

LGA submission to Ofgem's Call for Input on [Future of local energy institutions and governance](#)

7 June 2022



1. About the Local Government Association (LGA)

- 1.1. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross party membership organisation, representing councils from England and Wales.
- 1.2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

2. Summary

- 2.1. Councils want to work as partners with central government, and Ofgem, to tackle climate change with a focus on transitioning to net zero. Councils are well-placed to do this as place-shapers, convenors of communities and partners, delivery agents, commissioners, and owners of assets. Net zero can only be achieved with decarbonisation happening in every place across the country and this will require local leadership.
- 2.2. Councils need to play a pivotal role in effective energy system planning and operation at the sub national level. Councils, as planning authorities, shape place through the Local Plan making process and through location specific Masterplans. Through these processes, growth areas are identified, and areas of land are designated for particular uses. These plan making processes shape future land use and with that comes future energy demand.
- 2.3. Many councils are now looking to develop Local Area Energy Plans and are considering how best to shape place given the likely largescale shift to the electrification of buildings and transport. Councils have been working with Energy Systems Catapult on the development of Guidance on Creating Local Area Energy Plan to ensure plans are deliverable and meet Ofgem's regulatory standards. Councils, as community leaders, can be a really positive and influential partners when taking this agenda forward.
- 2.4. However, many councils do not have the resources and technical skills required for detailed energy planning and therefore a far more joined up partnership approach to delivery needs to be considered. One option would be for Distribution Network Operators (DNOs) and Future Systems Operators (FSOs) to place technically competent resources in councils to work with environment policy and planning teams to upskill the authorities and provide a communication link between the bodies.

Submission

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3. Answers to consultation questions

Strategic energy context

- 3.1. Q1. Are the three energy system functions we outline (energy system planning, market facilitation of flexible resources and real time operation of local energy networks) the ones we should be focusing on to address the energy system changes we outline?
- 3.2. Q2. Do you agree with the criteria we have set out for assessing the effectiveness of institutional and governance arrangements?
- 3.3. **Answer to 1 & 2**
- 3.4. As the nation transitions to net zero our energy system will be required to transform from the current, predominantly centralised, fossil fuel intensive gas and electricity system to a flexible, decentralised predominantly electrified low carbon system. If this transition is going to be achieved in a cost effective and fair way, then localism will need to be considered front and centre in this journey.
- 3.5. Councils will need to play an increasingly predominant role in energy systems planning as the local planning authorities, place shapers, conveners of communities and local partners and asset-owners. Councils are whole place leaders responsible for housing, planning, transport, and economic growth. Many councils also have plans to generate renewable energy and develop district heat networks utilising waste heat and therefore play a significant role in local area energy planning.
- 3.6. [Location, Location, Location](#), a report by Energy Systems Catapult and Octopus Energy shows that reforms to make the wholesale electricity markets reflect local conditions could save around £3bn per annum by 2035 as the UK transitions to a net zero grid and facilitating such a reform should be fully considered in this call for input.

Strategic case for change

- 3.7. Q3. Do you agree with our assessment of how far the current institutional arrangements are, or are not, well suited to deliver the three key energy system functions?
- 3.8. Q4. Overall, what do you consider the biggest blocker to the realisation of effective energy system planning and operation at sub-national level?
- 3.9. Q5. Do you agree with the opportunities of change we outline and the potential benefits they may create?
- 3.10. Q6. Are there additional opportunities for change and benefits that we have not set out?
- 3.11. Q7. We set out a number of risks associated with change. Do you agree with these risks and the potential costs they create? Are there additional risks of change and costs that have not been set out?
- 3.12. **Answer to questions 3 to 7**
- 3.13. The LGA welcomes the publication of Government's Net Zero Strategy and the Heat and Buildings Strategy and the clear direction of travel for the decarbonisation of heat and buildings. It is our view that the next stage of work should be a deliverable plan that will help to coordinate the actions of the multiple players that are essential in achieving the decarbonisation of heat and buildings in an affordable, fair, and just way.

- 3.14. The Glasgow Climate Pact recognised the importance of councils in delivering net zero. The Government's own Net Zero Strategy had a dedicated chapter on local climate action setting out the role of devolved and local government to delivering national climate ambitions. Local Government wants to work with Central Government, the regulators and with business to create a deliverable plan for achieving net zero both affordably and inclusively. The plan should develop a new whole-systems approach to decarbonising heat and buildings and deliver against the aims of the levelling up agenda.
- 3.15. [LGA polling in June 2021](#) found that 73 per cent of respondents most trusted their councils compared to 17 per cent that most trusted government when it came to local decision making. Based on the results of this polling, government and Ofgem should strongly consider forming a close working relationship with councils, via the LGA, to help facilitate robust, fair and affordable transition to a zero carbon energy system.
- 3.16. Councils need to play a pivotal role in effective energy system planning and operation at the sub national level. Councils, as planning authorities, shape place through the Local Plan making process and through location specific masterplans. Through these processes, growth areas are identified, and areas of land are designated for particular uses. These plan making processes shape future land use and with that comes future energy demand.
- 3.17. Many councils are now looking to develop Local Area Energy Plans and are considering how best to shape place given the likely largescale shift to the electrification of buildings and transport. Councils have been working with Energy Systems Catapult on the development of Guidance on Creating Local Area Energy Plan to ensure plans are deliverable and meet Ofgem's regulatory standards. Councils, as community leaders, can be positive and influential partners when taking this agenda forward.
- 3.18. However, many councils do not have the resources and technical skills required for detailed energy planning and therefore a far more joined up partnership approach to delivery needs to be considered. One option would be for Distribution Network Operators (DNOs) and Future Systems Operators (FSOs) to place technically competent resources in councils to work with environment policy and planning teams to upskill the authorities and provide a communication link between the bodies.
- 3.19. Ensuring sufficient grid capacity to both support a large-scale shift to electric heating and transport, but also facilitate future growth and development in local areas must be the first step in this journey. For years we have had concerns that local grid capacity is insufficient for the development required in some areas of the country and this will be exacerbated with the increase in electrification of heat and transport.

Framework model options for enduring arrangements

- 3.20. Q8. For each model, we have set out the key assumptions which need to be true for the model to offer the right solution. Which of these assumptions do you agree with?
- 3.21. Q9. Out of the framework models we have developed which, if any, offer the most advantages compared to the status quo? If you believe there is another, better model please propose it.
- 3.22. Q10. What do you consider to be the biggest implementation challenges we should focus on mitigating?

- 3.23. Q11. Taking into account the varying degrees of separation of DSO roles from DNOs under framework model 1, do you consider there are additional measures we should consider implementing, in particular in the short term (e.g. changes in accountability etc)?
- 3.24. Q12. Are there other key changes taking place in the energy sector which we have not identified and should take account of?
- 3.25. **Answer to questions 8 to 12**
- 3.26. As the nation moves towards an increasingly electrified and decentralised energy system, local energy generation, energy storage and local area energy planning will become increasingly important in the energy management system, with councils taking a more prominent role both in strategic and spatial energy planning.
- 3.27. Any future framework model will need to recognise the increasing importance of the role councils will play in energy planning for the future with more of a central role. Local government needs to be engaging with the Future System Operator and the Distribution System Operator in addition to the Distribution Network Operator, Regional System Planner and the Gas Distribution Networks if the energy system of the future is going to be flexible, versatile, and fit for future purpose.
- 3.28. In planning, growth and operation of local, low carbon electricity capacity management, whether by investment in physical assets or flexibility mechanisms, local authorities (including DNOs, FSOs via LAEP's and sighted on biological abatement and sequestration mechanisms) are best placed to be given resource and responsibility for oversight to determine the most efficient, sequential application of capacity in the reduction of carbon emissions.
- 3.29. [Location, Location, Location](#), a report by Energy Systems Catapult and Octopus Energy, makes the case for wholesale reform of the electricity markets both to address the unfitness of the current system, which was designed for a different age, reduce consumer cost, and deliver the net zero ambition.
- 3.30. Q13. What do you consider to be the most important interactions which should drive our project timelines?
- 3.31. **Answer to question 13**
- 3.32. With the spirally cost of energy and the increasing number of households being plunged into fuel poverty, actions to make the energy system efficient, affordable, and fit for future need to be taken as soon as possible.
- 3.33. Local government will have an ever-increasing role to play in energy system planning and therefore meaningful engagement throughout this review of local energy institutions and governance is essential.