
ADE FINAL RESPONSE

OFGEM CONSULTATION ON REGIONAL ENERGY STRATEGIC PLANS (RESPs) 7 OCTOBER 2024

Context

On behalf of Empowering Energy Demand, we welcome the opportunity to respond to Ofgem's consultation on the Regional Energy Strategic Plans (RESPs).

Our mission is to embrace the value of a decarbonised, demand-led energy system, creating a future where households, businesses and industry are properly rewarded. The current electricity system is creaking under the demands of a rapidly changing system. We must harness the millions of EVs, heat pumps and the immense industrial demand we have right now to lower bills and keep our electricity system operable. Instead, we're fighting against them. Even more than that, industrial energy is decarbonising with long-term consequences for our energy system – creating new infrastructure and unlocking even greater sources of flexibility. The Government, Ofgem, the CCC and others all recognise that households, businesses and industry should play an active role in a decarbonised electricity system. Now is the time to make this a reality.

Summary

The proposals laid out in this consultation are largely positive. It is essential that RESPs are established so that:

1. Energy demand utilisation is at the heart of their remit and outlook.
2. Industrial decarbonisation through a variety of pathways is well-understood and modelled.
3. Heat network zoning and other large heat infrastructure projects are properly reflected within plans, including the flexibility they can provide.

The short-term RESP pathways (with a timeline of 5-10 years, first produced in 2026) are ambitious and urgent enough to move towards decarbonising the power system by 2030. Ofgem also explicitly calls on NESO/RESPs to keep flexibility services and Demand Side Response in mind when modelling supply and demand, identifying system need and collecting network data. It's also positive to see heat network zoning data explicitly included in the data inputs that will need to be considered when developing RESPs.

However, there are points of concern. Ofgem is delegating most of the execution decisions to NESO, and while that is not inherently negative, the boundaries around what is/is not NESO's responsibility (and what is/is not the local authorities' responsibility) can and should be clearer. NESO should aim for a comprehensive view of what is required at local level. We support this as set out in our recent [report](#) on the NESO transition and as evidenced by NESO's own assessment of its work to date as ESO, the ESO has been poor at delivering on its strategic commitment to demand-side response. This has been caused by more than simply discrete difficulties but a broader culture. Given this, we're concerned about newer functions that are so strategically important and will have an important influence on Government policy, replicating that same culture. In this context, we think that some degree of separation until the sector feels more confident in NESO is appropriate.

Given Ofgem's views there are obviously no requirements on local government to follow the direction of the RESP. Instead, Ofgem expects the RESP "to be utilised by those undertaking spatial and local energy planning...[t]here will be no requirements on local government to follow the direction of the RESP, but [Ofgem] would expect there to be a strong incentive, as outcomes will be better aligned across energy system and spatial planning." The ADE believes these incentives are not a given and a stronger enforcement mechanism or a more formal incentive plan should be considered with Government. Additionally, appointments to Strategic Boards could become problematic without clearer rules around who can serve on the board and for how long (more thoughts in our responses below).

Lastly, we identified some policy areas that we think should be included within the RESP framework. For example, we would like further exploration of the geographical division of RESPs and their possible interaction with zonal pricing. Ofgem does not discuss the 6 designated industrial clusters, the ADE would like to hear from Ofgem how their proposed boundaries relate to clusters (if at all). And while RESPs are purportedly set up to accommodate all vectors going forward, there is a strong focus on electricity. It is unclear when/how gas and other vectors will come into play and how that will affect the execution of RESPs.

We encourage Ofgem to read our recent [report](#) on the NESO transition in full, as part of our consultation response, as it heavily relates to the content under discussion.

Consultation Questions

Q1. 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.

The ADE supports the approach to developing the RESP methodology. However, "whole system perspective" is described as "gas and electricity, but also heat, transport and industry." We would like a comprehensive list of what is and is not included in the "whole system perspective". Tightening the definition of what Ofgem means here would be welcomed.

We would also like to understand how NESO will ensure DNOs and operators deliver agreed structures and plans.

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.

While we support RESP pathways as a concept, we are wary that so many pathways at a national level (Climate Change Committee scenarios, FES pathways, CSNP and SSEP outputs) could become confusing and overwhelming for all stakeholders involved and lead to inaction. We would like to hear how RESP pathways would differ from (or perhaps be themes on) the national inputs/pathways.

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

Yes, assuming the full RESP updates continue to align with the timing of CSNP's whole system assessments (whether that is 3 years or not, they should be at the same time and cadence).

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.

Yes, we agree with the three areas (providing consistent assumptions; setting out spatial context of projections and for capacity needs; a narrative to steer strategic network investment).

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

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?

We support the three building blocks. In particular, we like that (i) RESP pathways provide a more granular and tailored path for regions; (ii) RESPs taking a *directive* role in identifying the location for strategic investments in line with the long-term vision for the region; and (iii) NESO will ensure there is coordination and cross-vector integration across strategic planning and the network companies' plans.

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

Yes, but we are concerned about the availability and quality of local data. We would like to understand how RESPs will fill in these gaps, the consultation is vague in this respect. We recall that the output performance metrics of the recent DSO incentive had to be scrapped owing to poor data quality from DNOs, it is unclear how this will be different for RESPs.

Greater clarity is needed on how the development of RESPs and gathering of local data will interact with the Data Sharing Infrastructure (DSI) MVP, especially on timings.

Furthermore, for areas without local data available, to what extent will other data sets be used for RESPs? For example, will data used to create FES be used for RESPs where local inputs are unavailable? This could be problematic if FES data (or other data) is not adequately scrutinised before becoming an input for RESP.

Lastly, we would like more transparency in general on how RESP teams will consult with industrial demand and generation to shape future plans. Will this be through Strategic Boards? See also our response to Q12.

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

We would suggest involving industry more closely on the inputs of RESPs, to increase the inputs' credibility.

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

While we agree there needs to be local actor support, a consistent concern for ADE members is that the volume of opportunities to provide input (on RESPs or otherwise) is overwhelming and that planning reforms are quite fractured. We encourage Ofgem to streamline working groups and be mindful that consultations (or other ways of providing input) are packaged to local actors in a way that as far as possible, minimises the time and resource needed from local actors.

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

Yes. We think an organised body comprised of and representing local interest will be essential. However, NESO should be obligated to provide reasons for divergence from the advice of the boards rather than that they simply “should” give reasons as laid out in the consult.

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?

Yes, although we would like to know more about the mechanics of Strategic Board governance. For example: (i) formal requirements to serve on the board; (ii) if members need to relinquish any duties to combat self-dealing; (iii) how members are nominated and/or selected; (iv) how long board members serve; (v) process of removal (for cause or otherwise) or resignation, etc.

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

We think Ofgem should consider allowing industry representatives to sit on Strategic Boards under the “wider cross-sector actor” role.

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

Q14. Do you agree with our assessment that Option 1 is a better solution than Option 2? Please provide your reasoning.

No. We consider both options problematic since they do not adequately reflect one of the biggest factors that should drive the RESPs and how they model and recommend strategic investment – grid constraints. Although government is yet to make a decision on REMA and zonal pricing, it is imperative that spatial planning reflects the reality that congestion payments could rise to £3bn/year by the end of the decade. It would be useful to have further clarity from Ofgem on how they see potential zonal price boundaries interacting with RESP boundaries.

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).

FOR MORE INFORMATION, PLEASE CONTACT:

JESSICA SAVOIE

INDUSTRIAL POLICY OFFICER

Jessica.Savoie@theade.co.uk

THE ASSOCIATION FOR DECENTRALISED ENERGY
