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Dear Sir, Madam

RESPONSE TO OFGEM'S CONSULTATION ON THE REGIONAL ENERGY STRATEGIC PLAN POLICY FRAMEWORK ISSUED ON 30TH JULY 2024

Introduction and Context

Scottish Futures Trust (SFT) is an infrastructure agency of Scottish Government, set up in 2009 to deliver improved value for major capital and infrastructure investment in Scotland through deploying commercial skills inside government (more [here](#)). A key strand of our work for many years has been in creating the conditions for accelerated investment into the decarbonisation of buildings and transport. In 2019/20 SFT also provided the leadership of the Secretariat for the Infrastructure Commission for Scotland (ICS) (more [here](#)), which made a number of recommendations that are relevant to the questions raised here (more on this below). In the past 12 months we have also commenced commercial support to Scottish Government's Hydrogen Programme. Through all of this work we have engaged with both Scottish DNOs and the Scottish GDN and seen at first hand the need for cross energy vector planning to deliver a cost effective path to net zero.

We have not sought to answer each question and instead have sought to provide comment where we have direct experience and where we believe that to be useful to the consultation. We have referenced each section below to the broad consultation questions that are being addressed. We are content for this response to be a public document.

Response to Questions 1 & 2

We wholeheartedly support the vision and guiding principles behind the establishment of the RESP. Large scale proactive investment in the electricity network is going to be required if we are going to see the pace of change to reach net zero in Scotland in 2045. Such investment ahead of immediate needs can bring the risk of stranded assets and hence additional unnecessary costs for consumers. Therefore the establishment of a credible, independent and local voice to set out both the longer term vision and the short term action plan should build greater consensus on investment plans, reduce the risk of wasted investment and hence simplify the process of agreeing regulatory business plans with Ofgem.

The ICS recommended in its key finding report (see recommendation 17 in the report [here](#)) that Scottish and UK Governments should work together to develop an appropriately devolved regulatory and pricing framework that enables energy infrastructure investment to be planned and delivered to meet the needs of Scotland. SFT can see how the establishment of a RESP in Scotland could achieve a number of these elements.

An adaptive approach over time also appears appropriate given the uncertainties that still exist as to the final pathway to net zero - in particular the UK Government decision around any role for hydrogen for domestic heating, but also the extent of electrification of heavy transport and industry versus alternative synthetic fuels and carbon capture respectively.

We believe that a single short term pathway for a 5 year period that aligns with the price control period for the regulated network companies is important to align with the approval process with Ofgem. This raises a question mark around the differing price control periods for DNOs and GDNs and consideration should perhaps be given to aligning these price control periods to allow closer cross vector planning . A number of longer term pathways (over 10 years) makes sense in reflecting that greater uncertainty remains, but allowing planning in the shorter term to align with this direction.

Response to Question 4, 5, and 6.

We broadly agree with the approach set out to as to how the RESP informs system need in the three areas. Firstly around key planning assumptions, it makes sense for the RESP to identify capacity needs and ensure network impact assessments are consistent and reflect the regional context, particularly where there are impacts on other energy vectors, it is sensible for a well informed independent third party to set out these assumptions. Common assumptions across GB for the take up of EVs and heat pumps (as well as other rates of change in consumer behaviour) should lead to increased confidence in forecasts and hence the need for network investment. Secondly overlaying these assumptions against a geographic spatial view of where on the network key investment needs to take place and identifying locations for strategic investment should serve to reduce subjectivity within individual network company's business plans.

We also agree with the suggested role of the RESP for 'technical coordination' between energy vectors. Individual plans between a GDN and a DNO are otherwise unlikely to be consistent as both face some incentives to maximise respective investment plans, which might suggest at times some wasted investment.

Therefore we agree overall with the 3 building blocks of the RESP – strategic direction setting (long term vision and short term pathway), identifying system needs (including common planning assumptions) and technical coordination across different company network plans.

Response to Question 7 & 8

We broadly agree with the framework of standard data input for the RESP. A particular challenge in Scotland may be the relatively few Local Authorities who are currently preparing Local Area Energy Plans, as they appear to have been mainly asked to focus on the LHEES and therefore may have less of a focus on transport energy requirements in their area.

Without commenting on any one cited data source in the consultation, the key to establishing a credible structure of comprehensive data inputs may be an early review of how each is being sourced, how independent the commissioner of this data is and how well informed they are. It may be that some of the data sources listed can be discarded, whilst gaps in data are identified in other areas. It may be that the RESP hub can commission data to fill these gaps at a GB national level to deliver these cost effectively. The regulated entities are clearly well informed and credible but there may need to be an agreed way to bring independent scrutiny to their data -perhaps a role for the Strategic Board.

Response to Question 9

We agree with the proposal of local actor support. As stated above, our understanding is that relatively few Scottish Local Authorities undertake LAEPs currently. It is not clear that they are resourced to carry out this important task in addition to LHEES plans. Therefore an early engagement with Scottish Government as to whether it is realistic for Authorities to be given the resources and responsibility in this area or whether alternative arrangements should be considered (i.e. for a third party to work closely with Local Authorities). Clearly it would make sense where possible to keep the planning of LHEES and LAEP together such that they are coherent and the overall planning cost is reduced.

Response to Questions 10, 11 and 12

We agree with the purpose of the Strategic Board. Local governance to oversee the development of the RESP will be important in bringing the appropriate voices together and hopefully building consensus. We also agree that NESO should have the final decision if there is disagreement between the Board members, with NESO providing reasons for any divergence from the Strategic Board's recommendations.

We agree that the Strategic Board should include a mix of democratic actors, network companies and wider cross sector actors in Scotland. As recognised in the consultation document finding the appropriate representation from Local Authorities may be challenging without making the Board too large. This may be best achieved by having a selected mix of city, semi rural and rural / island authorities. In addition it will be important to find credible independent individuals or organisations to provide well informed complementary voices. We believe that one or two academics could be valuable in this regard and it is possible that Scottish Futures Trust could also play a useful role given our crossing cutting role across energy infrastructure in Scotland.

We agree with Ofgem's view that an 'embedded model' for the Board should be the preferred approach. A 'multi stage model' sounds like it introduces unnecessary additional complexity and time into the governance process. We recognise that there could be an asymmetry of information between board members under the embedded model, but this may be overcome through a combination of board member education on key topics and ensuring there are sufficient well informed voices that can provide a challenge to the network companies and NESO.

Response to Question 15

We agree that a single RESP region for Scotland is optimal. A single RESP seems better placed to plan across energy vectors (electricity, methane, carbon and hydrogen) at a distribution level. Whilst planning across these vectors at a transmission level will be done by NESO at GB national level (i.e. SSEP and CSNP), a single RESP voice in Scotland should be more coherent in feeding into these plans the distribution level requirements and feeding transmission requirements into the distribution level. We feel that this is an important consideration given the unique circumstances in Scotland (e.g. big renewable generation potential, difficulty in building sufficient electricity transmission, key role of green hydrogen production in alleviating grid constraints, independent gas grids (SIUs), large carbon storage potential offshore)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'AB' followed by a stylized flourish.

Andrew Bruce
Senior Associate Director