

Ofgem

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Regional Energy Strategic Plan policy framework consultation: Future Energy Networks response**Introducing Future Energy Networks (FEN)**

- FEN is a new membership organisation representing those in the energy industry seeking to understand and enact the changes needed to deliver the energy networks of the future.
- We believe in an equitable and affordable transition to Net Zero for all, with the energy networks playing a fundamental role in enabling this to happen. FEN is leading this change by bringing together the expertise of stakeholders across the energy industry to build the evidence base in support of decision-making, while our member companies invest in the infrastructure required to transport low carbon energy from producers to consumers.
- FEN is a company within the Institution of Gas Engineers and Managers (IGEM), which is the global professional engineering institution for the gas industry. Our current membership consists of the owner and operator of the GB gas transmission network, National Gas Transmission, and the four Gas Distribution Networks (GDNs) – Cadent Gas, Northern Gas Networks, SGN and Wales & West Utilities.
- Collectively, our members own and operate around 280,000km of pipelines in Great Britain – a distance which would stretch around the equator close to 7 timesⁱ. Our members employ over 17,000 people across England, Scotland and Wales, delivering a key essential service for our customers while providing economic opportunity across the countryⁱⁱ. Our members' assets underpin infrastructure which transports energy to keep our homes warm, our industry productive and our lights on, with still close to 85 percent of British homes relying on natural gas to heat their homesⁱⁱⁱ and roughly 1/3 of our power still being generated from natural gas^{iv}.
- We know that the drive to net zero will mean fundamental evolution of our members' assets, regardless of how the pathway to decarbonisation unfolds. We, and our members, want to work closely with all key parties across the industry to plan and deliver the energy system of the future – one which delivers what customers want and in the most equitable and efficient way.
- Now that FEN is set up, we would encourage Ofgem, as well as others in the industry, to engage with us as much as you need on key areas of policy and regulation such as regional energy system planning. We will provide access to the collective expertise of our member companies and engage openly and transparently with all key stakeholders across the energy system.

Our response to the consultation

We warmly welcome the opportunity to respond to Ofgem's Regional Energy Strategic Plan (RESP) policy framework consultation. With our members' responses containing more detailed responses to each of the consultation questions you have asked, we have deliberately kept our response higher level.

We, and our members, are fully supportive of the move to greater local planning of the energy system, and the Regional Energy Strategic Planning framework which is being developed for this. We have been engaging closely with the team at the National Energy System Operator (NESO) as they put the RESP framework and the capabilities to deliver this in place, and this consultation represents a really important milestone on that journey.

The net zero imperative is going to mean that we need increasingly coordinated development of the energy system across multiple vectors, providing the evidence needed to support rapid infrastructure development, with investment ahead of need where possible. Taking this kind of 'whole system approach' does not simply mean listening to all vectors – it means treating all vectors the same and applying the same level of challenge and rigour to analysis conducted on all vectors, without any presumptions on what the outcome of analysis should be.

The RESP proposals should be about presenting the best solutions to energy system problems from multiple vectors at a regional level and then combining this to a genuine whole system plan for the energy system. Achieving this will need really strong challenges and review across vectors. We strongly encourage the NESO to engage with FEN and with our members to ensure the gas sector has an equal opportunity to challenge and support in your stakeholder engagement processes, both in your regional energy system planning work and in other areas.

Our decarbonisation success as a country so far has been primarily in decarbonising power generation. But, as we seek to finish this job and in parallel tackle the enormous challenges of decarbonising industry, heat and power, we will be making changes which get much, much closer to the end customer. We must listen to these customers more than ever, to understand what's important to them in their locality and to bring them along with us on the decarbonisation journey.

This is true not just for the domestic customers spread across the journey but also for industrial and commercial customers throughout the country, whether that be industrial sites, power generators or other businesses. There are 67,000 industrial connections to our gas grid and 460,000 commercial connections, and these users are not all connected in and around the industrial clusters as often thought. They are connected all across the grid, bringing jobs and economic prosperity to all regions of the country. While some of these industrial and commercial users will technically be able to electrify, others have a greater need for the high temperatures and pressures offered by gases. These businesses may also face cost barriers to electrify or be faced with network or connection constraints, all of which mean they need to consider other options, such as supply of biomethane or hydrogen through the gas grid or producing it locally. We must get decarbonisation of these businesses right, or risk offshoring the businesses along with their jobs, economic value and emissions impact.

Understanding the needs of all types of customers at a regional level will be critical to developing a clear whole system picture of the system needs of a net zero energy system. This increasingly regional approach to energy planning is not just a useful step forward – it's going to be essential to deliver a revolution in our energy system which consumers are fully bought into. If we don't do this, we will not deliver net zero.

Having evolved out of the publicly owned corporations that came before, our members have been serving their customers in their regions for generations. As such, our members understand their customers and their network planning takes a customer-centric approach, with the aim of developing and operating a network that best serves the needs of customers. We see the RESP proposals as a natural evolution of this customer-centric place-based approach, providing a formalised structure by which to engage at a local level at a time when rapid

infrastructure change is going to be needed to deliver net zero. The energy system is becoming increasingly decentralised and it's becoming clearer and clearer that different regions will be affected in different ways and will be faced with different challenges and opportunities. We will rely heavily on certain parts of the country to produce the energy we need, whether that be through wind, solar, hydrogen, biomethane or other technologies - and we will rely on certain parts of the country to host the pipelines and power lines to transport low carbon energy to customers. To make this new energy system work, we simply must engage closely with customers and key institutions at a local level, to understand the dynamics in these regions and enable well informed whole energy system planning.

The NESO will be fundamental to achieving this. Now the NESO is formally incorporated, its whole energy system planning function will need to evolve quickly, with the proposed RESPs in different regions across the country being developed at pace to enable them to provide the local views and evidence needed to build whole energy system planning from the bottom up. This is an enormous challenge. The evolution from National Grid Electricity System Operator to NESO has been unfolding quickly, with the soon to be NESO taking on a huge number of extra resources in a quick timeframe. It's needing to undergo a fundamental shift from being an electricity-only organisation to one with an equal understanding of the gas and electricity sectors, and how the two work alongside each other. It's hugely important that the NESO embraces this shift and takes a genuinely balanced approach to the way in which analysis and engagement is conducted, ensuring all analysis takes a whole systems approach rather than seeing and solving problems through an electricity-first lens.

We at FEN are committed to supporting the NESO to succeed in its new whole energy system planning role. We see the new RESP framework as an absolutely critical building block to help achieve this and would encourage Ofgem, the NESO and the wider energy industry to use the expertise of our members as much as is needed, providing the gas system expertise which is going to be so important to the success of the RESP proposals while also utilising our members' local connections and local knowledge. A lot is riding on this, as robust, whole systems solutions are what it will take to deliver net zero on time and at least cost.

If you have any questions about any of the detail of this response, or would like to follow up further, you can contact me at james.earl@futureenergynetworks.org.uk or any member of the team on gas@futureenergynetworks.org.uk.

Kind regards,



James Earl
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Future Energy Networks

Cadent
Your Gas Network



SGN



WALES & WEST
UTILITIES

Northern
Gas Networks



national gas
transmission

ⁱ https://assets.publishing.service.gov.uk/media/646790c70d66460010d9637e/HYS2163_Cadent_Gas_Final_Feasibility_Report_Public_.pdf

ⁱⁱ https://sgn.co.uk/sites/default/files/media-entities/documents/2021-06/Gas_Goes_Green_Sustainable_Development_Goals_Report_2021.pdf

ⁱⁱⁱ <https://www.nationalgrid.com/stories/energy-explained/heating-our-homes-hydrogen>

^{iv} <https://www.carbonbrief.org/analysis-uk-electricity-from-fossil-fuels-drops-to-lowest-level-since-1957/#:~:text=As%20a%20result%2C%20fossil%20fuels,43%25%20and%20nuclear%2013%25.>