

Rebecca Evans AS/MS

**Ysgrifennydd y Cabinet dros Gyllid, y Cyfansoddiad
a Swyddfa'r Cabinet
Cabinet Secretary for Finance, Constitution & Cabinet Office**



**Llywodraeth Cymru
Welsh Government**

Ein cyf/Our ref MA/RE/10567/24

Jonathan Brearley
Chief Executive Officer
Ofgem
10 South Colonnade
Canary Wharf
London
E14 4PU

9 October 2024

Dear Jonathan,

I am writing in response to the current consultation on the Regional Energy Strategic Plan policy framework. I welcome the recognition of the need for action in this important area. The Welsh Government has submitted a comprehensive response to the consultation and I attach that response as part of this letter.

The Welsh Government welcomes the proposed approach to a long-term evidence-based strategic plan for the energy system. We have for some years supported a planned approach to the energy system, which we consider is the most effective way to respond to the climate and nature crises. An affordable, reliable and low carbon energy system is essential to deliver a more prosperous future for Wales. We are pleased to see recognition of the need for place based and regionalised input to energy system planning.

We broadly support the proposals in the consultation. However, the complexity of governance in this space cannot be underestimated. The people who live in a place should be closely involved in developing a vision of its future, making sure it will meet their needs and be a great place to live. The network companies have an important role in delivering network plans that support these democratically agreed place-based plans.

The Welsh Government has been active in system planning in recent years. We have developed Regional Energy Strategies and Local Area Energy Plans across the whole of Wales, providing a solid evidence base to support coherent action at the local and the national levels. These plans provide a clear steer for what gas and electricity network operators need to deliver to support these plans, to inform a National Energy Plan. They place Wales in a strong position regarding the proposed RESP.

We recognise the urgency in planning and building the new electricity and gas infrastructure we need for the future. Our Future Energy Grids for Wales report strongly identified the need

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

for new transmission and distribution networks. However, we are clear that we must avoid decisions on networks being the driver of how places evolve. Access to networks will allow technology adoption and it will also attract infrastructure wanting to connect. This must be directed to the appropriate places capable of accepting the developments. Lack of access to networks will prevent businesses from expanding and decarbonising, risking economic prosperity. It is increasingly important to integrate energy thinking into the existing spatial planning process.

I am pleased that your consultation recognises this requirement to enhance accountability. In Wales we have the ambition to address this gap through existing democratic processes in the medium term. The public acceptance of the scale of change needed for decarbonisation requires new democratic frameworks and ways of working. We would encourage Ofgem and the National Energy System Operator (NESO) to work with us to build on the existing spatial plans in Wales, and the regional spatial plans under development in Wales, to further a planned approach to a prosperous low carbon future. We agree the need to create a shared vision in each region to encourage delivery at the appropriate levels.

We received strong messages from Welsh stakeholders that the RESP process should use existing mechanisms, rather than add to the existing complexity. This will be challenging but necessary.

We see an opportunity for Wales to be a pathfinder in this complex area of governance. We are keen to work with Ofgem to build on the strong start we have made in Wales. We offer to work with Ofgem to develop principles and processes for place-based involvement and governance that can be applied across Great Britain.

I look forward to continued collaboration in relation to your proposals to achieve the energy system we need for to deliver on our Net Zero targets and on Wales' Wellbeing goals for a more prosperous low carbon future.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The script is cursive and fluid, with the first name and last name clearly distinguishable.

Rebecca Evans AS/MS

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Appendix - Welsh Government Response to Regional Energy Strategic Plan Policy Framework Consultation

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.

Overall, we agree with the principles, at this very strategic level. We have set out our thoughts on each principle, followed by principles which we believe to be missing.

(1) Place-based: it is essential that the RESPs consider local and regional factors. There is an opportunity for existing evidence (DFES, LAEPs, RDPs) to inform the creation of the RESP. The RESP could provide a structure to synchronise the delivery of wider plans. However, further clarity is needed on how NESO will take a holistic view of all the regions' RESPs. For example, some regions may be expected to transition to net zero faster or slower than others. Outputs of one RESP may be a key dependency for another: for example, when transmission grid upgrades are required outside of Wales to support the Wales RESP.

(2) Whole system: this principle should be the central vision, so RESPs are an opportunity to bring together currently siloed thinking on energy system infrastructure. However, the lack of alignment between the RESP process and the GD3 and ED3 plan development timelines could make creating the RESP more challenging. Aligning timings or separating out decisions on the funding for operating network companies from the funding for investment could be beneficial.

(3) Vision-led: Although implicit in the work of the RESP, consider making 'compliant with net zero' explicit in this principle.

(4) Proactive: The ability to adapt to changing circumstances is important, but lack of certainty is a huge barrier to action with the urgency the climate crisis demands. The ability to respond to uncertainty in a fast-changing system is critical. The RESP will need to provide certainty wherever possible. On industrial decarbonisation, policy decisions are important and so are the decisions made by global industries. Better dialogue between industrial partners and network companies is important to encourage early sight of needs and provide confidence to allow investment. Welsh Government is supporting this in Wales through Net Zero Industry Wales, which is providing a forum for this thinking to happen.

We suggest that the following principles are considered in addition:

(5) Just transition: We believe that a distinct 'just transition principle needs to be added to the RESP methodology. There is no single definition of a just transition, so this would need to be clearly defined. The RESP must be developed with the involvement and input of the people it will support and impact. The [Wellbeing of Future Generations Act in Wales](#) provides useful principles and ways of working that include involvement.

(6) Evidence based: It will be essential that the RESP is designed based on the best available evidence, both from existing plans and on technical knowledge from the energy networks.

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.

We agree that a long-term vision alongside short-term and long-term pathways are necessary to delivering places that people want to live in and can prosper.

Existing evidence, such as that already used to develop DFES and LAEPs, can be used to inform the short-term and long-term pathways, noting that there will be more certainty in the short-term pathways compared to the long-term pathways. The long-term pathways will set the scale of ambition and allow consideration of where infrastructure that will be highly likely to be needed should be agreed and delivered early, to minimise delay.

Welsh Government, with input from others, has developed a suite of evidence and plans that should inform the long-term vision. Our statutory climate targets are set out in the Environment

(Wales) Act and more detail is developed in each plan for delivering the five-year carbon budgets. We also recently published our Heat Strategy for Wales.

Spatially we have published [Future Wales: the National Plan 2040](#), our statutory national spatial plan. Each region of Wales has a Corporate Joint Committee charged with developing Strategic Development Plans, to enable a more consistent, cost effective and efficient approach to planning. SDPs will deliver more effective planning outcomes for communities by ensuring key issues, development and associated infrastructure is planned for in an integrated and comprehensive way across a wider geographical area. Wales has already developed regional energy strategies that look to identify economic opportunities from the energy transition. Now each local authority has completed local area energy plans (LAEPs) we can link this evidence to detailed delivery plans.

The same bodies are also developing Regional Transport Plans, consistent with the [Wales Transport Strategy](#), which will set out policies to provide for safe, integrated, efficient and economic transport facilities and services in the region. These plans must meet the needs of persons living, working, visiting, or travelling through the region. The opportunity for these strategies to inform and be informed by RESPs is significant.

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

The proposed schedule looks like a sensible framework for inputs. There was a strong sense that having up to date information will reduce uncertainty and allow for technological advancements to be included. There were questions about the relationship between the DFES produced by networks companies and whether the RESP will replace them.

However, consultees asked for more detail on how this will align to other existing planning processes, such as local development plans (LDPs). Some of these pieces of work take years to compile and it will be important that RESP works with them, rather than adding an additional burden.

It will be important to consider how data and reports will interface without creating duplication in data submission requirements. This was cited as important to eliminate unintended discrepancies across submissions, and to manage workload to compile inputs across bodies with differing levels of resources.

Consultees felt that there should be a standardised system for input of data for the RESP, which aligns to other data gathering exercises. They would like to be able to feed into it as data becomes available. This could be a 'soft' annual refresh, with data gathering throughout the year and a cut-off date for that year's refresh, rather than a limited submission window which may require review and re-submission of a report gathered 9 months earlier.

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.

This question refers to: (1) providing consistent assumptions, (2) setting out the spatial context for capacity needs and (3) informing strategic network investment.

(1) Consultees wanted clarity whether each RESP region will have to follow the same assumptions as set by the central RESP Team, or will regions have scope to adapt assumptions based on local need. However, the consultation gave examples of assumptions that related to the mechanisms of network planning rather than assumptions about what pathways for a specific area might look like. Overall, Welsh stakeholders thought the benefit this would bring from having consistency where more than one DNO covers a region would be important.

(2 & 3) Consultees considered that providing the spatial context for capacity needs and informing strategic network investment should be fundamental objectives for the RESP. The opportunity to explore specific spatial opportunities and constraints was seen to be important in determining whether options apart from reinforcement were realistic. The cross-vector nature of RESP work

is likely to identify different options to reinforcement. RESP could also provide an opportunity for wider engagement with companies who could make a valuable contribution and realise value from participating in emerging flexibility markets.

Our Ynni Cymru programme is developing smart local energy system solutions and we look forward to working with the RESP team to provide input to this area.

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

Ensuring that network plans take proper account of the optimal solutions to network planning is one of the key advantages of the RESP proposal and we welcome early thinking on how this will be achieved. The role of technical coordination is welcome. However, there will need to be a clear process in place for resolution of differences between DNO plans and those of the RESP. This will need significant technical system optioneering expertise to credibly challenge DNOs and identify workable solutions. It is worth considering how to best use the limited number of people with these skills.

This also plays into work Welsh Government is considering in relation to timely delivery of planning and environmental consents. Decision makers will also need reliable and impartial advice to opine on whether network proposals are necessary and optimally designed. It would be worth considering what other agencies or bodies could support this process and avoid over-burdening the NESO.

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?

Views on the three building blocks are detailed below in turn.

(1) Modelling supply and demand: We believe that the single short-term pathway should have a time horizon of 5 years, in line with the proactive principle. A time horizon of 10 years could make engaging with stakeholders more challenging. It was suggested the long-term pathways could show a variation in meeting the net zero target earlier than expected, on time and later than expected.

Consultees felt it is still unclear how the work of network companies, who already model supply and demand to develop their DFES, will fit with the work of the RESP. Consultees felt there was a danger of duplicative work that might not align perfectly. There is a risk that the RESP pathways will not provide sufficient detail to enable the DNOs and GDNOs to carry out detailed planning.

(2) We agree that identifying system need is an important role for the RESP. Applying commonality in data collection, assumptions in modelling and assessment of spatial implications should help in achieving consistency across the GB system. We consider there should be support for proactive system investment at an early stage, committing to intervene once to minimise disruption and enable fast action.

(3) Technical coordination: Optimal solutions can only be designed within a whole system framework. However, this is likely to be challenging and access to people with sufficient cross vector knowledge at the distribution level is likely to be a constraint – or a drain on DNOs. A clear approach to dispute resolution should also be developed.

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

Data consistency, data standardisation and data rationalisation are key for stakeholders to be able to effectively feed into and work with the RESP framework.

No additional inputs were identified but all respondents had concerns about the potential to duplicate data or resubmit data in a different format to how it is being gathered already. This could make the process burdensome or resource intensive, and potentially inaccurate or incomplete.

If it was felt that it would be a critical activity for the NESO to work with DNOs and local and national governments to review the data sources available, their formats and corporate sensitivities. Understanding barriers to data collection and sharing will be fundamental to well evidenced plans. There could be an important regulatory role for Ofgem in bringing coherence to data collection from the network perspective.

It was suggested that work could be done in conjunction with digital twin schemes so that inputs gathered align through the most useful tools available.

In Wales we have access to very many data sets through [DataMap Wales](#). We would be happy to work with NESO and the emerging RESP team to explore how this could be helpful in the data landscape. A national approach to data collection and criteria, backed by regional approaches to digital tools and data sets, could be a productive way forward. Amassing all data at a GB system level appears challenging and potentially unwieldy.

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

Stakeholders felt that there are many credible existing data sources that are captured by the framework. The blend of data from national, local and regional sources was felt to be important to capture and consider regional variations.

Timing of data collection will feed into how up to date or relevant it is. Aligning the RESP process with other data collection or reporting exercises was cited as important to ensure the RESP is based on current data and is therefore credible.

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

The approach described outlined a range of proposals that would be helpful in supporting local plan development to consider energy infrastructure as an important element. However, the support assumes local authority staff and elected members have the capacity to take advantage of this support and develop skills and knowledge to become active participants in developing network plans.

The relationship between network companies and authorities has grown and strengthened through the LAEP processes here in Wales. Our experience is that most authorities are under resource constraints and, though they see great benefit in developing these plans, it requires resourcing. We agree this is outside the scope of network funding to provide.

Welsh Government has provided some resource to date but has identified the need for additional support across Great Britain to be confident that local, regional and national authorities can engage effectively with the energy planning process and, potentially more importantly, resource the coordination of delivering these plans in ways that give Ofgem and network companies confidence in delivery.

Network companies in Wales provided evidence about the range of services they already provide to local authorities, like those listed in this framework. There should be an early discussion to identify where support should come from DNOs and where it should come from NESO.

Consultees agreed that there is value in having a bank of energy planning good practice and case studies. Examples where things haven't worked would also be useful and potentially provide richer learning.

Consultees expressed the need for NESO to understand Local Authorities, processes to ensure issues or reservations are known. NESO setting out how they will engage with and listen to local actors is important.

Local actors felt they would like support from NESO around community engagement with energy system plans, including what community benefits may be available and how they can be accessed.

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

Welsh stakeholders are broadly supportive of the concept of having a national, high-level Strategic Board. The proposed purpose of the Strategic Board is to *“provide a forum for collaboration, navigating trade-offs and supporting whole system planning and ensuring the RESP reflects the regional context. The Strategic Board will oversee the development of the RESP and at key stage gates will produce a recommendation and a potential steer on key decisions being made.”*

Welsh stakeholders welcomed the approach of embedding representatives of those impacted by network provision into the network plan development process. Having democratic representation on the Board will help make informed recommendations that are likely to be locally acceptable. If RESP is explicitly a network plan, then the NESO being the final decision maker approving it is appropriate. However, where the RESP is the principal mechanism for developing a place-based vision and plan, approval of that plan - to support which the RESP will be designed - should be by elected members. The consultation (para 4.10) refers to NESO being the decision maker for strategic energy planning. We consider that should read explicitly as “strategic energy network planning”.

Conflict resolution will be essential if the RESP governance is to be effective. We agree though that this should be part of the RESP methodology and not a separate process. The prioritisation and optioneering element could cause conflict within regions of the RESP area. Resolving conflicts amongst Board members could be challenging and depending on the nature of the conflict, the NESO may not be the appropriate party to resolve it. Ensuring local actors with different levels of power are represented and effectively heard on the board could require some sort of independent oversight.

We consider the Board should not be in addition to the existing structures but should work out how best to work with them. In Wales due consideration should be given to the Welsh Government, Corporate Joint Committees (CJCs) and existing governance around the Regional Energy Strategies and Local Area Energy Plans (LAEPs). Stakeholders feel that existing structures could be evolved to take on the role of the Strategic Board, building on the success and momentum from the LAEP process in Wales. Wales has the building blocks in place to create a RESP quickly and effectively.

We consider it likely that there will need to be supporting structures below the Board to ensure Board members are able to properly represent local authorities and other stakeholder groups in an informed way.

In Wales the Board must ensure alignment between local, regional, and national energy planning. It is important that local level granularity (e.g. data in the LAEPs) is not lost if outputs are to be acceptable and deliverable. The Board will need appropriate resourcing and advice if it is to be effective.

Further clarity is needed on the plans for the working groups and workshops, such as how they will operate and feed into the Board. In Wales we can develop this thinking, building on the outcomes of the LAEPs.

As the Board has no decision-making powers, there is a risk of senior leaders quickly delegating to relatively junior staff if the importance of the work is not clearly understood.

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?

Yes, we agree that representation should be across democratic actors, network companies and cross-sector actors. We agree that the “embedded model”, bringing together the different types of expertise required would be the preferred route.

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

Consultees expressed a variety of views on the expected level of seniority of democratic actors as there is no statutory energy role in the public sector. There was broad support for the four regions of Wales being involved in the Board. As CJs have jurisdiction over planning, energy and transport, they could be helpful in representing the views of the authorities within their area. This would require the use of subgroups to make sure local thinking and delivery plans were effectively represented.

In Wales the following Board participants on the Board were suggested:

- **Welsh Government:** a senior official potentially supported by technical expertise and in consultation with Ministers.
- **Local authorities:** consultees considered Environment Officers/Directors would be appropriate due to the technical nature of the work, in consultation with Leaders of authorities.
- **Networks:** the three DNOs NGED, SPEN and WWU. The DSO Managing Director or Head of Systems Planning were proposed as suitable representatives. An iDNO representative could be included depending on the level of iDNO activity in the area.
- **Industry and businesses:** Net Zero Industry Wales would be the obvious industry choice in Wales, working with CBI and FSB. Consultees identified district heat network companies as needing representation in the process, though the sector is not strong in Wales.
- **Health:** the health service has significant assets and should be involved, potentially via regional working groups.
- **Environment:** Natural Resources Wales as the environmental regulator would have a strong interest.
- **Citizen interests:** the social and economic impacts on people could be represented by suitable organisations such as Citizens Advice.

Consultees thought it important to consider how the public should engage with RESP. Such public consultation would require resourcing from NESO working in conjunction with local government.

Consultees also considered the Board needed to have access to the expertise and skills to question the modelling and challenge appropriately. Whilst DNOs may generally be well placed to help with this, there may also be need for independent expertise if DNOs disagree. This could be supplied by independent commercial grid consultancy companies.

Further work is needed to clarify the membership of the Board and the working groups. The best Local Area Energy Plans had different sectors represented in working groups including planning, economic development, the environment, transport, businesses and communities. It will be important to use existing working groups to minimise workload where possible: for example, CJC sub-committees. It would be useful to have further discussions around the purpose of working groups as part of future development.

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

Wales is unaffected by this change therefore will not comment.

We would however like to reiterate our support for a single RESP for Wales. Please note that there is some concern around 'regional' being used to describe the boundary for the nation of Wales. We propose using different terminology for the Welsh RESP to better reflect this.

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

n/a

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).

n/a