

strategicplanning@ofgem.gov.uk

8th October 2024

Regional Energy Strategic Plan (RESP) policy framework consultation

Dear Sir/Madam,

We welcome the opportunity to respond to this important consultation. This non-confidential response is provided on behalf of National Gas Transmission (NGT).

For the RESP and its approach to be successful we feel it will need to evolve, with the support of all stakeholders. We think by creating accountability and responsibility for coordinating a whole system approach to net zero at a local level and alignment with national strategies, it will be able to resolve inconsistencies, and ensure that all vectors (including gas, hydrogen, electricity and carbon) are considered from the outset.

We note that RESP as presented in this consultation, in respect of the gas networks, does not discuss or acknowledge how the current legal and regulatory framework, which GDNs are bound by, is going to be reconciled.

The majority of the RESP policy framework proposals appear to focus on electricity networks and electrification, with almost no mention of molecule related solutions (methane, hydrogen, distributed heat etc.) in the transition to net zero. This includes the demarcation of regions appearing to only being in alignment with electricity distribution networks.

We agree in principle with the proposed RESPs forecasting strategy, of having a three year full update with an annual data refresh. It is similar to the intervals proposed for the Future Energy Pathways (FEP), and hence similar questions are raised, i.e. how to reconcile this with a transporters license and UNC planning horizons, and how to deal with market/network changes occurring within year. There is need to also consider the impact of a short notice annual process and the impact this is likely to have on stakeholders in terms of required input as well as how to respond/use the output.

We generally agree that RESP should help inform the identification of system needs, although it must be clear how this ties in with other publications and processes such as GNCNR¹, and the proposed approach to resolution of inconsistencies between any RESP proposals and network

¹ Gas Network Capability Needs Report to be produced NESO which identifies gas transmission system needs.

company plans. However, we firmly believe the final decision should continue to be between network companies and Ofgem.

We agree with the role of the Strategic Board. However, we propose representation from national network companies, to interconnect all the plans, thereby help validate their credibility and deliverability as part of the national whole energy system. In responding to this consultation, we raise a number of questions, that we believe are worthwhile clarifying.

On boundaries, whilst acknowledging that the RESP regions have been developed based on local democratic demarcation, we raise some questions around the lack of alignment with the existing energy network infrastructure, and make some suggestions on what could be possible drivers for the RESP boundary evolution.

We recognise the importance of this framework in the planning and transformation of the whole energy system towards net zero. We hope our feedback is useful, and we look forward to further collaboration.

If you have any questions or comments on this response, please do not hesitate to contact Paul Sullivan, Head of System Capability and Risk (paul.j.sullivan@nationalgas.com) or Neil Sorrell, Network Strategy Manager (neil.sorrell@nationalgas.com).

Yours faithfully,

Paul Sullivan

Head of System Capability and Risk

Q1. 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.

This is a good starting point, which we believe will need to evolve, and all parties would need to be supportive of it in order for it to be successful. We support the proposal for a place-based approach to planning at the detailed regional level.

However, there is a need for clearly defining the strategy for resolving cases where there is interaction with the National Transmission System (NTS) developments that span more than one region. Generally, different vectors define different zones, so ideally the data would need to be in such a form that it can be aggregated to those vectors' existing zones/boundaries.

Our view is that networks' investments should align, but not necessarily follow, as per the FES24 / RIIO-GT3 discussions on allowable deviations from the scenarios/pathways.

Should a RESP proposal result in a change to the national plan we assume that this will be enabled by some form of reopener.

Q2. 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, at a principle level, but this appears to amount to a regional version of current FES/FEP, right to left planned and potentially unrealistic if left to consumer choice.

There is need for a description of how RESP's long term vision and pathways aligns with NESO's FEP, SSEP and CNSP. Will FEP be the starting point, or the overall driver for net zero investments, with all other plans (RESP, SSEP, and CSNP), developing from that?

Additionally, there is a need for clarity on how this is going to be compatible with current planning horizons as stipulated in the existing legal and regulatory framework for requirements such as the long term development statement and Exit capacity planning.

Q3. Do you agree there should be an annual data refresh with a full RESP update every three years? Please provide your reasoning.

We agree in principle. However, there are a number of questions regarding this approach that we would like to be addressed.

What is the rationale for an update every three years, for RESP, which is also the same as the FEP? We would like to explore a five year update cycle to match current regulatory frameworks, and therefore allow more stable investments?

We think there is need for a stable long term framework for network companies to make decisions, potentially having the ability to review these decisions could negatively impact the investment in the first place.

More clarity is required on what the annual data refresh will consist of, and what will comprise a full update. What happens if an annual update deviates from the long term direction, could decisions be revised through this process?

This sounds similar to the NESO proposal for FEP, which are replacing FES. In this regard we would have similar questions to raise in regards to RESP as against FEP.

Q4. 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.

Yes, a centralised (i.e. NESO administered RESP) approach to the identification of long term system needs is in principle desirable.

This however must consider what the interaction and integration is with CSNP. The regional plan will only be effective if it can be supported by the national plan/delivery.

Uniform planning assumptions used by network companies will help to ensure consistent planning outputs from all network plans. This will minimise potential for divergent view of network capacity requirements and help improve the resulting investment proposals.

With the overall spatial context for capacity prescribed by RESP, this should by implication already create indicative need cases for network companies to develop investment plans to meet identified capacity/capability shortfalls, making it more efficient to develop the plans and recommend investments.

Similarly, having RESP produce strategic network investment programmes, should help trigger (but not oblige) network companies to develop detailed investment proposals which would already be understood and supported by stakeholders. However, there should be the ability to use these detailed plans to feedback to the strategic planning process, potentially leading to some adjustments or refinements.

NESO will produce the GNCNR report which identifies system need at a transmission level. It is important to explain how the RESP approach would feature in this report/approach, as potentially, solutions at either system level (transmission or distribution) could be used to solve the identified system need, either in part or in full.

It is noticed that discussions leading up to this question don't make reference to gas or hydrogen planning, but rather electricity network planning, e.g. there's no gas equivalent to half-hourly profiles or "Generation" and demand mentioned.

We note in the examples outlined (3.21) there is no mention of methane.

As regards network companies remaining responsible for the detailed optioneering of any solutions, we believe this is key, as it is the network companies who own the resulting obligations and therefore the solution.

Q5. Do you agree technical coordination should support the resolution of inconsistencies between the RESPs and network company plans? Please provide your reasoning.

We agree technical coordination could help resolve inconsistencies. Having a single entity to be responsible for defining the overall requirement, will ensure all plans align with the overall objective. The assumption is that existing planning teams from network companies will have significant input to the design of RESP, so that the potential for inconsistencies are minimised.

We would query whether this is actually an advisory role for NESO as opposed to them having decision making powers to change what the network companies are able to do? We feel it

should be clear from the outset who makes the decision when areas of difference or disagreement arise.

Q6. 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?

A centralised approach to supply and demand forecast, i.e. the responsibility of NESO is welcomed, however where there are significant differences between projections by NESO and network companies for a region, then there should be a separate process to resolve that difference. Similar reasoning would also apply to “identifying system need”.

It would be desirable for RESP to describe how existing legal and regulatory framework requirements, i.e. UNC, which influence some of the GDN network planning processes are going to be incorporated into the RESP. This may also apply to license conditions.

Whilst NESO has a technical coordination role it must be cognisant of the legal and regulatory obligations that the network companies have. They need to be mindful that cross-vector optimisation is a goal only once security of supply and safety considerations have been assured.

Q7. Do you agree with the framework of standard data inputs for the RESP? Please provide your reasoning.

Yes, such a framework is welcomed, as this will lead to consistency in drivers for network assessment by NESO at a higher level and those carried out by networks at a detailed level. Overall improved data collection from local actors will facilitate a better translation of national decarbonisation targets into local goals, and vice-versa.

However, there is need to allow for deviations from standard where necessary to ensure appropriate investments are brought forward and security of supply and safe operation of the system are maintained.

It is important to consider how quickly NESO can build the capability to carry out this workload, in respect to the governments’ milestone on the road to Net zero It is worthwhile considering giving GDNs and DNOs more responsibility for regional forecasting/scenarios – with NESO having the responsibility to vet those projections and carrying out alignment tasks with overall national pathways.

Q8. Do you have any suggestions for criteria to assess the credibility of the inputs to the RESP?

We feel Security of Supply to consumers is key in the planning horizon. We suggest the planning assumptions should not pre-empt the potential decline of gas demand, but dealing with it in an appropriate timeframe once it has happened. At the same time the planning assumptions should be promoting new technologies and energy sources before they are actually required.

Q9. Do you agree with the framework for local actor support? Please provide your reasoning.

We agree with the framework. It defines how local actors are going to be engaged and collaborate e.g. defining their roles and responsibilities within “Accountability” function.

However, it would be desirable for the framework to encourage/incentivise local actors to propose the most effective solutions, in addition to NESO giving technical advice, so as not to hinder opportunities for innovation and responding to changes in the energy mix.

In terms of the place-based engagement principle it needs to be shown how it fits together and helps inform the national picture.

Q10. Do you agree with the purpose of the Strategic Board? Please provide your reasoning.

We generally agree with the requirement for a body to carry out the listed functions of the Strategic Board and co-ordinate all participants.

However, as it appears, if NESO is going to have the role of vetting/reviewing RESP, and be the ultimate decision maker on RESP, then it would be more efficient to have regional workgroups in the regional spoke – to reduce duplication and conflict between NESO and Strategic Board.

Either at each of the individual Boards or at a separate overarching board there should be representation from national network companies to ensure all the plans can be knotted together and validated as deliverable/credible.

It is important to acknowledge and provide for how this works for individual companies that disagree with the strategic board recommendations and/or the RESP from NESO?

What happens if participants fundamentally disagree with the plan (assumptions, costs etc.), as per FES/FEP? How does this get resolved? Companies must still be able to bring ' alternative plans forward to Ofgem and say why they disagree with RESP?

Paragraph 4.6 says “final decision maker on the content of RESP is NESO, and 4.9 says “decision making responsibility must be with Ofgem’s regulatory jurisdiction”. Some clarification would be worthwhile.

Q11. Do you agree that the Strategic Board should include representation from relevant democratic actors, network companies and wider cross-sector actors in each region?

Yes. With their roles and responsibilities clearly defined, having such a combination of actors is desirable. Democratic leaders and a wider cross-section of actors will ensure views from local government are considered from outset, and the RESP will be more visible and influential in wider local infrastructure planning.

With network companies’ representation on the strategic board, potential misalignment between RESP and detailed street level plans, as well as linkages to the national picture, could be resolved earlier, potentially minimising reopeners or allowing the timely triggering of them.

However, it is worthwhile acknowledging the challenge of getting agreement from such a diverse representation. It is important to be clear on how proposals to be taken forward will be agreed.

There is a need to define how the potential impacts on national networks from the agreed local proposals are to be communicated and subsequently taken forward.

With regard to 4.24, network companies may align with the direction but we would seek clarity on how disagreements with the outcome/proposals be resolved.

Q12. How should actors (democratic, network, cross-sector) be best represented on the board? Please provide your reasoning, referring to each in turn.

Please see response Q11 above.

Q13. Do agree with the adaptations proposed for Option 1? Please provide your reasoning.

The proposed boundaries do not reflect the natural boundaries on the gas or electricity national network, they appear to be aligned to local authorities. This means that the interaction and co-ordination between RESPs is essential to allow for optimised/co-ordinated national level planning processes on the electricity and gas networks as well as the potential future energy networks for hydrogen and carbon.

Q15. 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).

Yes, from a whole energy perspective, one region for Scotland is desirable. For methane it aligns with the current NTS regional designation, as reflected in current gas related capability and resilience planning.

We acknowledge that RESP boundaries are aligned to local democratic boundaries which would also appear to fit well with the devolved administration in Scotland.

Again, it is noted that the alternative two-region solution is suggested in reference to electricity DNO boundaries. As such this option, to have a split along the boundaries of SSEN and SPEN DNO boundary is not desirable as it is incompatible with the current methane planning processes and is unlikely to be compatible with future network options for hydrogen or carbon, potentially making it difficult for realising efficient whole network solution.

On Boundary Evolution

We think there is scope for the boundaries to evolve, driven from both local and national considerations based on wider infrastructure requirements and the progress towards net zero.