

Ofgem Regional Energy Strategic Plan policy framework consultation

Response from the Energy Demand Research Centre and Sussex Energy Group

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Introduction

Energy Demand Research Centre and Sussex Energy Group researchers appreciate the opportunity to respond to this timely consultation on the Regional Energy Strategic Plan (RESP) policy framework. Considering the ability of demand reduction to reduce the amount of supply side investment needed, we very much welcome the introduction of regional level coordination and planning, but wish to highlight the following points before responding to the consultation questions individually:

- **Demand reduction**

We find that the consultation document is overly focussed on finding *supply* solutions to meet an expected increase in demand, using a technocratic whole systems approach. Within the consultation definition of ‘whole system’, gas and electricity are mentioned with heat, transport and industry as whole system vectors. However, demand reduction is referenced

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only briefly as:

- a solution applied after an issue has been raised (paragraph 3.21);
- an input from areas where reduction measures are already in place (paragraph 3.35 and Scotland's LHEES); and
- an advisory role (paragraph 3.58).

We believe this is a missed opportunity to introduce demand reduction as a 'whole system' vector that should be considered before creating demand growth and accompanying supply side projections. Demand reduction measures can have positive impacts on meeting the UK's net zero target, as evidenced in a recent paper in which a whole-system, bottom-up framework to estimate demand reduction at a country level is applied to the UK.⁵ This showed that a reduction in demand of 52% by 2050 compared to 2020 levels is possible, without compromising citizens' quality of life. Modelling a regional energy demand reduction strategy to complement the supply and infrastructure solutions in the regional strategic plan is well within the remit of the RESP, and should be considered as a priority to reduce the costs of decarbonisation to the consumer.

• Local authority input

The consultation document wording suggests that many of the inputs of the RESP are predicated on bottom-up inputs, particularly from local authorities. However, local authority inputs are not homogenous across Britain; the Scottish Government requires all councils to prepare Local Heat and Energy Efficiency Strategies, and the Welsh Government provides funding for Local Area Energy Planning, but there is no such mandate for England⁶. The consultation document states, 'as part of Labour's Local Power Plan, GB Energy will partner with energy companies, local authorities and communities to build cheaper, cleaner power in villages, towns and cities across the country, boosting national energy security'. However, while stating the type of funding and support available, the Great British Energy Bill does not

⁵ Barrett, J., Pye, S., Betts-Davies, S., Broad, O., Price, J., Eyre, N., Anable, J., Brand, C., Bennett, G., Carr-Whitworth, R., Garvey, A., Giesekeam, J., Marsden, G., Norman, J., Oreszczyn, T., Ruyssevelt, P., & Scott, K. (2022). Energy demand reduction options for meeting national zero-emission targets in the United Kingdom. *Nature Energy*, 7(8), 726–735. <https://doi.org/10.1038/s41560-022-01057-y>

⁶ Wade, F., Britton, J., & Webb, J. (2024). Credible and comprehensive? Comparing policy mixes for Local Energy Systems in England, Scotland and Wales. *Energy Research & Social Science*, 110, 103413. <https://doi.org/10.1016/j.erss.2024.103413>

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formally indicate the type of application process to access this funding and support. Therefore, this does not address the current equity issues due to the lack of capacity within local authorities, particularly in England, to access future funding and support. There is a danger of the RESP becoming yet another method for outside investors to identify ‘desirable’ regions, thus increasing the current imbalance seen across Britain’s devolved governments and various local authority tiers. We would like to see more consideration of such equity issues in this policy framework going forward.

- **RESP’s role**

Much of the RESP framework appears to be repetitive of workstream 1B, product 2⁷ completed in the ENA Open Networks project to standardise processes and create the Distributed Future Energy Scenarios (DFES) and accompanying Network Development Plans,⁸ on which the distribution networks base their load related expenditure plans. It should be Ofgem’s duty to ensure that the processes put in place in the energy distribution business planning frameworks are followed correctly, removing the need to re-introduce these processes at a regional level. If this process has been followed correctly, this micro analysis and inclusion of local level inputs, such as local government data and some ‘other sources’ (Table 2, page 30) is more than is required for a regional plan. Most concerns have been aimed at the inclusion of local authority inputs in network planning – but these concerns are caused by the lack of delivery plans and capability within the local authorities, resulting from limited funding, rather than a problem with the processes themselves. Equally, many local plans include connections for generation, but the networks are not currently allowed to invest ahead of need for an increase in supply, only for an increase in demand. These challenges are due to issues beyond the control of either the networks or the National Energy System Operator (NESO), and would not be solved by moving these planning processes to the RESP. A recent UK Energy Research Centre report highlighted the need for

⁷ *Energy Networks Association* (2021). ON20-WS1B-P2 Distribution Future Energy Scenario (DFES) Standardisation [Presentation Slides]. Available at: [https://www.energynetworks.org/publications/on20-ws1b-p2-distribution-future-energy-scenario-\(dfes\)-standardisation](https://www.energynetworks.org/publications/on20-ws1b-p2-distribution-future-energy-scenario-(dfes)-standardisation)

⁸ Poulter, H., and Bolton, R. (2023). Demand Uncertainty on Low Voltage Distribution Networks: Analysing the Use of Distribution Future Energy Scenarios (DFES) in Network Company Business Plans. *British Institute of Energy Economics*. Available at: <https://www.biee.org/wp-content/uploads/2023/09/POULTE1.pdf>

a consistent and appropriately resourced framework for local energy planning across the UK, and for stronger links and feedbacks between these local whole system energy plans, the DFES and ESO Future Energy Scenarios and the new RESP.⁹ The purpose of the RESP should be to coordinate all single-vector plans, such as the Network Development Plans, the DFES, and the transport, water and telecommunications strategies. This would allow the RESP to highlight areas of challenge, such as technological uncertainty or areas of conflict between the different plans. We suggest that further work is needed to clarify what the RESP is coordinating and why.

We would be happy to discuss these points in further detail, so please do not hesitate to contact us.

Yours sincerely,

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⁹ Britton, J. and Webb, J. (2024). Planning Works: Local Energy Planning to Accelerate Net Zero. *UK Energy Research Centre (UKERC)*. P. 14. Available at: <https://ukerc.ac.uk/publications/planning-works-local-energy-planning-to-accelerate-net-zero/>

Response to individual consultation questions

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.

We agree with the principles in general, but there are some omissions and areas under each principle that we feel may need further clarity:

- **Be place-based** – Place-based energy system planning is currently being undertaken by the energy distribution networks, in conjunction with local authorities. Ofgem will need to clarify how and why this new approach is different to the one currently being undertaken, thereby providing a definition of what they mean by 'place-based'. Does Ofgem's definition reflect that different areas may have different priorities? That regionalisation may show varying rates of change? Or the expectation that there are frameworks in place that allow for local area energy planning – something that is currently not mandated or funded in England and nascent in Wales and Scotland?
- **Be whole system** – Although we welcome Ofgem's focus across the gas, electricity, heat, transport and industrial sectors, we think this is a missed opportunity to introduce and recognise demand reduction as a sector in its own right, and one which will bring multiple financial and social benefits. Energy demand reduction involves technical (e.g. flexibility, retrofit), social (e.g. changing consumption patterns, active transport) and environmental (e.g. shading) solutions that cross all sectors. Reducing demand lowers the costs of expected supply – so benefitting all energy users – while also providing other co-benefits, such as improving health through better living conditions and exercise. Creating a regional plan for the investment in infrastructure, without trying to reduce this investment initially through a regional demand reduction strategy, is a missed opportunity to reduce the costs of decarbonisation.

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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.

We agree with this as the purpose of the RESP but do not agree with some of the methodology. We are happy to see standardised processes across the regions, and that the RESP will coordinate between the distribution and transmission networks. We would, however, note that the creation of the RESP should not repeat work that is already being undertaken by the distribution networks. Since 2020, the Energy Networks Association has been working with Ofgem and the energy distribution networks to standardise processes for the inclusion of local level inputs into the strategic planning of the networks. The DFES already provides a long-term outlook and the information for the Distribution Network Operator (DNO) Network Development Plan, which is a 5–10-year outlook, and the DNOs also use a 0–5-year outlook for near-term planning. We recognise that these are single vector plans, but rather than repeat this work, the RESP should create an optimised version from the current energy planning in each region and also coordinate these with strategic planning from other sectors. We also would like to highlight that the current ambiguity in the distribution network plans around input from local authorities is less to do with the networks' planning approach than the lack of capacity and funding to produce decarbonisation plans, and further plans for their delivery, at the local level. Although we welcome the idea of a 'one stop shop' for information on how to create an energy plan within the NESO, unless local areas are given the required funding, changing the methods of gaining local data will have no overall impact on the RESP itself. However, it *will* involve the NESO having to interact with a large number of local authorities – something which may be beyond the NESO's current capabilities, but within the DNO's remit. As time is an important factor in achieving a clean power system by 2030, it may be worth revisiting the RESP methodology to avoid areas of repetition.

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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 with an annual data refresh, but a full RESP update should coincide with the networks planning for their price control so they have the most up-to-date information on which to base their expenditure.

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.

We agree that the RESP should provide consistent assumptions, which can be used by the networks in their forecasting, and that spatial forecasting is needed. This type of work will highlight areas that could be utilised for Low Carbon Technology connections. We would also recommend that the RESP could identify demand reduction approaches in spatial forecasting, beyond that which the networks are able to offer, in areas where there are forecast capacity issues.

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

This should be a primary function of the RESP, as there is currently no regional coordination of the multiple forms of single vector planning being undertaken across the country. The RESP should coordinate the local supply network, transport and industrial planning to highlight not only inconsistencies in the network planning, but also areas of conflict, such as separate local plans identifying the same area of capacity. It should also be able to bridge across local authority areas to coordinate transport and heat initiatives.

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

(Q 6 and 7) This seems quite repetitive of what is already being done by the networks, apart from taking a whole system approach, which would be the coordinating element of the RESP. As mentioned previously, the limited input from local authorities is due to lack of capacity and funding, and so there is no delivery plan for the networks to incorporate into their forecasts.

Paragraph 3.39 states that ‘there is limited consistency in how data from local spatial plans are incorporated’. Evidence of this has not been observed during current research. Data is collected by three consultancies for the six DNOs and given to them as numbers of expected technologies. Each consultancy covers multiple DNOs and the many local governments. The inconsistency lies, as mentioned previously, with the inconsistent nature of local energy planning at a local government level, rather than how the data is collected.

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

We agree that one of the main roles should be local actor support; a one stop shop to access information is needed. However, this needs to be backed with funding for local capacity actors from HM Government. Currently, in England, no one is responsible for local planning for energy, while in Scotland there is the Local Heat and Energy Efficiency Strategies (LHEES), and Wales has recently allowed funding for Local Area Energy Plans (LAEP). All local planning also needs to have access to financing for delivery, which may be provided by Great British Energy, but if this is not matched by funding for local decarbonisation planning in England, it is likely that there will be extreme variation across the regions.

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

If the RESP were a coordinating body that brought together the plans currently in existence rather than producing new ones, then working groups would be repetitive of what is already happening at a local level. There is no reason to add another layer to repeat work that is already being completed. The Strategic Board may have oversight of how the plans are being coordinated and ensure a whole system approach is being used. However, the layering of further groups involved with planning – involving additional cost and time to implement – does not seem to be an effective use of resources at the current time.

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, we agree.

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About the Energy Demand Research Centre and Sussex Energy Group

Energy Demand Research Centre (EDRC)

The EDRC undertakes research for an affordable and secure low energy future. Our interdisciplinary research programme identifies evidence-based energy demand reductions for a sustainable and more equitable future. We work closely with partners from policy, industry, civil society and academia.

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The Sussex Energy Group

The Sussex Energy Group is a globally networked, interdisciplinary group of energy policy researchers at the University of Sussex, studying transitions to net zero energy systems that are fair to everyone. We produce world-leading research addressing contemporary policy challenges.

How the consultation response should be referenced

Poulter, H., Foxon, T. J., Fell, M., Stack-Maddox, S., Higginson, S. Response to the Ofgem Regional Energy Strategic Plan policy framework consultation. October 2024. Energy Demand Research Centre and Sussex Energy Group.

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