Decision

Decision on the Regional Energy Strategic Plan Policy Framework

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This document sets out our decision on the Regional Energy Strategic Plan Policy Framework, following on from the Consultation we issued in July 2024 and our earlier review into the Future of Local Energy Institutions and Governance.

Our decision covers what NESO must produce in RESPs and the key functions to deliver this, as well as confirming the boundaries over which RESPs will be produced and the governance. NESO must deliver RESPs in line with this policy framework.

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Foreword

Since we published our consultation last summer, there have been significant developments across the sector as the Government has set in motion its Clean Power 2030 Action Plan. This yet again has shown us how necessary strategic planning is for accelerating the progress of the energy transition. Nowhere is this more evident than the Action Plan's potential to help unlock the connections queue and ensure projects that are ready and needed can get connected. The CP30 Action Plan paves the way for the new suite of Strategic Plans to lay the foundations for development of the GB energy system.

Today's decision on the design of the Regional Energy Strategic Plan policy framework is another critical step forward in establishing Strategic Planning. It ensures that not only is there a vision for the GB energy system overall but that this is supported by clear, coherent plans tailored to reflect the individual's needs and opportunities of each place.

RESPs will provide a regional blueprint of energy requirements, setting out how energy needs will change, what this means for infrastructure needs and indicating critical areas for strategic investment. NESO will develop these plans, but they must be grounded in the needs of each area. This means understanding the plans and ambitions of local authorities. Understanding the demands on the network. Understanding what new forms of energy may be used.

NESO must bring all this understanding together to form RESPs. Through the policy framework, we are embedding regional voices into the process and ensuring those who influence and are influenced by the strategic plan have a say. This will ensure investment is made when and where it is needed, making the most of local potential to meet system needs and driving forward decarbonisation at pace toward 2030 and beyond.

To keep moving at pace, we must ensure that all the Strategic Plans work together effectively. To better enable this, we're moving our work on the plans to all sit under one portfolio in Ofgem. RESP complements the national level Strategic Spatial Energy Plan and Centralised Strategic Network Plan. As we now look towards the first suite of these being published, its vital they work coherently. We will continue to work closely with NESO, as well as our counterparts in Government, to ensure that's the case.

Plans alone are not enough to drive the change we need. Whilst today marks a significant milestone in establishing RESPs, it is not job done. We will continue our work on fundamentally shifting how we shape and regulate network investment.

Jack Presley Abbott
Deputy Director of Strategic Planning and Connections

Executive Summary

As we move to a net zero energy system, reform of energy system planning will play a key role in achieving the UK's 2030 goals. We are introducing the Regional Energy Strategic Plan (RESP) to deliver accountability and coordination for strategic planning of the distribution system. RESPs will be delivered by the independent National Energy System Operator (NESO). They will convene regional stakeholders around a common view of how the energy system will develop to support local priorities and deliver national goals. By enabling coordinated development across multiple vectors, RESP will support confident and efficient investment toward net zero.

This decision sets out the policy framework for the RESP. It follows on from our review of local governance and institutional arrangements, commencing with a call for input in April 2022[1], a consultation in March 2023[2], and a decision in November 2023[3] in which we confirmed our intention to introduce the RESP. Our July 2024 consultation[4] set out our proposed policy framework for the RESP and sought stakeholder input on three broad topics: the elements comprising a RESP and their interactions with network planning, how RESPs will be governed, and the RESP boundaries. We have since had the benefit of extensive feedback through over 130 consultation responses, well-attended webinars and working groups, and further engagement with a range of stakeholders.

In this policy framework decision, we set out our decisions on: i) the guiding principles underpinning the RESPs, ii) the components of a RESP, iii) their interaction with other forms of planning; iv) how NESO will deliver the RESPs; v) governance structures for the RESP, and vi) the RESP boundaries. Following this decision, we will make licence changes to bring the framework into effect. These licence conditions will include an accompanying guidance document.

Guiding Principles: NESO will be working without precedent in delivering the RESP, and it is our view that a clear set of guiding principles is crucial to support decision-making as the new function is established. We have affirmed the guiding principles set out in our proposal and included two more in response to stakeholder feedback. In

[1] Call for Input: Future of local energy institutions and governance: https://www.ofgem.gov.uk/call-for-input/call-input-future-local-energy-institutions-and-governance
[2] Consultation: Future of local energy institutions and governance: https://www.ofgem.gov.uk/consultation/consultation-future-local-energy-institutions-and-governance
[3] Decision on future of local energy institutions and governance: https://www.ofgem.gov.uk/decision/decision-future-local-energy-institutions-and-governance
[4] Regional Energy Strategic Plan policy framework consultation: https://www.ofgem.gov.uk/consultation/regional-energy-strategic-plan-policy-framework-consultation

developing the RESP, NESO should be: place-based, whole-system, vision-led, proactive, transparent and collaborative, and be fair.

RESP outputs: RESPs will be developed in each of the 11 RESP areas. For each area, NESO will produce five components which together comprise the regional plan: a regional context, a set of spatially modelled pathways of future supply and demand; the spatial context of the pathways showing supply and demand against network capacity information, a specification of strategic investment need, and a set of common planning assumptions to drive consistency in networks' detailed planning. Spatial modelling will be conducted to a granularity sufficient to support local planning and provide a detailed basis for network plans. A single 10-year pathway will branch into multiple long-term pathways, extending to at least 2050.

RESP Interactions with wider planning: RESP will play a *direction-setting role* in network planning processes. We specify the appropriate granularity for close alignment – down to primary substation level for electricity networks and low-pressure system level for gas as distribution network plans. Gas network alignment will be subject to a time delay to allow the RESP to drive development which responds to rather than precedes the projected changes in demand. In addition, networks will be expected to put forward proposals to address the areas of need specified in the RESP's strategic investment output. Network plans will not be expected to align with the RESP, however, where doing so would conflict with delivery of licence obligations to ensure network safety and security of supply. RESPs will also be useful for guiding spatial planning, but there is no requirement placed on spatial planning actors. Lastly, RESPs will complement SSEP and CSNP and we expect NESO to ensure there are appropriate feedback loops between the plans.

RESP delivery: NESO will deliver the RESP through a hub-and-spoke model, with regional offices embedding place-based engagement, insight, and collaboration. RESP development will be supported by NESO's delivery of a *place-based engagement function* and proportionate support for local authorities. NESO are expected to develop structured, transparent and accessible routes for local actors to engage with and inform the RESP.

NESO will also deliver a *technical coordination function* to ensure coherent energy system planning within and between RESPs and upward to transmission-level plans. NESO should facilitate technical coordination of relevant plans throughout the RESP development process, surfacing opportunities for cross-vector optimisation where these emerge. NESO will also conduct targeted reviews of network investment plans to assure their alignment with the direction set by the RESP. Where gaps or inconsistencies are

found, NESO will rectify these through collaboration with relevant stakeholders or escalation to RESP governance structures where necessary.

Fully updated RESPs will be published every three years and the datasets underpinning their development will be refreshed annually. We set out a broad framework for the national and local level data sources which must be considered in RESPs and principles for assessing that data. Full criteria for assuring the credibility of data sources and how it informs the development of RESP outputs will be developed in the RESP Methodology. In addition, NESO will maintain an 'in-development register' to track early-stage projects in each RESP region.

Governance: The policy framework sets out three pillars of governance which NESO must establish to oversee delivery of the RESP: structured and accessible engagement processes, regional governance through Strategic Boards, and national governance through a National Steering Committee.

NESO will establish regional working groups representing functional and thematic interests to provide input to and oversight of RESP development and to advise Strategic Boards. NESO must also consult with regional stakeholders prior to finalisation of the RESP. Strategic Boards will be established in each area with members drawn from Distribution Network Operators (DNOs), Gas Distribution Networks (GDNs), devolved and local governments, and regional cross-sector bodies. NESO will refine the board design in line with regional characteristics, balancing the need for appropriate representation with a need to remain lean and purposeful. NESO will also establish a GB-wide National Steering Committee to provide strategic oversight, expertise and advice during development of the RESP Methodology and to assure national-level coordination of strategic planning.

Ofgem will formally approve the RESP Methodology and NESO will be accountable for development of RESPs in line with the steer of the regional Strategic Board. Sign-off of each region's RESP will reside with the regional Strategic Board where a clear majority consensus can be reached. In the absence of a majority consensus, sign-off will revert to Ofgem. A clear escalation route will be established for conflict arising within the RESP development process, from regional working groups, to regional Strategic Boards, to NESO hub and finally to the National Steering Committee.

Boundaries: We are moving forward with our consultation position for RESP boundaries, with one RESP for Wales, one RESP for Scotland, and 9 RESPs for England. We have adjusted some of the proposed boundaries so that the entirety of the newly created Greater Lincolnshire Mayoral Combined County Authority lies in a single RESP area.

Introduction

The energy system in Great Britain (GB) is undergoing a radical transformation to ensure it is clean and secure, we can reach net zero. This requires changes to how we produce, transport and use energy - all of which are well under way. The Government's Clean Power Action Plan 2030, published in December last year, signals a clear momentum for these changes to continue at pace. To effectively deliver these changes and realise the significant benefits they bring, it is imperative to have a more coordinated approach to how the energy system is planned.

Better coordination of energy system planning will ensure that investment is delivered at the right time and in the right place. This is especially critical at the distribution level of the system where the transformation will vary place by place, both in terms of the solutions needed and the pace of changes. It is vital the energy system is not a blocker to the ambitions of different places, whether in regard to the energy transition or to wider spatial planning activities and growth ambitions.

Following our review into the future of local energy institutions and governance, we found there was insufficient coordination of various actors' planning activities, and that no institution had accountability to fulfil that role and take a strategic perspective. Strategic planning was needed to effectively coordinate the multiple different actors involved in energy system planning, go beyond a single energy vector perspective to consider the whole energy system, and effectively integrate local plans into energy system planning.

Therefore, in November 2023[5], we decided to introduce a new strategic planning responsibility in the form of RESPs. NESO will oversee the delivery of RESPs, along with the Strategic Spatial Energy Plan (SSEP) for national energy infrastructure, and the Central Strategic Network Plan (CSNP) for transmission network infrastructure. This coordinated approach will provide a comprehensive understanding of long-term energy system changes, balancing trade-offs between energy vectors, ensuring timely investments, and facilitating a cost-effective energy transition.

This decision follows our consultation last year on the policy framework for RESPs[6], which is the policy design for what's in a RESP, how it interacts with other planning responsibilities, how it is delivered and the appropriate governance arrangements. NESO will need to deliver RESPs in line with this policy framework.

[5] Decision on future of local energy institutions and governance: https://www.ofgem.gov.uk/decision/decision-future-local-energy-institutions-and-governance
[6] Regional Energy Strategic Plan policy framework consultation | Ofgem

Wider developments since the consultation

Since we published our consultation, Government has set out its Clean Power 2030 Action Plan to enable the rapid development of new clean energy sources across GB underpinned by the delivery of network infrastructure. Clean Power 2030 will sit alongside the SSEP, CSNP and the RESP, to lay the foundation for the development of the GB energy system.

The need for Strategic Planning has been further emphasised in the National Infrastructure Commission's (NIC) findings of its electricity distribution networks study. In February 2025, the NIC published the conclusions of their review into the steps necessary to ensure Britain's electricity distribution network is fit for net zero.[7]

The NIC report makes several key recommendations in relation to the RESP. These include setting out: i) a clear statement of accountability with respect to the decisions that NESO will be empowered to take in developing the RESP, ii) how NESO will assess network investment plans in a proportionate way, and iii) the stages at which different actors will have the ability to input and challenge. A further recommendation was the need to develop structured ways for local authorities and other local stakeholders to input into the RESP and to use the RESP as a vehicle to improve planning and data in the sector. We welcome these recommendations and consider our policy framework is aligned with their direction. We will continue to work closely with NESO through the next stage of RESP development to ensure these recommendations are achieved.

The final recommendation of relevance to the RESP was in relation to the need for a proportionate transitional plan for the RESP to inform the next electricity distribution price control. Whilst not the focus of this decision, we fully support this recommendation and have recently written a letter to NESO setting out expectations for the scope of the transitional RESP and the approach to its development and governance.[8]

We have asked NESO to develop a transitional RESP output by January 2026.[9] The aim of the transitional RESP output is to deliver as much benefit as is practicable to support the ED3 price control setting process while NESO's RESP function develops to full capability. Therefore the scope mirrors the policy framework's expectations for what outputs should be in a RESP, albeit with a recognition that these may be a more limited version. NESO will work closely with stakeholders, including through technical working

[7] Electricity distribution networks: Creating capacity for the future, 2025: https://nic.org.uk/studies-reports/electricity-distribution-networks-report/
[8] Scope of the transitional Regional Energy Strategic Plan: https://www.ofgem.gov.uk/publications/scope-transitional-regional-energy-strategic-plan
[9] Scope of the transitional Regional Energy Strategic Plan: https://www.ofgem.gov.uk/publications/scope-transitional-regional-energy-strategic-plan

groups and regional forums, throughout development of the transitional RESP output for each region. NESO will also consult publicly on the transitional RESP later this year.

Beyond strategic planning, the NIC made recommendations directly relevant to Ofgem with regards to price control setting, enabling flexibility, and connections. Later this spring we'll publish our decision on the ED3 price control framework, which will set out in greater detail how we are reflecting on the NIC's recommendations.

Our decision-making process

In July 2024, we consulted on the RESP policy framework[10], including the key building blocks of the RESP, regional governance arrangements, and regional boundaries. The key building blocks included modelling supply and demand, identifying system needs, and technical coordination. We proposed there would be 11 RESP areas, 1 for Scotland, 1 for Wales and 9 for England. We also proposed that regional Strategic Boards would be established by NESO to steer and oversee the plan development.

We received 131 responses from a wide range of stakeholders. These included responses from networks, local governments, devolved governments, think tanks, trade associations and members of the public. Overall, there was broad support for the proposals. Respondents expressed a range of views that we have considered. Summaries of stakeholder views are provided in the relevant sections. We have used stakeholder feedback to shape the positions outlined in this decision document. To further inform our decision-making process, we hosted a series of stakeholder working groups on key issues that emerged through consultation responses and sought feedback on our updated proposals. We have used stakeholder feedback to shape the positions outlined in this decision document.

We conducted an Impact Assessment to quantify the potential impacts of the introduction of the RESP policy framework. We consulted on the draft Impact Assessment in February 2025[11] and received 19 stakeholder responses. Broadly stakeholders were comfortable that our approach was reasonable, although some made suggestions for potential further areas for assessment. The conclusion of the Impact Assessment sets out that the quantified benefits of introducing the RESP are likely far greater than the costs. Stakeholders emphasised the importance of monitoring the policy

[10] Regional Energy Strategic Plan policy framework consultation, 2024: https://www.ofgem.gov.uk/consultation/regional-energy-strategic-plan-policy-framework-consultation

[11] Regional Energy Strategic Plan Impact Assessment consultation https://www.ofgem.gov.uk/consultation/regional-energy-strategic-plan-impact-assessment-consultation

closely to ensure it delivers the expected benefits. We expand further on this in the next steps of this document.

Decision-making stages

Date	Stage description
30/07/2024	Stage 1: Consultation open
09/10/2024	Stage 2: Consultation closed
10/02/2025	Stage 3: Draft Impact Assessment (consultation)
24/02/2025	Stage 4: Draft Impact Assessment Consultation closed
02/04/2025	Stage 5: Consultation decision and IA decision

General feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this decision. We'd also like to get your answers to these questions:

1. Do you have any comments about the overall quality of this document?
2. Do you have any comments about its tone and content?
3. Was it easy to read and understand? Or could it have been better written?
4. Are its conclusions balanced?
5. Did it make reasoned recommendations?
6. Any further comments

Please send any general feedback comments to: stakeholders@ofgem.gov.uk

1. RESP foundations

Overview of our decision

We have decided to maintain the principles proposed in our consultation: be place-based, be whole-system, be vision-led and be proactive. In response to stakeholder feedback, we refined our articulation of what it means to be place-based and whole-system. We have also decided to include two additional guiding principles: 'be transparent and collaborative' and 'be fair'.

RESP policy framework consultation questions

Q1: What are your views on the principles to guide NESO's approach to developing the RESP methodology? Please provide your reasoning.

Background

1.1 We are introducing RESPs to ensure there is strategic regional energy planning that is holistic, reflective of the regional context, and aligned with national plans. The creation of a comprehensive and accountable strategic planning function should foster coordinated development, instil confidence in system requirements, and enable proactive infrastructure investment, ultimately supporting an agile and cost-effective transition to a net zero energy system.

1.2 The purpose of the policy framework is to set clear scope, parameters and objectives for RESPs and the detailed expectations which underpin NESO's delivery. As this is a new responsibility within the institutional landscape, we consider it pertinent to set some guiding principles for the RESP.

A note on terminology

NESO will need to work closely with multiple actors within a region to develop a strategic plan that can be a point of coordination for those who are involved in energy system planning or heavily influenced by its outcomes. We refer to these as 'relevant local actors' throughout this document. This will include, amongst others, network companies, wider energy actors such as different vectors or generators, and democratic actors, ie local government, undertaking energy planning and/or spatial planning.

We note also that the use of region for each area does not adequately capture that some of the RESP boundaries are that of devolved nations. For consistency for this policy framework, we consider it appropriate for all plan outputs to be referred to as RESPs and the geography these cover a region. This is on the basis that this is a governance framework for regional-level strategic planning on a GB-wide basis. The national-level outputs are SSEP and CSNP.

Guiding principles

Decision summary

Six guiding principles will underpin NESO's delivery of the RESP:

- Be place-based: ensure energy system planning processes identify and account for the diversity of energy needs within each RESP region.
- Be whole-system: develop a comprehensive view of factors influencing the trajectory of energy supply and demand in the region.
- Be vision-led: provide a clear long-term objective for energy system development that reflects a region's characteristics and sets agreed priorities for the region while ensuring alignment with national priorities.
- Be proactive: enable proactive development of the energy system and investment in network infrastructure to ensure it enables net zero, while remaining agile and taking an adaptive approach to account for uncertainty.
- Be transparent and collaborative: develop open, accessible and inclusive processes for stakeholders to have sight of and participate in energy planning.
- Be fair: establish processes to objectively and fairly assess trade-offs between options.

1.3 In our consultation we outlined our view that guiding principles were crucial for effectively transitioning to a more coordinated and dynamic approach. We proposed that NESO's development of the RESP Methodology should be grounded in the following principles:

- Be place-based – ensure a place-based approach is integrated into energy system planning.
- Be whole-system – adopt a whole-system cross-vector perspective (ie, gas and electricity, but also heat, transport and industry).
- Be vision-led – provide a clear long-term objective for energy system development that reflects a region's characteristics and sets agreed priorities for the region while ensuring alignment with national priorities.
- Be proactive – enable proactive development of the energy system and investment in network infrastructure to ensure it enables net zero, while remaining agile and taking an adaptive approach to account for uncertainty.

Stakeholder feedback

1.4 An overwhelming majority of stakeholder responses supported the proposed guiding principles. Stakeholders agreed being place-based would support the

integration of local priorities and characteristics and help plans reflect the diversity of different regions. Respondents felt being whole-system was essential for understanding the complex interactions between energy vectors and promoting a coordinated and integrated approach to decarbonisation. Some stakeholders, however, expressed the need for clearer and more comprehensive definitions of 'place-based' and 'whole-system'.

1.5 Being vision-led was welcomed by stakeholders who felt that clear long-term objectives, both rooted in regional contexts and aligned with national targets, were needed to drive coherent planning in a time of rapid change. Some stakeholders, however, queried which vision would take precedence if local, regional and national objectives were not aligned. Others noted potential challenges in vision-led plans remaining deliverable and/or easily accommodating technological advancements, regulatory changes or political shifts.

1.6 Stakeholders strongly agreed that a proactive approach was necessary to meet net zero ambitions, given the long lead time to deliver new energy infrastructure. Being proactive was also seen as a route to anticipating future challenges and opportunities. Some respondents, however, cautioned that being proactive should not come at the cost of being flexible and agile and emphasised the need for an iterative and adaptive approach.

1.7 Stakeholders suggested a range of additional principles. Significant minorities of respondents made suggestions along two common themes, summarised as 'be transparent and collaborative' and 'be fair'.

1.8 Respondents proposing an additional principle around transparency and collaboration expressed their view that the processes around methodology development should be open and inclusive of broader stakeholders. Furthermore, they felt that stakeholders should have access to the data informing the plan as well as sight of and influence over the decision-making around trade-offs. Collaboration between local government, central government and network companies was positioned as crucial to coherent planning for future demand.

1.9 Respondents proposing an additional principle around fairness included those who felt the RESP presented an opportunity to drive a just transition to net zero. Despite not being directly in scope of RESPs, some respondents suggested RESPs should prioritise the needs of consumers in vulnerable situations, such as those living with fuel poverty. Others felt the RESP posed a risk of exacerbating inter- and intra-regional inequalities. This concern was linked by many to differences between localities in terms of readiness and/or capability to engage with strategic

energy planning. These responses stated that RESP would need to establish processes to allow equitable engagement and participation, and a fair approach to managing trade-offs.

Our decision and rationale

1.10 Given the very high level of stakeholder support, we have decided to maintain the four principles proposed in our consultation: be place-based, be whole-system, be vision-led and be proactive. In response to stakeholder requests for further clarity, we have refined our articulation of two of the principles:

- Be place-based - ensure energy system planning processes identify and account for the diversity of energy needs within each RESP region.
- Be whole-system – develop a comprehensive view of factors influencing the trajectory of energy supply and demand in the region.

1.11 In response to stakeholder feedback, we have decided to include two additional principles:

- Be transparent and collaborative – develop open, accessible and inclusive processes for stakeholders to have sight of and participate in energy planning.
- Be fair – establish processes to objectively and fairly assess trade-offs between options.

1.12 Our amended articulation of 'be place-based' responds to stakeholder requests for further clarity. In our consultation, we defined 'place-based' as "a bottom-up approach for looking at the needs and requirements of a local area and applying this lens to how options (for social, economic, energy, environmental and infrastructure development) are progressed and decisions are made." Stakeholders noted their impression that RESP would operate at macro-regional levels, and queried how it would bridge the gap to local-level planning. The details of how NESO will gather data inputs across and within regions will be developed in their methodology, however we expect processes to identify and account for variations in local energy needs within a RESP region.

1.13 Our amended articulation of 'whole-system' responds to stakeholder requests for further clarity. The detail of which vectors and sectors will comprise a 'whole-system' view is, again, a matter for NESO's methodology development, and is furthermore likely to evolve over time as the energy transition gathers pace. However, we expect RESP to develop a comprehensive view of factors influencing the trajectory of energy supply and demand in the region, for example local plans

and/or national policy on heat, transport, industry, hydrogen, building retrofit and energy demand reduction.

1.14 We do not think it is necessary to adapt the principles 'be vision-led' and 'be proactive' but have considered stakeholder concerns in these areas. Being vision-led should not mean being inflexible in the face of deliverability challenges or emerging technological, regulatory or policy change. Rather, it should mean adaptive decisions are continually made to keep on course to a set of clear end objectives. We recognise that local, regional and national objectives may not align, but it is a key role of the RESP to convene stakeholders around a shared view of how regional energy systems will develop. We agree with stakeholders that being proactive cannot come at the cost of being flexible and reiterate our expectation that NESO develop an agile and adaptive approach to planning.

1.15 In adopting an additional principle to 'be transparent and collaborative', we confirm our view that this is of foundational importance in the development of the RESPs. Collaboration is necessary to ensure that whole-system plans can build on the expert knowledge and insights which currently reside within planning functions for the individual vectors and sectors. Additionally, a collaborative approach aligns stakeholders in working towards common goals while avoiding duplication of effort. Transparency is needed to engender trust and confidence in planning and decision-making processes. Stakeholders should be assured that the plans have appropriately considered the priorities of all actors and have made considered and accountable choices around trade-offs.

1.16 In adopting an additional principle to 'be fair', we confirm our expectation of a commitment to fairness grounded in NESO's existing strategic objective to make balanced, consumer-centric decisions[12] and the UK Government's strategic priority to deliver a fair, safe, secure and resilient energy system[13]. We note that many factors impacting delivery of a 'just transition' are outwith the remit of regional energy planning, and related policy decisions reserved for local, devolved and national governments. However, the development of RESPs will require trade-offs between vectors and sectors, and we agree that the explicit expectation of fair treatment of all options and associated parties is a sound guiding principle. Additionally, we recognise that existing disparities in communities' ability to engage with and contribute to energy system planning and

[12] NESO strategic priorities: https://www.neso.energy/about/strategic-priorities#Customer-Centricity
[13] Strategy and policy statement for energy policy in Great Britain: Strategy and policy statement for energy policy in Great Britain - GOV.UK

presenting different options for consideration. We expect NESO to develop inclusive processes and deliver proportionate local support to avoid exacerbating these disparities. Our expectations on local support are discussed further in the context of the stakeholder engagement and local support function in Chapter 4.

2. Content of a RESP

Overview of our decisions

We have decided to proceed with the building blocks laid out in our consultation. We clarify how the specific outputs within a RESP and the delivery functions within the building blocks come together to deliver the goals of the RESP.

We expect each RESP to contain five outputs:

1) Regional context: a long-term view of regional conditions and priorities
2) Pathways: short and long-term spatial models of future supply and demand
3) Spatial context: a geospatial view of pathways against network capacity data
4) Specification of strategic investment need: identify areas of regionally significant investment need and details of what is needed to meet this
5) Common planning assumptions: technical guidance for consistent network planning

RESP policy framework consultation questions

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?

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.

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.

NB: for clarity, we discuss the structure of the RESP building blocks (question 6), before pathways (question 2) and identifying system need (question 4). Interactions of RESP with wider planning are discussed further in Chapter 3. The cadence of data updates (question 3) and technical coordination (question 5) are then dealt with in Chapter 4 on RESP delivery.

Building the RESP

Decision summary

- We affirm the RESP 'building blocks'. RESPs will contain the outputs and be supported by the delivery functions as described in our consultation.
- We affirm stakeholder engagement is a key delivery function of the RESP.

2.1 A key benefit of strategic energy planning is to convene stakeholders around a common view of how the energy system will develop, thereby driving

coordination amongst actors and confident investment toward that future. In our consultation, we proposed three 'building blocks' which would allow a RESP to deliver this ambition: first by modelling future supply and demand in a region, then by driving consistent identification of system need, and finally by supporting the technical coordination of various actors delivering to meet that need. Within each building block, as summarised in *Table 1*, we described outputs and functions NESO would be expected to deliver to develop a RESP in each region.

Table 1: RESP 'building blocks' as presented in the consultation.

Strategic direction setting: modelling supply and demand	**Strategic direction setting: identifying system need**	**Technical coordination**
Component	**Component**	**Component**
• A long-term vision and agreed priorities • Short-term pathway and multiple long-term pathways that show energy supply and demand projections	• Information to guide system needs including consistent assumptions • Spatial context of projections • A narrative to steer strategic investment	• A set of coherent plans (RESPs and network plans) which resolve gaps and inconsistencies and identify whole-system opportunities

2.2 A clear majority of respondents agreed with our proposal of how the three building blocks should combine to deliver value from RESPs, notwithstanding some cautions or suggested expansions. A minority disagreed or expressed reservations, though many of these responses stated objections to individual outputs or functions rather than being opposed to the combined intent of the building blocks. Many stakeholders noted the need for further clarity about the elements comprising a RESP, how RESPs would interact with existing network planning processes, and how they would be delivered in practice.

2.3 Reflecting on missing elements, the most common concern was that the building blocks were not sufficiently grounded in and aligned with local actor input. While the proposed role of local actor input into pathways was noted, many stakeholders stressed that there should be touchpoints with local actors throughout the strategic planning process, not just in initial evidence gathering. Some advocated for an additional building block focused on local engagement, envisaged as facilitating regional feedback, disseminating plans, and/or monitoring progress toward plan delivery.

2.4 The next most suggested addition to the proposed building blocks was around fairness - both in terms of not exacerbating societal inequality ('just transition') and in terms of limiting inter-regional inequity. This echoes stakeholder

suggestions of an additional guiding principle around fairness, as discussed in Chapter 1. The recurring theme underlines both that there are significant stakeholder concerns around equitable development of the energy system toward net zero and that regional strategic planning is perceived as having potential to either mitigate or exacerbate inequality.

2.5 We have decided to proceed with the elements of the building blocks described in our consultation, but we have refined the scope of the different elements in response to stakeholder requests for further clarity. This decision specifies: i) the set of outputs which will comprise each RESP; ii) the role of these plans in relation to existing network planning processes; and iii) the way in which NESO will be expected to deliver these plans. The outputs are discussed in this chapter, their relation to adjacent planning processes is discussed in Chapter 3, and plan delivery is discussed in Chapter 4. Stakeholder feedback related to individual outputs and delivery functions will be discussed in the relevant sub-sections alongside our decisions related to these elements.

2.6 In response to stakeholder suggestions of additional elements, we have confirmed our proposal of a place-based engagement function which will be discussed alongside other delivery functions in Chapter 4. We agree that embedded regional engagement that supports multiple touchpoints between strategic energy planning and local planning will be needed to deliver energy plans that are sufficiently grounded in regional priorities. We have chosen not to add an output or function related to fairness in the policy framework because we have adopted this as a guiding principle for the development overall, as discussed in Chapter 1. NESO must therefore consider fairness as they are designing and delivering all the RESP outputs.

RESP outputs

2.7 Each RESP will be comprised of five elements, summarised in *Table 2* and discussed in detail in the following subsections. These align with the elements proposed in our consultation within the 'Modelling Supply and Demand' and 'Identifying System Need' building blocks. We cover the 'Technical Coordination' building block separately in Chapter 4, as it is a key activity for delivering the RESP rather than a distinct output.

2.8 We expect each RESP to be grounded in local context and regional priorities, net zero compliant, and aligned with national-level plans and priorities. The RESPs should also be coherent: between regions; with transmission-level plans; across energy vectors; and with key regional priorities and spatial plans.

Table 2: Elements included in each RESP plan.

Element	Description
Regional context	A long-term view of regional conditions and priorities developed through extensive place-based engagement by an embedded RESP team
Pathways	Modelled short- and long-term projections of energy demand and generation in the region
Spatial context	A geospatial view of supply and demand against network conditions to show network capacity requirements
Specification of strategic investment need	An itemised specification of areas of strategic investment need within each region
Common planning assumptions	Technical guidance comprised of consistent approaches to derive network impacts from the RESP outputs

Regional context

Decision summary

Each RESP will include a regional context element which will:

- Provide a comprehensive view of regional conditions and priorities.
- Draw on embedded regional engagement and relevant datasets.
- Reflect, rather than supersede, local plans and ambitions.

2.9 In our consultation, we set out that modelling of supply and demand should be grounded in a long-term regional vision which sets thematic priorities for the region. We stated that this should be developed through close coordination with and engagement of local actors. We felt that adopting this vision-led approach would provide clarity and direction at a regional level, support regional decarbonisation, highlight challenges specific to the region, and provide timely signals to supply chains.

2.10 The majority of stakeholders supported the concept of a regional vision, highlighting benefits such as providing a clear signal for investment, stability for network planning, enhanced collaboration, collective commitment, and reduced duplication of work. However, many asked that we precisely define the scope as the term "vision" can have different interpretations. There was concern that it could prove challenging to obtain consensus amongst stakeholders on a single vision for each region, due to competing priorities.

2.11 We affirm this output as an important component of the RESP. In response to stakeholder feedback, we have moved from the previous terminology "regional

vision" in favour of "regional context." This more clearly conveys our intention that the output should go beyond collating different regional targets to instead providing a comprehensive view of regional conditions and priorities. This view should draw on embedded regional engagement as well as relevant regional and national data sources to provide a rich understanding of factors that will shape the future energy needs and broader priorities of the region (eg regional demographics, decarbonisation ambitions, industrial geographies, local priorities, etc.).

2.12 The regional context should provide a comprehensive view of regional conditions and priorities, including key challenges and opportunities, and present the resulting implications for strategic energy planning in the area. Through its development and dissemination, it should effectively build consensus among local stakeholders and enable coordination across vectors and sectors. Collaboration and testing with local actors will be crucial to its development.

2.13 We recognise stakeholder concerns around the difficulty of developing a regional consensus view in light of disparate localised plans and priorities. We expect NESO to develop robust processes for stakeholder participation and transparent deliberation of trade-offs. It is not our intention that the regional context supersedes existing targets, for example around decarbonisation, but rather that it develops a view of energy system development needed to support credible ambitions.

Pathways

Decision summary

- A set of RESP pathways will spatially model supply and demand in each region.
- A single short-term pathway will consider a 10-year period.
- Multiple long-term pathways reflecting uncertainty will extend to at least 2050.
- Pathways must be modelled to sufficient granularity to support local planning and provide a detailed basis to underpin network planning.

2.14 In our consultation, we proposed that a series of directive net zero pathways should provide a whole-system strategic assessment of energy needs across a region. To account for uncertainty, we proposed a single short-term pathway of five-to-ten years branching into multiple longer-term pathways up to 25 years. We stated that all pathways should deliver net zero, alongside a separate counterfactual, and that the pathways should be presented spatially down to

Lower layer Super Output Areas (LSOAs).[14] We further stated that all pathways should be coherent with neighbouring RESPs and transmission-level plans.

2.15 There was broad support from a significant majority of stakeholders for the RESP to include pathways to evaluate energy need. Most agreed short and long-term pathways were necessary to balance the need for direction-setting whilst accounting for greater future uncertainty. A small number of respondents, however, disagreed with the RESP including a single short-term pathway due to the risk of prematurely committing to a single future given inherent uncertainty.

2.16 A minority of stakeholders raised concerns about the granularity of the pathways. They felt that RESP planning to LSOA level could duplicate efforts by network companies and be technically challenging for NESO. Furthermore, this level of granularity would not align with the small area statistical geographies used in Scotland[15]. More generally, stakeholders requested clarity on the scope of the pathways and how they would interact with other strategic plans. Stakeholders also highlighted the need to better understand who carries the risk if the energy need modelled by pathways does not materialise.

2.17 In response to stakeholder feedback, we have further refined our decision on the scope of the pathways. In each RESP region, we expect the pathways to provide a spatial model of generation and demand, including timing, location, vector, type and scale. The capacity for generation and storage technologies assessed by the SSEP should function as the key starting point for the modelling of the RESP pathways. We further expect the pathways to integrate top-down national inputs, such as national policy and net zero targets, with local and regional data sources (including network, local government and cross-sector data) in a consistent way. Further details on the input data to the pathways are covered in Chapter 4.

2.18 We affirm our proposal of a single short-term pathway branching into multiple long-term pathways to account for greater future uncertainty and we have decided the short-term pathway will consider a 10-year period. While we note some stakeholders' preference for a 5-year time-horizon, the single pathway

[14] Lower layer Super Output Areas (LSOAs) are the second smallest geographic unit for census statistics. They contain between 400 and 1,200 households, typically with a resident population of up to 3,000 people. (Office for National Statistics, Statistical Geographies: https://www.ons.gov.uk/methodology/geography/ukgeographies/statisticalgeographies)
[15] Small area statistical geographies used in Scotland include Data Zones with typical resident populations of 500-1,000 people and Intermediate Data Zones with typical resident populations of 2,500-6,000 people. (Scottish Government, Small Area Statistics: https://www.gov.scot/collections/small-area-statistics/)

must provide a strategic view to enable investment over multiple price control cycles.[16] Our view is therefore that a 10-year short-term pathway is preferred.

2.19 We have decided not to set an exact timeframe for the long-term pathways, reflecting feedback that the length of the long-term pathways could vary depending on the regional context. However, we expect the long-term pathways to extend to at least 2050. While we note concern from respondents about the credibility of the long-term pathways, we expect them to align with the starting point set by the short-term pathway, represent feasible routes to net zero, and be reflective of uncertainties over the longer-term. In line with our consultation position, a separate counterfactual (narrative and data), should show the potential implications of falling short of net zero in each region.

2.20 We recognise stakeholder concerns regarding uncertainty associated with future demand and the associated risk of planning to a single pathway which may fail to materialise. However, to achieve the objectives of net zero and sustainable growth, our view is that there is a need for a single credible understanding of how the future net zero energy system should evolve to enable a proactive approach to network investment. This view is supported by the recent National Infrastructure Commission Distribution Network report,[17] which highlights that the risk associated with failing to invest and the networks becoming a blocker to the energy transition is now much greater than the risk of unnecessary network investment. We expand further on how the RESP overall will interact with network planning in Chapter 3.

2.21 We expect NESO to conduct modelling of supply and demand to a sufficient granularity to support local planning and provide a detailed basis to underpin network planning, including at lower voltages and operating pressures. In our view, modelling to LSOA level in England and Wales and Data Zone level in Scotland would be appropriate, where this is practicable. We note stakeholders concerns around excess granularity and technical complexity but believe this level of modelling is feasible and necessary to provide confidence in the resulting needs case. We do not view this as duplicating the work currently undertaken by the distribution networks, as the pathways will be based on a strategic whole-system

[16] Ofgem sets price controls for the gas and electricity network companies. Price controls balance the relationship between investment in the network, company returns and the amount that they charge for operating their respective networks. More information can be found here: https://www.ofgem.gov.uk/energy-policy-and-regulation/policy and-regulatory-programmes/network-price-controls-2021-2028-riio-2

[17] National Infrastructure Commission Electricity Distribution Networks Report: https://nic.org.uk/studies-reports/electricity-distribution-networks-report/

view. Furthermore, we distinguish between the higher granularity of the modelling and the somewhat lower granularity of expected network alignment, as set out in paragraph 3.10.

2.22 We expect NESO to develop a detailed approach to modelling as part of the RESP Methodology. This approach must include suitable metrics to consider deliverability and alignment with net zero targets, as well as appropriate sensitivity analysis.

2.23 Transparency was a key theme of stakeholder responses. Therefore, subject to any commercial sensitivity, we expect the full pathways dataset to be accessible and accompanied by a report explaining data sources, assumptions made and the level of confidence in the data.

Spatial context

Decision summary

- Each RESP will provide a spatial view of pathways against network capacity availability to show areas of system need.
- Whole-system spatial data will be included to support coordinated planning.

2.24 We proposed the RESP include a spatial view (using digital geospatial tools) of demand and generation growth projections against network conditions. We proposed that pathways should be presented spatially down to LSOA level.

2.25 The inclusion of a spatial representation of the RESP pathways against network conditions, described here as the spatial context, was largely supported by local government respondents. They viewed it as an opportunity to meaningfully engage in strategic planning and energy infrastructure investment alignment. Whilst network companies were generally supportive, they highlighted the spatial view must be whole energy system to avoid duplicating single vector tools currently produced by the DNOs and GDNs. Some respondents expressed similar concerns about the LSOA level granularity as summarised in paragraph 2.21 above.

2.26 Our position is that the spatial context output should present the pathways against network capacity data using both a geographical and network asset basis. This should provide a place-based view of system need resulting from the pathways. We expect the spatial context to set the foundation for the analysis of future system need by showing where constraints may emerge and acting as an input into the identification of strategic investment need. We agree with respondents that the spatial context output should also include spatial

presentation of whole-system data to support stakeholders in undertaking coordinated planning. In our view, representation to LSOA level in England and Wales and Data Zone level in Scotland, where practicable, is appropriate and will facilitate comparison with broader spatial planning in the RESP areas.

2.27 Some responses suggested that this may duplicate efforts undertaken by network companies. However, our view is that it serves a distinct purpose to increase coherence and transparency of whole-system planning. Further, to avoid duplication, we expect this component to be informed by data provided by network companies and developed in close collaboration.

Specification of strategic investment need

Decision summary

- RESP will identify areas of investment need which are of high economic and/or system value and necessary to the delivery of key regional priorities.
- RESP will further categorise these areas to refine the scope of its specification and support common approaches to regulatory treatment.
- For in-scope areas of investment need, RESP will provide a specification of the capacity need and the expected vector and network level of solutions.

2.28 In our consultation, we said the RESP should identify the locations for strategic investment (SI) in line with the long-term vision for the region. We also proposed that Ofgem should require network companies to align their investment plans with the strategic direction set by the RESPs.

2.29 In responses to the consultation, many stakeholders agreed there was value in using RESPs' long-term and whole-system view to identify areas of investment need. Specifically, stakeholders identified benefit in the RESP: i) providing justification of need and the basis for confident investment under the price control; and, ii) supporting development of plans aligned with local priorities.

2.30 Stakeholders were, however, sharply divided on how directive RESP should be in informing SI need. Some, including most network companies, felt a directive approach was not appropriate because networks must have control of their own investment planning. Others, including many local actors, felt a directive role was essential to enable the coordinated delivery across vectors and sectors needed to decarbonise at pace.

2.31 Many stakeholders commented that the development of the SI output should abide by the principles of being place-based, transparent and accountable. In addition, many respondents called for clarity on the scope and procedural

aspects of the role. Specifically, stakeholders queried which types of investment would be in scope and how the RESP's specification of investment need would function alongside supporting regulatory frameworks. Finally, echoing feedback on the pathways, some respondents highlighted the need for clarity on who would own the risk if the investment need specified by the SI output did not align with the true future system need.

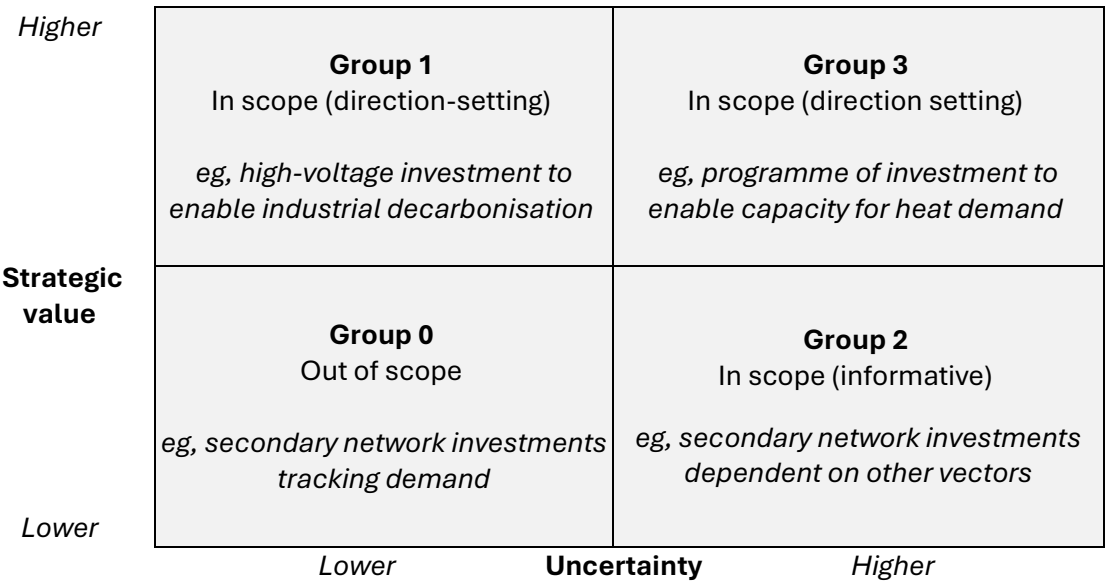
2.32 We have further developed our view of the SI output in response to stakeholder feedback. The purpose of this output is to specify the areas of SI need as derived from a coherent, whole-system view of regional priorities. Within the context of the RESP, we consider investment strategic if it is in advance of certain need and both a) of high economic and/or system value and b) necessary to the delivery of key regional priorities. To note, regional priorities could be driven by national level plans or initiatives. We expect the RESP Methodology to set out a framework by which investment need is identified as strategic which takes account of the degree of uncertainty, economic and/or system value, and regional significance.

2.33 We expect the RESP SI output to be bounded by its purpose. We do not expect the output to identify all areas of investment need and do not consider it would add value by identifying needs which would be routinely identified and easily justified by single-vector network planning processes. Specifically, we expect network companies to retain sole responsibility for identification of investments needed to maintain networks and ensure safety and security of supply. We also expect network companies to lead on identification of need for straightforward, lower-value, load-related expenditure (LRE) arising from single-vector network planning within their licence areas. We expect RESPs to influence this type of investment through the regional context, pathways, common planning assumptions and technical coordination function.

2.34 The RESP SI output, by contrast, should identify and provide justification of energy need for strategic LRE which is more complex due to timescale, geography, or required trade-offs between vectors, priorities or actors. We recognise this scope is broad, so we expect development of a categorisation scheme to refine the scope of the RESP SI output and support a common approach to regulatory treatment for investments with similar levels and/or types of risk. As illustrated in Figure 1, this categorisation could enable some variation in the degree of network alignment with the RESPs' direction – for example allowing variation in the degree of directiveness of the specification

where appropriate[18]. Finally, the categorisation should communicate the degree of certainty to stakeholders within and outwith the energy system, supporting alignment between energy system planning and broader spatial planning by local actors.

Figure 1: Indicative categorisation of areas of SI need by uncertainty and strategic value



2.35 We expect details of investment need categories to be developed fully in the RESP Methodology. NESO must work closely with relevant stakeholders to ensure the classification effectively supports justification of energy need and management of investment risk.

2.36 Where areas of in-scope SI need are identified, RESPs will provide a direction-setting specification containing:

i. Location and spatial context
ii. Network licence area(s)
iii. Categorisation (as above)
iv. Expected demand growth
v. Network capacity need
vi. Vector and network level, where relevant
vii. Detail of a needs case suitable to underpin detailed technical optioneering

[18] An example where RESP could usefully inform, but may not appropriately direct, strategic investment is in areas where lower-value programmes of work to enable electrification of heat could be appropriate but where substantial uncertainty around availability of an alternative energy vector remained.

2.37 Unless vital to cross-vector coherence, we do not expect the specification to go beyond definition of capacity need into asset-level solution optioneering. We believe the level of detail outlined above is optimal as it allows network companies to retain autonomy over single-vector network planning while assuring coherent cross-vector delivery to support regional strategic needs.

2.38 In Chapter 3 we discuss how RESPs will interact with network planning. Network companies will be expected to bring forward proposals for strategic investment aligned to the specification within this output of the RESP.

Consistent planning assumptions

Decision summary

- NESO will provide a set of common planning assumptions to drive consistent derivation of network impacts.
- Alongside the common assumptions, NESO will provide acceptable ranges of variation to allow for regional differences.

2.39 We proposed that NESO should develop a set of common planning assumptions to be used by network companies when translating changes in supply and demand into impact on the networks.

2.40 In response to the consultation, most stakeholders recognised the value of the RESP including consistent assumptions, given an acceptable range of regional variation, to improve credibility and reliability of network planning. The majority of stakeholders also emphasised the need for the assumptions to reflect regional characteristics and be developed transparently. Network companies were generally supportive of improving the consistency of assumptions but felt the focus should be on a methodology to develop the assumptions as opposed to a defined set of common planning assumptions, as these could be too prescriptive.

2.41 In line with stakeholder feedback, we have maintained our position that the RESP includes consistent planning assumptions, alongside an acceptable range of variation to allow regional nuances to be captured. Such consistency provides confidence in defining whole-system needs and ensuring different network company plans are reconcilable towards a regional strategic plan. Inclusion of an appropriate range reflecting regional variation is in line with stakeholder feedback highlighting the need to allow for regional context.

2.42 We recognise stakeholder views that the common planning assumptions output should be limited to a methodology used to develop common assumptions. However, our view is that this would not go far enough to ensure coherence and

that the assumptions themselves should be developed by NESO centrally. Further, our position on the range of variation mitigates concerns around the assumptions being overly prescriptive and unable to reflect regional variation.

2.43 We agree with respondents' suggestions that the assumptions should be developed transparently alongside stakeholders. We expect NESO to establish technical working groups, including network companies and relevant wider stakeholders, to aid the development and review of planning assumptions.

3. Interactions with wider planning

Overview of our decisions

We have decided to maintain our view that network companies must align their network planning to the direction of the RESP. We consider this a 'direction-setting' role. The RESP will also have close interactions with spatial planning, and we confirm that this does not impact on any accountabilities of local or devolved government. Lastly, the RESP will complement the other strategic plans being developed – SSEP and CSNP – and NESO must ensure there is coherence between the outputs.

RESP policy framework consultation questions

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.

Background

3.1 The need for RESP was identified through our review into the future of local energy institutions and governance, in which we examined the existing arrangements for energy system planning of the distribution system. Our review identified a gap in the current governance, with a need for strategic planning to support coordination of the different planning activities and ensure that there was accountability for developing a view of what's needed that extends beyond a single vector and thoroughly accounts for relevant local actors' plans.

3.2 Therefore a key component of the framework is how the RESP interacts with wider planning responsibilities. This chapter sets out the key RESP interactions: network planning; spatial planning and broader strategic plans within the energy system. We recognise the institutional landscape is continually evolving and we will work closely with NESO, Government and wider stakeholders to ensure the interactions are clear and effective.

Interactions with network planning

Decision summary:

- RESPs will have a direction-setting role in the network planning process.
- Electricity network plans must align with the direction of the RESPs at the primary substation level and meet capacity needs.
- Gas distribution network plans will be expected to align to the pathways at low-pressure system level, but with a time delay to allow the RESP to drive development which responds to rather than precedes changes in demand.
- Network plans will not be expected to align with the RESP where this would conflict with delivery of other licence obligations.
- Networks will also be expected to develop proposals to meet the strategic investment needs specified by the RESP.

3.3 In our consultation, we set out that strategic planning should set the foundation for identifying capacity needs and ensure consistent, regionally specific assessments of network impact were brought forward into detailed network planning. We stated that we would require DNOs and GDNs to align their investment plans for network capacity with the strategic direction set by the RESPs covering their respective licence areas. We noted network companies could propose investments that were not aligned with the RESP but highlighted that this would require robust justification.

3.4 We received stakeholder feedback asking for clarity on how the RESP strategic plans will interact with existing network planning processes. Of specific concern to stakeholders was the extent to which the RESP is expected to direct detailed planning of distribution networks. Some stakeholders said that an overly directive RESP could limit network companies' ability to efficiently plan and operate the network and raised concerns regarding the interaction with existing licence obligations. Others felt that the RESP must be directive to deliver coherent whole-system strategic plans and coordinate network development in line with regional priorities.

3.5 Our decision is to maintain our consultation position that the RESPs' role in relation to network planning is 'direction-setting'. We will require network companies to align their network load-related investment plans to the direction set by the RESP, with some discretion to consider other inputs to ensure the investment proposed is as efficient as possible. In other words, they must prepare an investment plan which meets the capacity needs resulting from the

RESP through the pathways and strategic investment outputs. As expressed in our consultation, detailed network optioneering and investment planning will remain the responsibility of network companies.

3.6 In reaching this position, we have considered models in which the RESP guides (eg deviation requires justification but is not exceptional) or informs (eg networks have full discretion over alignment) network planning. Our view is that a direction-setting model maximises alignment across vectors and sectors, thereby i) reducing uncertainty and risk around investment and ii) aiding the development of supply chains and workforce. This will aid a more proactive approach to investment and funding to be taken (for example, greater confidence in setting ex ante allowances). Furthermore, an informative specification is unlikely to provide robust justification of energy need under the price control, as the actions of interdependent vectors would be uncoordinated. Finally, a less directive output could decrease engagement from regional stakeholders, who may see less value in inputting to plans which may or may not deliver investment to meet the needs they identify.

3.7 We note that where alignment with a RESP would conflict with delivery of other licence obligations, for example around safety, resilience and security of supply, we would not expect RESP alignment to supersede these responsibilities. In addition, during detailed optioneering, we expect networks to identify opportunities to maximise efficiency of delivery across all network investment (including LRE within scope of the RESP). This, for example, could include strategies to upsize assets on a 'touch the network once' basis where this is most efficient.

3.8 Finally, the RESP policy framework sets out the basis for how network companies will be required to use the output of the RESP and what it means for the network plans. The specific mechanisms for how they will then be funded for these investment plans and the associated controls on delivery are a matter of price control design. The first RESPs are to be produced for the end of 2027, the ED3 price control methodology will define the funding mechanism and delivery controls for electricity network investment. As described earlier, we have asked NESO to produce a transitional RESP output to be produced by January 2026 which will feed into ED3 business plans and price control setting. Similarly, the GD3 methodology includes a reopener which is suitable to accommodate any additional investment to be made based on the RESPs if needed.

Alignment to pathways and spatial context

3.9 In line with RESP being a direction-setting plan, we expect network companies to ensure their investment plans provide capacity where and when it is projected to be needed by the RESP, through alignment with the pathways. By alignment, we mean that network companies should demonstrate that there is sufficient capacity in their network to meet the need identified in the RESP or propose investments to create sufficient capacity.

3.10 We expect DNOs to demonstrate alignment down to a primary substation level and GDNs down to a low-pressure system level.[19] Our view is that a RESP must be able to set the direction for coordinated network development at these system levels to effectively support delivery of regional priorities. Planning at lower levels of granularity should not disregard the RESPs' direction, but requirement for closer alignment may be too prescriptive and risk network companies' ability to react to changing needs.

3.11 We note that electricity and gas networks will undergo fundamentally different transformations through the energy transition and do so on staggered timescales. It is widely expected in all net-zero compliant futures that the electricity network will need to rapidly expand over the coming decades.[20] The gas network, however, may need to evolve to transport lower-carbon gases or, in some areas, be decommissioned. The risks of investing before need in the expansion of the electricity network are widely accepted to be less than those of investing too late[21]. Reduction in capacity for the gas network, however, must not precede reduction in gas demand. For this reason, we will work closely with NESO through the methodology development to define an appropriate time delay in alignment requirements for gas networks, so that RESP supports gas networks to respond to, rather than precede the projected changes in demand.

Alignment to specification of strategic investment need

3.12 Within the consultation responses there were varied views of stakeholders on the extent to which the SI output should direct network planning. Consistent with the overall RESP framework, we consider the SI output must set the

[19] As other energy vectors, such as hydrogen and heat networks, grow in importance over the course of the energy transition, we expect NESO, Ofgem and DESNZ to work together to develop a view on the appropriate granularity and mechanism of steer from the RESP to ensure effective whole-system planning and delivery.
[20] See, for example, NESO's Advice on achieving clean power by 2030: https://www.neso.energy/publications/clean-power-2030
[21] National Infrastructure Commission, Electricity distribution networks: Creating capacity for the future: https://nic.org.uk/studies-reports/electricity-distribution-networks-report/#tab-foreword

direction for network company plans. By this, we mean that network companies will be required to propose investments that meet the specification in the RESP. In our view, network companies retaining significant discretion over which areas of SI need are brought forward in network plans could compromise the capability, in real terms and in stakeholder perception, of the RESP to effectively coordinate energy system development across vectors and sectors. However, we expect NESO to develop the output collaboratively with relevant stakeholders, including network companies. The RESP governance arrangements, outlined in Chapter 5, should help to ensure there is collective agreement on the investment need and where necessary provide a conflict resolution route if there is material disagreement.

3.13 Within the price control context, the SI output is expected to provide justification of investment need for proposals aligned with the RESP's specification. This justification of need would then not have to be remade by network companies in their proposals. Ofgem will still need to adequately assess that the solution and costs are efficient and in line with any wider relevant business plan guidance. The inclusion of an area of need in the RESP SI output does not fetter Ofgem's discretion on funding decisions within the price control.

3.14 Nonetheless, we expect coordination between NESO's design of the RESP SI output and Ofgem's design of the price control to allow the former to provide tangible benefits in building a consensus view of strategic investment needed in a region and streamlining the route to delivery of that investment. Regional stakeholders, including planning bodies, should be able to use the SI output to gain a more confident view of where and when energy networks will develop to support regional priorities.

Interactions with spatial planning

Decision summary:

- RESPs will ensure that spatial planning is better integrated into energy system planning.
- The RESP framework does not change or impact the accountability for spatial planning.

3.15 As set out in our consultation, the RESP will function at the nexus of local spatial planning and energy network planning and provide a crucial source of information in a region, indicating the challenges and opportunities to better enable the transition to net zero. In developing RESPs, NESO will need to engage with local

and devolved governments and gather data from local planning bodies. We elaborate further on this in Chapter 4 and on the governance in Chapter 5.

3.16 The introduction of RESP does not change the accountabilities of local government or any actor with responsibility for spatial planning. That is a matter for Government. There is no requirement for those undertaking spatial planning or local energy planning to adhere to the direction of the RESP.

3.17 Instead the RESP framework provides a structured approach and governance for how spatial planning should be integrated into energy system planning on a consistent basis. It will provide a focal point of information for how the energy system will develop. We expect, based on engagement with stakeholders throughout RESP development, that this can be used to inform spatial planning or investment decisions. For instance, if there is confidence that network infrastructure will be built in an area then this will support decisions to proceed with projects. Likewise, the need for network infrastructure identified through the RESP will be informed by an understanding of spatial plans.

3.18 We recognise that the spatial planning landscape is not uniform. There are different devolved powers across GB as well as differing levels of energy planning being undertaken. This also results in differences in capacity and existing capabilities. We consider the RESP framework to provide the overarching architecture which can be tailored to the differing institutional architecture in each RESP area. With regards to capacity, we discuss how RESPs will provide local authorities with support to engage with Strategic Planning in Chapter 4.

Interactions with other strategic plans

Decision summary:

- We expect there to be transparent feedback loops between RESP, SSEP and CSNP and for NESO to ensure the outputs are coherent of one another.
- The SSEP pathway will be the starting point for RESP development, with other data inputs then incorporated to develop a regional strategic plan.

3.19 The RESPs will join an array of new strategic planning functions delivered by NESO, including the SSEP and the CSNP. The SSEP will act as the blueprint for where generation and storage assets should be sited in a future net zero energy system, with the first plan looking out to 2050. The CSNP plans the transmission network, initially out to 2050, laying out the wider network build required to facilitate net zero in line with the SSEP.

3.20 As set out in paragraph 2.17 we expect the SSEP pathway to be the starting point for the development of the RESP pathways. Additionally, there will be interactions between the RESPs, CSNP and SSEP, with feedback loops between each. As the delivery body, we expect NESO to consider this within the design of each plan and to lay out, for instance, how the RESP will inform future SSEPs. We also expect NESO to maintain coherence in the data, assumptions and modelling across the strategic plans it develops, minimising to the extent possible the potential for conflicting outputs and evidencing a clear understanding of any differences that do occur. This will ensure coherent plans at all levels of the system and better management of the distribution-transmission interface. Ultimately this will ensure we can accelerate network investment and ensure the energy system delivers what consumers need.

3.21 We will continue to work closely with NESO and the Department for Energy Security and Net Zero on the interactions between strategic plans.

4. RESP delivery

Overview of our decisions

We have decided that each RESP will be enabled by two functions: i) place-based engagement and support; and, ii) technical coordination. Our description of these functions affirms and refines our consultation positions in line with stakeholder feedback.

We also confirm the overarching framework of data inputs to the RESP. In response to feedback, we have developed a set of principles to assure the credibility and integrity of input data. We have also introduced the expectation, to be further developed by NESO, of an in-development register of early-stage projects within each region.

We have decided to maintain our position on the RESP update cycle. The RESP for each area will be updated fully every three years, and underpinning data will be refreshed annually.

RESP policy framework consultation questions

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

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

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

Q8. Do you have any suggestions for criteria to assess the credibility of the inputs to the RESP?

Q3. Do you agree there should be an annual data refresh with a full RESP update every three years? Please provide your reasoning.

NB: We have altered the sequencing of the questions to aid articulation.

Delivering the RESP

4.1 In our consultation, we set out that NESO will be the RESP delivery body and we expect it to deliver the RESP via a hub-and-spoke model. Regional spoke offices will embed place-based engagement, insight and collaboration, while the central hub will provide technical expertise, administrative efficiency and GB-wide coordination. Our consultation sought views on various aspects of how NESO will deliver the RESPs. Our proposals covered:

- Delivery functions to support the development of and use of the RESPs

- Data inputs, including data sources and how their credibility is assured
- How often the RESPs are updated

4.2 These topics are discussed in turn below, with stakeholder comments and related decisions provided in each subsection.

Delivery functions

4.3 In response to stakeholder feedback, we have reaffirmed and refined our position on the place-based engagement and local actor support function. We have also repositioned technical coordination as a function - it was described as a building block in our consultation.

Place-based engagement and support for local authorities

Decision summary

- We affirm that place-based engagement is a key function needed to develop RESPs.
- NESO should develop proportionate forms of support for local authorities and local energy representatives.
- NESO will develop structured, transparent and accessible routes for regional stakeholder engagement as part of its RESP Methodology.
- We maintain our view that funding and/or staff support for local projects and planning is outwith the remit of RESP.

4.4 A key purpose of the RESP is to consistently integrate spatial plans into energy system planning to enable better coordinated development. To do this effectively, the RESP must draw on a comprehensive understanding of priorities within each area developed through structured and embedded engagement.

4.5 In our consultation, we set out that NESO should establish place-based engagement processes for local actors to participate in strategic planning, guided by the following principles: transparent; accountable; representative, and coordinated. We also outlined our expectation that NESO provide proportionate and relevant support for local government energy planning to aid effective participation in the RESP development process. However, we stated that it was not within its scope to provide funding or personnel for local projects.

4.6 Many stakeholders expressed support for the RESP development processes to be more clearly grounded in place-based engagement. Respondents stressed the importance of local actors having meaningful influence over energy planning throughout the entire RESP development process, not just at an initial insight-

gathering phase. Stakeholders also emphasised risks arising from the varying levels of existing capacity to engage with energy planning across GB. This included a risk of intra-regional inequality and risks to the delivery of coherent RESPs (due to the reliance on data and insight from within the region).

4.7 In response to stakeholders' feedback, we have decided to maintain the guiding principles but have clarified that the role of place-based engagement processes is to effectively integrate consumer, local and regional views in a coherent manner. We agree that all relevant local actors should have meaningful influence throughout the development of the RESP.

4.8 We expect NESO to develop structured, transparent and accessible routes for stakeholder engagement and to lay these out clearly in its RESP Methodology. They should be designed to support collection of the necessary insights for RESP development and to make this process accessible for stakeholders with differing touchpoints to energy system planning and/or differing levels of knowledge.

4.9 We expect regional working groups to be a key mechanism to gather insights and views. We also note the potential for NESO to establish open-access regional forums to further enable meaningful participation in the RESP development. We provide further details of the working group structure in Chapter 5.

4.10 We confirm our consultation position for NESO to provide proportionate support to local government with regards local energy planning and the interaction with strategic spatial planning. We recognise stakeholders' concerns about the varying levels of existing capacity to engage across GB and the risk of heightening inequalities. The targeted proportionate support provided by NESO, particularly around sharing best practice, digital tools and data consistency, will help mitigate the risk of areas not being able to participate. We maintain our stance that it is not appropriate for NESO to provide funding or personnel to local spatial planning bodies, as this would be an overreach of strategic energy planning which is ultimately funded by consumers through their energy bills. Any additional funding or role for local energy planning is a matter for Government.

4.11 Whilst the focus of the support function NESO develops should be towards supporting local authorities, other local actors involved in energy system planning may also benefit from proportionate support to participate. These include stakeholders engaged in local energy activities or with emerging interactions with energy system planning. NESO should consider this in developing the targeted forms of support available.

Technical coordination

Decision summary

NESO will deliver a technical coordination function to support RESP development, including:

- Ensuring coherence of whole-system plans within and between RESP regions and upward to transmission.
- Surfacing opportunities for cross-vector optimisation wherever these emerge in the development of RESPs.
- Conducting targeted reviews of network plans to assure alignment with the RESP's direction.
- Rectifying gaps or inconsistencies between plans through collaboration with relevant stakeholders, or escalating where necessary.

4.12 We proposed that the final building block of the RESP should be a technical coordination role through which NESO reviews network company plans to i) identify and resolve gaps or inconsistencies and ii) surface whole-system opportunities.

4.13 A clear majority of the respondents that commented on the proposed technical coordination building block agreed with our proposal. Many stakeholders noted that assuring coordination between plans developed by individual actors was a challenging but necessary component of coherent cross-vector planning. They argued that technical coordination was necessary to resolve gaps and inconsistencies arising at the network optioneering stage and to deliver viable whole-system solutions. Stakeholders also noted technical coordination would add value by providing transparency around trade-offs and surfacing opportunities for cross-vector optimisation.

4.14 A minority of stakeholders sought further clarity about how technical coordination would work in practice, often suggesting the need for a divergence mechanism to allow for regional variability and for sufficient agility to adapt to changing technologies and priorities. Many responses, noting technical coordination would require trade-offs, stressed the need for transparent and accountable conflict resolution processes. Finally, some queried the role, or apparent lack thereof, of some stakeholder groups – eg, local authorities, heat networks, independent distribution network operators (IDNOs), and independent gas transporters (IGTs) – in technical coordination processes.

4.15 A small number of stakeholders disagreed with our proposal for technical coordination. They argued that reviewing network investment plans was outside of NESO's RESP remit and should be reserved for Ofgem in a price control setting context. Some also questioned whether NESO would have the requisite technical knowledge to undertake this task.

4.16 Our decision is that technical coordination is a key delivery function which should happen throughout development of the RESP and provide assurance of network plan alignment with a coherent and deliverable set of final RESP outputs. This is a shift in articulation from our consultation position, which proposed technical coordination as a third building block. This was interpreted to mean that technical coordination would occur as a distinct stage at the conclusion of the plan development process. Stakeholder responses highlighted that the activity of technical coordination, and the collaborative involvement of stakeholders, was relevant throughout the development of the RESP outputs. We fully agree, and for that reason now position technical coordination as a delivery function.

4.17 The purpose of the technical coordination function is to ensure coherent energy system planning. The RESP is expected to add value through the development of strategic plans which are coherent: i) within and between RESP areas; ii) upward to transmission; iii) across energy vectors; and iv) with regional priorities and/or key elements of spatial plans. Technical coordination encompasses activities to ensure coherence of strategic planning by resolving gaps and inconsistencies, identify opportunities for whole-system optimisation, and maintain alignment between strategic plans and network plans. Without these activities there is a risk that NESO performs a passive coordinating role which does not result in technically-sound or optimal strategic plans. We expand further on types of activity expected within the technical coordination function below.

4.18 Our expectation, as discussed in paragraphs 4.24 to 4.27, is for RESPs to be developed using a range of different sources, including 'top-down' and more granular bottom-up data. In developing the outputs of the RESP, we expect NESO to coordinate with relevant local actors to understand their inputs and how they should be integrated into the strategic plan. This may include resolving gaps and inconsistencies identified within the inputs or as the output develops. This should ensure that the output produced sets out an optimal view of how the region's energy system should develop. It should also ensure that each individual RESP is consistent with the wider suite of RESPs and the national strategic energy plans such that together they form a coherent overall system plan. Throughout the

production of the RESPs, NESO must also maintain coordination at a technical level between the RESP, single vector energy plans, and broader spatial plans.

4.19 NESO must also surface opportunities to further optimise whole-system planning. For complex developments which involve multiple vectors, we expect NESO as the independent strategic planner to identify opportunities to provide the best value and least disruption for consumers. Within the development of the RESP, NESO should highlight these to relevant stakeholders – including energy networks, local actors and Ofgem – and work collaboratively to progress the optimal solution. This aspect of technical coordination and cross-vector optimisation should be inherent in the RESP development process and especially in its specification of areas of SI need.

4.20 Lastly, the technical coordination function should support the translation of strategic planning into network planning, ensuring networks develops in line with the strategic direction of the RESP. As stated in Chapter 3, network companies retain responsibility for detailed optioneering and must have the latitude to plan and operate networks optimally within their licence areas. However, divergent approaches to network planning could compromise the cross-vector coherence of RESPs. We therefore expect NESO to conduct targeted reviews of network load-related investment plans to assure they are aligned with the direction of the RESP (as detailed in paragraphs 3.9 to 3.13). Where gaps or inconsistencies are identified, NESO should work with the relevant network companies and local actors to resolve these through collaboration and, where this is not possible, to escalate these issues through RESP governance structures. By undertaking technical coordination throughout the RESP development, we expect the potential for gaps or inconsistency to be minimised and there will be an onus on network companies also to maintain consistency.

4.21 We note stakeholder concerns around over-reach of the RESP's remit and consider that the scope of technical coordination should be limited by its purpose: ensuring coherent, optimised, whole-system regional energy plans. The NESO should examine elements of network plans only so far as is required to check alignment with the RESP pathways and SI outputs. Where alignment to a RESP would conflict with a network company's existing obligations (eg, around network safety, resilience and security of supply)we would not expect the technical coordination function to pursue alignment, but rather to note this and any relevant interdependencies in adjacent plans. In these cases, it is Ofgem's responsibility to decide whether misalignment is adequately justified.

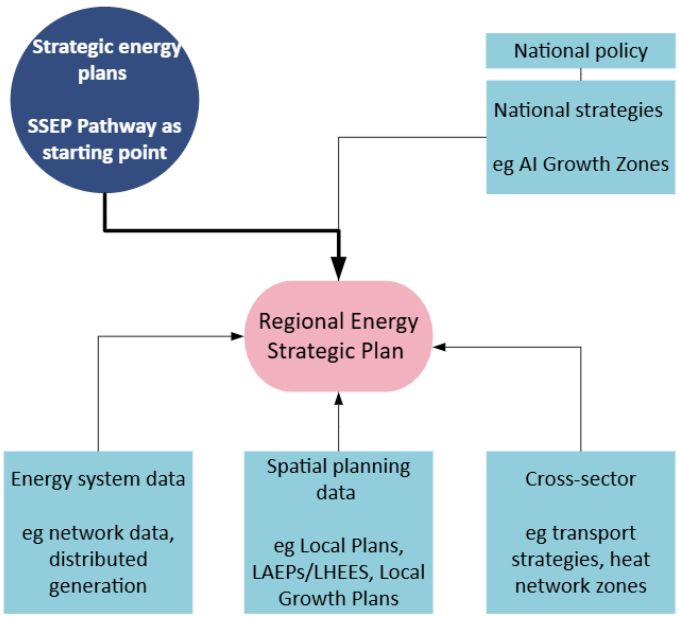
4.22 We have also considered stakeholders' views that technical coordination activities could in practice mark decision-points at which trade-offs are made. We agree that the decision-making process should be as transparent and accessible as practicable. Specifically, where non-network stakeholders and/or delivery of regional priorities would be materially impacted by technical coordination deliberations, affected stakeholders should be made aware of and able to contribute to the decision-making process. Conflicts arising or any substantive deviation risk emerging from the technical coordination function should be subject to the governance which oversees and assures the RESPs.

4.23 We expect the detail of how the technical coordination function will be delivered, including the sequencing of touchpoints with network business planning processes, to be developed in NESO's RESP Methodology. NESO will collaborate with network companies and Ofgem's price control teams to ensure this function: i) streamlines and enhances, rather than replicates, existing processes; and, ii) is sufficient to allow the RESP to provide robust justification of investment need.

Data inputs to the RESP

4.24 To enable the delivery of the RESP, we expect NESO to establish a framework of data inputs that effectively integrates different sources. We set out a broad framework for the types of data that is critical for RESP development. Critically (as illustrated in *Figure 2*), the framework includes the bottom-up data we expect to be gathered and tested through effective place-based engagement.

Figure 2: Schematic representation of data inputs to the RESP



Data sources

Decision summary

- There will be a framework of standard data inputs for the RESP.
- It must be transparently established, accessible, and regularly updated.

4.25 In relation to input data sources to the RESP, we proposed that NESO should transparently aggregate top-down national inputs, such as national policy (net zero targets etc), SSEP, CSNP and Future Energy Pathways (FEP), with local and regional data sources (including network, local government and cross-sector data) in a consistent way. In the absence of local and regional data, NESO should transparently establish assumptions. We also described our expectations for NESO to feedback processes to enable the RESP outputs to inform local spatial plans.

4.26 There was agreement from the majority of stakeholders with the proposed framework of standard data inputs for the RESP. Some stakeholders suggested additional inputs, such as information from environmental agencies. Others highlighted the need for the framework to remain adaptable.

4.27 We have therefore decided to maintain our consultation position on the framework of data inputs for the RESP. We agree with feedback that the framework must remain adaptable, and therefore, as part of its RESP Methodology, we expect NESO to develop a process for regularly reviewing the framework.

Credibility

Decision summary

- There will be clearly established criteria for determining the credibility of data sources, which will be developed further in the RESP Methodology.
- NESO will maintain an 'in-development register' to track early-stage projects in each RESP region.

4.28 In our consultation, we proposed that NESO should develop clear criteria for assessing the credibility of input data and asked for stakeholder suggestions on the criteria to be used.

4.29 Stakeholders suggested a range of criteria including granularity, degree of completeness, stakeholder validation and transparency, source reliability and

recency. Stakeholders raised concerns around data consistency and validity, and sought clarity on how NESO would fill in gaps where bottom-up data was not available. Others queried the use of Local Area Energy Plans (LAEPs) and Local Heat and Energy Efficiency Strategies (LHEES), with stakeholders emphasising the need for NESO to use wider data sources alongside these. Stakeholders also advocated for the creation of an 'in-development register' to track and make visible early stage projects, providing additional insight to support strategic investment.

4.30 In line with the suggestions made, we have developed initial criteria to assess the credibility of RESP data inputs:

- Reputable source – data should be weighted based on its source.
- Recency – where relevant, data should be weighted based on its recency.
- Stakeholder validation – stakeholders should have the opportunity to transparently review and challenge key data.
- Granularity – a required degree of granularity for data points should be established.
- Degree of completeness – data should be weighted based on its completeness.

4.31 We expect NESO to develop the criteria further as part of its RESP Methodology including the creation of a central data collection hub and to facilitate data sharing in an agreed standardised format. We have recently appointed the NESO as the Interim Data Sharing Infrastructure (DSI) Coordinator. As part of this role, we have set out our expectation that the NESO uses the DSI to improve the data collection and standardisation elements of Strategic Planning (RESP, SSEP, CSNP). We expect the NESO to fully utilise the DSI's capabilities when building and operationalising the RESP methodology. In the context of the RESP, we expect this to have significant benefits to local actors by reducing the administrative burden associated with data collection and access.

4.32 For projects and plans at an earlier stage of development (eg a new heat network, EV transport hub or industrial cluster), we agree with stakeholder suggestions that NESO should establish an in-development register. Whilst some of these projects may naturally feed into the longer-term pathways due to their timeline, there is value in capturing less developed projects relevant to the short-term and transparently recording their progress. This will help to balance the need for the RESP to be based on credible inputs whilst capturing regional

ambitions. We expect NESO to work with the relevant local actors to identify these projects.

RESP update cycles

Decision summary

- RESPs will be updated every three years, and the underpinning datasets will be refreshed annually.

4.33 The final element related to the delivery of the RESP is the frequency of the updates and how this is expected to link to wider planning cycles.

4.34 In our consultation, we proposed the RESP should undergo an annual data refresh, with a full update every three years, noting alignment with CSNP update cycles. We also outlined that this approach should balance agility with the need to provide sufficient investment signals.

4.35 Respondents expressed a range of views, with a relatively balanced distribution advocating for one, three, or five-year update cycles. Supporters of a one-year cycle sought alignment to the prior FEP refresh cycle. A three-year cycle was seen as sufficient to create strong investment confidence and align with other strategic plans (SSEP and CSNP). Many respondents suggested a five-year cycle was appropriate to align to price control periods.

4.36 We are affirming our position that the RESP will be updated every three-years with an annual data refresh. The update cycle defines how regularly RESPs are produced. We consider it critical that the RESP is aligned with other strategic plans due to the inputs required and feedback loops between plans.[22] We consider three years for strategic planning strikes the right balance between agility (reflecting rapidly changing requirements), and the time required to develop a strategic outlook. Through price control design we will ensure that the appropriate funding mechanisms are in place to align to these update cycles. This will also ensure a long-term outlook is taken, rather than focusing on a price control period.

[22] Our Future Energy Pathways Guidance confirms that the FEP, formally FES, are to be produced every 3 years, with some flexibility to trigger an update within this period. Future Energy Pathways guidance | Ofgem

5. Governance

Overview of our decisions

We have affirmed our position that the Strategic Board will support coordination, provide oversight and steer the RESP development. The composition of each Strategic Board must balance network company and local actor membership, with sufficient place-based variation to account for regional differences. We have also clarified how the engagement processes provide the foundation of governance arrangements.

In response to stakeholder requests for further clarity on wider governance arrangements for the RESP policy framework, we have decided to introduce a National Steering Committee. It will provide strategic guidance during NESO's development of the RESP Methodology and ongoing implementation oversight .

Finally, in a change to our consultation position, we have decided that sign-off of the RESP should reside with the Strategic Board where a clear majority position can be reached.

RESP policy framework consultation questions

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

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?

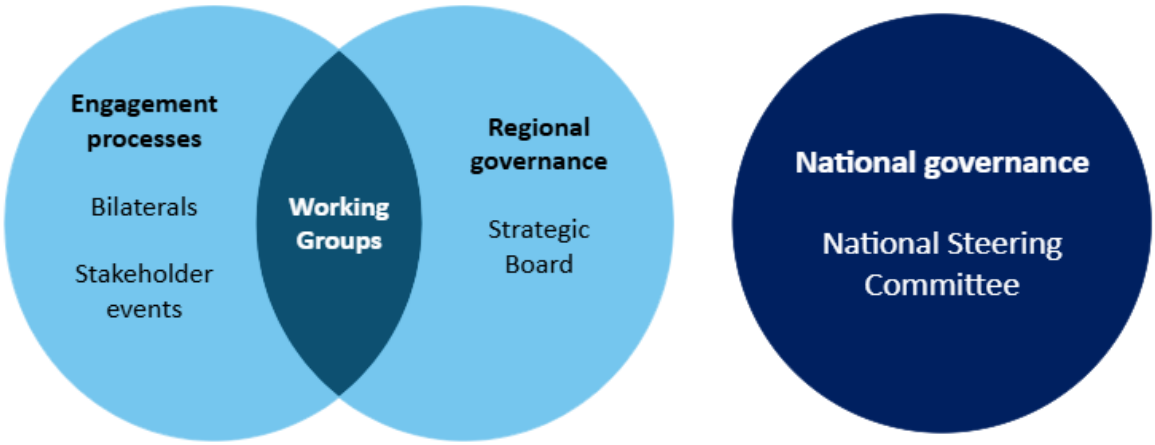
Q12. How should actors (democratic, network, cross-sector) be best represented on the board? Please provide your reasoning, referring to each in turn.

RESP governance pillars

5.1 Our policy framework sets out three governance pillars (see *Figure 3*) which NESO must establish to deliver RESPs. They are:

- Engagement processes – structured and accessible engagement routes, including regional working groups.
- Regional governance – a Strategic Board in each RESP area to support coordination, provide oversight and steer plan development.
- National governance – a National Steering Committee to guide development of the RESP Methodology and support coherence of overall plan development across regions.

Figure 3: Schematic diagram of RESP governance.



Engagement processes

Decision summary

We have expanded our position on two elements of the engagement processes that will form the foundation of the governance framework:

- NESO must consult with regional stakeholders on the RESP.
- NESO must establish regional working groups to provide input and oversight of the RESP development and formally advise the Strategic Board.

5.2 In our consultation, we set out that working groups should sit alongside the Strategic Board to aid in gathering place-based views and data, undertake analysis, and consider technical feasibility and cross-vector optimisation.

5.3 A number of respondents requested further clarity on the role of the working groups and how stakeholders not members of the Strategic Board would be engaged throughout the RESP development. Stakeholders also suggested we clarify the links between the working groups and the Strategic Board.

5.4 We agree that all relevant local actors should be meaningfully engaged and provide oversight throughout the RESP development process. To reflect this, we have expanded on two features of stakeholder engagement: public consultation and regional working groups.

5.5 Firstly, NESO must undertake public consultation on each RESP before it is finalised. The consultation stage will ensure all interested parties have an opportunity to review and provide feedback on the RESP. Within the RESP methodology, we expect the NESO to set out when consultation will be undertaken.

5.6 NESO must also establish working groups in each RESP area which reflect the regional context and ensure representation of diverse stakeholder interests. We expect both functional and thematic working groups. The function-based groups will aid RESP development and provide oversight of the specific components (eg, regional context, pathways).

5.7 The thematic groups will complement the functional groups by convening stakeholders who bring specific perspectives to inform the RESP (eg, local authorities, heat networks, large demand users, island communities, fuel poverty groups, community energy schemes, etc). Participation in a thematic group would not preclude involvement in function-based groups .

5.8 The working groups must be embedded within the RESP development process and NESO should develop structured mechanisms for how working group insights inform the Strategic Board. Where any significant issues or trade-offs arise in the working groups, these should be raised with the Strategic Board for resolution. These mechanisms will ensure that views, issues and concerns raised in the working groups are transparently considered by the Strategic Board.

5.9 Whilst our position on the working group structure clarifies our expectations, the number, composition, cadence and type of working groups will vary according to the characteristics of each region. NESO will provide further details on the processes for establishing and operating working groups in its RESP Methodology.

Regional governance

Decision summary

- Strategic Boards will be established to provide oversight and steer the development of each RESP.
- Strategic Board members will be drawn from DNOs, GDNs, devolved and local governments, and relevant cross-sector bodies.
- NESO will refine the Strategic Board design in each region, based on the guardrails we have established which balance the need for appropriate representation with a need to remain lean and purposeful.

5.10 We proposed each RESP area should have a Strategic Board to convene relevant local bodies (local democratic and network company representatives, as well as any wider cross-sector actors) to provide oversight and steer to the RESP development. We suggested two models for the board's composition: embedded (all actors represented on a single board) and multi-stage (distinct technical and place-based boards). We expressed preference for the former as a means of

enhancing collaboration. We acknowledged the difficulty of representing a wide range (diversity and numbers) of stakeholders effectively on a single Strategic Board, and invited views on suitable representation mechanisms. For local authority representation, we suggested unitary authorities in Scotland and Wales and upper-tier authorities in England (which should also represent their constituent lower tier authorities).[23]

5.11 In response to our consultation, the majority of stakeholders agreed with the purpose of the Strategic Board, and there was strong support for the Strategic Board to be lean. Transparency was called out by many respondents as the most critical principle for effective Strategic Boards. Most stakeholders agreed that representation should include democratic actors, network companies and cross-sector bodies, with a broad consensus favouring the embedded model to better enable collaboration. Some respondents suggested that the Strategic Board should include an independent chair to ensure equity and balance in decision-making.

5.12 Our decision confirms the purpose of the Strategic Board, namely to provide oversight and steer for the development of the RESP. The Strategic Board will act as a forum to bring together critical stakeholders, navigate trade-offs, and support whole-system strategic planning. NESO will regularly engage with the Strategic Board throughout the RESP development process

5.13 Those stakeholders that must be represented on the Strategic Board can be categorised into three groups:

- Electricity and gas distribution networks (DNOs and GDNs)
- Devolved and local government
- Cross-sector

5.14 We expect members to have substantive strategic influence, spatial planning and/or investment making responsibilities. They must be empowered to represent the perspectives of their network, place or sector. For local government representatives, their 'place' may extend beyond their specific local authority to surrounding areas. Strategic Board members will be expected to work collaboratively to support delivery of the RESP and ensure that the strategic plan is grounded in a whole-system perspective.

[23] Upper-tier authorities within an English Combined Authority will be represented by that Combined Authority.

5.15 NESO will also be represented on the Strategic Board. We consider NESO should be the Chair of each RESP's Strategic Board. We understand some stakeholders perspective that it should be an independent Chair and agree it is imperative that the Board is equitable, and decision-making is balanced. However, as NESO is an independent public body and removed from the different interests represented within a Board we consider it should perform the Chair function. We believe it will also more deeply integrate the NESO and the Strategic Board.

5.16 In line with stakeholder feedback (secured via a series of working groups we hosted in 2024), we have decided that all network companies within a RESP area should have a seat on the Strategic Board, but to manage numbers, those with more than one licence area within a region should only have a single representative.

5.17 Two of the RESPs cover Wales and Scotland respectively. The governance approach must therefore reflect that those RESPs cover the jurisdiction of a devolved government. Alongside local government representation, there should be a place on the Strategic Board for a representative of the devolved government. This should ensure there is direct representation of devolved policy and objectives.

5.18 We consider the most appropriate level of representation for local government is strategic authorities and upper-tier local authorities in England,[24] and unitary councils in Scotland and Wales. In England, due to the number of upper-tier authorities, we consider it is appropriate that where there is a strategic authority, that body represents its constituent authorities on the Strategic Board. We expect the relevant strategic authorities and upper-tier authorities to engage with lower-tier authorities on the RESP development.

5.19 Whilst we believe this to be an appropriate level of representation, we recognise this involves a high volume of local authorities within each area. As such, we consider it appropriate that only a proportion hold a seat on the Strategic Board to ensure it can be sufficiently lean and effective in fulfilling its purpose.

5.20 We have considered how to set the appropriate number of local government representatives on a Strategic Board. One approach we tested with stakeholders

[24] The English Devolution White Paper sets the goal for universal coverage of England by Strategic Authorities. Existing Combined Authorities will become Strategic Authorities as well as forming new Strategic Authorities for areas without Combined Authorities in place currently. Therefore we adopt the terminology Strategic Authority in this decision, to recognise this direction. However, as the RESP governance may be established before there is universal coverage, we maintain having upper-tier authorities being represented.

involves a ratio mechanism, which ties the number of local government seats to the number of distribution network companies (DNOs and GDNs) in a region. For example, matching the number of seats and then allocating additional ones proportionate to the total number of upper-tier authorities in a RESP area.

5.21 Whilst there is merit in such an approach, especially in setting clear parameters for NESO, we are conscious that an overly mechanistic solution at this stage may be inappropriate. It is likely that determining the appropriate proportion of local government seats for the Strategic Board will rely on understanding of the institutional landscape in each region and the energy system context.

5.22 Therefore, we expect NESO to determine the proportion of seats for local government in each RESP area following stakeholder engagement. This should be guided by some form of ratio mechanism, to ensure local government's representation is proportionate, reflective of an area's key characteristics and needs for the energy system. Additionally, whilst NESO will have discretion regarding convening working groups (paragraph 5.9 above), we consider there should be a local authority working group for each RESP area to ensure that each local authority has a direct route of engagement to the RESP development and governance.

5.23 Our view is that this approach to local government representation strikes the right balance between ensuring representation whilst maintaining a sufficiently lean Strategic Board to fulfil its purpose. We also consider it aligns with the direction of travel set out in the English Devolution White Paper.[25] However, we appreciate this is an evolving landscape, and we will work closely with NESO to ensure any future changes are appropriately reflected and managed.

5.24 Lastly, we anticipate cross-sector influence will vary across the RESP areas. Therefore, we expect NESO to work with stakeholders to identify the primary cross-sector themes and actors that can add most value to steering the RESP's development. As a guiding principle, we expect the criteria outlined in 5.14 should be used to assess the suitability of wider membership of the Strategic Board. In terms of numbers, again to achieve a lean board, we expect around four cross-sector members should be represented on each Strategic Board, but this may vary between different RESP areas.

[25]Ministry of Housing, Communities and Local government, English Devolution White Paper: https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper

National governance

Decision summary

- NESO will establish a GB-wide National Steering Committee to provide strategic oversight, expertise and advice during development of the RESP Methodology and to provide national-level coordination of strategic planning.

5.25 In our consultation, we outlined that there should be wider governance arrangements in place between Ofgem, NESO and DESNZ to enable strategic coordination. Stakeholders were supportive of the need for overarching governance and sought clarity on the process overall and representation.

5.26 We expect NESO to establish a GB-wide National Steering Committee. It should at a minimum have representatives from NESO, DESNZ and Ofgem. We also consider there is a case for wider representation from consumer representatives, local government, and network representatives. We will work closely with NESO as it establishes the National Steering Committee to ensure the membership can effectively guide the process.

5.27 We expect the National Steering Committee to provide strategic oversight, expertise and advice during the RESP Methodology development. As RESPs are developed, we expect the National Steering Committee to provide oversight, aid alignment with the SSEP and CSNP, support efficiency and whole-system coordination. This should ensure a nationally coordinated approach to energy system planning. It will also have a role to support conflict resolution, which we describe in paragraph 5.38.

Decision-making and conflict resolution

Decision summary

- Ofgem will formally approve the RESP Methodology and NESO will be accountable for the development of RESPs in line with the steer of the regional Strategic Board.
- Sign-off of each area's RESP will reside with the relevant Strategic Board where a clear majority consensus can be reached. In the absence of a majority consensus, sign-off will revert to Ofgem.
- A clear escalation route will be established for conflict arising within the RESP development process: from regional working groups to Strategic Boards to the NESO Hub and finally to the National Steering Committee.

5.28 Through RESPs we are introducing a new sub-national strategic energy planning activity with accountability residing with NESO. NESO is accountable for developing high quality RESPs and the decisions this entails. This sits alongside the existing accountabilities of other actors (eg, regulatory, network planning and local spatial planning). In Chapter 3 we describe the interactions between strategic energy planning, network planning and spatial planning. Whilst NESO is accountable for delivering RESPs, there are key decisions within the RESP policy framework which bound this accountability. Specifically, the approval of the RESP Methodology and approval of each RESP.

5.29 In line with our consultation position, Ofgem will be the decision maker and approve NESO's RESP Methodology. The primary use-case of RESPs is to build confidence in what network infrastructure is needed and ensure this investment is brought forward by setting the direction of network planning. RESPs are, therefore, a critical input to Ofgem's price control decision-making. As such, it is imperative that Ofgem is satisfied the Methodology delivers in line with the RESP policy framework and Guidance and will result in high quality RESPs. This also ensure the strategic energy planning role does not extend beyond the scope and accountability intended by this framework.

5.30 For the final approval of RESPs, in our consultation we set out our view that the final decision maker on the content of the RESPs should be NESO. We recognised that there could be a case for the Strategic Board to have the final say in 'signing-off' the RESP. However, we felt that this could risk diminishing the overall accountability for strategic energy planning and result in an inappropriate transfer of risk outside of the energy system. We also noted concerns it may lead to different outcomes across the regions.

5.31 In response, stakeholders highlighted the need for clarity on the proposed powers of the Strategic Board and conflict resolution mechanisms. A minority raised concerns around decision-making responsibilities, as they felt the Strategic Board should ultimately sign-off the RESP to empower local actors and ensure their buy-in. Others suggested that a single stakeholder group should lead on decision-making, either networks or local authorities.

5.32 Following consideration of stakeholder feedback, we have decided to introduce a decision-making role for the Strategic Board to approve the RESP. The NESO will be accountable for decisions within the plan development, taking account of the steers provided by the Strategic Board throughout. The approval decision therefore is verification that the strategic plan is credible, reflective of how the energy system should develop, and has taken account of stakeholder input and

the steers of the Strategic Board. It is not a reopening of overall plan development. Much like the Methodology decision, we consider this sign-off approach helps to bound the accountability of the RESP.

5.33 The decision to sign-off the RESP must be of a significant majority from the different representatives on the Board. The NESO member of the Board will not have a vote. If majority agreement cannot be achieved, this decision will revert to Ofgem. We have considered whether to set a common threshold percentage for what constitutes a significant majority or whether it is better to consider each RESP Strategic Board's size and composition. It is our view that in developing the terms of reference for the Strategic Board, which will prescribe the voting terms, 80% is an appropriate starting point for the threshold level. However in finalising this threshold due consideration should be given to the composition of the board overall and ensuring that any risk of perverse outcomes is mitigated Ofgem will sign-off the terms of reference as part of the RESP Methodology approval.

5.34 Where a RESP's sign-off reverts to Ofgem due to a majority not being reached, Ofgem will take the vote and views of the Strategic Board into effect. In the event Ofgem cannot sign-off a RESP, clear direction will be issued to NESO on what is necessary to enable approval by Ofgem in a timely manner.

5.35 This approach, alongside the overall role of the Strategic Board, provides a clear process for decision-making, ensures there is strong buy-in to the RESP from each stakeholder group and increases its legitimacy with democratic and energy system actors.

5.36 We recognise this approach could be perceived as introducing an additional decision-making step resulting in additional complexity and ultimately time added in to the process. It is incumbent on all parties within the process to effectively use the governance forums throughout the process to resolve any areas of concern and support the creation of high-quality RESPs.

5.37 To support this, it is also imperative that the RESP Methodology and the terms of reference set out clear objectives for the Strategic Board to balance in steering and approving the plan. This should help ensure the Board is a forum for collaboration and considering the whole-system perspective for that region . If the Methodology cannot sufficiently provide controls for the risks highlighted, Ofgem reserves the right that all RESPs will revert to Ofgem for sign-off. For the

avoidance of doubt, Ofgem will still have overall decision-making responsibility on how the RESPs are used as inputs to price controls and on funding decisions.[26]

5.38 In our consultation, we set out our view that we did not think there needs to be a distinct conflict resolution mechanism separate from the RESP development process; instead it should be inherent within the processes and governance arrangements. However, stakeholders highlighted concerns about the lack of a distinct conflict resolution mechanism. Our view remains that embedding collaboration in the process, as well as NESO being the independent and accountable institution responsible for RESP development should support effective conflict management. However, we have decided to specify distinct routes within the governance framework for how conflicts should be resolved. These are as follows:

- If a substantive conflict arises within a working group that cannot be resolved, it should be escalated to the region's Strategic Board for consideration.
- Any substantive issues of conflict at each Strategic Board should be surfaced first to the NESO hub function.
- If the issues cannot be resolved at Hub level, then they should be raised at the National Steering Committee for resolution.

5.39 Within the process of plan development, there will be significant complexities, options and trade-offs to navigate and consider. Whilst the Methodology will provide a clear framework for how options will be identified and assessed, there may still be conflicts which arise regarding the relative worth of different options – especially where there is a very balanced case. We consider the above routes to conflict resolution provide a structured process for how these issues should be escalated and resolved. It will also help ensure consistency across RESP development. The guiding principle of transparency is critical for how the governance approach overall is operationalised.

[26] In keeping with Ofgem's principal objective to protect the interests of existing and future consumers in relation to gas conveyed through pipes and electricity conveyed by distribution or transmission systems, if Ofgem believes that an alternative pattern of investment is better for consumers in whole or part then Ofgem would consider funding this.

6. Boundaries

Overview of our decisions

We are moving forward with our consultation position for RESP boundaries, with one RESP for Wales, one RESP for Scotland, and 9 RESPs for England. We have adjusted the proposed boundaries to keep Greater Lincolnshire in a single RESP area. We have also made a correction to show Thurrock within the East RESP. Finally, we have renamed England's Economic Heartland RESP as Central England RESP.

RESP policy framework consultation questions

Q13. Do you agree with the adaptations proposed for Option 1? Please provide your reasoning.

Q14. Do you agree with our assessment that Option 1 (blended STB/ITL1 regions model) is a better solution than Option 2 (ITL1 English regions)? Please provide your reasoning.

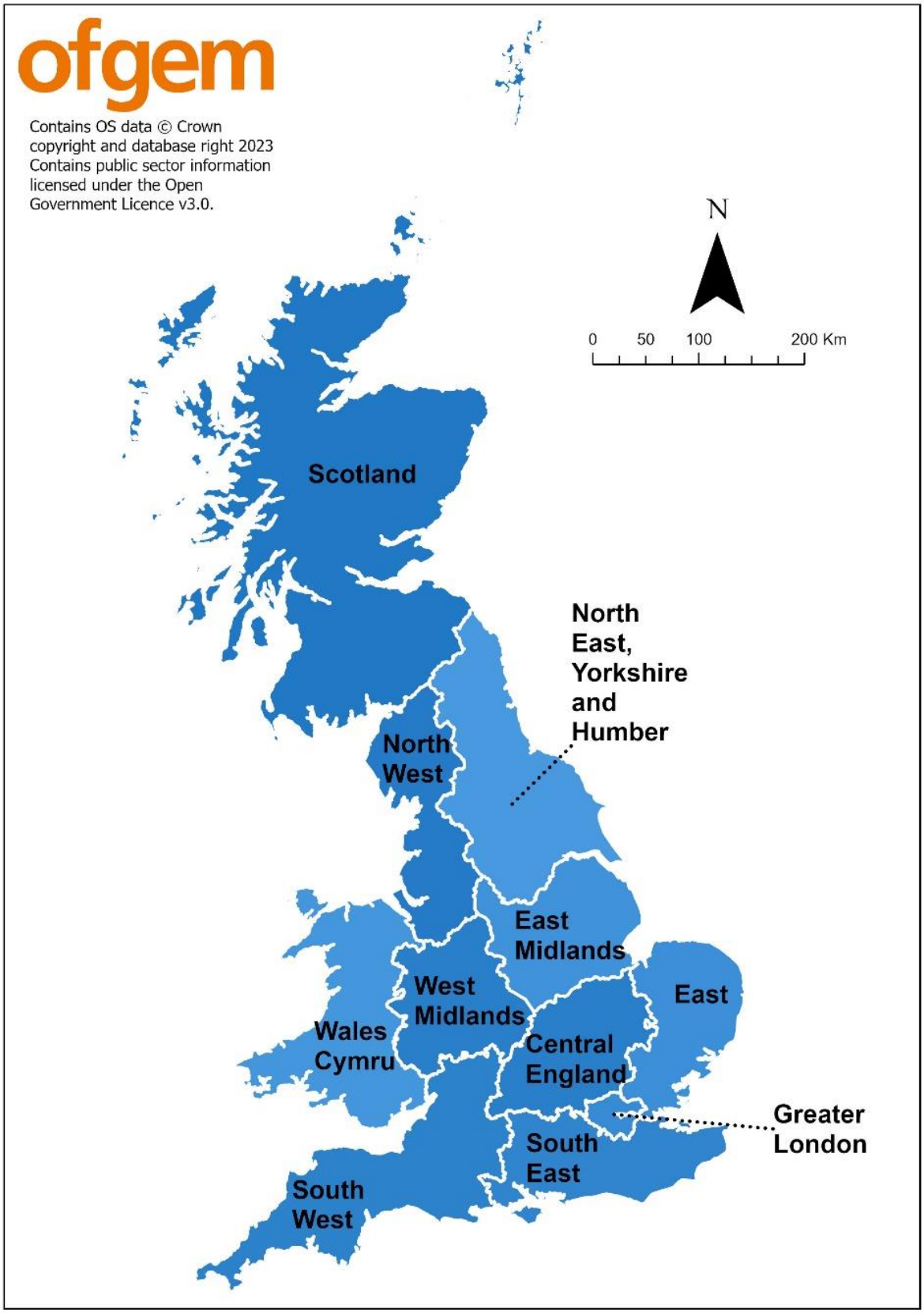
Q15. Do you agree a single region for Scotland is optimal? If you think a two-region solution is better, do you agree the split should occur at the SSEN and SPEN DNO boundary? If not, please provide your reasoning and alternative option(s).

6.1 In our November decision, we set out a principle-led approach to developing the RESP boundaries. In brief, we stated that RESP boundaries should: i) respect national borders and align to democratic boundaries; ii) consider potential for cross-vector planning; iii) be of sufficient scale; iv) fully cover GB; and v) support delivery of RESP at pace. In our consultation we sought views on the approach to identifying RESP areas and on specific boundary matters in England and Scotland.

6.2 We have decided to proceed with our consultation position for one RESP in Wales, one RESP in Scotland and 9 RESPs in England with boundaries based on a blend of Sub-national Transport Bodies (STBs)[27] and International Territorial Level 1 (ITL1)[28] geographies. The RESP boundaries across GB are shown in *Figure 4*.

[27] The STBs work at a regional level in England, bringing local authorities together to develop regional strategies. There are 7 STBs covering all of England except Greater London, which is covered by the Greater London Authority.
[28] The ITL classification evolved from the NUTS (Nomenclature des Unités Territoriales Statistiques) framework following the UK's withdrawal from the EU, and provides continuity with the UK's statistical framework for regional and local data in an international context. More information is available from the ONS: https://www.ons.gov.uk/

Figure 4: RESP boundaries in GB



England

Decision summary

- There will be 9 RESPs in England with boundaries developed from a blend of Sub-national Transport Body and International Territorial Level 1 regions.
- The entirety of Greater Lincolnshire will sit within the East Midlands RESP.
- England's Economic Heartland RESP has been renamed Central England RESP.

Consultation position

6.3 In our consultation we proposed a model for England which blended existing arrangements for STBs and the GLA with ITL1 regions. The proposed adaptations from our November 2023 position were:

- Split the Transport for the North STB area into two RESP areas divided along the Pennines resulting in a North West area to the west, and combined North East and Yorkshire & Humber area to the east.
- Split the Midlands Connect STB area into two RESP areas divided between the West Midlands and East Midlands.
- Amalgamate the Western Gateway STB and Peninsula STB areas into a single South West area.

6.4 These adaptations resulted in nine RESP areas for England, as opposed to the eight presented in the November 2023 RESP decision. We referred to this as option 1, the 'Blended STB and ITL1 Regions'.

6.5 We also proposed an alternative option 2, a model based wholly on the ITL1 regions, also resulting in nine regions in England.

Stakeholder response

6.6 The majority of stakeholders preferred option 1, though some noted that option 2 provided an opportunity for statistical uniformity. The majority of stakeholders also agreed with the proposed adaptations. Respondents noted these adaptations would effectively retain the value of existing institutional frameworks while avoiding overly large and/or populous RESP areas.

6.7 Some stakeholders raised concerns around the newly established Greater Lincolnshire Combined Authority being split across the North East, Yorkshire & Humber RESP and the East Midlands RESP in our proposal. Stakeholders felt this would not align with established democratic place-based boundaries and could lead to duplication of work.

Decision and rationale

6.8 We are maintaining our consultation position of 9 RESPs in England and taking forward our preferred solution (option 1) of blended STB and ITL1 regions. The resulting boundaries across England are shown in *Map 3* in Appendix 1, and for each English region in *Map 4 – Map 11*. This model has substantial stakeholder support and most closely aligns with our principles-based design. The approach satisfies the principles of facilitating cross-vector planning, aligns to democratic boundaries and builds on already established partnership and strategic planning structures. Using structures stakeholders are already familiar with will be more efficient and allow RESPs to be delivered at pace.

6.9 While we note stakeholders' cautions around misalignment with energy network boundaries, conducting analysis over varying spatial and network geographies is an inherent technical capability NESO will fulfil in its role as a whole-system energy planner.

6.10 **Greater Lincolnshire:** In response to feedback, we have decided to adjust the boundaries laid out in our proposal such that the entirety of Greater Lincolnshire falls within the East Midlands RESP. Greater Lincolnshire is a newly established Mayoral Combined County Authority (MCCA)[29] comprised of Lincolnshire County Council, North Lincolnshire and North-East Lincolnshire. Our original proposal would have placed North and North-East Lincolnshire in the North East and Yorkshire & Humer RESP area and Lincolnshire County in the East Midlands RESP. Our boundary design principles state that RESPs should align to established democratic boundaries and that local authorities should not need to engage with more than one RESP.[30] We agree with stakeholders that a single MCCA engaging with two RESPs would be sub-optimal and have decided to adjust the boundaries.

6.11 In addition, two minor changes are introduced with this decision:

- **Thurrock Council:** Thurrock Council sits in the East RESP but was incorrectly shown within the Greater London RESP in the map accompanying our consultation. We have corrected this in this decision (see *Map 5*).

[29] Government - Greater Lincolnshire Devolution deal 2023 – https://www.northlincs.gov.uk/your-council/greater-lincolnshire-devolution-combined-county-authority/

[30] We discussed these principles in detail in paragraphs 3.38-3.40 in the November 23 decision - https://www.ofgem.gov.uk/sites/default/files/2023-11/Future%20of%20local%20energy%20institutions%20and%20governance%20decision.pdf

- **Central England RESP:** The area labelled England's Economic Heartland RESP in our consultation document will be known as the Central England RESP going forward (see *Map 4*).

Scotland

Decision summary

- There will be a single RESP area in Scotland.

Consultation position

6.12 We proposed a single RESP solution for Scotland. We also recommended that if stakeholders expressed preference for a two RESP approach via the consultation, the boundary between these should be the existing DNO border which separates a northern Highlands and Islands area and a southern Central and Southern Scotland area.

Stakeholder response

6.13 Stakeholders were evenly split in their support for one or two RESPs in Scotland. However, nearly all respondents agreed that if Scotland were to have two RESPs, then the split should be the DNO border.

6.14 Stakeholders in favour of two RESPs raised the challenge of adequately reflecting and serving the needs of diverse communities across Scotland in a single plan. Specifically, they cited concerns that Scotland's 32 councils could not be represented on a single Strategic Board and that developing a whole-system outlook over large areas with strikingly different energy characteristics could prove challenging.

6.15 On the other hand, stakeholders who supported one RESP felt this would help align Scottish Government and local government targets and would allow for a whole energy strategic planning perspective across Scotland.

Decision and rationale

6.16 We have decided to proceed with one RESP in Scotland, as illustrated in *Map 1* in Appendix 1. On balance, we judge that a single RESP would be more efficient and effective in drawing together a coherent whole-system plan. This position reflects Scotland's devolved status and is consistent with the approach agreed for Wales.

6.17 Our position is consistent with that shared with stakeholders in an April 2024 workshop in which we presented a deep-dive analysis of Scotland's economic, physical, administrative, transport and energy geographies. We stated then that

the question remained finely balanced, and that if stakeholders were similarly split in our consultation that our backstop position would be a single RESP.

6.18 We have heard stakeholder concerns about NESO's ability to reflect the significant diversity of Scotland's diverse geographies in a single RESP. While we recognise the challenge of representing varied needs may be particularly acute in parts of Scotland – for example in its many unique island communities – it is one that is shared to some extent by all RESPs. We expect NESO to design appropriate engagement and governance structures, including working groups, to meet this challenge.

6.19 We have been engaging closely with NESO on its planned approach to mitigate stakeholder concerns. NESO intends to establish working groups within the Scottish RESP which reflect this diversity, as described in paragraphs 5.6 to 5.9. Arrangements for these groups will be discussed further in NESO's RESP Methodology.

Wales

6.20 Our minded to position that one RESP is optimal for Wales had been widely supported throughout this process, including by the Welsh Government. Therefore, we did not revisit this position in the consultation. The area of the Welsh RESP is shown in *Map 2* in Appendix 1.

Boundary evolution

6.21 In our consultation, we noted that the RESP model must be capable of evolving in response to external factors, such as substantive changes in the devolution or strategic planning landscapes, and that circumstances may arise which justified changing the RESP boundaries. Our decision to alter the proposed RESP boundaries in response to the establishment of the Greater Lincolnshire MCCA is a case in point. The recently published English Devolution White Paper[31] provides another example of local governance reform which could drive changes to RESP boundaries in future.

6.22 We set out in our consultation that boundary changes should be exceptional, that local and regional stakeholders should be actively involved in the process of case-making and assessment, and that the ultimate decision-maker for boundary

[31] English Devolution White Paper: https://www.gov.uk/government/publications/english-devolution-white-paper-power-and-partnership-foundations-for-growth/english-devolution-white-paper

evolution should be NESO or Ofgem. This policy framework enables NESO and Ofgem to manage these changes and provides further detail on our expectations.

6.23 Boundary changes should only be considered at the transition between each RESP cycle to maintain familiarity and consistency throughout the production of the RESP outputs. At the end of a RESP cycle, the boundary arrangements could be revisited if a strong case for change has been identified by or presented to NESO.

6.24 NESO's pan-RESP oversight, along with the established governance arrangements, will provide mechanisms for evolution requests. These mechanisms should involve regional stakeholders, facilitate assessments and enable recommendations for the national steering group to consider.

6.25 We expect the National Steering Committee, as discussed in paragraph 5.26, to consider cases for boundary evolution on a case-by-case basis. Their decisions must be backed by evidence and align with the principles through which the original boundaries have been developed.

6.26 Ofgem retains the right to conduct additional consultations as deemed necessary to enable a decision to be made.

7. Implementation

Overview of our decisions

The RESP will be implemented through additional licence conditions for NESO and an accompanying guidance document. Network companies will also be obligated to support NESO's development of the RESP through an additional licence condition.

Prior to each RESP cycle, NESO will develop a RESP Methodology in line with this policy framework and Ofgem guidance. NESO will develop the RESP Methodology in collaboration with stakeholders, and Ofgem will retain formal Methodology approval.

NESO licence changes and guidance document

7.1 The RESP will be formally implemented through additional conditions in NESO's two licences.[32] An accompanying guidance document will provide detail to underpin this obligation and to lay out our detailed expectations for NESO's development of the RESP Methodology.

7.2 The guidance document may be amended following stakeholder consultation to allow evolution in the scope and/or purpose of the RESP as the energy transition progresses.

Network company licence changes

7.3 Modifications will also be made to DNO and GDN licences obligating them to support NESO's development of the RESP. This support may take the form of participation in working groups or Strategic Boards, collaboration on development of the RESP methodology and/or plans, and sharing of relevant information and datasets to allow for the development of RESP outputs. We will also consider the role of licence obligations and the price control frameworks for ensuring the interaction with network planning is appropriately implemented.

7.4 We expect to engage stakeholders fully throughout the process of developing the new licence conditions through bi-laterals, working groups, and statutory consultations. This work will progress throughout 2025.

RESP Methodology

7.5 Prior to each RESP development cycle, NESO must develop and consult on the RESP Methodology. The Methodology should set out NESO's approach to delivery

[32] The NESO has two licences, an Electricity System Operator licence and Gas System Planner licence to reflect the entirety of its role as Independent System Operator and Planner. Licences and licence conditions | Ofgem

of the RESP as per the expectations of this policy framework and RESP guidance documentation.

7.6 We expect NESO to work transparently and collaboratively with stakeholders in development of the Methodology. Ofgem will also work closely with NESO through the development of the Methodology. As noted above, Ofgem retains a formal role in reviewing and signing off the Methodology.

Monitoring RESP implementation and impact

7.7 We will monitor the implementation and delivery of RESP closely to ensure that the policy framework delivers in line with the intent and can achieve the expected impacts. The RESP update cycles and the associated governance architecture (including Ofgem approving the methodology) provide a clear cadence for Ofgem's monitoring of the policy overall. For each cycle we will issue new guidance as needed to ensure the RESP policy framework is effective. We will engage with stakeholders as part of this to ensure that we understand stakeholders perspectives on how the RESP is delivering and to take account of the evolving landscape.

7.8 In our Impact Assessment, published alongside this decision, we discuss our initial views on the evaluation approach to complement this implementation monitoring. In particular, we note that over time we should expect to see efficiency savings resulting from coordinated development. However due to the number of related policies operating in this space it may be difficult to directly attribute them. As such any evaluation approach must consider both the primary and secondary objectives to be able to evaluate its success.

Timelines

7.9 *Table* shows the expected timelines and key dates for upcoming work leading to development of the first full RESP outputs.

Table 2: Indicative timeline for RESP implementation milestones

Milestone	Expected delivery
NESO + Networks Licence Changes Policy Consultation	Q3 2025
NESO + Networks Licence Changes Statutory Consultation	Q3 2025
NESO's RESP Methodology Consultation	Q4 2025
Ofgem approval of RESP Methodology	By Q2 2026
Delivery of first RESPs	Q4 2027

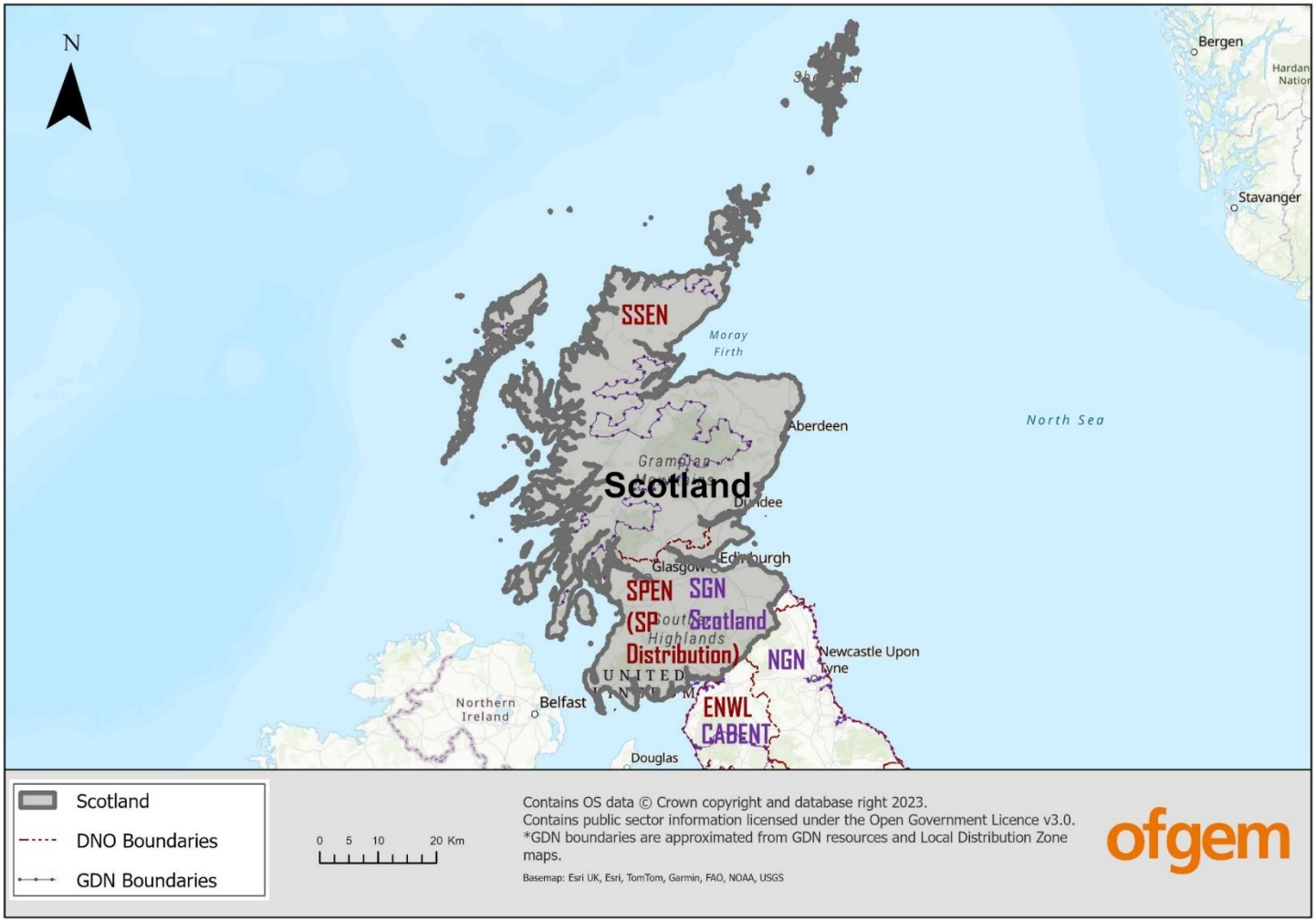
Appendix 1 - RESP Boundaries

Introduction

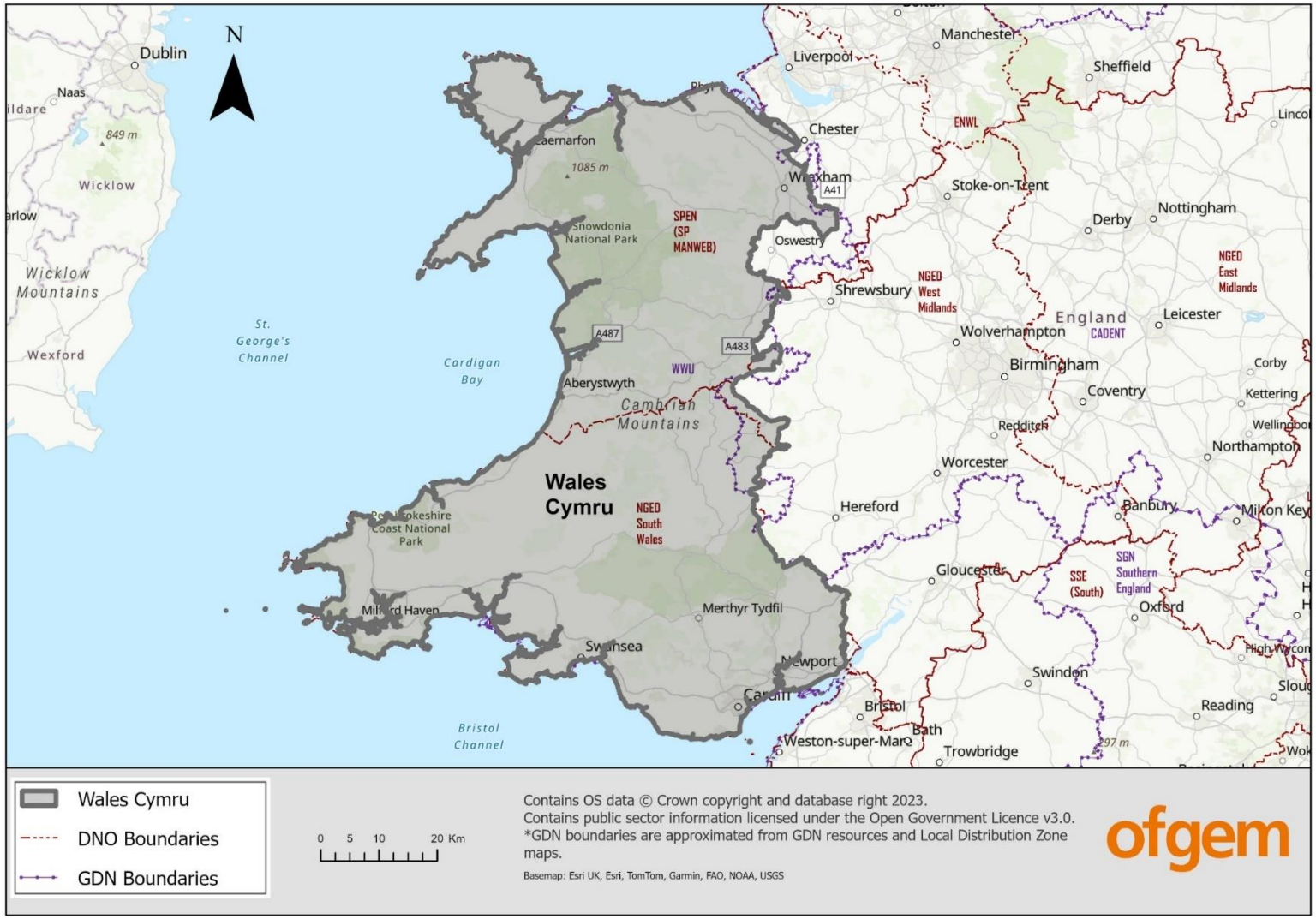
The maps below show the RESP boundaries in Scotland, Wales, and England as determined by this document. The accompanying tables provide overviews of the DNOs and GDNs that will serve each RESP. The information used to develop the maps and analysis was provided by DNOs and GDNs.

Maps

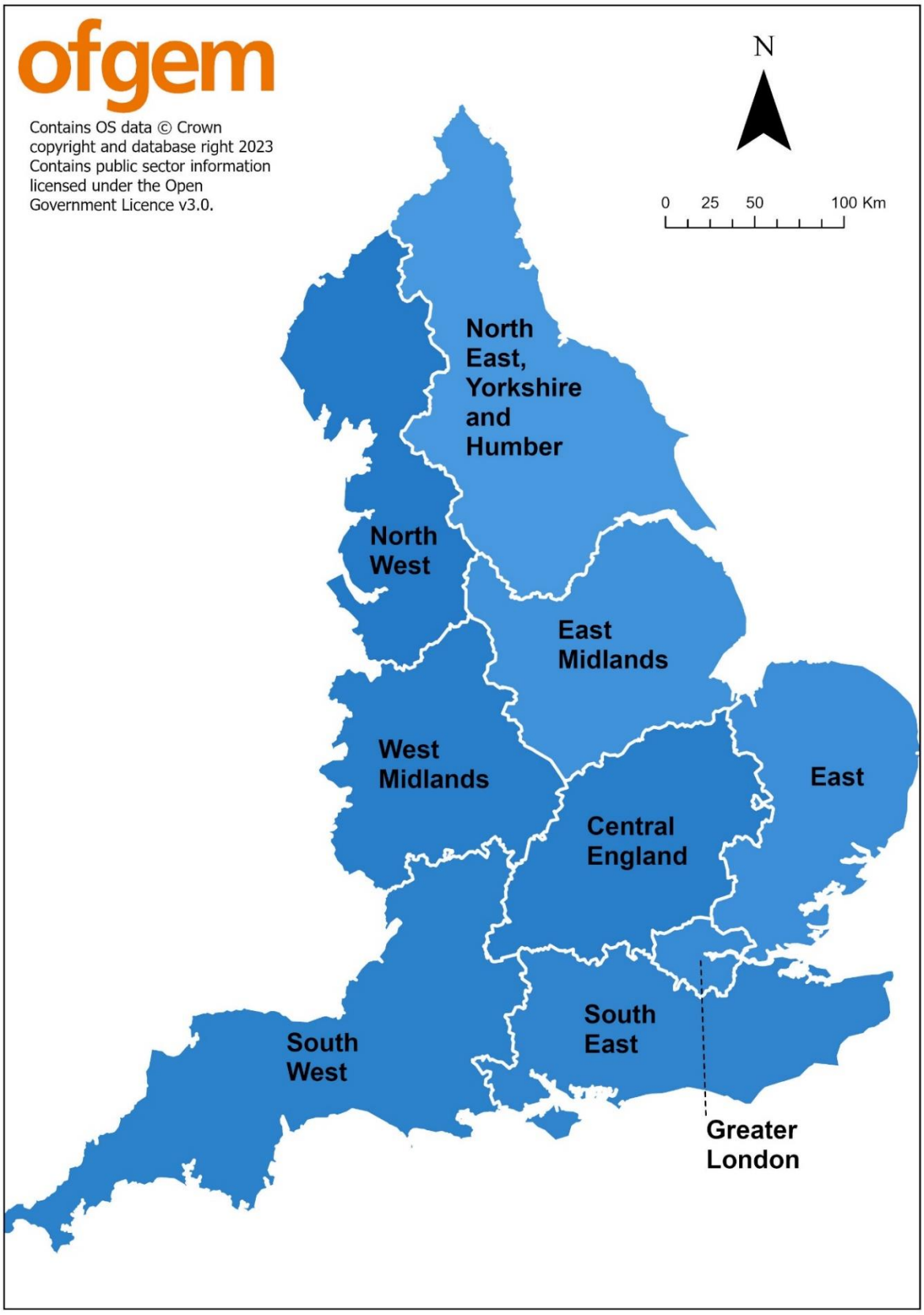
Map 1: Scotland RESP



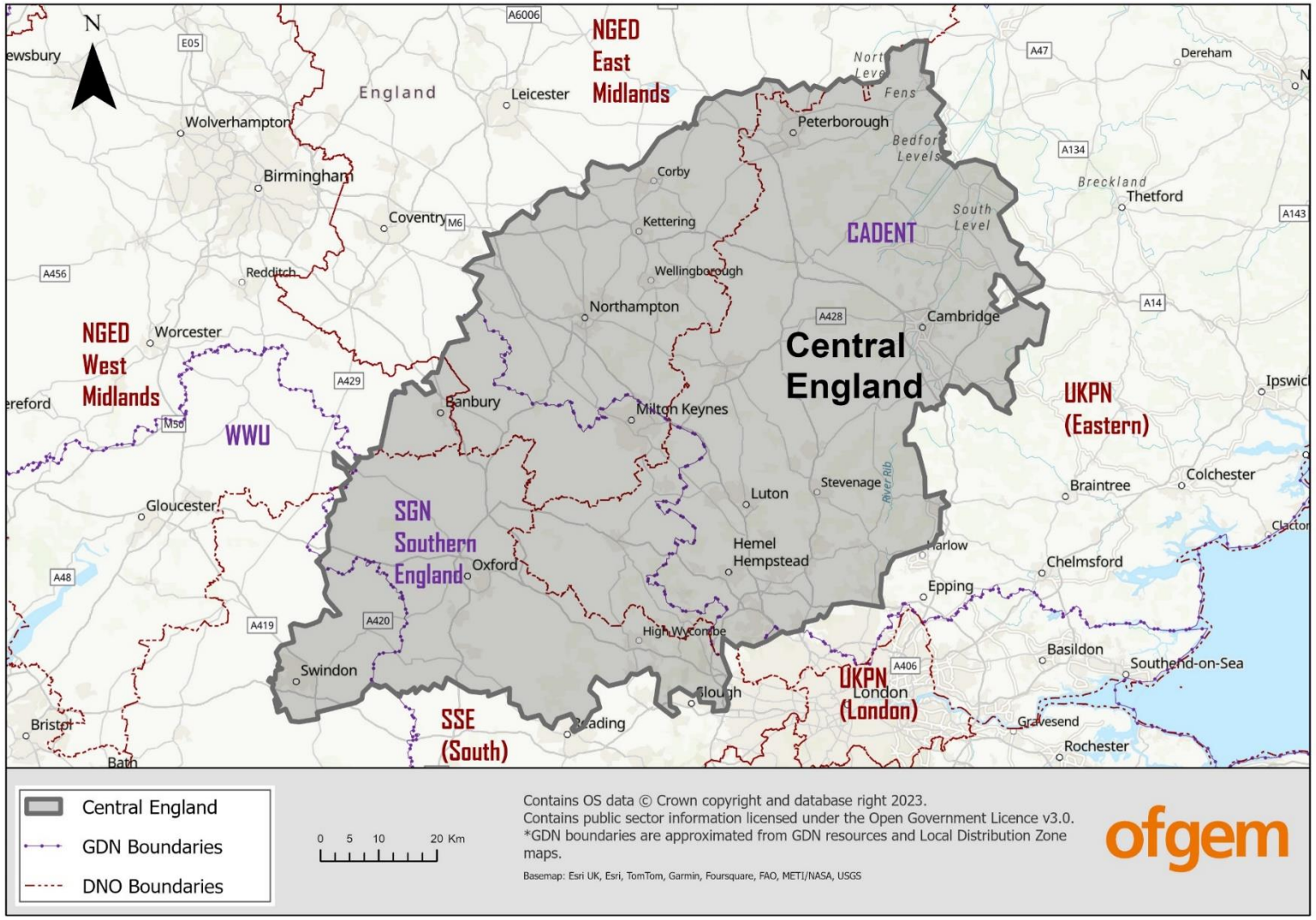
Map 2: Wales RESP



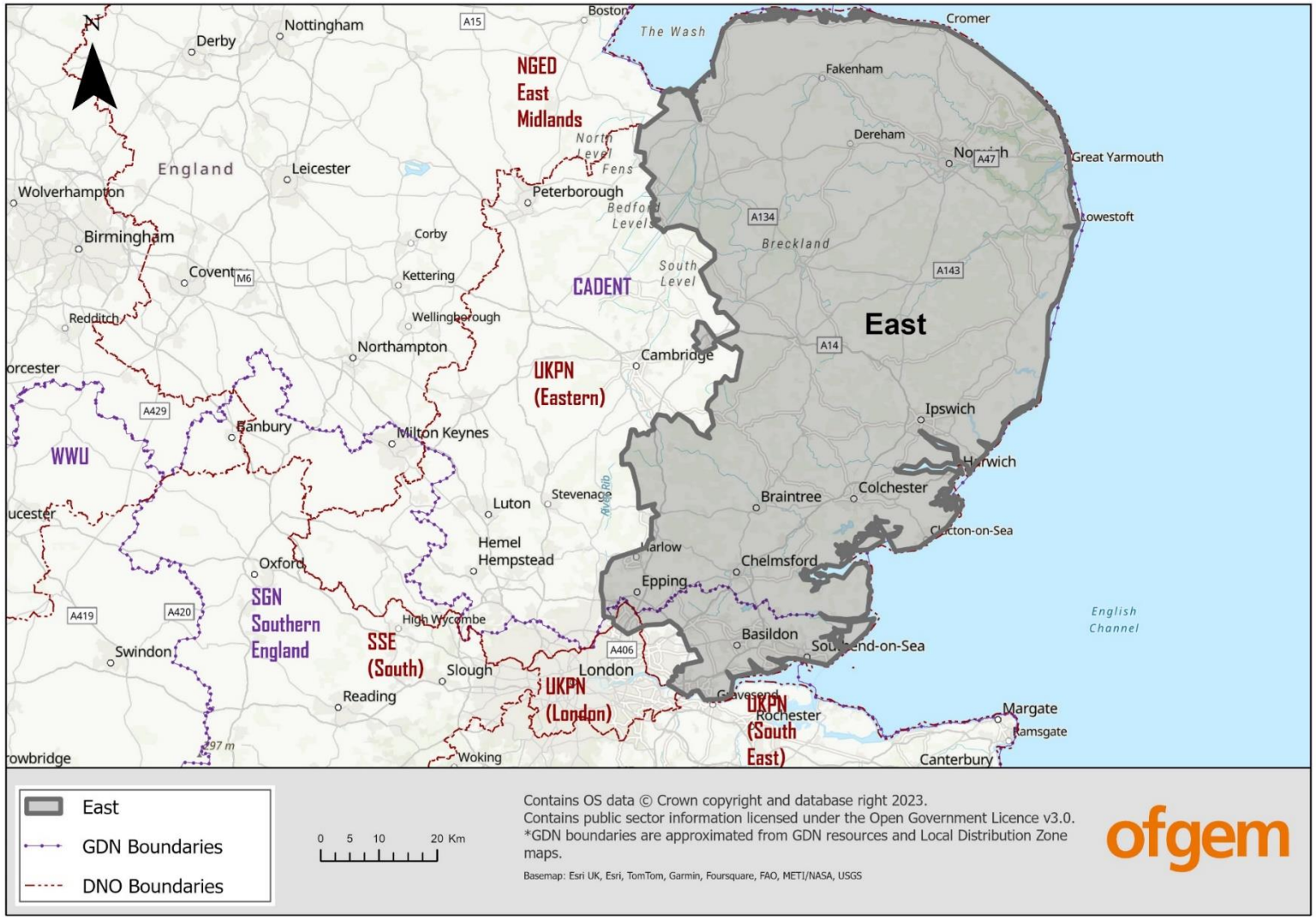
Map 3: England RESPs



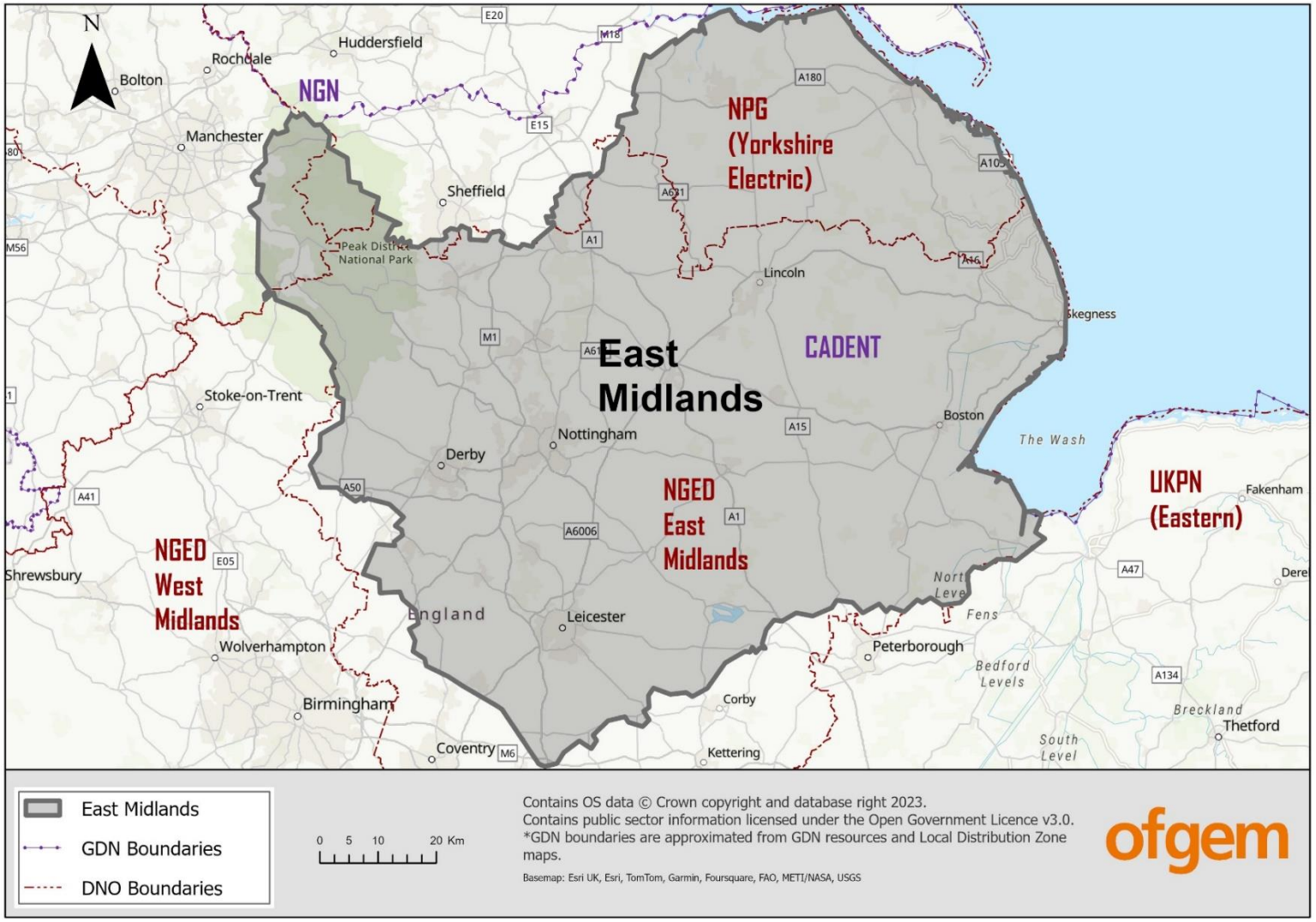
Map 4: Central England RESP



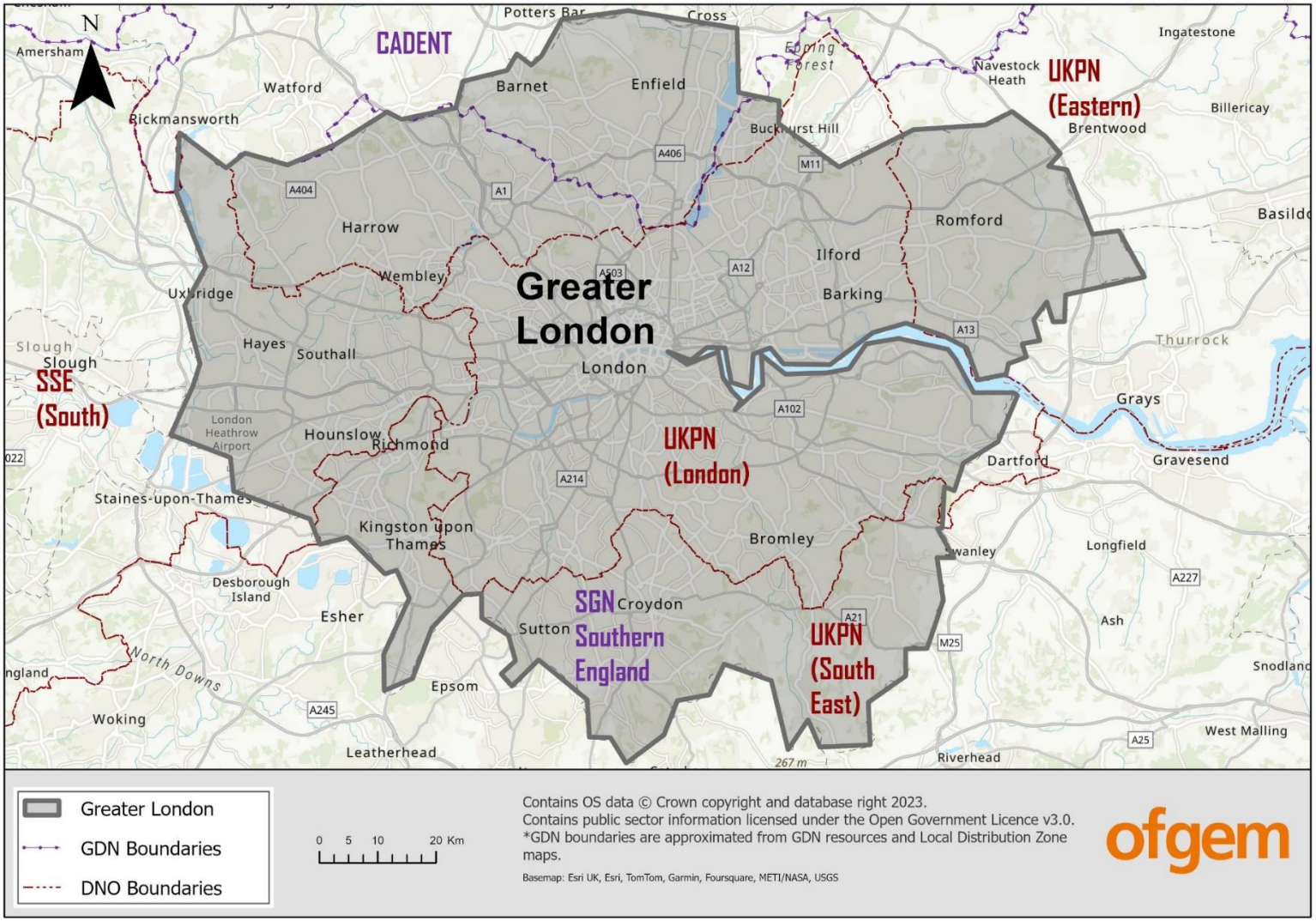
Map 5: East RESP



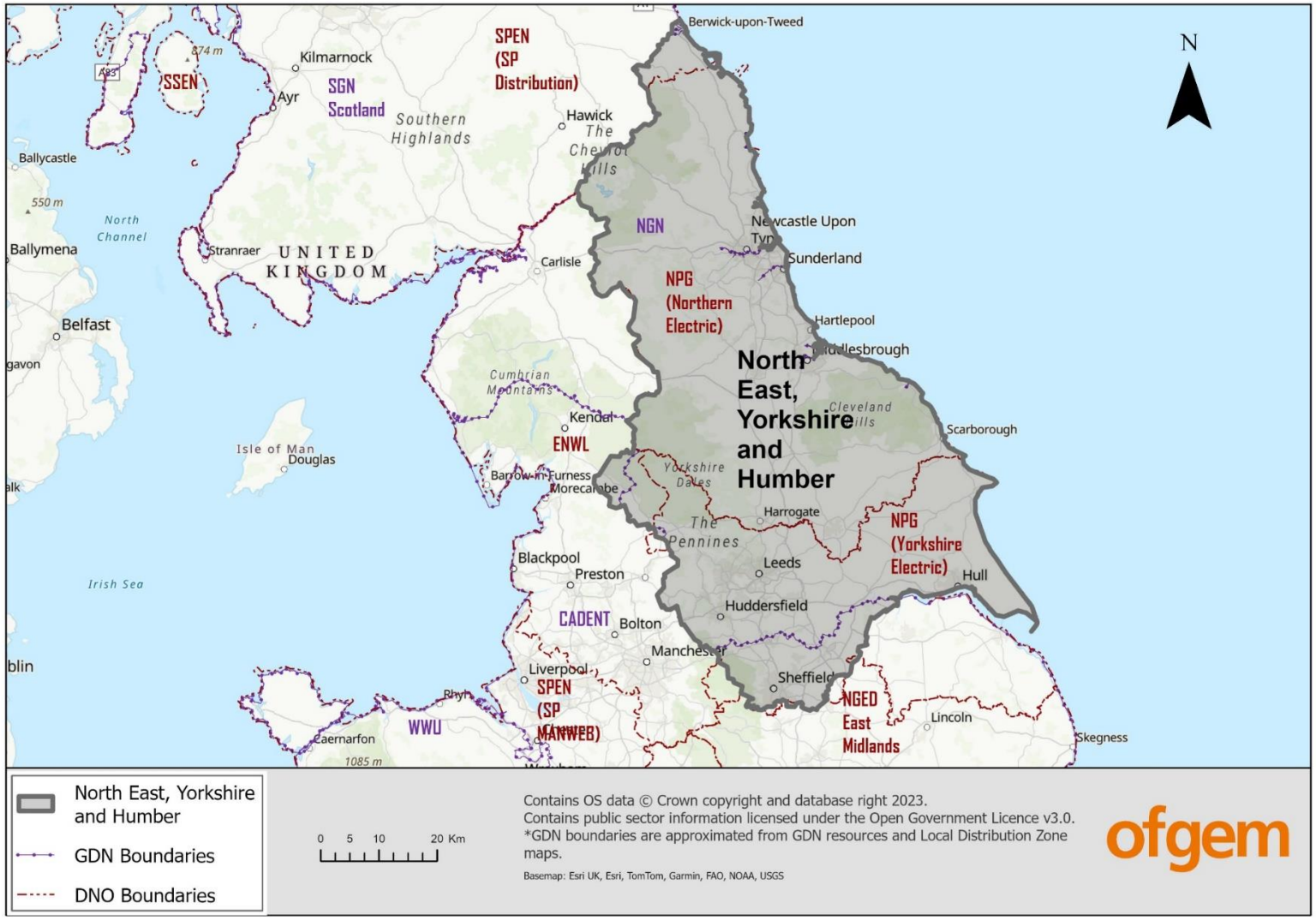
Map 6: East Midlands RESP



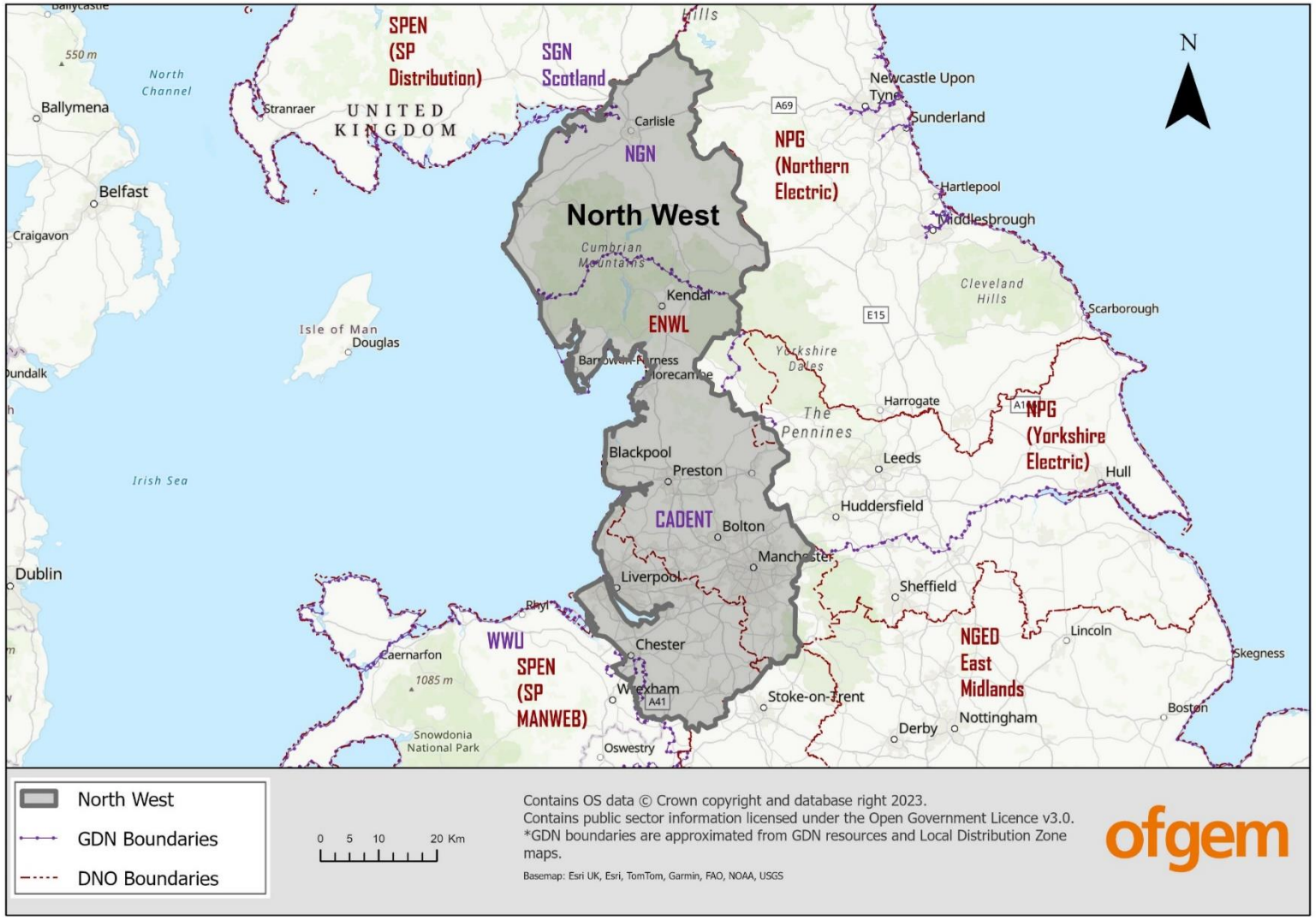
Map 7: Greater London RESP



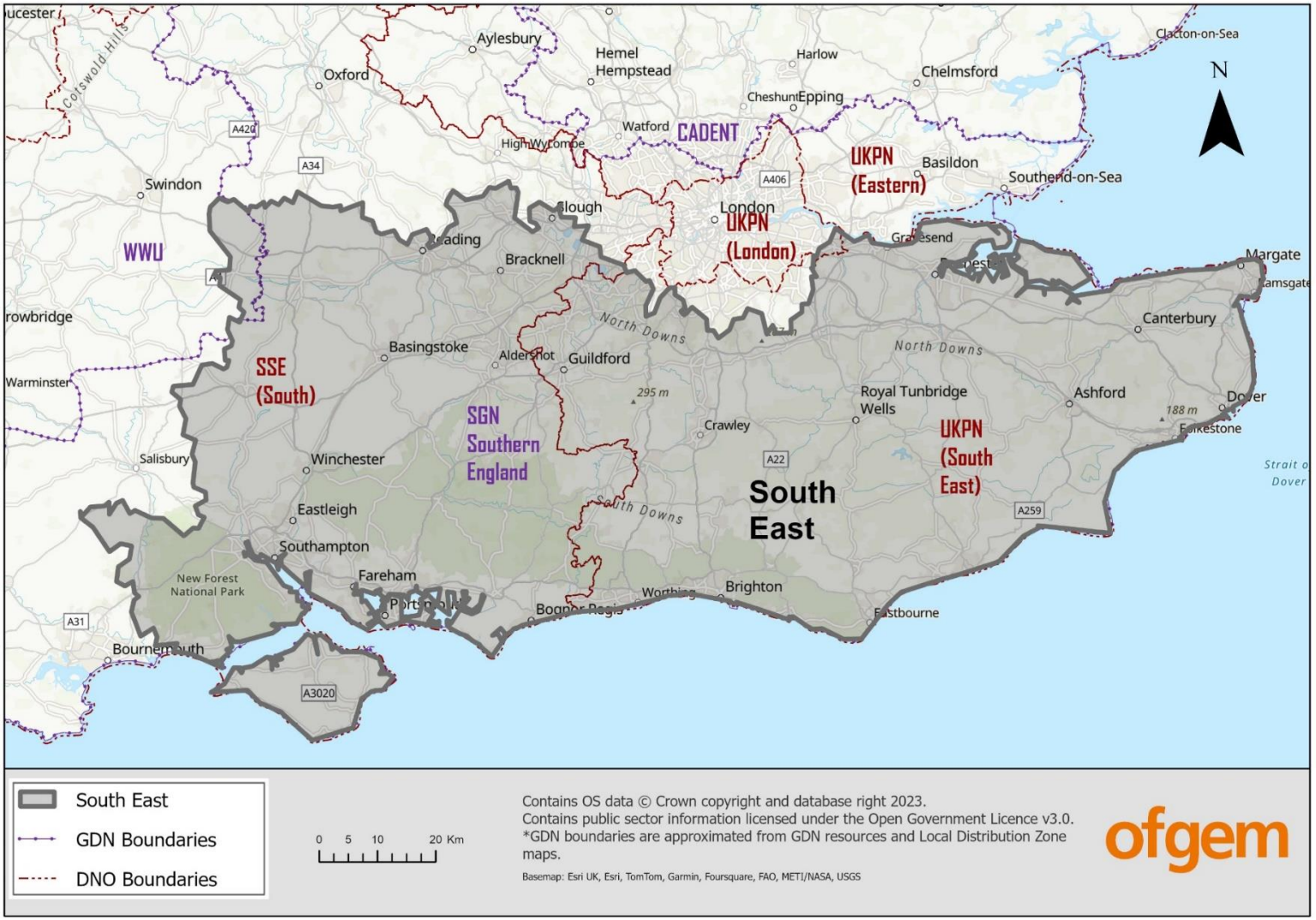
Map 8: North East, Yorkshire and Humber RESP



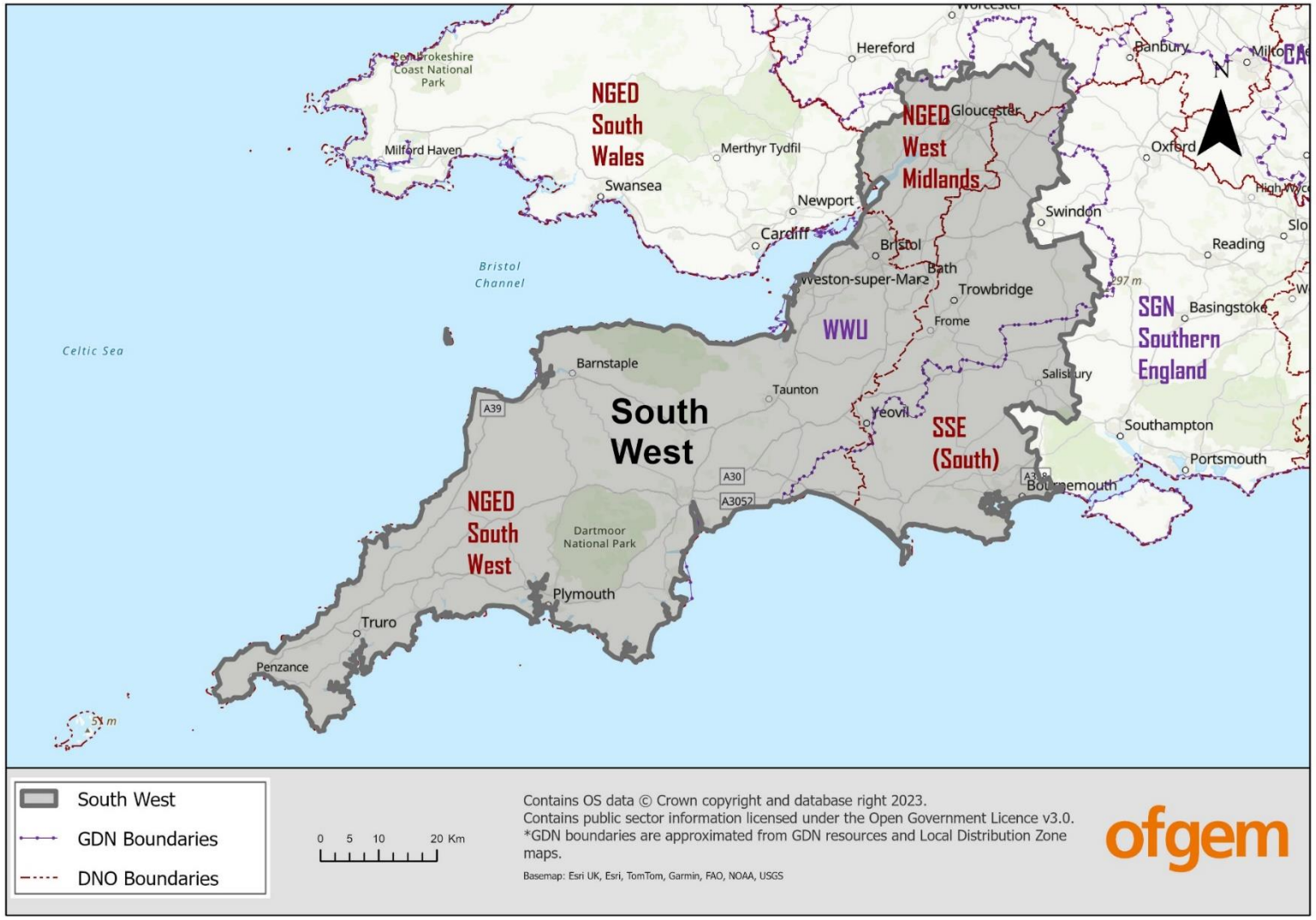
Map 9: North West RESP



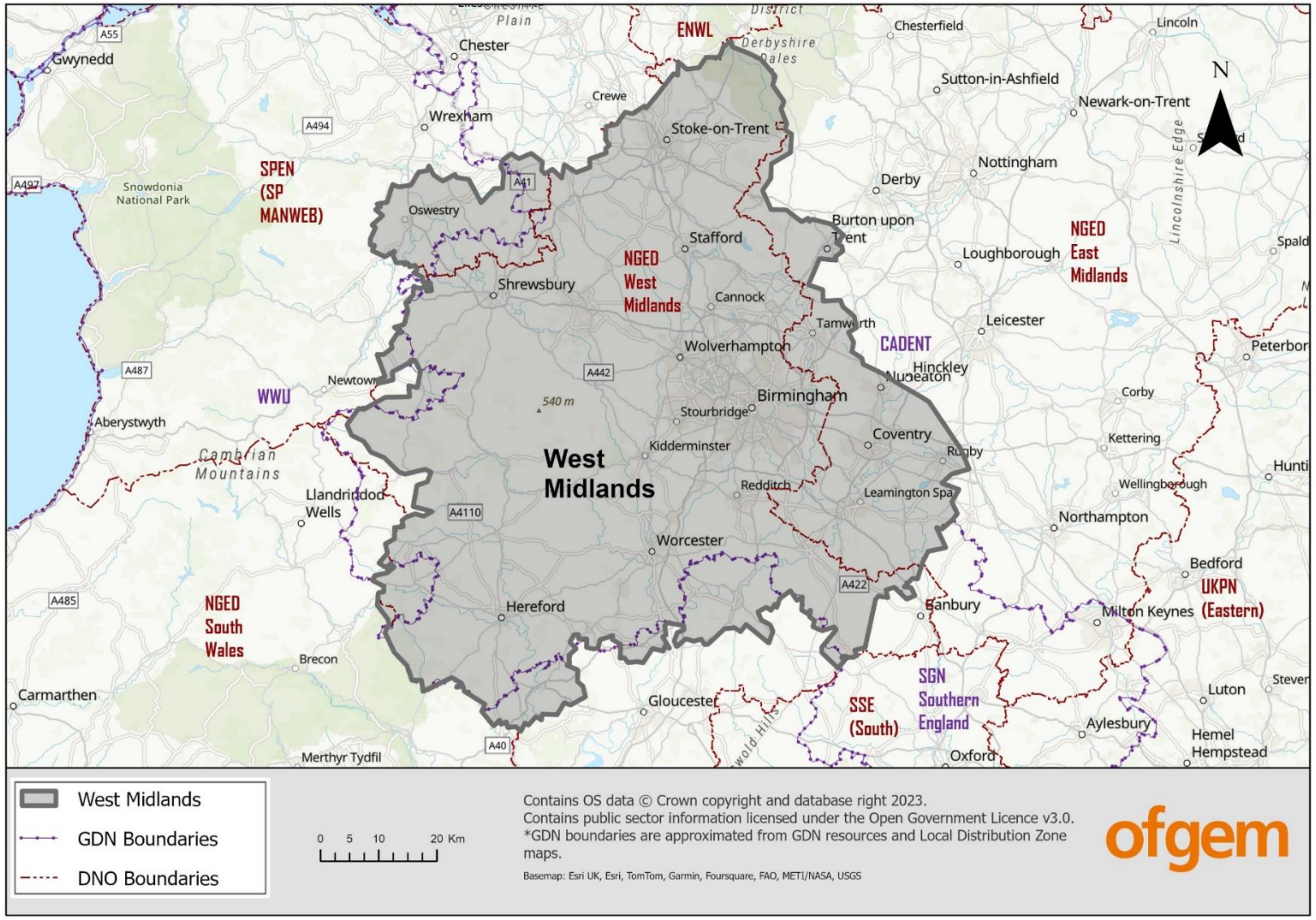
Map 10: South East RESP



Map 11: South West RESP



Map 12: West Midlands RESP



Tables – RESP areas and DNO/GDN coverage

Table A1: Great Britain – RESP boundary summary

RESP area	DNOs	GDNs
England Central England	4 licence areas operated by 3 DNOs • NGED East Midlands • NGED West Midlands • SSEN South • UKPN Eastern	3 GDNs • Cadent • SGN Southern England • WWU
England East	2 licence areas operated by 1 DNO • UKPN Eastern • UKPN London	2 GDNs • Cadent • SGN Southern England
England East Midlands	3 licence areas operated by 3 DNOs • Electricity North West • NGED East Midlands • NPG Yorkshire Electric	1 GDN • Cadent
England Greater London	4 licence areas operated by 2 DNOs • SSEN South • UKPN Eastern • UKPN London • UKPN South East	2 GDNs • Cadent • SGN Southern England
England North East, Yorkshire & Humber	4 licence areas operated by 3 DNOs • Electricity North West • NPG Northern Electric • NPG Yorkshire Electric • SPEN	3 GDNs • Cadent • NGN • SGN Scotland
England North West	2 licence areas operated by 2 DNOs • Electricity North West • SPEN Manweb	2 GDNs • Cadent • NGN
England South East	3 licence areas operated by 2 DNOs • SSEN South • UKPN London • UKPN South East	2 GDNs • SGN Southern England • WWU
England South West	4 licence areas operated by 2 DNOs • NGED South Wales • NGED South West • NGED West Midlands • SSEN South	2 GDNs • SGN Southern England • WWU
England West Midlands	3 licence areas operated by 2 DNOs • NGED East Midlands • NGED West Midlands • SPEN Manweb	3 GDNs • Cadent • SGN Southern England • WWU
Scotland Scotland	2 licence areas operated by 2 DNOs • SSEN (SHEPD) • SPEN	1 GDN • SGN Scotland
Wales Wales	2 licence areas operated by 2 DNOs • NGED South Wales • SPEN Manweb	1 GDN • WWU

Table A2: Scotland – DNO/GDN breakdown

Network	DNO or GDN	RESPs served	RESP(s)
SSEN (SHEPD)	DNO	1	Scotland
SPEN	DNO	1	Scotland
SGN Scotland	GDN	1	Scotland

Table A3: Wales – DNO/GDN breakdown

Network	DNO or GDN	RESPs served	RESP(s)
NGED South Wales	DNO	1	Wales
SPEN Manweb	DNO	1	Wales
Wales and West Utility (WWU)	GDN	1	Wales

Table A4: England – DNO/GDN breakdown

Network	DNO or GDN	RESPs served	RESP(s)
Electricity North West	DNO	3	• East Midlands • North East, Yorkshire & Humber • North West
NGED East Midlands	DNO	3	• East Midlands • Central England • West Midlands
NGED South Wales	DNO	1	• South West
NGED South West	DNO	1	• South West
NGED West Midlands	DNO	3	• Central England • South West • West Midlands
NPG Northern Electric	DNO	1	• North East, Yorkshire & Humber
NPG Yorkshire Electric	DNO	2	• East Midlands • North East, Yorkshire & Humber
SPEN	DNO	1	• North East, Yorkshire & Humber
SPEN Manweb	DNO	2	• North West • West Midlands
SSEN South	DNO	4	• Central England • Greater London • South East • South West
UKPN Eastern	DNO	3	• East • Central England • Greater London

Network	DNO or GDN	RESPs served	RESP(s)
UKPN London	DNO	3	• East • Greater London • South East
UKPN South East	DNO	2	• Greater London • South East
Cadent	GDN	7	• East • East Midlands • Central England • Greater London • North East, Yorkshire & Humber • North West • West Midlands
Northern Gas Networks (NGN)	GDN	2	• North East, Yorkshire & Humber • North West
SGN Scotland	GDN	1	• North East, Yorkshire & Humber
SGN Southern England	GDN	6	• East • Central England • Greater London • South East • South West • West Midlands
Wales and West Utility (WWU)	GDN	4	• Central England • South East • South West • West Midlands

Appendix 2 - Glossary

Centralised Strategic Network Plan (CSNP)

Plan for the onshore and offshore transmission network to accommodate additional demand and generation, and planning where interconnection should be sited on the system. The CSNP will be delivered by NESO.

Combined Authority (CA)

A legal entity that enables two or more local authorities to work collaboratively on decision-making across council boundaries.

Cross-sector

Broad set of interdependencies which impact energy system planning, such as heat networks, transport, water and housing.

Cross-vector

Interdependencies between energy vectors, such as electricity, gas, heat and hydrogen.

Decentralisation

Refers both to the general trend of distributed sources of generation and storage, but also a trend towards decisions being made at a local scale when it comes to the energy transition.

Democratic legitimacy

Process to ensure those with a democratic mandate have a formal role in the RESP to effectively reflect place-based perspectives.

Department for Energy Security and Net Zero (DESNZ)

This is a ministerial department focused on delivering the energy portfolio.

Digitalisation

Integration of data tools into energy system planning and operations.

Distribution Network Operator (DNO)

A company that operates the electricity distribution network, which includes all parts of the network from 132kV down to 230V in England and Wales. In Scotland 132kV is a part of transmission rather than distribution so their operation is not included in the DNOs' activities. There are 14 DNO licensees that are subject to RIIO price controls. These are owned by six different groups.

ED3

The price control applying to the electricity distribution network operators that will apply from 1 April 2028.

Flexibility

Modifying generation and/or consumption patterns in reaction to an external signal (such as a change in price) to provide a service within the energy system.

Flexibility market facilitator

A new role tasked with reducing friction across distribution markets and aligning distribution and transmission market arrangements, to help unlock the full value of flexibility.

Forecasting

Uses data to provide an informed view of how the future energy system may evolve.

Gas Distribution Network (GDN)

A company that operates the gas distribution network that transports gas from the transmission system to homes and businesses.

International Territorial Level (ITL)

A geocode standard for referencing the subdivisions of the UK, used for statical purposes by the Office for National Statistics (ONS). ITL1 regions are the highest spatial level, allowing for international comparisons, with 12 regions in the UK.

Local Area Energy Plan (LAEP)

A collective term for an integrated approach to inform detailed place-based whole energy system plans for net zero, usually coordinated by local or combined authorities.

Local Heat and Energy Efficiency Strategies (LHEES)

Plans that underpin an area-based approach to heat and energy efficiency planning and delivery in Scotland.

National Energy System Operator (NESO)

A new body that will take on the existing roles and responsibilities of National Grid ESO and longer-term whole system planning, forecasting and market strategy functions. NESO will be the Delivery Body for the RESP.

Pathway

Provides a whole system strategic assessment of energy need and a directive view of how the energy system should develop to reach net zero.

Place-based

A bottom-up approach for looking at the needs and requirements of a local area and applying this lens to how options (for social, economic, energy, environmental and infrastructure development) are progressed and decisions are made.

Price controls

The regulatory mechanism developed by Ofgem to set targets and allowed revenues for network companies. Its characteristics are developed in the price control review period depending on network company performance over the last control period and predicted expenditure (companies' business plans) in the next.

Region

An area granular enough for place-based understanding, yet sizeable enough to facilitate coherence across GB between different energy vectors and across sectors. The geographical and administrative foundations for RESP regions vary across GB, reflecting democratic governance arrangements and approaches to functional economic areas, spatial and infrastructure planning.

RIIO-ED2

The price control applied to the electricity distribution network operators. It runs from 1 April 2023 to 31 March 2028.

Scenarios

A range of potential future situations that the energy sector will need to prepare for through. Scenarios consider how, when and where energy may be needed across a spatial area.

Strategic Board

A governance mechanism for the RESP that involves local democratic institutions and wider stakeholders in providing oversight and steer to the RESP development process and strategic outputs.

Strategic investment

Investment that is in advance of certain need and both a) of high economic and/or system value and b) necessary to the delivery of key regional priorities.

Strategic planning

A coordinated whole-system approach to spatial planning that will allow a more holistic understanding of the long-term changes across the whole energy system.

Strategic Spatial Energy Plan (SSEP)

A spatial energy plan to inform energy network plans, whereby government targets across the whole energy system would be spatially mapped across GB and over several years. The SSEP will be delivered by NESO.

Sub-national Transport Body (STB)

The eight organisations for transport governance in England, responsible for coordinating local arrangements to maximise efficiency. There are seven STBs, with similar powers invested in the Graeter London Authority – for ease, we refer to these as the eight STBs.

System need

The amount of energy needed (MWh) dependent on regional customers and economic, net zero and cross-vector plans.

Technical coordination

Integrating and analysing plans across different vectors and identifying improvements and opportunities for system optimisation.

Transmission network

The system of high voltage electric lines and high-pressure pipelines providing for the bulk transfer of electricity and gas across GB.

Whole-system

An approach that considers the gas, electricity (transmission and distribution) networks as well as the impact the heat and transport sectors and wider industry have on the system.