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5th July 2024

Dear David,

Wales & West House

Spooner Close,
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Newport NP10 8FZ

Ty Wales & West

Clos Spooner,
Celtic Springs, Coedcernyw
Casnewydd NP10 8FZ

Wales & West Utilities (WWU) response to Ofgem Consultation on Associated Documents to the proposed NESO licences – regulatory framework documents

Thank you for the opportunity to respond to this consultation. WWU is a gas transporter serving 2.5 million supply points in Wales and south-west England. This response is not confidential and may be published in full.

We wish to comment on the Independent System Operator and Planner (ISOP) Roles Guidance document, and we attach a marked up copy with our comments.

We have the following general points to make.

- 1) There is a difference between a forecast, scenario and a pathway.
 - a forecast is a credible and realistic prediction of the most likely outcome;
 - a scenario is based on a set of assumptions that may or may not be the most likely but are, to an extent, credible;
 - a pathway to a defined end point back-solves from the defined end point to produce a route to that end point;

The pathways produced by ISOP are constrained to meet both the Net Zero 2050 target and the individual Carbon Budgets; they are therefore back-solving from the required outcomes to give a required pathway if the outcome is to be achieved.

What is required to meet the pathway may or may not be achievable based on current behaviours or investment approvals. Any gap between what is required and what is likely to be achieved needs to be identified and further measures put in place to close the needs gap.

A pathway is useful for identifying whether there is a gap to be closed but it is not a forecast of the most likely outcomes based on what is known at the time and should not be used as such. It is essential that NESO clearly states in the FES publication if a policy target or ambition is not likely to be met and the effect on meeting a pathway.

Wales & West Utilities Limited

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- 2) The need for a full and complete list of assumptions to be published alongside any pathway together with an analysis of any needs gap between what is required and what is likely to be delivered with current policies and investment plans.
- 3) The document is written from an electricity point of view and often fails to refer to gas when it is applicable; related to this, unless the reader is familiar with the two ISOP licences, it is not clear which of the subsections under each heading (where the heading includes both electricity and gas) relates to electricity and gas, and which to electricity only. Where the ISOP duties relate to both, the guidance document needs to be clear on how the ISOP will take into account whole system requirements by which we mean natural gas, hydrogen and electricity networks.
- 4) The reference to the end of RIIO2 is unclear as RIIO2 ends later for electricity distribution than electricity transmission, gas transmission and gas distribution. Putting in a date would be much clearer.
- 5) We welcome the inclusion of a requirement to monitor and evaluate performance including analysing forecasts against actual outcomes but think that this should be a requirement to 'meet' rather than 'exceed' expectations.

Please contact me if you wish to discuss the points that we have raised.

Yours sincerely,



Richard Pomroy
Regulation Manager
Wales & West Utilities