

8<sup>th</sup> October 2024

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Stepney  
London  
E14 4PU

By email only to [resp@ofgem.gov.uk](mailto:resp@ofgem.gov.uk)

Dear Fiona,

**Re: Regional Energy Strategic Plan policy framework consultation**

Last Mile Asset Management (LMAM) welcomes the opportunity to respond to the above consultation regarding the Regional Energy Strategic Plan policy framework. This response is provided by LMAM on behalf of Last Mile Electricity (LME), an Independent Distribution Network Operator (IDNO) and Last Mile Gas (LMG) an Independent Gas Transporter (IGT) operating 480,000 connections across mainland Great Britain. Within the Last Mile Group, we are also active in the heat network sector, installing and operating ambient heat networks through our Last Mile Heat business and also in the water sector connecting and operating networks to homes and business through our ICOSA Water business.

A holistic and coordinated approach to strategic network development will play a vital role in supporting Britain in achieving its net zero ambitions. As the decarbonisation of heat and power takes places over the coming years, it will be crucial that there is a focus on local energy networks and their interactivity with broader stakeholders across local authorities and planning, the generation and transport sectors. Flexibility, new generation and storage, housing growth and changing transport solutions will all greatly impact how networks are utilised and developed and it is vital that investment is made confidently and at the right time to support the transition to net zero to deliver this at the lowest 'no regrets' cost.

We have not responded to each individual question in the consultation but instead outline a number of broad points for consideration as follows:

- A central planning *and* delivery model must be avoided so that the current competitive processes for the provision of electricity and heat connections are retained; parties must be

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provided with a level playing field in which to compete so that efficiencies and innovative solutions can continue to flourish.

- Subject to the above, we are supportive of a holistic or “whole system” approach to network planning across both a regional and macro scale to ensure investment is directed appropriately and at the right time to facilitate the future needs and demands of energy and heat networks. We would however seek early clarification of how independent network operators (INOs) are to input to the RESPs and any associated reporting requirements.
- Consideration must be given as to how the NESO and ‘hubs’ will ensure regional plans fulfil the requirements and are consistent in their approach.
- The importance of having confidence that all parties (regulated or otherwise) are sufficiently resourced and have appropriate funding to effectively deliver their RESP obligations.
- That data should be taken from central sources wherever possible to avoid additional cost through the development of bespoke data collection and transmission.
- Whether Scotland with its high generation output and diverse geography may be better suited to having two or more RESPs.
- That the impacts of the RESPs on the revised connection rules under the Access SCR should be kept under review to ensure the desired outcomes are being achieved.

We further explain the above points in more detail in appendix 1.

Should you wish to discuss any of the points raised in this response please do not hesitate to contact me on the details below.

Yours Sincerely

**Gethyn Howard**  
**Head of Risk and Assurance**

## Appendix 1

### ***Competitive processes for the provision of connections should remain***

Independent Network Operators operate in a competitive market where they compete to provide heat and electricity connections to new build domestic and mixed-use developments. Independent Network Operators work with a combination of independent connections providers and housing developers, offering innovative solutions to meet their needs, whilst also competing on service and cost. The success of the new connections process can be seen in the significant growth in the sector, attracting additional market participants in recent times.

It is important that we do not slip to a central planning delivery model where technological solutions and infrastructure providers are predetermined by a central body. Significant gains have been made for domestic and commercial customers from competition in the provision of 'last mile' distribution networks, including the agility, speed and cost-effective delivery of energy networks. This will be critical as we look to increase the pace of networks to support local growth plans to deliver net zero and INOs will have an important role to play in this.

### ***The role of Independent Network Operators***

Independent Network Operators provide and operate the majority of new connections to new build housing and mixed developments. These networks serve homes, businesses, generation, and EV charging facilities throughout Great Britain and typically connect at the lower and mid network tiers. As outlined above, INOs will continue to have an important role to play in the future growth and connection of such infrastructure and we would welcome clarity on how independent networks will feature in future RESPs and their development.

### ***Each RESP should be of a consistent standard and quality***

Under the proposed hub and spoke model, a number of RESPs will be developed aligning to overarching principles. Though the hub will have a cross-regional oversight role, there is a danger that each region or 'spoke' can take differing approaches and produce differing outputs in terms of quality, content and detail. For the RESP process to be successful, clear guidance and support will be required from the central hub and we would suggest that the hub is closely involved in the early stages to ensure clear expected outputs are set and all regional RESPs set off with the right trajectory.

***More detail on data provision requirements is needed***

We note the reference to the inclusion of network data from both incumbent and network operators using a bottom-up approach in section 3 of the consultation. Given this is conceptual at this stage, we appreciate there is a lack of detail in terms of the type of data and frequency that may potentially be required. We would ask however that any data provision requirements are made following careful consideration of what data is *required* to fulfil the purpose of the RESP in order to reduce the amount of data transfer and potential IT development. Coupled to this, we would recommend a principle of using 'central industry data first' to obtain data from central sources as much as possible whilst also using existing industry data exchange infrastructure to minimise the costs associated with the development of new bespoke solutions. Independent Network Operators generally operate across all of mainland GB and will therefore potentially be required to input into *all* RESPs separately. Thought should be given to this and the potential impacts on such parties to avoid unnecessarily placing burdensome requirements directly on smaller industry participants.

***Consideration must be given to the funding for the RESP framework/initiatives***

The RESP will introduce an additional layer of activities that do not necessarily exist at present and this will ultimately increase costs for parties that participate within the RESP processes. Development of systems, data and additional personnel may be required to feed into RESP planning. As Independent Network Operators operate under a regulated relative price control framework, it is important that any allowances are provided for within the gas and electricity charging models to ensure Independent Network Operators can fund the activities in which they are involved.

Non-regulated parties will also be required to participate in RESP planning such as local district councils for example. It is vital that these wider parties have the funding, resources and capability required to input sufficiently into the relevant processes, particularly when such bodies are managing restricted and reduced budgeting pressures. The success of a RESP will be determined by the engagement, contribution and information provided by the relevant parties from which plans or decisions can be made. Without sufficient input from all relevant parties, there is a risk that RESPs could be of differing levels of detail or quality, ultimately affecting investment decisions and the quality of the national Strategic Spatial Energy Plan.

### ***Consideration of one or multiple RESPs for Scotland***

We are indifferent to this question as though we are head quartered in Scotland, are not involved operationally at all network tiers across Scotland itself. However, it is clear that Scotland is a large and geographically diverse area and is unique to a degree with its high level of generation being significantly far from significant areas of consumption. Coupled to this, there are large areas of challenging terrain within where careful planning is required to provide electricity to where it is needed and beyond. Given this diversity and challenges, we would therefore question whether a single RESP for Scotland is sufficient or whether two or more may be more suitable.

### ***Linkages to other ongoing regulatory developments***

#### *Development of heat regulatory framework*

It is importance to recognise the ongoing work between Ofgem and DESNZ to develop the heat regulatory framework. Consideration must be given to how this may feed into the RESP process including what information may be able to be provided given the regulatory framework is still in the consultation phase and not yet in effect. The licensing and regulation of heat networks will likely attract new market entrants to the sector and is already be made up of many small individual operators. The potential introduction of further additional reporting or information provision should be avoided as will otherwise create additional costs that will ultimately be passed onto small volumes of consumers. We would therefore reiterate the importance of utilising existing data resources and mechanisms wherever possible to minimise the cost on industry participants and consumers alike. Though the detail is still being worked through, there is the potential to utilise the current proposed concept of the Ofgem managed heat network database which would be added to as new heat network licenses are granted and updated on an ongoing basis. The situation must be avoided however where parties are required to invest in developing data provision for one requirement only to then need to develop further bespoke solutions to provide to other parties.

We have concerns as a heat network operator of the impacts zoning could have on the restriction on choice and provision of heat networks to new build developments. This could result in a single party potentially being designated the sole provider and operator of heat networks for a whole geographical area which we have raised through the heat regulatory framework consultations. We would therefore reiterate our broader point above that the RESP should not introduce a central planning delivery model where technological solutions and infrastructure

providers are predetermined by a central body which would intentionally or otherwise restrict access to or competition within the new connections market.

### *Digital Spine*

The Government has recently published its response to the feasibility study on a digital spine<sup>1</sup> to enhance data sharing across the energy system. Careful planning will be required to ensure development of data transfer and reporting requirements are not conflicting or implemented in close succession as parties will effectively be required to develop multiple overlapping technological solutions resulting in additional cost and resource commitment. It is therefore important that the two separate programmes of the RESP and digital spine are not developed in isolation so greater efficiencies and synergies can be realised.

### *Access SCR Changes*

The Access SCR implemented a number of significant changes to the funding of new connections, reducing upfront costs to connection requestees and placing more of the reinforcement costs on network operators. Though the RESP proposals do not directly affect the Access SCR methodology, close attention should be paid to the overall impacts of the RESPs to understand whether this creates different signals to the market and whether the access SCR arrangements remain suitable.

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<sup>1</sup> [Digitalising the energy system - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/digitalising-the-energy-system)