see this as a key role for the Strategic Boards.

We are supportive of the RESP and NESO role in informing strategic network requirements with a view to driving whole system requirements, but we need to further understand how the interaction between the RESP/NESO and networks will be managed when the outputs signal the need for network investments. Clarity is required on how the funding for new infrastructure and possible decommissioning, will be provided for networks, and where any stranding risk sits if the expected needs case does not materialise.

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

It is important that a whole system approach is driven and the NESO needs to develop the methodology to ensure this works, and technical coordination gives



some direction to this, including the resolution of inconsistencies. It is important that NESO takes a technical role in this or a whole system approach will be impossible. As discussed above, it is also important to design processes with safeguards to minimise the risk of bias being applied with skews one vector towards a more favourable outcome than another, with no underpinning evidence.

**Question 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?**

Overall we understand the building blocks and direction, but would like to understand how the NESO will ensure a feedback loop is analysed for any pathways, as well as how the work required to investigate and to implement them will be funded through price controls that are not aligned. We would also expect that pathways are not developed independently of the building blocks of system need and technical coordination, but that all three building blocks are taken into account in modelling the requirements of the whole system. The impact assessment expected in Autumn 2024 should demonstrate that failing to include infrastructure and technical coordination will result in sub-optimal decisions.

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

We recognise the importance of standardised data inputs both “top down” and “bottom up”, and the feedback loop is also important so we are glad it is recognised. We note that assumptions will be generated in local area planning and expect to see detail on how those will be reached and maintained.

**Question 8: Do you have any suggestions for criteria to assess the credibility of the inputs to the RESP?**

It will be important that the providers of data have a vested interest or some mechanism to ensure they provide good quality data. There should also be a contingency plan or methodology to account for data that is not to standard, and this should be clearly and transparently defined.

We also think clarity is needed on how to treat an area with no regional involvement. Does this create a gap in infrastructure plans, or is the NESO or the GDN/DNO expected to fill the gap? This may create planned infrastructure with a different basis for its needs case. It may also result in infrastructure that may not have regional support, and where there is potentially a different associated stranding risk.

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

It is a good basis (transparent, accountable, representative and coordinated) and we look forward to more detail of how NESO plans to develop this in Gas.



We are well placed to support the coordinated approach as we welcome working closely with our customers and stakeholders including those we have engaged with on hydrogen requirements.

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

The sense of having strategic overview, encouraging collaboration and enabling recommendations at appropriate points is clear. We would like to further understand the sign off process between the Strategic Board and the NESO, and also the anticipated conflict resolution mechanisms.

**Question 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?**

No, as the usefulness of a Board level would be diluted. The Strategic Board should be a more focused group in order to keep decision making appropriate and whole system to better enable the NESO.

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

Technical capability is necessary at a board level, so we would expect to see networks and cross sector on the board with regular check ins with local democratic actors. Diversity in energy system and stakeholder knowledge is vital to support whole system decision making.

We would like to clarify the level of involvement required by the networks, particularly in regions where they are a secondary or tertiary network with only minor coverage; would it make sense for networks to be represented by the primary provider in the region?

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

Answers for questions 13-15 are consolidated. We are comfortable with the boundaries, as we believe that the purpose of them is to cater to the needs of the local stakeholders within them, and all options provide for this.

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

**Question 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)**