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8 October 2024

ESO Response to Ofgem Regional Energy Strategic Plan policy framework consultation

Dear Fiona

Thank you for the opportunity to respond to your consultation on the Regional Energy Strategic Plan policy framework.

Who we are

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry, where everyone has access to clean, reliable and affordable energy.

NESO's primary duties are to enable the government to deliver net zero, promote efficient and coordinated systems for electricity and gas, while ensuring security of supply for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

Our Key Messages

We are excited and enthusiastic to take up this challenge of developing and implementing the new Regional Energy Strategic Planning role. This is a significant change to strategic energy planning that will give local areas and regions a voice in their energy futures and enable the efficient delivery of net-zero pathways.

NESO will work with stakeholders to develop the overarching strategic energy plan for Great Britain. The RESPs will form part of this overarching plan, complementing and integrating with the Strategic Spatial Energy Plan (SSEP) and Centralised Strategic Network Plan (CSNP). Across these plans we will for the first time cover all networked energy vectors, breaking long standing silos of single network, single fuel planning. The RESP's will provide local and regional inputs into the national level plans as well as taking national inputs from those plans. We welcome Ofgem's recognition of the necessity for the timing of these strategic plans to be aligned.

Our vision is that RESP integrates national and local energy plans by creating credible regional whole energy plans enabling society to invest, innovate and decarbonise. As the new independent NESO, we intend to work with stakeholders in a collaborative and transparent way to set up and deliver this new role.

Our focus in developing the RESPs is to establish a regional whole energy strategic planning capability. Regionally based teams will work with regional stakeholders to develop and agree long term energy visions and credible pathways to deliver their vision, focused on the decarbonisation of homes, industry and transport. We believe putting a data and digital approach at the centre of RESP development will add great value to our stakeholders. Our ambition is not only to provide geospatial representation of the energy pathways but is to provide a holistic geospatial view of energy projects, forecasts and potentially network capability at a local level. We will need to work with stakeholders to deliver this capability.

We recognise that there is already significant work underway on some of the RESP elements within this consultation (such as data consistency, network companies working with local authorities, regional energy groups, and others). Our intention as we set up our new RESP role is not to duplicate these activities, in as far as is possible, but to build the RESP role to ensure maximum value is delivered from this work.

Regional RESP teams working collaboratively with regional stakeholders to enable net-zero goals to be efficiently realised will be key to the success of the RESPs. We welcome the proposals for regional governance and local actor support, and NESO being accountable for decisions on the final content of the RESPs. However, we recognise there is still significant work to do to give clarity to stakeholders on subjects such as: the process for conflict management, how membership of regional governance boards will be established and the extent and form of local actor support. We look forward to working with Ofgem and other stakeholders to develop the proposals further.

RESPs will accelerate the decarbonisation journey by providing clear energy strategies and pathways, developed by working with local actors. This will support the investment case for the distribution companies to invest in a more timely, strategic and anticipatory manner to support regional decarbonisation objectives. We recognise that this is an area that needs further work, in particular to define strategic investment and also to understand the nature of the locational guidance for investment that RESPs are intended to provide. We welcome further engagement in this area.

As set out in this consultation NESO will not undertake detailed distribution network planning and the DNOs, GDNs and other new and existing network owner/ operators will continue to be responsible for the security of supply of their networks and for ensuring the plans and options put

forward to the RESP's are deliverable and operable. We support this division of responsibilities and duties. However, we will add value to these existing processes and accelerate progress to net-zero through developing RESPs with consistent planning assumptions for network companies to use, with regional differences reflected and with optimisation across energy vectors.

We will compare the regional and national plans and identify where the sum of regional ambitions exceeds the national requirements, or conversely where there are gaps, and feed those back into the regional plans. Alongside the RESPs optimising across energy vectors, this should provide signals for the right levels of investment at the right time across the GB regions and also identify where further policy levers might be required.

Within NESO and our RESPs, we want to ensure a fair and just energy transition at the best value for all GB consumers. We will develop our RESP methodology and processes with this in mind and ensure that the governance, local actor support and our regional capability supports a fair and just transition.

The whole energy skills and regional capability required to deliver RESPs will need to be recruited and trained and it will take us time to deliver our full ambitions for the RESP role. We are in the process of recruiting regional teams and the team to develop the RESP methodology. Our initial focus and priority will be on areas where the RESP can deliver most value to stakeholders, on which we welcome feedback from stakeholders.

We support Ofgem's proposals in this consultation and look forward to working with Ofgem and other stakeholders to deliver RESPs that reflect the needs of regions whilst being consistent with national energy plans and policies. Should you require further information on any of the points raised in our response please contact Bridget Hartley, Head of RESP at bridget.hartley1@nationalenergyso.com.

Our response is not confidential.

Yours sincerely

Julian Leslie

Strategic Energy Planning Director

Appendix 1 Consultation Question Responses

Question 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 agree with the principles set out in paragraph 2.8. We support Ofgem's rationale for setting them out in the consultation, ensuring we and regional energy strategic planning stakeholders have clear foundations to work from as we develop the RESP methodology. Adding to Ofgem's rationale we believe:

- RESPs need to be **place-based** if they are to effectively represent the views and ambitions of regional stakeholders and enable local regions to have credible energy plans that reflect their own pathways to achieving net-zero. NESO believes RESPs form a key enabler of a 'just' transition, bringing communities across GB on the journey to a decarbonised whole system future.
- RESP's must be **whole system**: the energy system is not one-dimensional and energy vectors cannot be considered in isolation from each other and wider considerations. Usage of energy is and will continue to change, e.g., the evolution of heat networks and hydrogen and a growth in electricity demand. With more intermittent renewable energy on the system and increasing electricity demand the need for flexible and market based solutions will also grow and this consideration needs to be part of the RESP whole energy landscape. We believe that the RESPs, integrating with other strategic planning work by NESO and others, defining and planning for an efficient and effective whole energy system is critical to Great Britain achieving an energy system fit for our future.
- Be **vision led**: Establishing a regional long-term objective for energy system development should unite those involved in its development behind a single clear purpose. Different regions have different inherent characteristics and thus will be able to develop and follow their own agreed energy priorities through the RESP process. Our role will be to work with regions and others in establishing these and ensuring national alignment.
- Be proactive: We agree the need for an adaptive model that enables changes, for example in energy policy or developments in technology to be reflected in the RESPs in a timely way. Changes to RESPs need to be in collaboration with stakeholders and we anticipate that regional governance will play a key role in enabling this adaptive approach.

Question 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 that the RESP should include a long-term regional vision, alongside a series of short-term and long-term directive net zero pathways. We agree that the vision should be 'developed through the close coordination and engagement of local actors'. We believe this is a critically important early activity to secure the buy-in of local actors and will create an essential platform for ongoing collaboration.

Our view is that further work will be needed to define the scope and methodology for the development of a regional vision. We believe that stakeholder views will be essential in defining this scope and methodology.

There are three areas where further work is required on the regional vision:

- To define the term 'thematic priorities'.
- To determine how 'SMART' (Specific, Measurable, Achievable, Relevant, and Time-Bound) a vision must be to 'provide clarity and direction on what the energy system must deliver in different places and provide a signal for investment', whilst also recognising that detailed work will be undertaken as part of the pathway development.
- To determine the extent to which national policy will be used to set the context for regional visions.
- To understand how situations should be addressed by RESP such as gaps in local policies or local actors unable to reach a common view on certain thematic issues.

For the pathways, we agree with the proposal to establish a series of short-term and long-term directive net zero pathways. We agree that, whilst RESPs could include scenarios that model a range of plausible futures, a more directive approach is critical to realise the objectives of strategic energy planning. We also agree that it would be inappropriate to include a pathway that fails to deliver net zero, although we expect pathways to reflect different speeds and approaches to net-zero across different regions. Albeit when considered together, the sum of the regional plans together with national plans should meet the government decarbonisation targets set for GB.

On the question of the duration of the short-term pathway, we believe that this needs to be linked to the distribution network price control timescales and requirements, recognising the pathways will directly inform their investment plans. Also, we note the upcoming key decision on the future of hydrogen for heat in 2026 and we will work with Ofgem and stakeholders to agree how we consider key uncertainties in a 5-10year pathway. However due to the pace of change, consideration should be made to ensure that if strategic investments are identified within a price control period appropriate mechanisms are in place to allow the investment to happen.

We agree with the proposal for there to be multiple long-term pathways. On the proposal for long-term pathways to cover the period to 2050, we believe there would be optimal benefit if it was a rolling 25-year period. This is in line with our response to Ofgem's consultation on the Centralised Strategic Network Plan in August 2023 (question 3).

We are supportive of Ofgem's view that lower super output area (LSOA) is the appropriate level of granularity for the pathways. We believe that network companies and local authorities will also have valuable input here given their experience of working at this level of detail.

On Vision and Pathways, there are two areas where we look forward to working with Ofgem and other stakeholders to more fully understand the RESP roles as stated in the consultation:

- Ofgem see a strong role for RESPs in identifying locations for network investment ahead of need and strategic investment and we expect to develop this further as part of the methodology development.
- We need to work with stakeholders to develop how 'triggers and dependencies in pathways will enable an adaptive approach that can respond to change and accelerate investment as a result' to deliver against the Ofgem's expectations.

We will work with Ofgem and other stakeholders to develop the methodology to ensure whole system optioneering considerations are included as part of the strategic direction setting.

In addition to the proposals set out, we believe it will be important to track and periodically report progress against the pathways. We also believe that assessing the benefits of RESPs through a publicly available societal value impact assessment is important to demonstrate the value and impact of RESPs. We note the request in section 3.8 to show the financial implications of falling short of net zero in each region. We propose to utilise alternative measures such as societal value impact assessment but welcome further clarification from Ofgem.

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

In terms of the proposed update cycle, made up of an annual data refresh and a full RESP update every three years, we appreciate Ofgem's recognition that this will require integration with the cycles for the Future Energy Pathways, Central Strategic Network Plan, and the Strategic Spatial Energy Plan. Further work is required to determine the optimal planning cycle for the integration of these activities. We are open to an interim approach to get to the right cycle of strategic energy plans before the rolling 3-year cycle is fully established. We believe that NESO are well placed to develop proposals in this area for discussion and agreement with Ofgem and DESNZ.

Annual data refresh

NESO will rely on a wide variety of data sources to develop the proposed key building blocks of the RESPs and it is important to design the right cadence of data refresh to support the RESP process while driving desired outcomes. We would welcome further clarification on whether the data refresh is linked to an annual publication or whether it is purely an annual data collection and refresh to ensure RESPs have the latest datasets in time for the 3 yearly process to develop RESPs. Our preference is the latter.

Our proposal is that the process should be designed so that when fully mature, data updates can be as up-to-date as possible, ensuring that the datasets are updated when appropriate based on agreed triggers such as changes in policy, key assumptions, and process improvements. This is because we anticipate that beyond the network companies, not all data sources are produced annually and also, relying on a cycle could mean that by the time the refresh is done, those datasets that change more frequently could be outdated.

In the interim however, as we develop new processes, an annual data refresh will ensure that we start to gather and validate the broad set of datasets in time to develop the first RESP outputs. As our understanding of the user requirements and process develops, we would like to review the

frequency of data refresh with stakeholders to ensure they adequately support an adaptive RESP process that accelerates progress in response to key changes in regional or national drivers and data.

We know that our stakeholders will all have different levels of data maturity, and we need to understand and develop plans to manage the different levels of data maturity. Distribution networks have complex systems, updated incrementally through a price control period. In the future we could take regular data feeds to continually update information as it is issued both from distribution networks and other stakeholders. NESO is committed to the principles of good data management and therefore we seek to avoid holding and processing more data than necessary, especially where data is provided by others.

In developing RESPs we will use best endeavours to act in accordance with Data Best Practice Guidance, ensuring data inputs and outputs are reliable, high quality, and transparent. We believe it is also important that stakeholders providing inputs to RESP are also jointly committed to these same principles. Collating and harmonising collected data will rely on data governance and assurance tools. We hope stakeholders will be able to commit to provide 'good' data in line with agreed validation rules.

Full RESP every 3 years

We agree with the proposed full RESP update every 3 years. This is consistent with the three-year cycles proposed for the Future Energy Pathways (FEP) and Centralised Strategic Network Plan (CSNP). As indicated in 3.43, the FEP, SSEP and CSNP are proposed in the framework of top-down national inputs to RESPs and the RESPs timelines will need to be developed with these dependencies in mind. Any changes in timelines for the national inputs would impact our ability to undertake the top-down, bottom-up reconciliation as we develop the regional pathways. We will continue to work with FEP, SSEP and CSNP as we develop the RESP timings and feedback loops to ensure that they are sequenced appropriately.

Consideration needs to be made on the interactions with the DNO and GDN price control cycles which are 5 years and staggered by 2 years from each other. It is important to consider the effectiveness of RESP outputs if they were to fall early or very late in the price control cycle. This difference in regulatory cycles between gas and electricity may also make the proposed cross vector technical coordination role more challenging, especially how to ensure that we can access all network plans at the same time to identify any cross-vector opportunities or trade-offs. Alternatively, mechanisms to allow for out of cycle assessments should be considered and we therefore recommend a further review of the RESP process interactions with relevant price control re-openers as part of the RESP methodology development.

Question 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 the proposed roles across the three areas as summarised below:

Consistent planning assumptions: We agree with the proposals and look forward to working with networks and stakeholders to identify and develop key assumptions to support consistent identification of needs. We will work collaboratively with stakeholders building on work already undertaken and ensuring any assumptions made are transparent. The proposals indicate that these assumptions should allow network companies to translate growth projections into peak demand and we would like to propose that the planning assumptions, particularly for electricity should also consider approaches required across other critical periods e.g., summer minimum as these could drive the need for additional investment such as voltage control.

We also expect the consistent planning assumptions to cover how we treat some key inputs such as interpretation of LAEPs/LHEES, the planning assumptions where they do not exist, flexibility assumptions and other assumptions to be identified and developed with stakeholders.

Setting out spatial context for capacity needs: We agree that a spatial context will support a more coordinated approach to cross-vector planning at a distribution level. We propose that RESPs should provide a spatial view of growth projections. However, the provision of these against network conditions, as mentioned in 3.22, is a requirement we would consider to be undertaken by networks in their detailed planning either as consideration of different seasons (winter vs summer) or network state (intact or outage). We welcome further clarification on this point. Similarly, there is mention of the visualisations showing where networks have headroom and this, we believe to be a core dataset developed by networks as they already develop headroom reports. We expect to work collaboratively with the networks to understand how we can leverage the existing headroom datasets to provide the proposed visualisations. We will also work jointly with the networks to agree the spatial data formats required to support their detailed forecasting.

We believe that Geospatial capability plays a significant role in our future planning. Our plan is to introduce an enterprise Location Intelligence solution which provides NESO with end-to-end spatial data management and end user technologies. We foresee this capability to be implemented via a foundational blocks approach as RESP process and industry mature in this area. This enables the potential spatial services encompassing 3D modelling, spatial APIs, and big data analytics, to enable the various benefits as they are identified and unlocked.

Informing Strategic Network Investment: We agree that other options beyond network investment should be considered. The proposals have a key focus on identifying 'location' for strategic investment or identifying 'where' strategic investment should be made to achieve regional objectives. We need to explore whether the nature of the RESPs would require us to undertake a Strategic Environment Assessment (SEA) as is currently the case with SSEP and CSNP. If a SEA is deemed required, then this will need to be accounted for in the RESP process.

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

We agree it is important we work collaboratively with distribution networks to identify gaps and inconsistencies to ensure plans achieve the strategic alignment between national and local energy network needs across energy vectors. We support the expectation set to undertake whole

system optioneering as part of the initial strategic direction setting and as part of the technical analysis of network companies business plans.

We will work with Ofgem and the networks to identify the inputs and appropriate decision-making framework required to undertake this technical coordination role on network company plans. From a whole energy system perspective this-could include how we deal with differences resulting from different price control timings across gas and electricity networks to ensure we have up-to-date plans to review.

The proposals recognise some aspects of this role are novel and we welcome the opportunity to develop these approaches collaboratively with stakeholders, considering where early trials, pilots or innovation can be utilised to enable us to learn by doing

Question 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 support the three building blocks and believe they provide a strong foundation for the key outputs and value RESPs will deliver. We propose that it would be beneficial to collaboratively explore the outputs that local actors will find most valuable from RESPs to support or inform their processes. We note the expectation in 2.22 for RESPs to be utilised by those undertaking spatial and local energy planning. It is important that local actors, having shaped the regional ambitions, can clearly see how their input is considered in their RESP and where RESP outputs will support their subsequent processes as they seek to drive decarbonisation across their respective regions.

Figure 1 RESP Outputs

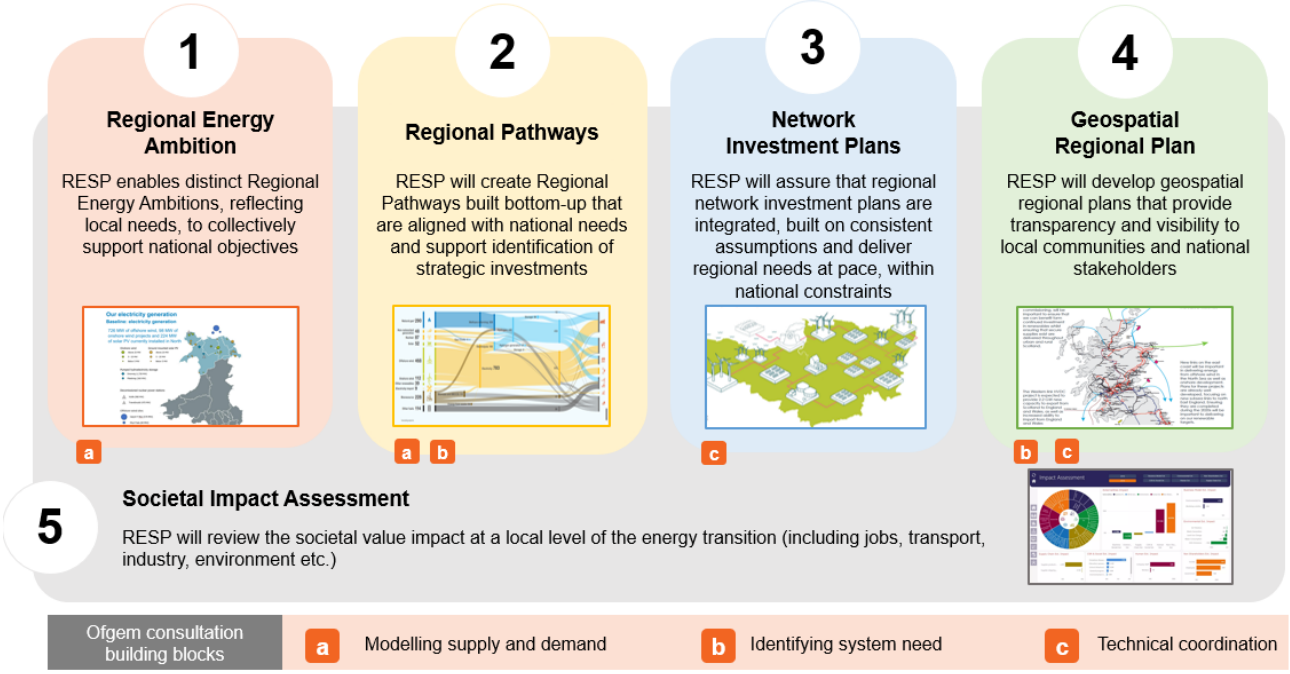

Figure 1 above, shows our current view on key RESP outputs and how they relate to the 3 key building blocks proposed by Ofgem. We are also proposing developing a publicly available societal value impact assessment to demonstrate the value and impact of RESPs.
We welcome the opportunity to further shape the RESP outputs with Ofgem and all stakeholders as part of the methodology development.

Question 7: Do you agree with the framework of standard data inputs for the RESP?

Establishing a framework of standard data inputs covering all RESPs is critically important to ensure consistency and the ability for RESP to interact effectively with both local and national planning (e.g. SSEP) inputs. In achieving this objective for the RESPs, clarity and consistency is required for data inputs.

As outlined in Table 2 of the consultation, there will be a wide range of bottom-up inputs needed to develop the RESP outputs. In addition to those indicated, geospatial and asset data will also be needed. Also, there may be other useful local authority and other data sets. For instance: socioeconomic (e.g. fuel poverty) data, land designations (in addition to Local Plan data, e.g. conservation, ancient woodland, flood risk zones), and long-term development statements such as infrastructure projects.
Table 2 in your consultation outlines 10 Local Authority data sources. Given there are 371 GB local authorities, this represents a huge wealth of information. However, many of these data sources will be in different formats. As we seek to drive consistency across many data owners, we expect to work closely and collaboratively to address any challenges in gaining and maintaining these data inputs. We will work with stakeholders to understand whether these data sources can be updated as new information becomes available, and the frequency of updates to support the RESP process.

For Table 2, Industrial clusters and dispersed industry comprise between a fifth and a quarter of UK energy consumption. We believe these should be listed and form part of the framework of data (perhaps within 'Other sources').

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

We welcome and recognise the need to shape the criteria for assessing credible inputs with stakeholders. The RESP methodology will need to transparently and collaboratively integrate national and local energy plans, and the data and assumptions they are built upon too.

RESPs must build on and not duplicate work done or being undertaken elsewhere, in so far as is possible. This includes within NESO such as our work on Future Energy Pathways (FEP), the

Strategic Spatial Energy Plan (SSEP) and Centralised Strategic Network Plan (CSNP); and the energy planning and delivery activity of energy networks, local authorities and other local actors.

We will transparently and collaboratively build upon our own, industry and other sectors' best practise in assessing credibility of inputs. This will lead to data inputs becoming trusted sources for us, and potentially others in their own uses of their RESP. As part of the RESP lifecycle management, we will build the ability to check and amend data, relying on transparent collaboration between us and data owners.

We believe assessing the credibility of inputs will need a combination of quantitative and qualitive approaches. Overlapping inputs - for instance where there is a national, local and regional view on the rollout of electric vehicles or heat pumps - need to be considered together. These inputs need balancing to form a credible view within each RESP. We will need to do this with impartiality; and, equally important, in a transparent and collaborative process.

Local authority targets and plans are developed via a range of methodologies. Many follow publicly available, replicable methodology frameworks such as Local Area Energy Plans (LAEPs), or in Scotland also Local Heat and Energy Efficiency Strategies (LHEES). We believe all local authority targets and plans will be important inputs to their RESP. The credibility of LAEPs, LHEES and other local area energy commitments will need to be collaboratively and transparently assessed to understand the likelihood of achieving the specific actions and outputs they propose or commit to.

We recognise large benefits in learning from and harmonising between the energy network companies' plans – and the assumptions, inputs and methodologies they're built upon – in shaping the Regional Energy Strategic Planning methodology. Gaining their involvement into RESPs will be crucial.

As highlighted in our response to question 3, we believe it is important that stakeholders providing data inputs to RESPs, where possible, are jointly committed to the Data Best Practice Guidance and provide 'good' data to RESPs. We will need to develop data validation rules for consistency and formatting purposes to be applied to submitted data.

We are expanding and building our knowledge of inputs and their methodologies and assumptions. We will continue this as we develop the RESP methodology. As we establish regional energy strategic planning capability, we will look to trial our approach to quantitative and qualitive approaches to both gaining and combining overlapping data.

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

We agree with the proposed framework for local actor support and welcome the opportunity to shape these plans further with Ofgem and other stakeholders. Provision of support to Local Actors will help maximise the RESP benefit from their input, and in turn they will gain a greater

understanding of strategic energy system planning. These symbiotic relationships will help build transparency and collaboration.

We agree with Ofgem that local actor support should be provided in a 'proportionate' manner. Defining this openly, transparently and fairly will be key. Given the new nature of the RESP the support provided will need to be developed and evolve over time, reflecting the growing RESP capability, the changing needs of each region and their local actors, as well as the wider energy system and strategic energy planning best practise.

We look forwards to consulting local actors in developing the RESP methodology. Given their importance in spatial energy planning and their proposed role on Strategic Boards, better understanding Local Authorities and network companies needs and priorities for local actor support will help shape the form and delivery routes for local actor support.

Other local actors could also benefit from the support framework and hence improve the contributions they can make to their RESPs. The next stage of work should further define local actors, their roles, and their support requirements in developing and delivering each RESP.

We are excited and see benefit in providing access to common digital tools. Through their use, this should improve data availability and consistency. Providing common digital tools should help us gain greater local input, and standardise the format of these inputs, providing efficiencies in spatial energy planning at every level and driving consistency across different RESPs.

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

We agree with the proposed purpose of Strategic Boards to provide a forum for collaboration, navigate regional trade-offs, support whole-system planning and to ensure their RESP represents their regional views and plans. Having this collaborative approach at Board and within the working groups informing the Board and RESP development will be crucial in achieving this purpose.

We acknowledge the proposals for conflict resolution need to be inherent in the process leveraging the strategic board and working groups to resolve substantive issues. We would welcome the opportunity to develop these mechanisms further with Ofgem and stakeholders, working through potential examples e.g. coherence between regional and national ambitions.

Regional boards need to be representative of the region and of a manageable size to be effective, supported by working groups to inform Board discussions. The Strategic Board and working groups will be vital in enabling whole-system energy planning and navigating trade-offs, such as reviewing different delivery options for their region.

We support the hub and spoke model shown in Table 4 with the regional spokes accountable for the Strategic Boards and Working Groups and the central hub providing a structure for cross-

regional oversight and national alignment. The central hub will also drive efficiency through the sharing of best practice from regional learning gained through regional stakeholder engagement.

Question 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. We consider the current proposals provide an excellent basis for cross vector coordination and interaction in each region. We welcome the additional recognition on the importance of collaboration at both Strategic Board and working group level.

We support both network organisations and Local Authorities being represented on Strategic Boards and relevant working groups. Acting collaboratively through the Boards and working groups, with ourselves and other local actors, will ensure the Boards have democratic representation.

We consider that the Citizen Advice representation on a number of industry code Panels has worked well for two decades and would agree that the representation of vulnerable consumers is a priority for local governance. We support and recommend wider cross-sector actors such as these – or more local energy and debt advice providers and community energy groups – are included in either the Board or working groups to ensure RESPs consider fuel poverty, socioeconomic factors and enable a Just Transition.

We agree Strategic Boards will need to be kept lean and refreshed regularly to ensure they are fit for purpose; and that they should provide a recommended steer at key RESP stage gates prior to NESO decisions. We aim and expect the majority of our decisions to align with those recommended by the Strategic Board as we approach RESP delivery in a transparent, collaborative and independent way. We believe it is critically important for NESO to transparently demonstrate the process and evidence base for its decisions, including where decisions diverge from Strategic Board recommendations. In doing so this will ensure we maintain NESO's responsibilities for transparency and-independence.

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

We consider that, to be most impactful, members of the Strategic Boards should be based within and represent different aspects of the region's energy planning landscape. They should be representative of their locality and sector – for instance, local authority members of the Strategic Board should collaborate and work with other local authorities in their region that are not

represented on the Strategic Board. We believe collaborative working groups could be key to this representation.

We believe that RESP regional governance should not presume a lack of relevant pre-existing governance and working relationships. To be effective, Strategic Boards will need to build on and link to pre-existing arrangements where they can appropriately support the new RESP function. In certain cases, it may be appropriate for such arrangements to be included within the new RESP regional structures where this has the support of the stakeholders involved. This approach would help to ensure that RESP regional governance builds on and adds value to existing arrangements and recognises that in many regions' strong relationships and collaborative programmes of work are already in place.

We believe that, building on Ofgem's proposals, a process is needed to determine the specific membership of Strategic Boards. And that most likely this process will need to operate at two levels, an overarching approach that applies to all regions, and more detailed processes for each region, recognising regional differences and evolving arrangements within each of them. This should consider the appropriate level of upper tier authority representation and how lower tier authorities are best represented. It should also build in an appropriate and timely review process, one that closely tracks the devolution agenda as it continues to develop. This process would also take into account the different governance arrangements in England, Scotland and Wales.

We are cognisant of the numerous responsibilities local authorities have and the pressures they face. We believe local authorities and other local actors need to see and experience the value RESPs can provide and the value of their input to the region. We believe this will be crucial in gaining their input and operating effective Strategic Boards.

We appreciate and support Ofgem's recognition that local actors may need support engaging in the Board (as set out in our response to Question 9). We believe this local actor support should be targeted to help ensure representative and effective Strategic Boards, as well as supporting local actors involved in the working groups in developing each RESP.

We consider that the inputs of all electricity distribution and gas distribution companies, plus any heat network and hydrogen companies operating within each region are required for the RESP Boards and working groups to be comprehensive, credible and effective. The collaborative input is fundamentally important in finding cross-vector insights and efficiencies.

The process for determining Strategic Board membership will also need to address the multiple electricity and gas distribution network companies serving each region. The process developed should ensure energy distribution network companies are represented and in proportion with the wider Board membership. Where multiple networks serve a region, it may be appropriate to have a lead electricity distribution network company and a lead gas distribution network company, with the other companies brought together via a working group.

We recognise and support the proposal of reviewing and potentially changing Board membership on a periodic basis. Whilst different regions may have different Board composition, we believe standardising Board operations and terms of reference will help ensure alignment between RESP and national energy planning work on SSEP and CSNP, and also in ensuring all RESP Boards are effectively representing local actor interests.

As well as energy networks and local authorities, we see benefits of cross-sector local actor representation on Strategic Boards and working groups. For instance, those who represent energy consumers and those vulnerable to fuel poverty. Some regions have local providers of consumer advice that Boards could benefit from in ensuring the RESP pays due consideration to consumers and in achieving a Just Transition. We also believe that organisations representing industrial users will provide valuable insights into the demands of some regions and the options for low carbon transition.

We agree with Ofgem's proposal (set out in 4.13) to keep the direct membership of the Strategic Board as lean as possible. This is critical in allowing Board members the ability to interact and contribute in a meaningful way. The Boards ability to represent all local actors across their region will depend on Boards having clear terms of reference (roles, responsibilities, etc) supported by effective working groups. These together with wider collaboration and transparent consultations, local actor support and central hub coordination will all play key roles in enabling effective regional boards.

We recognise the complexity of this area and look forward to collaboratively developing Strategic Boards and working groups both with Ofgem and the local actors these Boards will represent and comprise of.

Question 13: Do agree with the adaptations proposed for Option 1?

NESO does not have unique evidence to offer on the issues around the formation of each region. We consider the evidence presented in the consultation (Appendix 1) in terms of the relative population sizes of each reason is convincing and covers the issues well. The consultation transparently lays out the design process and proposed adaptions of Option 1, and how these were arrived at collaboratively through workshops and engagement with key stakeholders. The proposed boundaries now also reflect existing statistical (e.g. ONS) boundaries, and more closely (albeit not fully) align with Net Zero Hub boundaries in England. The adaptions therefore make sense and provide a solution we support.

Question 14: Do you agree with our assessment that Option 1 is a better solution than Option 2? Please provide your reasoning.

We agree. As above in Question 13, we consider that Option 1 improves on Option 2. We consider that the current makeup of the regions in question will provide for more consensus and fewer trade offs than more populous, larger regions. As well as agreeing with Ofgem's assessment, we

support the collaborative approach taken in establishing proposals for the 11 RESP areas – and transparently setting this out within the consultation.

Question 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)

The proposal for one unified region is pragmatic and allows collaborative working across Scotland. We consider that a single region for Scotland is optimal as it will provide a single point of contact for the Scottish Government and other key stakeholders across the RESP ecosystem. It is our view that a single region reflects the dispersed and multi-sector nature of the whole energy system in Scotland and assists in the delivery of a holistic and coherent RESP for Scotland