**RIIO-ED2 Draft Determination: Wiltshire Council Response**

**Key Points**

***Lack of grid capacity is hindering our climate and development aims***

Wiltshire County is in urgent need of major investment in the local power network.

The lack of grid capacity is compromising our ability to meet housing targets, grow the local economy, respond to worsening energy security, meet our commitment to supporting Wiltshire County to be carbon neutral by 2030 and playing our part in achieving the legally binding Climate Change Act target. The summer heatwave is only the latest in a string of escalating climate incidents, putting further pressure on the power networks and underscoring the importance of meeting the Government’s commitment under the 2015 Paris Agreement to limit global warming to 1.5 degrees centigrade.

The national strategy for decarbonisation is to switch fossil fuels to renewable electricity so investment in the power network is central. The role of Ofgem in delivering this is reflected in all strategies for net zero, for example DfT’s ‘Taking Charge’, which states the Ofgem needs to “Ensure the electricity network is ready for the transition to EVs”.

Beyond impacting our ability to meet policy objectives, grid availability will also impact our budget. Recent work by the Welsh Energy Service has indicated the previous annual fuel bill of some £33m for their fleet, could be ~£20m if electrified, and as low as ~£4m if the electricity is supplied by their own generation. These savings as well as the air quality and climate benefits of investment in EV fleet, will be jeopardized if sufficient grid capacity is not available.

We note that the Ofgem proposal is to reduce SSEN’s proposed baseline Totex by 22.3%, and that the SSEN proposed baseline was lower than requested through the stakeholder consultation process. We understand that the baseline level is not a limit on investment and that Ofgem intends for the Uncertainty Mechanism to release funding as evidence emerges.

***Investment is needed promptly in order to mitigate grid constraints***

We keenly appreciate the need to keep costs down for ratepayers during what may be a protracted cost-of-living crisis, since this is impacting our service users and our own budgets. However, the extra investment required to upgrade the grid to enable us to ‘home grow’ our own low cost, clean, renewable energy is minimal compared to the UK’s continuing vulnerability to rising fossil fuel prices.

As a local authority we know making the case for additional resource can often be time and resource consuming. We would urge Ofgem in its final determination to make it possible for DNOs to easily access the level of investment required to achieve the decarbonisation and development targets. To achieve the Paris Agreement commitment, the social and technological transformation needs to happen in this crucial period before 2030, in other words, in ED2. It cannot wait until ED3 or be delayed by overly bureaucratic processes.

Therefore Ofgem should consider the balance of resource made available as core (BAU), or as may yet be provided through one or other Uncertainty Mechanism (UM) over time. Our view is that in choosing the FES System Transformation scenario as a base line assumption about deployment and the requirements expected of DNOs will lag behind demand on the ground. Since our Climate Emergency commitment is to support Wiltshire County to become carbon neutral by 2030, we would ask that Ofgem choose the Leading the Way scenario as most likely to achieve that aim.

While being in favour of a balance of resources towards core we recognise that Ofgem also must be acutely aware of actual delivery against core allowances. That would reinforce the need for robust regular (annual?) performance management arrangements AND an effective claw back mechanism, potentially set at over 100% of unused allowances.

***A local energy planning approach in partnership with local authorities is essential to decarbonisation***

We agree with previous Ofgem observations that DNOs need to carry out sufficient optioneering in their forward planning; this in turn avoids risk of poor investment and deployment decisions. In light of the above, Ofgem could consider Price Control Deliverables to underpin the following systemic low regrets activities, all of which have the potential to reduce mis-targeted investment:

* Support to Wiltshire Council and our communities for LAEP development during ED2.
* The creation of a local authority forum for our licence area, with suitable secretariat support from DNOs/SSEN (with a view to this building the relationships necessary in advance of the local authority role in DSO governance)
* An integrated stakeholder engagement plan that ensures customers money isn’t wasted on parallel stakeholder engagement by the GNO, any HNO, the DNO; and supports the work on LAEPs
* As part of the refinement of their smart optimisation plans, DNOs to assess how to ensure fair access to the available headroom of each substation

In addition to these broad messages on strategic partnership and the balance of resources there is a need for the following:

* Planning authorities will be well placed to inform the delivery of DNO ED2 business plan, and DNOs should seek early engagement on the state of the relevant Local Development Framework
* Relevant local authorities or groups of them (within a Licence area) should have an explicit input to the triggering, or otherwise of Uncertainty Mechanisms
* A role for local authorities in triggering UMs, with an eye towards the LAEP roll-out and development of DSOs
* Ofgem should move to formalise the future role of LAEPs before the beginning of the price control
* Ofgem should highlight how DNOs should make fair and efficient use of existing headroom, to avoid the recently highlighted issues of West London and data centre deployment. Ofgem and DNOs should ensure a much greater degree of smart optimisation is applied to new connections in the context of future load changes. This would be supported by:
* Greater urgency in Ofgem’s work on Full Chain Flexibility
* Ofgem distinguishing between the gross demand increases, as we switch to electricity, from the net demand changes (including peak shifting) seen by the DNOs when LCTs are mitigated with controls and storage
* Revisions to DNO LRE plans to integrate their EV and heat strategies and hence their approach to LCTs
* An expectation on DNOs that they assess new and changing connections in the round rather than first come first served, as part of their strategies for smart optimisation
* To avoid unnecessary and potentially counterproductive duplication in stakeholder engagement there should be a joint approach to future stakeholder engagement, with a view to strategic planning – RIIO3 must integrate any and all stakeholder engagement required of a DNO, GNOs, and any HNOs, with the locally led LAEP to give a seamless and whole system approach – this will enhance Ofgem’s ability to protect consumers from unnecessary costs

***DNOs should lead by example***

We also note the need for DNOs to progress their own achievement of operational net zero. In doing so Ofgem should consider how it might set strong targets for Scope One and Scope Two emissions, while considering the levers DNOs have regarding Scope Three. These net zero targets should not include offsets.

As the country progresses on the Net Zero transition a stronger strategic relationship between local government and the energy system, will be essential, from their role in planning to an ability to inform and support the pipeline of projects and the capabilities of local supply chains.

Given the emerging independent role emerging with the DSO function we reiterate our proposal that local government has a role in the governance of DSOs; and more immediately as part of moving into ED2 that Ofgem make urgent progress on their DSO expectations and the role of local authorities before April 2023.

Our primary case is for an effective local strategic partnership between authorities such as Wiltshire and DNOs, hence the broader whole system points above.

**Responses to main consultation questions**

We also have specific comments for several the consultation questions:

Q.1. &2. We agree that for EV charge points there could be value in evoking the Provider of Last Resort approach, in which case the Directly Remunerated Services (DRS) payment mechanism would be preferred – we agree it should be common to all six DNOs, and assume it will also allow Ofgem to compare and contrast costs between them. We would expect DNOs to work closely with their local authorities to determine where and when to deploy; and to optioneer the most flexible and smartest way to do so.

Q. 1&2. Core – there is a continued beneficial role for CEGs, with scope for greater local government input - in parallel to the development of strategic partnership with local government, leading to a governance role for local government on the DSO.

Core Q11 & 12. DNOs should set out robust plans to deliver reductions of their Scope One and Two emissions

**SSEN Consultation Questions**

In addition to these comments, below are responses to some questions in the SSEN appendix of the consultation:

*SSEN-Q3. What are your views on our proposals to reject SSEN’s CVP relating to Embedded Whole Systems Support Services for Local Authorities and its CVP relating to supporting broadband to island communities through DNO assets?*

* The investment in staff resource proposed by SSEN for this CVP is vanishingly small in the context of ED2 but would leverage production of the localised energy plans necessary to respond to the scale of both the climate and the housing crisis. If as is proposed by Ofgem this resource is provided as part of the base, rather than a reward, we would like to ensure the full resource proposed in the CVP be provided.
* As local planning authority, the Council has a statutory duty to ensure that the right development alongside enabling infrastructure is delivered in the right places in a timely, viable and effective manner. However, our ability to direct development to the most socially and environmentally optimal locations can be blocked by severe grid constraints. This risks rendering strategically important development sites undeliverable and resultantly risks attainment of local and national housing targets.
* The Council’s emerging Local Plan Review is seeking to accelerate the delivery of net zero carbon housing and commercial development through planning policy. To ensure our policy objectives are met we will need to see sustained investment in grid capacity to not only accommodate the electrical energy demand of net zero carbon development, but also the potential for ‘feed-in’ arrangements, for example, from a significant uptake in solar panelling associated with energy efficient design measures.
* The Local Authority also determines applications for freestanding energy plant and holds a range of other levers to influence its type, scale and delivery model. For example, local authorities can facilitate community energy which can ensure those impacted by freestanding technologies obtain maximum benefit. This is key to obtaining the public consent to scale up renewables. The ability of local authorities to use any of these levers is again constrained by grid capacity and insufficient resource within the DNO to take a proactive, locally optimised masterplanning approach.
* The embedded staff model proposed in the CVP would provide the necessary level of support for local authorities to undertake a co-development approach to energy masterplanning with the DNO, as has been piloted in innovation projects such as WPD’s EPIC. Embedded DNO staff can then respond to local needs identified in this process through the UM, to fill the expected delivery gap between baseline DNO investment proposed by Ofgem and the 6th Carbon Budget trajectory to net zero.

*SSEN-Q6. What are your views on our proposal for SSEN’s ‘Energy Efficiency Accelerator for Smarter Networks’ and ‘Local and community flexibility market stimulation’ CVP?*

It is essential that the DNOs continue their exploration of local and community flexibility markets. A smarter approach, using the existing network more flexibly has the potential to be more cost-effective which benefits the DNO. DNOs can set many of the rules of engagement but there are multiple approaches being tested and many issues remain, subject to further research before commercialisation. We would like to engage with SSEN on projects that progress the development of local flexibility markets, in pursuit of a commercially viable model, and would request that SSEN is resourced to do this.

**5. Innovation**

*SSEN-Q11. What are your views on the level of proposed NIA funding for SSEN?*

It is noted that there was underspend of SSEN’s RIIO-ED1 Network Innovation Allowance. In our view, there should be the opportunity to derive Network Innovation Allowances (NIAs) from the local energy masterplanning processes as per comments on SSEN-Q3.

We also note Ofgem’s comment on the need to strengthen the crucial link between pilots and BAU. Local energy masterplanning and the concomitant partnership working approach can also provide greater coordination between an innovation project and the actors who would utilise the innovation as BAU, for example large organisations, residents or property and renewable energy developers. By 2025 when SSEN can propose further innovation funding, if local masterplanning is resourced sufficiently the DNO should be able to propose a substantial increase in NIA to meet robustly evidenced need.