



Department for
Energy Security
& Net Zero

Annex V: Analytical Annex of Additional NESO Roles



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Background

- This annex is intended to provide an overview of the rationale and impacts of the additional roles for the NESO included within the consultation. It is not intended as a formal impact assessment and future consultations we will seek to gain further evidence on the proposals.
- The annex follows on from the final impact assessment published as part of the consultation in April 2022¹.
- The two new roles of the NESO which have been included as part of this consultation are:
 - Strategic Spatial Energy Plan (SSEP)
 - Centralised Strategic Network Plan (CSNP)
- Discussion of the CSNP is not included in this annex.
- A qualitative description of the rationale, costs and benefits of the SSEP has been included below. The NESO will undertake public and stakeholder engagement on the methodology for producing the SSEP following the commission from the Secretary of State in Spring 2024.

Strategic Spatial Energy Plan

- Included within the consultation is the intention that the NESO should work with government to develop a Strategic Spatial Energy Plan (SSEP). This should define the optimal mix and location of clean generation and storage to meet GB forecasted demand and Net Zero targets. This will be published and provide a reference point to the rest of the energy sector and public.
- The Transmission Acceleration Action Plan³, and recommendations from the Electricity Networks Commissioner⁴, set out that Great Britain's transmission network must undergo unprecedented expansion to meet the needs of the economy as it electrifies. A strategic approach to energy planning is needed to ensure that the network is built at the sufficient rate and scale required.
- The benefit sought through the creation of the SSEP, along with the Centralised Strategic Network Plan (as more fully described in paragraph 2.2.7 of the 'Statutory consultation on National Energy System Operator licences and other impacted licences'

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1066721/future-system-operator-consultation-impact-assessment.pdf

³ <https://assets.publishing.service.gov.uk/media/65646bd31fd90c0013ac3bd8/transmission-acceleration-action-plan.pdf>

⁴ <https://www.gov.uk/government/publications/accelerating-electricity-transmission-network-deployment-electricity-network-commissioners-recommendations>

document), is to help accelerate the national energy transition by the earlier development of network and generation infrastructure. The SSEP will help achieve this by providing greater clarity to industry and the public on the shape of our future energy system, helping increase investor confidence. It will also provide new insights into the development of the future energy system by taking into consideration cross-sectoral demands on space. Accelerating the transition to a clean, home-grown, affordable energy system also has the potential benefits of increased energy security and reduced costs to consumers through reduced curtailment. The scale of the benefits realised through the SSEP is potentially large, however the magnitude is uncertain.

- The main costs of implementing the SSEP will fall into two categories; the additional resourcing within the NESO to develop the SSEP and the learning costs of organisations within the energy sector to understand and process the SSEP. These costs will depend on the requirements, scope and timings set out in the commission by the Secretary of State.
- There are potential risks that the SSEP does not deliver as intended. The commission to the NESO from Government will require a monitoring and evaluating plan for the SSEP, agreed between NESO, DESNZ and Ofgem. The monitoring and evaluation plan will set out how lessons can be learnt from the SSEP process to inform future iterations, helping minimise the risk of the SSEP not delivering the expected benefits.
- Overall, it is expected that the benefits of the SSEP will far outweigh the costs. Although there are uncertainties for both the costs and the benefits, the potential scale of the benefits is expected to be much larger than the costs.

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