

## Call for Input: Future of local energy institutions and governance

Ofgem consultation, 26<sup>th</sup> April-7<sup>th</sup> June 2022

Organisation: York and North Yorkshire Local Enterprise Partnership

*1. 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?*

Yes

*2. Do you agree with the criteria we have set out for assessing the effectiveness of institutional and governance arrangements?*

Yes

*3. 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?*

Yes, we agree with much of your assessment. Regarding Energy System Planning, where we have more experience, we agree that currently there is not sufficient balance of expertise and democratic mandate with the players involved. The DNOs and GDNs rightly don't want to lead, as they are not impartial enough. Local government, who are well positioned strategically to take a leadership role, do not have the technical expertise, access to data or internal resource to carry out the activity alone. Partnerships between Local Government and DNOs/GDNs can be a fruitful way forward, but require a skilled third party with no vested interest to carry out the detailed modelling, such as ESC. It does not seem an effective use of time and resources to try and absorb the ESC element into each local government body, and would threaten opportunities to normalise the methodology.

We feel that mayoral combined authorities could have a key role moving forward, and would present an opportunity to link energy system planning with a democratic process at an appropriate geographic scale.

*4. Overall, what do you consider the biggest blocker to the realisation of effective energy system planning and operation at sub-national level?*

Regarding energy system planning, the biggest blocker is clear national policy, backed up by funding. Funding is required to undertake the initial planning, as well as maintaining the plans to keep them updated. Funding is also required to build local capacity to support the development and delivery.

A dedicated unit within BEIS, within the Local Net Zero team, could provide an impetus for this, and coordination of efforts via the BEIS Net Zero Hubs as a national programme would be a suitable route to deployment. But the Local government organisations and the DNOs/GDNs need to know a), this is a statutory requirement, b) this is the method to follow, and c) here's the funding to allow you to do it.

Currently, York & North Yorkshire are developing a Local Area Energy Plan (funded via a successful competitive application to the UK Community Renewal Fund) – however, in a multi-tier government system undergoing reorganisation, we are finding it difficult to set up appropriate governance

structures for delivery of the LAEPs, across multiple actors with different democratic processes and timelines (e.g. Local Plans, policy adoption procedures).

*5. Do you agree with the opportunities of change we outline and the potential benefits they may create?*

Yes, although as alluded to in 3.26, many of the opportunities reflect a perfectly functioning system, which will be challenging to achieve with the timelines required to meet net zero in line with the Paris Agreement.

*6. Are there additional opportunities for change and benefits that we have not set out?*

In Synergy 2- Planning (within function), there is an opportunity to reflect that by ensuring effective information exchange and coordination between actors, we can democratise the development of the energy system and make sure that the system works effectively for residents, allowing them to participate in their own energy systems where individuals and communities have an ambition to do so.

*7. 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?*

Regarding energy system planning, there appears to be a lack of appreciation of the role of local planning authorities. They have the opportunity to provide a democratic mandate for future energy system plans, but also in their planning functions will need to interact with the DSO/DNO/ESO/NGET utilising a different set of national planning guidance. This interaction is currently missing from the risk list and may hinder the development and thus delivery of a future energy system, if national planning policy and conservation area planning rules are not revised to reflect the needs of a decentralising, decarbonising, increasingly flexible electricity system.

*8. 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?*

There is a case for integrating planning across energy vectors at a sub-national level

Roles are most effectively delivered when within-function synergies are maximised, and assigned to the institution(s) with the competencies to deliver them.

*9. 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.*

From a local government perspective, the models are quite confusing and very one-way in their interaction with local government regarding planning – effective system planning will involve a two-way flow of information and collaborative decision making across the whole energy system (including planning of energy users e.g. housing, transport) – not just electricity generation and distribution.

We would be happy to take part in further conversations to design up a model that addresses this concern.

*10. What do you consider to be the biggest implementation challenges we should focus on mitigating?*

See response to (4).

*11. 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)?*

Mandating for DNOs, GDNs and the ESO to work together with local government to begin local area energy planning would be a good starting point in the short term – the technological aspects of this are much easier to address in the short term, while the complexities around market facilitation and real-time operation are worked out in the background. The democratic process around generating resident's buy-in and adoption of energy system planning into Local Plans etc can be a long process – pre-empting this by commissioning research to develop a blueprint for the future of the energy system at a regional level will allow this to be an adoptable document once whichever model is up and running.