Email to:

resp@ofgem.gov.uk

11 October 2024

Dear Fiona,

Response to Ofgem's consultation on the Regional Energy Strategic Plan policy framework

Scottish Renewables is the voice of Scotland's renewable energy industry. The sectors we represent deliver investment, jobs and social benefits and reduce the carbon emissions which cause climate change. Our 360-plus members work across all renewable energy technologies, in Scotland, the UK, Europe and around the world. In representing them, we aim to lead and inform the debate on how the growth of renewable energy can help sustainably heat and power Scotland's homes and businesses.

RenewableUK members are building our future energy system, powered by clean electricity. We bring them together to deliver that future faster; a future which is better for industry, billpayers, and the environment. We support over 400 member companies to ensure increasing amounts of renewable electricity are deployed across the UK and access markets to export all over the world. Our members are business leaders, technology innovators, and expert thinkers from right across industry.

RenewableUK Cymru is the voice of the renewable energy industry in Wales. We are a regional office of RenewableUK, the UK's leading renewable energy trade association. We support up to 50 members with Welsh interests in the renewable energy sector who are building our future energy system powered by clean electricity, providing investment, jobs, social and environmental benefits and reducing the carbon emissions which cause climate change. We advocate on their behalf to deliver that future faster for Wales.

Solar Energy UK works to support over 400 member companies. Our mission is to empower the UK solar transformation - catalysing our members to pave the way for 70GW of solar energy capacity by 2035.

Scottish Renewables, RenewableUK, RenewableUK Cymru and Solar Energy UK appreciate and welcome the chance to provide feedback on Ofgem's consultation regarding the Regional Energy Strategic Plan (RESP) policy framework. We broadly support this approach and agree with its whole-system focus. However, we believe some challenges remain in implementing and delivering the RESP.

The Regional Energy Strategic Plan (RESP) is one output which is part of a broader institutional governance reform programme of the energy system, which includes – among others – the newly established National Energy System Operator (NESO), which will be responsible for producing the RESP; the Future Energy Pathways (FEP); the Strategic Spatial Energy Plan (SSEP); and the

Centralised Strategic Network Plan (CSNP)[1]. **These strategic plans need to be considered concurrently and greater clarity on how they interact is needed.** To enhance the understanding and confidence of all stakeholders and ensure coherence and consistency across the initiatives, we believe it would be beneficial to draw out the hierarchy of these strategic plans and pathways and their link to the Clean Power by 2030 Plan[2] (CP30).

We are pleased that Ofgem is looking to **introduce a stronger democratic element**, especially through the regional strategic boards and with a focus on place-based coordination and engagement. We believe this approach is much needed, but close attention should be paid to **avoid duplication of work** by existing stakeholders within the RESP, i.e., **networks, local authorities, and community groups.** Several local-level energy plans exist, including Local Heat and Energy Efficiency Strategies (LHEES) and Local Area Energy Plans (LAEP), which local authorities may have spent time and money creating. There is also a need to align these local development plans with the Government's Heat and Buildings Strategy[3], the Scottish Government's Green Industrial Strategy[4] and its Hydrogen Action Plan[5].

A major concern we have with the RESP proposal is over the current **timeline, particularly in the context of the RIIO-ED3 price control period**. The finalisation of this consultation is entirely misaligned with the ED3 price control period. Ofgem aims for NESO to develop the initial regional plans and fully coordinated system regional plans by 2026 to influence the upcoming business price control periods for the networks. However, we believe that this timeline may be too late, considering the networks' ongoing work. Distribution networks will submit their final business plans by the end of 2026, with drafts due by mid-2026, while the RESPs are expected to be delivered in early 2026. Network operators will be seeking clarity and agreement on a Minimum Viable Product (MVP) by at least mid-2025 and thus, the timings around the output of RESPs or an additional consultation with further practical information must be reconsidered.

We are also unsure about the realistic actions that could be taken in the next year to contribute to the development of these plans. Given that the consultation lists key inputs to the RESPs to include the SSEP and CSNP, which are due for publication in 2026 and 2027 respectively despite the first RESPs being scheduled for publication in 2026, there is already a disconnect in timing.

The question of **accountability** also needs to be more closely considered. While NESO will remain ultimately responsible to Ofgem under its licence, the plan for strategic oversight within different 'regional spokes' opens the possibility for disagreement both between regions and the central hub and within

[1] The Holistic Network Design (HND) was the first step towards a more centralised, strategic network planning approach and the precursor to the CSNP.
[2] Advice on decarbonising the power sector by 2030 - GOV.UK (www.gov.uk)
[3] Heat and Buildings Strategy (publishing.service.gov.uk)
[4] Green industrial strategy - gov.scot (www.gov.scot)
[5] Hydrogen action plan - gov.scot (www.gov.scot)

regions internally. In response, Ofgem should **establish a clear dispute mechanism to manage conflicting views** within and across different regional spokes.

In addition to the RESP's interaction with larger strategic plans, greater detail around its interface with incoming policy levers, such as connections queue management and planning decision-making, needs to be included. Connections Reform appears increasingly likely to reorder the queue to align with CP30 and possibly the SSEP. At present, it is unclear if there will be any formal link between the RESP and the connection queue. We would also welcome clarity on the interaction between the RESP and local planning decisions, particularly considering the proposal for local authorities to be part of the RESP boards. We believe individual developers remain best placed to select locations for projects and thus believe it would be inappropriate to make inclusion in the RESP a precondition for planning consent. To do so would give the Regional Energy System Planner veto over the planning system, which we believe to be outside of its remit.

Transmission and Distribution coordination has also been somewhat overlooked, which is key in Scotland where 132kV network is classed as Transmission. Transmission Operators (TOs) will have an important role in supporting NESO in bridging the gap between national and local strategic planning, particularly in light of this Scottish nuance.

Finally, we would like to see **further consideration of the consultation responses and an extended engagement process** regarding the input of energy developers and generators into the development of RESPs. Based on existing levels of engagement and consultation on other reforms, including Connections Reform and the Review of Electricity Market Arrangements (REMA), we are sceptical that the consultation will be undertaken in a way that ensures generators' views are fully heard and taken on board. It is our understanding that the consultation will be conceptually approved, however, we are concerned around Ofgem's assertion to not seek further consultation on specific guidance. It may be appropriate to allow for more comments on the practicalities. We ask that consultation and engagement processes be further considered to allow for comment on the practicalities of the proposals. Overall, we support the RESP's conceptual aims and purpose but there remain large unknowns around the workings and implementation of the plans.

Scottish Renewables, RenewableUK, RenewableUK Cymru and Solar Energy UK members are keen to be involved in the further development of the RESPs and, as we see appropriate, further consultation on the proposals. Please find our response to the questions in the consultation below where we have provided more detail on the highlighted issues. Scottish Renewables, RenewableUK and Solar Energy UK would be keen to engage further with this agenda and would be happy to discuss our response in more detail.

Yours sincerely,

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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 set out by Ofgem as a good foundation for building the RESP process.

However, there are several areas in which greater clarity would be beneficial. For instance, while the principle of being vision-led is welcome, it will be important to clearly set out where the vision is coming from, i.e., from the FEP, SSEP, the RESP central hub or the strategic boards. It will also be vital to set out a clear process for the interaction between a clear, long-term vision and the place-based approach to ensure there is no divergence in approach between regions over time.

It is also essential that the principles do not undercut each other. For example, a place-based approach may be challenging to achieve on a whole system basis; the difficulty lies with how granular the place-based approach is.

From the consultation, we understand that NESO is to establish a strategic board within each region, consisting of representatives from networks and local authorities, among others, to define the higher-level vision that stakeholders can work collaboratively towards. We see this as a positive thing, albeit potentially challenging to establish.

When considering these principles for creating RESPs, different regions will need different levels and types of support. Across the UK, some local authorities have much more ambitious targets than national-level government, while others less so. Some local authorities also have significantly more resource and capacity to achieve these targets than others. NESO should set out their role in managing the expectations of local authorities in line with the national vision. Alternatively, should it come down to the inputs, criteria, or levels of detail that a local authority can provide to NESO to demonstrate that they are more ambitious and have credible plans, which NESO can then consider.

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 there is a role for a long-term regional vision alongside a short-term pathway, subject to what information is intended to be included and how prescriptive it may be. As a guiding principle, we believe there should be alignment between the FEP and the SSEP. We think introducing a more strategic element, such as the overarching board, will be essential. However, there is a significant difference between five and ten-year pathways regarding confidence in assumptions and planned activities. The shorter term of five years is preferable as it allows for more precise planning. We also need to ensure that the same assumptions are agreed upon. For example, there are different levels of spatial planning, such as Lower Layer Super Output Area (LSOA), transmission, distribution, and local authorities and we need to align these different granularities. It's also important to communicate and work with these assumptions in the interim, possibly starting with the democratic aspect. Clarifying these points will help inform business plans, especially on timelines.

An additional point regarding short-term, prescriptive or direct pathways is that the next stage of detail is important from a policy perspective. How does the short-term, direct pathway interact with connections and connection changes? For example, a specific large connection request could impact the plans being discussed. Ofgem should clarify in the next stage how we can identify what constitutes a short-term pathway and how it interacts with new information that arises. Circumstances can change

very rapidly within a horizon of five to ten years. Short-term, direct pathways still need established processes, particularly concerning connections.

We have found that short-term pathways, such as the Distribution Future Energy Scenarios (DFES)[6], are broadly cohesive and, through close engagement between Distribution Network Operators (DNOs) and industry, can be very reliable. Therefore, we see this as a good investment. However, there is currently a lack of clarity about how to incorporate the longer-term vision both at the regional and national level (e.g., FEP, SSEP, CSNP). The need to minimise risk and uncertainty to investors is essential when considering publishing any pathway or vision document. Generation projects have long planning horizons, which must be considered in system planning.

There needs to be clarity around the ultimate accountability for networks. Electricity and heat networks will ultimately be accountable to Ofgem for their funding and not to NESO or the RESP plan. Therefore, for the RESP process to be effective, there must be clear linkages from the RESP to Ofgem's funding decisions. We see this as one of the main challenges during the process.

The decision-making process involving network stakeholders is uncertain. Industrial stakeholders can currently approach networks with their plans, which then get incorporated into distribution networks. However, there is a risk that this engagement may be weakened.

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

Principally, we agree that it's important for this process to be iterative, with updates made annually and a complete framework change every three years. Ofgem must distinguish between a plan and a strategy and as such, longer-term strategies and objectives should be established prior to annual plan updates. Tactics and programs should only be adjusted annually.

However, while the RESP must be based on accurate and current data, there needs to be clarity on how this will be delivered in practice i.e., which data, who submits it when and to whom and which elements will be refreshed annually vs. every three years.

How the iterative process is implemented will be crucial. Within existing systems, the networks' approach to DFES is very comprehensive and the process is improving each year to gather a wealth of data from various sources such as local authorities, industry, different government departments, and housing and planning for new buildings. It is vital that the RESP process does not amount to duplication of existing work and considers existing and future publications and activities.

The devolved governments have made significant progress in energy planning, which raises a broader question about the importance of Regional Energy Strategies and Plans (RESP). One could argue that RESP is potentially more necessary in England than in Scotland and Wales. It could also be considered that this leads to a more flexible approach in Scotland and Wales, with less strict regulations and more room for adaptation.

The lack of practical details in the plan is causing uncertainty. It's important to maintain flexibility to avoid slowing down the progress that's already been made. Ofgem needs to find the right balance to address both of these concerns.

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[6] National Grid - Distribution Future Energy Scenarios

While some of the 'bottom-up input' data sources listed in Table 2 of the consultation document are already refreshed annually, some are not. This could be a challenge in Scotland, where every council has a Local Heat and Energy Efficiency Strategy (LHEES) and in England and Wales, where Local Area Energy Plans (LAEP) have been, or are being, developed. There is currently no alignment on when these will be refreshed, and there's no consistency in this process or delivery in England. In addition, there is currently no central organisation for heat networks in the UK, such as a heat DNO or TO. However, this may change in the future and therefore, Ofgem needs to be clear on exactly what data is needed for RESPs, as well as acceptable sources for this data and how recent the data must be. This also leads to the question of whether local authorities should directly submit their LAEPs or LHEES to NESO, or if this information should be captured within the network planning processes, which are increasingly focused on gathering this data.

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

- **Providing consistent assumptions:** We are broadly supportive and believe the focus should be on aligning the methodology used to define Electric Vehicle (EV) load or heat pump profiles and consumer behaviour changes rather than dictating profiles to use. Common assumptions should not result in the same profile in all regions. There must be sufficient scope for these to be amended to reflect the situation locally. For example, in areas with a high proportion of homes not connected to the gas grid, there may be a higher financial incentive to adopt heat pumps. Transparency of assumptions and stakeholder engagement are both critical to ensuring robust modelling.
- **Setting out the spatial context for capacity needs:** In providing a spatial view of demand and generation growth projections, RESP should not be directing where networks need to install additional capacity. In addition, the proposed granularity of the RESP at Lower Layer Super Output Areas (LSOAs) will be challenging for NESO to manage. As a principle, we believe generation developers are best placed to identify the optimal locations for their sites.
- **Informing strategic network investment:** The consultation is ambiguous regarding the RESPs' role in strategic investment, which needs to be further explored and clarified. The consultation (paragraph 3.23) proposes that the RESP takes a more directive role in identifying the location for strategic investments. This statement should be expanded alongside paragraph 3.31, setting out the expected level of detail RESP-directed 'strategic investment' should contain. We would welcome further engagement on this point.

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

Technical coordination should be cognisant of the different institutional roles of the actors involved (NESO/RESP, DNOs/GDNs, local authorities, Ofgem). As NESO has a unique whole-system view of the energy landscape, it can facilitate technical discussion between different networks to ensure that decisions lead to positive outcomes for consumers.

We would welcome further clarity on the following areas of technical coordination:

- There needs to be clear criteria to determine the cases in which NESO will be involved. In most cases, the regional pathway will be sufficient to instil technical coordination in network plans.
- How the value of whole system optioneering will be assessed.
- How cross-vector options will be evaluated. A comprehensive approach is necessary to ensure that costs or carbon do not 'leak' out of the purview of the RESP. For example, EVs can increase network capacity requirements and therefore the cost of the electricity system. However, they are typically lower cost to run and result in fewer emissions than internal combustion engine vehicles. It is essential that any review does not include the costs associated with changes to the electricity sector but overlooks the financial and emissions savings in the transport sector (which is outside the scope of the RESP).

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?

We support the high-level policy and believe the three building blocks are correctly identified. The critical next step is to determine how to identify system need. The clear identification of system need can help electricity or gas network operators demonstrate what they are doing to deliver for communities in the context of the price control. This has potentially significant benefits and having a formal governance process with a board and democratically accountable voices is essential. It allows network operators to design flexible services or network infrastructure solutions to address those needs.

We also agree on technical coordination and separate, independent accountability for gas, heat, etc. However, we need to start exploring what this means in practical terms within the sector.

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

We agree that RESPs should have standard inputs to provide consistency given the high number of RESPs and network companies (DNOs and GDNs). In addition, there should be a standard format for RESP outputs.

It is important to recognise that inputs provided will be representative of a fixed point in time that will subsequently evolve and become increasingly outdated. The input data sources are continuously updated (such as Local Development Plans), so there will always be areas using soon-to-be out of date information as part of the RESP. Waiting for 'perfect' foresight to be available is not possible and therefore is an approach that should be avoided.

In addition to standardisation, there is a need for a clearly defined methodology of how NESO will translate inputs into the plan. Among other things, the methodology should set out:

- How top-down and bottom-up data inputs will be reconciled.

- How NESO may deviate from raw data in producing the RESPs (e.g., in the case of domestic projections from local development plans).
- A ‘hierarchy’ of data inputs based on their degree of credibility.

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

We generally agree with the standard data inputs framework, but we have some concerns regarding the local authority aspect. Specifically, how will their data be filled in if they don't have a local area energy plan? For example, Scottish authorities have LHEES; however, when looking across the UK, what assumptions are being made? Is it an engagement exercise for NESO with the hope that eventually everyone will have a plan, or will they aggregate a national placeholder in the interim? We also have questions about what happens when plans are being developed and not all local authorities have them. Work is ongoing to determine how to assess the credibility of local authority and industry plans and incorporate them into network planning, particularly at Regen, SSE and other partners.

We have seen precedents for this, such as connection pipelines and assessing the likelihood of project progression. This is something to be considered at the pre-connection stage before all the information is available to figure out how likely projects are to progress. It is not a straightforward answer, but some criteria can be attached, such as whether it's funded, has a developed business plan, or has partners in place. However, a lot may come down to engagement. We believe that the criteria at this stage don't have to be extremely detailed or extensive, they just need to be visible so that industry can prepare if it does happen.

Many developers have ambitious projects that have not yet reached the advanced stages. Planning and accounting for such projects at a national level can be challenging, especially for distribution network companies.

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

If industry is providing training for working groups, it is crucial to understand who is involved and how that knowledge makes its way back to citizens. We engage people in various activities, but we often fail to communicate the impact of their input. We should close the loop and ensure that people are informed about the results of the data analysis. This way, customers and energy users can see the tangible results of our efforts and become better energy citizens.

When considering budget requirements, for example, NESO will require more resources to fulfil its needs. This is not necessarily a criticism of NESO or Ofgem for the suggestion, but ensuring they have the tools and capabilities they need is important.

Another aspect to consider is that local authorities and networks already collaborate to varying degrees. There’s significant engagement between stakeholders at local level on energy planning, this varies from place to place. It would be beneficial to map out existing relationships and support systems. For example, some networks already provide tools to support local energy planning, so it's essential to understand what already exists to ensure resources are not duplicated. Existing relationships/collaboration between local authorities is also very variable and the need to facilitate this must be considered.

It is essential to identify best practices and maintain consistency. This involves being proactive and focusing on training, which allows for the inclusion of relevant groups, such as those addressing fuel poverty. It is important to understand what has been done, identify areas for improvement, establish consistency, and define how to effectively provide support.

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

Yes. We agree that the Strategic Board should focus on setting regional priorities, steering the direction of regional ambition and providing a clear forum for democratic input. There needs to be clarity on how the board is formed, how we ensure that local leaders represent regions, and how it feeds into national plans.

We also agree that it is inappropriate for a Strategic Board to deliver conflict resolution, which should be a NESO function as the RESP Delivery Body (with Strategic Board input at relevant times). We also agree that NESO should clearly explain how it has accounted for the Strategic Board's influence on the RESP output. Transparency is critical to maintaining trust among stakeholders involved in the process and upholding democratic legitimacy.

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. As set out in Regen's Roadmap to RESP paper[7], it is critical that the Strategic Board should not be solely elected officials and networks but include representation from significant actors in the region, particularly those working at the intersection of energy and society, such as fuel poverty charities, trade unions or community energy.

Without NESO establishing a direct citizen representation or governance function e.g., a Citizen's Assembly, this is integral to ensuring that those working with citizens and communities can directly inform RESP activities. Elected officials will provide democratic input from a broad perspective but do not represent citizens' experience of the energy system quite so directly.

We appreciate the need to keep the Strategic Board lean and allow different stakeholders to be represented in different regions. However, ensuring space for 'citizen and community representative' groups to reflect the citizen voice is vital. More dedicated community or fuel poverty-focused working groups can help inform more in-depth work on these themes.

This would require proactive training to ensure more expert representatives from network companies do not overwhelm non-expert participants. Fundamentally, we must ensure space for citizen and community representation on the Strategic Board.

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

The strategic board must consider providing feedback to local stakeholders, including energy developers, and communities. If the decision-making includes local actors, they should have the opportunity to provide input and report on the impacts of decisions. It would be beneficial to establish

[7] Roadmap-to-RESP-v2-Regen.pdf

criteria for how the strategic board's vision is being implemented and to understand any variance from their suggestions.

Understanding the long-term strategic perspective and the guidance it provides needs to be considered carefully. It's essential to ensure there is accountability and a meaningful connection to the decision-makers, especially to maintain trust among the stakeholders involved in the strategic board and the working groups. There is a need for a mechanism to ensure that local stakeholders' perspectives are being considered and to understand how that process takes place.

There is also a need to specify that we require perspectives from both the supply and industry demand groups. We understand that independent grid groups have not always included generators, or industry demands in their conversations. So, there is a need to involve industry in these groups, as it is not automatically assumed.

Regarding democratic representation, regions may be small parts of the country, but they still encompass a wide range of views and different local authorities. Most local authorities have varying opinions regarding the type of infrastructure they want in their region and may resist new infrastructure projects. It's important to recognise this and take steps to lessen the potential opposition from local authorities or councils and resolve disagreements between political actors regarding what they want for their region.

We would also welcome clarity on the interaction between the strategic board's role and LPAs, noting that local authorities are likely to be present on the boards. We believe individual energy developers remain best placed to select locations for projects. It would be inappropriate to make inclusion in the RESP a precondition for planning consent, to do so would give the Regional System Planner inappropriate levels of power over the planning system.

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

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

We believe this is an area for the proposed local areas to engage with and possibly other network companies. From the perspectives of Scottish Renewables, RenewableUK and Solar Energy UK, we cannot comment without further information to accurately evaluate the options.

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)

Having a single region could pose significant challenges for Scotland. Considering the presence of a strategic board with representation from all local authorities and networks, managing this involvement along with various stakeholder organisations would be difficult, especially when it comes to aligning with electricity and gas networks or regional heat networks or council boundaries.

Additionally, incorporating the local authority perspective could be challenging, as some local authorities may argue that there is already sufficient centralisation of policy and decision-making at the national level in Scotland. Given that local authorities already hold responsibility for Local Heat and Energy Efficiency Strategies (LHEES) and are increasingly involved in energy planning and delivery, it

may be beneficial to develop this framework further. While more representation is warranted, having one entity at each of the Distribution Network Operator (DNO) boundaries could be the most feasible approach.