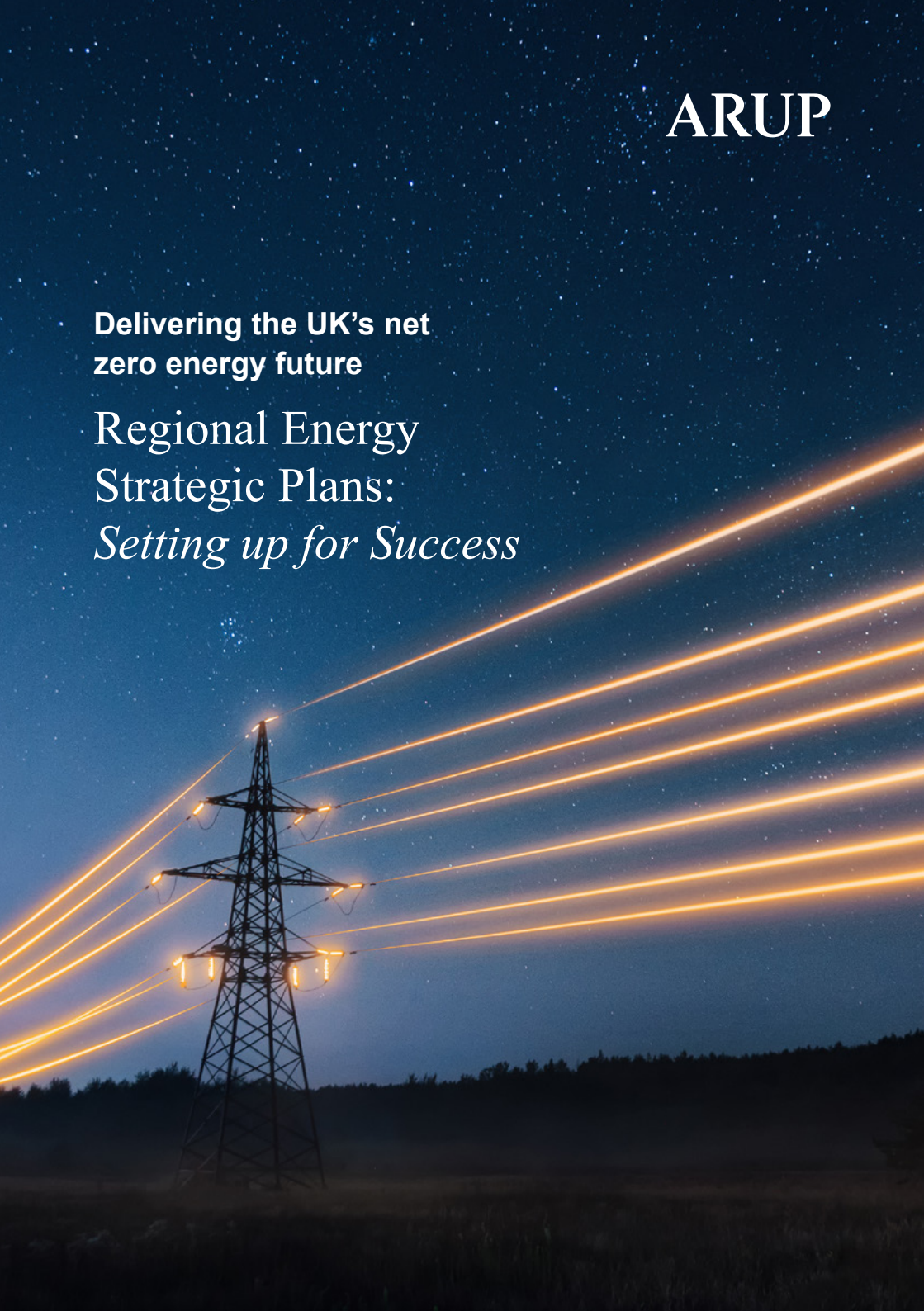
ARUP

Delivering the UK's net zero energy future

Regional Energy Strategic Plans: *Setting up for Success*



Introduction

The introduction of Regional Energy Strategic Plans (RESPs) is set to transform the planning and delivery of the energy system across England, Scotland and Wales.

RESPs are intended to enable coordinated development of energy systems, provide confidence in system requirements and allow network infrastructure investment ahead of need – ultimately supporting a cost-effective energy systems transition to net zero. Ofgem's consultation on these proposals ended on 8 October 2024.

Between April and October 2024, Arup held three successful roundtable events in Glasgow, Cardiff and London to explore the implications and opportunities in the move to RESP for these local areas. The events brought together representatives from Ofgem and the new National Energy Systems Operator (NESO) with local electricity and gas distribution companies, gas authorities, heat network developers, local authorities, devolved administrations and other interested parties

Informed by these conversations, this report identifies some key recommendations to ensure that we can collectively leverage implementation of RESP – to support zero-carbon ambitions and address energy system challenges such as rapid electrification, affordability, and the need for integrated infrastructure planning.

Recommendation 1:

Evolution and integration

Build on existing local energy and network plans and support coordination and consistency between different areas.

RESP principles align well with existing Local Area Energy Plans (LAEPs) in England and Wales and Local Heat and Energy Efficiency Strategies (LHEES) in Scotland. Heat Network Zoning will also become a key national energy spatial planning framework (in England). How can this alignment be reflected in the RESP approach? Can NESO provide clear guidance on how RESPs can integrate with these existing frameworks?

There's a risk of duplicating existing efforts and governance structures. Some coordination mechanisms are already in place in the sector. How will NESO ensure that this new layer of technical coordination adds true accountability and unique value, rather than just creating more complexity?

Supporting capacity at local authority level

A common theme in our roundtable discussions was a lack of capacity at local authority level to support energy planning and delivery – despite a strong appetite and leadership commitment for a local role in energy planning.

We recommend:

- DESNZ should be clear on roles and expectations for local authorities (or other local/ regional public sector bodies) to participate in energy planning aligned to RESP
- To avoid duplication (e.g. between Devolved Administrations, Combined Authorities, Counties and Districts), consideration should be given to the level of government to be involved
- The right bodies should be given a statutory duty and appropriately funded to deliver this
- Support should be provided to enable the relevant bodies to scope and recruit the right people to fill any gaps in capacity and provide appropriate development programmes for those people
- It's important that local authorities are enabled to implement existing plans and translate them into actionable projects. RESP shouldn't pause delivery or reset planning, rather it should build upon what exists and accelerate delivery
- NESO should use RESP to clearly articulate how it will integrate with established energy planning frameworks
- Ofgem and Scottish Government should update LAEP and LHEES guidance so that methodologies support alignment with RESP
- Given its delivery mandate, Great British Energy could fund LAEPs.

Recommendation 2:

Support a people-centred, just transition

RESP must be a collaborative framework that empowers all stakeholders, promotes equity, and ensures that the benefits of the energy transition are shared widely.

People are at the heart of the energy transition. Consumers face critical decisions, such as whether to invest in electric vehicles, retrofit their homes, or install solar PV and heat pumps. There is a risk that the proposed RESP structure imposes change on people rather than engaging them as active participants in the transition. As (fossil-based) energy choices cease to be available, even those who do not wish to be engaged must be given good alternatives that don't impose unreasonable costs.

Fostering a collaborative approach

To foster support for RESP, it's crucial to maintain a balance between top-down and bottom-up approaches to energy planning. The Strategic Spatial Energy Plan (SSEP) and RESPs can provide valuable guidance on the strategic pathway for the energy system, but LAEPs provide an essential link to local priorities and information. Collaboration across scales means involving network operators, local authorities, and the public in the RESP planning and implementation process. Effective communication is key to achieving this. Having the right level of engagement and stakeholder buy-in at senior levels will be key to making strong progress. By treating RESPs as a collective effort, rather than a directive from above, can we secure broader commitment and cooperation?

Enabling a just transition

To support an equitable energy transition, a guiding principle focused on a just transition should be added to RESP framework. To help build a more inclusive and fair energy system, this principle should address critical issues such as energy affordability, access, and fuel poverty – ensuring that no one is left behind in the transition. Consideration should be given to the shift of jobs from high-carbon to low-carbon economies.

Could this approach be used to enhance the effectiveness of RESP while also building the public trust and support necessary for a successful transition?

We recommend:

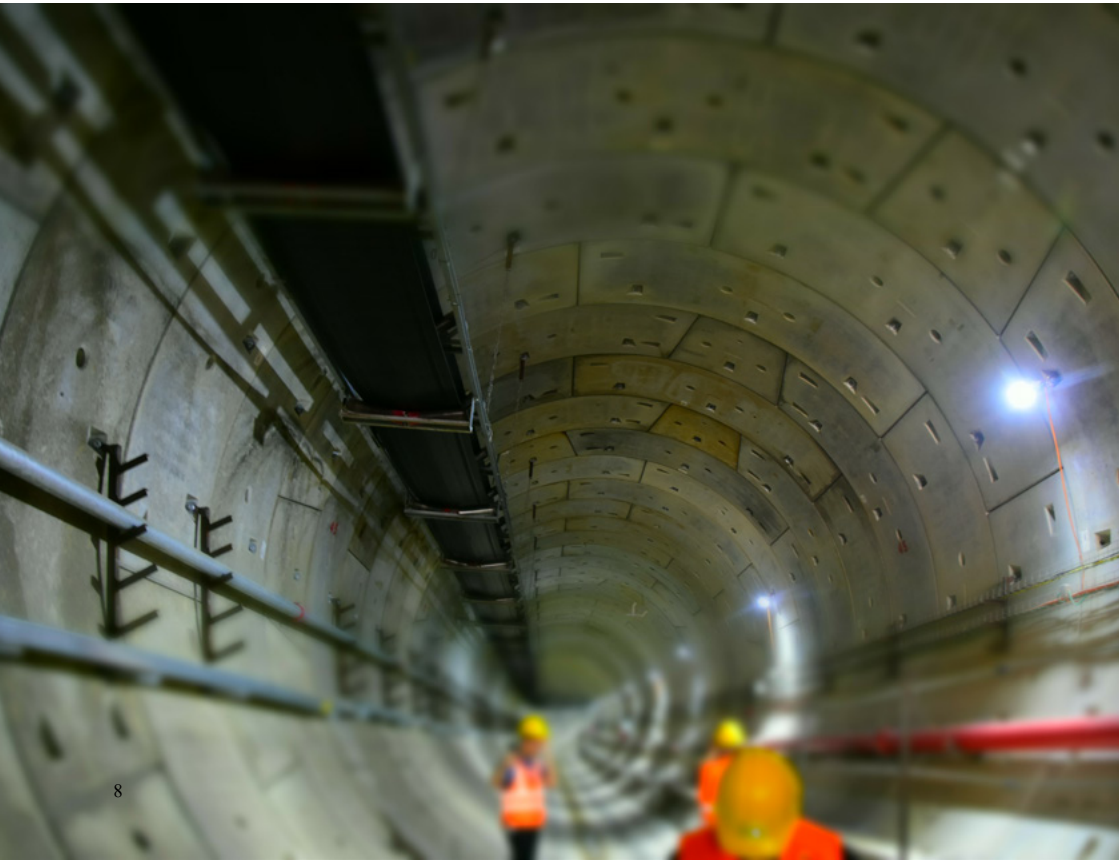
- Ofgem should add a guiding principle for RESP focused on ensuring a just transition
- NESO must ensure all necessary groups are represented in the planning process
- NESO should use information on citizen and customer preferences from existing engagement activities undertaken by others, e.g. networks and LAs
- NESO should consider using citizens' assemblies to enable a more detailed consideration of trade-offs and challenges needed in energy planning
- UK Government should support funding of education that encourages green jobs skills development.

Recommendation 3:

Delivery-focused planning

Establish accountability and incorporate a delivery focus into plans from the outset.

RESP is designed to focus on planning, but the plans can only be successful if delivery is considered from the outset. Clarity is needed on where accountability for delivery will sit under RESP. NESO's focus will be on future-proofing energy infrastructure but who will be responsible for rolling out retrofits, heat pumps, and solar PV?



Balancing planning and delivery

RESP proposes an annual data refresh with a full RESP update every three years. Do such frequent planning cycles represent the most effective use of resources? At what must focus shift from continual planning to delivery and monitoring of progress?

The energy transition will be funded and delivered by a mix of private, public and third sector organisations, including individuals. RESP needs to support organisations to attract investment to enable delivery of plans.

To reduce the burden on overstretched local authorities and support progress to delivery, RESP should align with, not duplicate, the efforts of existing plans. What do local authorities and other local actors need from RESP? What are the levers to deliver a LAEP, LHEES or Distribution Future Energy Scenarios (DFES)? What mechanisms can RESP include to support delivery?

Developing plans into a suite of deliverable projects

Great British Energy (GBE) has committed to drive clean energy deployment to create jobs, boost energy independence, and ensure UK taxpayers, billpayers and communities reap the benefits of clean, secure, home-grown energy.

What role should GBE play in transforming RESPs into a suite of clean energy projects?

We recommend:

- NESO should identify where responsibility for plan delivery sits and how RESP can support this delivery
- Ofgem should consider potential impact on delivery when establishing planning cycles
- DESNZ and devolved governments need to ensure RESP aligns with existing plans
- DESNZ should identify support for local authorities that will enable energy project delivery
- The role of GBE in transforming plans into a suite of energy projects needs further exploration.

Recommendation 4:

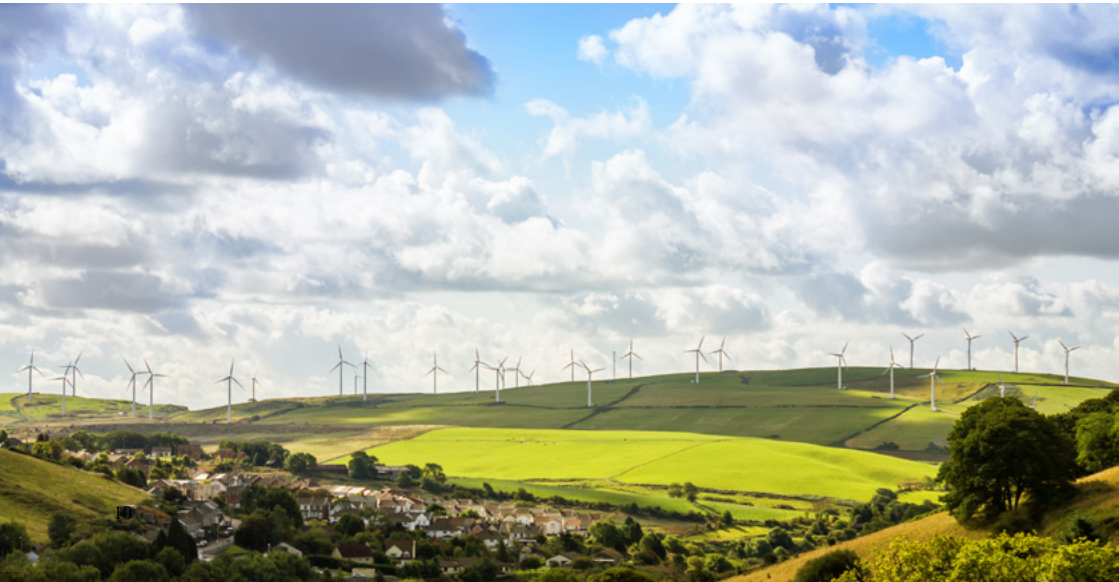
Adaptive planning

RESP must strike a delicate balance between supporting confidence for energy investors and fostering an environment in which innovation can thrive.

The transition to a low-carbon economy is time-sensitive. Historical precedents show that policy uncertainty can lead to market stagnation and delay critical advancements. To avoid this, RESP should include mechanisms that adapt to technological improvements and market conditions, ensuring continuous progress. This could involve periodic reviews and adjustments to the policy framework, informed by stakeholder feedback and technological developments.

Learning from other sectors

It is also important to learn from others who have introduced requirements for adaptive planning in similar regulatory settings, such as water regulator Ofwat in England and Wales and the Commission for Regulation of Utilities (CRU) for the gas network in Ireland.



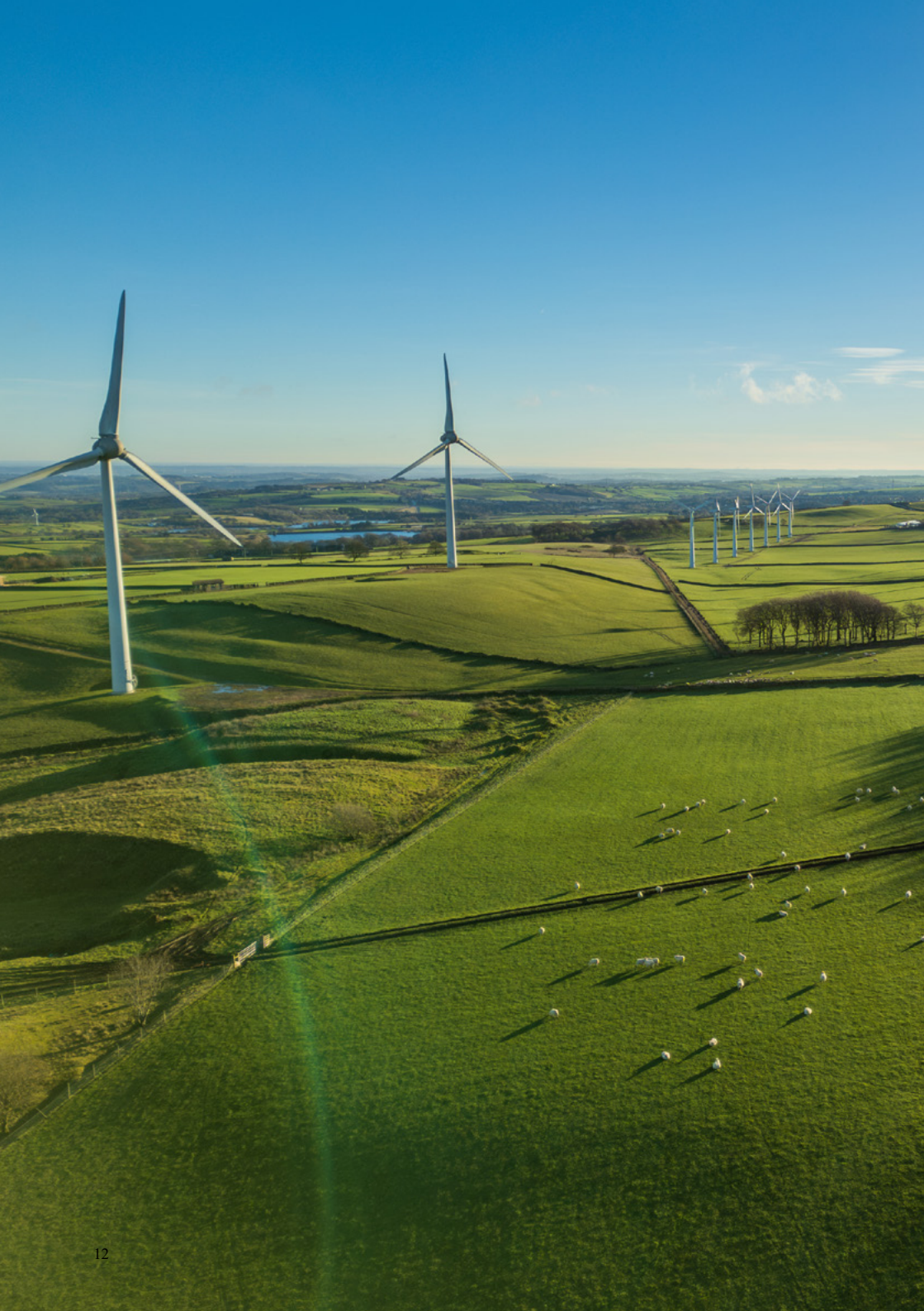
Supporting investor confidence and enabling innovation

Investors need confidence that investments will yield returns. This requires clear, consistent, and long-term policy signals, but if RESP becomes overly prescriptive, it risks stifling the innovation needed to meet the UK's ambitious climate goals. Technologies such as hydrogen and biomethane are still evolving, and their potential to contribute to the energy mix could be significant. A flexible RESP should allow for adaptive approaches and pilot projects, learning from the experience of other local, regional and utility-led scenarios and planning approaches (i.e. LAEPs, LHEESs and DFESs).

In essence, RESP should be designed to accelerate the energy transition, not hinder it. By fostering a supportive yet flexible policy environment, the UK can ensure that it remains at the forefront of energy innovation while meeting its climate change targets.

We recommend:

- Ofgem should mandate an adaptive planning approach that considers everchanging external factors
- NESO should use adaptive approaches and pilot projects in regional planning to enable mechanisms to respond to innovation and other market factors
- Innovation funding should not be stalled while NESO is being established
- Ofgem and NESO should take steps to learn from best practice in other sectors.



Summary

In summary, we strongly support the overall aims of RESP. A strong and clear framework for energy spatial planning has been a missing piece of the policies and planning needed to deliver on the UK's net zero commitment in a coordinated way. However, we would advocate that RESP is implemented in a way which builds upon the considerable body of work on local, regional and national energy spatial planning already in place or in development. RESP should accelerate action, not be a reset button.

We call on stakeholders to engage with NESO to make RESP a success for us all.

ARUP

Contact

South West, Wales, East Midlands, West Midlands
Helen Charlick
Associate – Whole Energy Systems Modelling
helen.charlick@arup.com

North East, Scotland, North West, Yorkshire and Humber
Stuart Hallett
Associate – Urban Energy
stuart.hallett@arup.com

Greater London, South East, East of England
Stephen Cook
Director – Urban Energy
stephen.cook@arup.com