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Sent by email to: resp@ofgem.gov.uk

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Dear Fiona,

Response to Ofgem's Regional Energy Strategic Plan (RESP) policy framework consultation

This letter is in response to Ofgem's RESP consultation published on 30 July 2024¹ and is submitted on behalf of SSE's energy businesses² - SSE Thermal, SSE Renewables, SSE Enterprise, SSE Energy Solutions and SSE Energy Markets.

We support the high-level plans to introduce RESPs

We support the introduction of RESPs - increased strategic energy planning will be vital to help reach net zero carbon emissions. RESP reforms build on similar ambitions for a Strategic Spatial Energy Plan (SSEP), a Centralised Strategic Network Plan (CSNP) and GB Energy's Local Power Plan (LPP). Together these plans should help to speed up investment by providing increased policy certainty, helping to move along the delivery of the projects necessary to achieve these policy objectives.

The proposed high-level RESP policy framework in Ofgem's consultation is reasonable. If implemented well, RESPs should help deliver local and national policy ambitions by helpfully consolidating a single view of regional energy needs, which itself should help provide the certainty needed to help accelerate strategic distribution network and other local energy investments.

The role of the National Energy System Operator (NESO) will be vital to the success of the framework. The NESO will need to coordinate the various strategic planning it is responsible for as its RESP hub, for example, will need to optimise the CSNP and RESP actions of different regions, ensuring plans for different regions do not double count any inputs or that individual RESP plans do not undermine other regions.

We remain unsure about the wider utility of RESPs for non-network actors in energy system

However, we believe the wider use of, and benefit from, RESPs remains uncertain as it is not clear if and how developers would use RESPs. Therefore, it would be helpful if Ofgem could more explicitly consider how it thinks others beyond Distribution Network Operators (DNOs) and Gas Distribution Networks (GDNs) will benefit from and use RESPs.

¹ [Regional Energy Strategic Plan policy framework consultation | Ofgem](#)

² SSE plc is a UK-listed, FTSE-100 company and provider of low-carbon energy infrastructure. Our purpose is to provide energy needed today while building a better world of energy for tomorrow. Headquartered in Perth, SSE has operations and investments across the UK and Ireland, primarily as a developer, operator and owner of low-carbon energy assets and businesses, with a strategic focus on regulated electricity networks and renewable energy.

Further to this, we believe there are several aspects within the current proposals for RESPs that will need some further thought. For example:

- Real value to regional planning will only come if it includes heat network zoning. The RESP development process needs to be done alongside the development of heat network zoning so that these processes are managed hand-in-hand in the future.
- We are wary of RESPs over-reaching and too readily identifying / recommending specific solutions in individual regions, such as identifying a role for heat pumps or energy efficiency within individual regions. If RESPs take an active role in regional non-network solution identification, optioneering and recommendation, this could undermine existing competition within regions and fundamentally change the current market-led approach that underpins current regional solution delivery.
- Annual updates to RESPs could undermine the certainty that RESPs seek to provide and make it hard for local actors in energy sector to meaningfully rely on RESPs for their own investments. This challenge could be mitigated by a clear and transparent process for evolution and change for RESPs, which keeps local stakeholders up to date, and helps to maintain investor confidence.

Implementation of RESPs needs to fit alongside wider planning reforms and take account of cost

It is vital that interactions between SSEP, CSNP, LPPs, RESPs and other planning initiatives like Local Area Energy Plans (LAEPs) are fully fleshed out as soon as possible. As we understand it, a lot of the detailed interactions between these planning initiatives are being left to the NESO to work out as part of the detailed design / implementation; however, we believe there needs to be a clear articulation of the different functions of these plans and how they will work together early in the policy development process as this can then inform the detailed development and implementation of the individual reforms.

Building on this point, now that NESO's first publication of SSEP and CSNP has been delayed until 31 December 2026 and 1 June 2027 respectively, logical sequencing of these publications suggests it may be desirable to similarly delay to the first publication of RESPs until June 2027 too. This will enable RESPs to properly take account of the outputs of these other planning initiatives. Publishing RESPs before the SSEP and CSNP could undermine the value of the RESP.

Additionally, we believe that the planned implementation of RESPs needs to factor in Ofgem's planned Cost Benefit Analysis (CBA) on RESP proposals. We recognise that the cost of establishing and then running the RESP process could be substantial, both in terms of NESO staffing costs and the time of wider industry participants; such costs need to be evaluated against the benefits of the introduction of RESPs. For example, it may be worth considering the option to trial the introduction of RESPs in one or two individual regions first to assess the benefits of the RESP process.

Our response to individual questions posed in the consultation are included within the appendix.

We are happy to discuss our response further with you. Our response is not confidential.

Yours sincerely,

Graeme Barton

Regulation Manager

Appendix: Responses to questions listed within Ofgem's Regional Energy Strategic Plan policy framework consultation

Laying the RESP foundations

1. What are your views on the principles (in paragraph 2.8) to guide NESO's approach to developing the RESP methodology? Please provide your reasoning.

We broadly agree with the four principles proposed in the consultation - the RESP's methodology should be place-based, whole system, vision-led and proactive. However, the detail on these principles in the consultation is high-level and they are easily misconstrued ambitions. Accordingly, we think it would be helpful to flesh out these principles in more detail to avoid a mixed understanding of what the RESP is seeking to.

We suggest it may also be worth considering an additional principle along the lines of: *'alignment with wider industry initiatives'*. We believe this is already in line with Ofgem's wider intent with RESP reforms, but including this as an additional principle should help ensure RESPs are aligned, coordinated and complementary with the wider policy and regulatory framework, such as the RIIO price control, and takes account of other planning programmes like SSEP, CSNP, LPPs and LAEPs. This should help ensure the RESP process takes account of emerging policy developments and does not push in a counter-productive direction.

Additionally, we recognise that the practical realisation of all these principles could be challenging and will require more practical thought in the detailed development of the RESP. For example, ambitions to be whole system depend on the engagement of a broad range of stakeholders and meaningful incorporating feedback from gas, electricity, heat, transport and industrial stakeholders into one RESP process may be very difficult for NESO to achieve. Therefore, there will be a need for the NESO to be agile and seek to learn from doing when implementing RESPs (potentially from the use of a trialled / phased introduction).

Key building blocks of RESP

2. Do you agree that the RESP should include a long-term regional vision, alongside a series of short-term and long-term directive net zero pathways? Please provide your reasoning.

We agree with the proposal for RESP to include a long-term regional vision, alongside various pathways. This could helpfully consolidate views on future regional energy needs and provide differing degrees of short and long-term certainty to enable others to rely on RESPs, which could help others (notably DNOs and GDNs) to invest earlier in network upgrades.

However, we are wary that having multiple pathways and frequent updates / data refreshes could undermine the certainty that such pathways and vision seeks to provide. This challenge could be mitigated by a clear and transparent process for evolution and change for RESPs, which keeps local stakeholders up to date, and helps to maintain investor confidence. There needs to be a clear process for updating such pathways and vision.

We understand that the proposed use of different pathways and scenarios is consistent with existing approaches processes used in the Future Energy Pathways (FEPs), and would therefore welcome further detail as to how work from FEPs will feed into the RESPs and how such forecasts will provide a credible basis for RESPs.

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

We are not sure about the proposed annual data refresh and full RESP update every three years. We believe this could undermine whole premise of RESP and undermine investment confidence in the RESP.

On this point, it needs to be much clearer what is meant by an 'annual data refresh' and a 'full RESP' update – would this mean that only minor alterations are possible every year, but that the vision of the future world could change completely every three years? This could create a lot of uncertainty.

This challenge could be mitigated by a clear and transparent process for evolution and change for RESPs, which keeps local stakeholders up to date, and helps to maintain investor confidence. There needs to be a clear process for updating such pathways and vision.

4. Do you agree the RESP should inform the identification of system need in the three areas proposed? Please provide your reasoning, referring to each area in turn

We agree with proposals that the RESP should identify system need by providing consistent assumptions, setting out spatial context for capacity needs and informing strategic network investment.

As part of this, we agree with the need for the central NESO hub to develop common assumptions that can be used across all regions and that RESPs include a spatial view of demand and generation growth projections. It is vital that the NESO adopts consistent approaches and tools when producing RESPs as will be used for producing the SSEP and the CSNP. Use of different or inconsistent approaches and tools could create conflict between planning initiatives and undermine the overall regime.

However, we are unsure what is meant by proposals for RESPs to take a more directive role in identifying the location of strategic investments in line with the long-term vision for the region. While we agree with the value of RESPs enabling more strategic DNO network investment ahead of need, we are wary of RESPs too readily identifying or recommending technology-specific customer solutions in individual regions, such as identifying a role for heat pumps or energy efficiency within individual regions. If RESPs take an active role in regional non-network solution identification, optioneering and recommendation, this could undermine existing competition within regions and fundamentally change the current market-led approach that underpins current regional solution delivery.

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

We recognise technical coordination is a vital part of the RESP process. Network companies and the NESO will have to work collaboratively in the RESP process to ensure that RESPs are deliverable, and actions of respective parties are complementary.

However, we have no set views as to whether the RESP's technical coordination role should consider inconsistencies between RESPs and network company plans. We are mindful that DNOs and GDNs network planning are produced on the back of detailed analysis and knowledge of their assets, which might not be available to the NESO, and as stated elsewhere we are wary of NESO over-reaching into solution delivery.

6. What are your views on the three building blocks which come together to form the RESP in line with our vision? Are there any key components missing?

We agree with the first two RESP building blocks: (1) modelling supply and demand, and (2) identifying system need. Although a lot of detail needs still to be fleshed out on these two individual building blocks, we believe the general intent from Ofgem's consultation looks reasonable. As part of these activities, the role of the NESO's RESP hub will be vital optimising actions of different regions, ensuring plans for different regions do not double count any inputs or that individual RESP plans do not undermine other regions.

As per our response to question 5 above, we do not have detailed comments on the last building block: (3) technical coordination.

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

We generally agree with the intent for the framework of standard data inputs for the RESP, using network data, local government data and other sources. The list of data inputs appears comprehensive, but we suggest that the RESP framework is flexible so that new data inputs can be taken account of in time and to allow for a mix of different data inputs to be used in different regions.

However, more clarity is needed on the interactions between RESPs, SSEP, CSNP, LPPs and LAEPs. It is unclear if SSEP, CSNP, LPPs and LAEPs will all inputs or outputs from the RESP, or a combination of both. As we understand it, a lot of the detailed interactions between these planning initiatives are being left to the NESO to work out as part of the implementation; however, we believe there needs to be a clear articulation of the different functions of these plans and how they will work together early in the policy development process as this can then inform the detailed development and implementation of the individual reforms.

More broadly, we believe there is a risk of circularity between some of other inputs and RESP itself. For example, data regarding heat may itself depend on the network investments which will be

dependent on RESP outputs. The circularity between all the data and RESP will need to be considered in the practical implementation of RESPs.

Ultimately, it is important a process is developed to gather all this data from all the right sources and enable parties across the energy industry to input data to the process where appropriate. For example, some suppliers or flexibility service providers may have aggregated data on consumer behaviour in different regions which could be used as inputs to the RESP process.

We are also mindful various current industry reform programmes are underway which aim to help the exchange of data across industry – notably the Data Sharing Infrastructure. The RESP process should ensure it is able to use such infrastructure and benefit from ongoing industry reforms, as there is a risk that all these reforms are introduced in a way that does not benefit the RESP process.

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

Within the RESP governance framework, we believe regional working groups which report to Strategic Boards should consider the inputs to the RESP process and consider the credibility of data inputs.

We, however, recognise that assessment of the credibility of inputs will be tricky and could be very subjective. There is a risk that different regions will use data very differently. Therefore, there needs to be clear objective guidance from the NESO RESP hub which can be used by working groups when considering the credibility and general use of potential inputs to RESP process.

Consumer behaviour will be the most difficult data to reliably model and a robust evidence base is needed to inform any assumptions made to future consumer behaviour. As stated above, it is important a process is developed to gather all this data from all the right sources and enable parties across the energy industry to input data to the process where appropriate. For example, some suppliers or flexibility service providers may have aggregated data on consumer behaviour in different regions which could be used to ensure more robust data is modelled within RESPs.

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

We believe that the RESP framework needs to provide local actor support and there is a need to be led by councils and others to see what support can be most helpfully provided.

Nonetheless, we believe the RESP framework should be flexible in the support it provides to different councils or regional bodies as they may need different types of support depending, for example, on the level of maturity of their own energy LAEP initiatives or the wider circumstances they find themselves in.

Additionally, there is a need for NESO to own clear communication and guidance across the country to ensure the role of the RESP process is clearly understood to prevent problems arising from a mis-

understood RESP process and output. Building on this, there is a need for a clear conflict resolution framework that can be used locally and nationally to manage any conflicts that do arise.

It is important that full consideration of the practical support NESO and RESP process can provide local actors is not delayed until NESO's implementation of the RESPs and is considered now alongside the policy framework development.

On the broader point of local actor support, we are wary of the idea that RESP could too readily identify local actions for heat pump installs or energy efficiency. This is beyond what we understood to be the intent of RESPs. If RESPs take an active role in regional non-network solution identification, optioneering and recommendation, this could undermine existing competition within regions and fundamentally change the current market-led approach that underpins current regional solution delivery.

Regional Governance

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

We agree with the purpose of the Strategic Board, aiming to facilitate transparency of the NESO's RESP development and provide oversight to it.

We, however, recognise that the Stakeholder Boards will need to be carefully managed as conflicts may arise. For example, it could be tricky if Strategic Boards disagree with NESO's final RESP product, or even if members of Strategic Boards disagree from one another when inputting to the NESO's RESP development. A clear conflict resolution framework needs to be established to deal with this.

Additionally, Strategic Boards will also need to be carefully managed to ensure they do not misunderstand their role or attempt to over-reach. Again, the NESO's RESP hub will need to carefully manage this.

11. Do you agree that the Strategic Board should include representation from relevant democratic actors, network companies and wider cross-sector actors in each region?

We agree with the high-level proposal for representation on Strategic Board from relevant democratic actors, network companies and wider cross-sector actors. In particular, it will be important for the Board to have delivery expertise to help the NESO consider the deliverability of its RESP plans.

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

We believe there is a need to ensure Strategic Boards are efficient and, as a result, it may not be possible for everyone to be represented on the board itself. Therefore, we believe it may be worth considering possibility of sub boards and working groups for individual regions to gather sufficiently wide input, which will also help ensure the Strategic Boards themselves are sufficiently streamlined.

Additionally, discussions at the boards should be transparent and there should be ability for external parties, not represented on the Board, to input comments on board materials.

Boundaries

- 13. Do you agree with the adaptations proposed for Option 1? Please provide your reasoning.**
- 14. Do you agree with our assessment that Option 1 is a better solution than Option 2? Please provide your reasoning.**
- 15. Do you agree a single region for Scotland is optimal? If you think a two region solution is better, do you agree the split should occur at the SSEN and SPEN DNO boundary? If not, please provide your reasoning and alternative option(s)**

As a developer, we do not have strong views on proposed RESP boundaries.

We do, however, note the need for clear communication explaining RESP boundaries to local actors. Our experience is that the link to regional transport bodies has created some confusion among stakeholders and resulted in some believing RESPs revolve around future transport needs (rather than future heat and other energy needs). Therefore, it may be beneficial to manage communications carefully to avoid misconstrued links to transport bodies during RESP development, instead emphasising that inputs to RESPs will take account of many other users of energy system.