



# **Cornwall Council response to Ofgem Call for Input: Future of local energy institutions and governance (26 April 2022)**

## **Contact**

Carbon Neutral Cornwall, Environment and Connectivity Service

Email: [climatechange@cornwall.gov.uk](mailto:climatechange@cornwall.gov.uk)

Cornwall Council declared a Climate Emergency in 2019. The Council's responses to the questions below reflect our perspective as an institution working under a democratic mandate to carry out energy system planning, which is working towards supporting a just transition to net-zero as well as the promotion of sustainable economic development and housing provision outcomes. Our response recognises that Cornwall Council's sight of and involvement in the other functions of sub-national energy system governance and the energy system outside of Cornwall is limited.

### Call for Input questions

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. However, Cornwall Council believes that the 'energy system planning' function should be more broadly defined, to include an energy system planning and coordination function.

The Council believes that more effective energy system planning and coordination will be essential if we are to deliver on our ambition to be the UK's first net-zero region. In order to further this aim Cornwall Council will be leading the delivery of a BEIS supported Local Area Energy Plan (LAEP) rural pilot during 2022-2024. This pilot will help establish a replicable model for local authority-led rural energy system planning.

In our emerging County Deal, which Cornwall Council is currently working with Government to agree, we are seeking to build on our LAEP to pilot a local strategic planning and energy system coordination function in Cornwall as part of our emerging Local Net Zero Delivery Framework. In parallel to decarbonising electricity supply, Cornwall Council sees a whole system approach as critical to energy system transition planning and delivery. In this respect, we are developing bio-methane production in Cornwall and seeking to pilot the new heat network licensing arrangements that have been proposed in the Government's Heat Network Zoning consultation<sup>1</sup>. Through our County Deal, Cornwall Council aims to build on the success of our 2015 Devolution Deal<sup>2</sup>, which has supported our efforts to decarbonise our local energy system by enabling greater collaboration between central Government and Cornwall Council and the Council with our Distribution Network Operator (DNO)/ Distribution System Operator (DSO) (Western Power Distribution), as well as facilitated improved delivery of energy efficiency schemes and progress towards the deployment of innovative renewable energy technologies (i.e. deep geothermal and floating wind in Cornwall).

Cornwall Council believes that a local strategic planning and energy system coordination function is a critical enabler of the sub-national net-zero transition and that, as identified in this Call for Input, there is currently insufficient/ ineffective coordination between actors across the energy system at a sub-national level. The complexity of the local energy system institutional landscape hinders the Council's ability to ensure our energy infrastructure can support the significant expansion of renewable electricity generation, low carbon heating systems and the electrification of transport required to achieve net-zero. The Council would welcome to opportunity to work with Ofgem, Western Power Distribution and the other sub-national energy system stakeholders to address the energy system challenges identified in the consultation.

<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1024216/heat-network-zoning-consultation.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1024216/heat-network-zoning-consultation.pdf)

<sup>2</sup> <https://www.gov.uk/government/publications/cornwall-devolution-deal>

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

Yes, in respect to:

- **Accountability:** Cornwall Council agrees with Ofgem's analysis that there needs to be clarity on the roles and responsibilities being performed by institutions, with recourse for non-delivery. For example, the Government assigning a clear mandate for sub-national net-zero strategic planning (as with local spatial and transport planning) within a formalised governance structure would ensure greater accountability.
- **Credibility:** The Council agrees that it is important that institutions are both trusted and perceived to be credible in delivering their respective roles and responsibilities. To ensure credibility, institutions require knowledge of local priorities and needs (across both the demand and supply sides of the energy system), along with strong technical competencies.
- **Competence:** Cornwall Council agrees that institutions must have the necessary skills and competencies to deliver their roles and responsibilities effectively. To ensure this, there needs to be an increase in energy system decarbonisation skills and the associated career pathways commensurate with the challenges presented by the need to rapidly scale-up sub-national efforts to plan and deliver the net-zero energy system. As much of this work will need sub-national delivery, this challenge also represents an opportunity to generate highly skilled green jobs across the UK, including in less developed localities, such as Cornwall, where it can support the levelling-up agenda.
- **Coordination:** The Council agrees that successful delivery of the net-zero transition will be contingent on effective coordination between institutions, both at a sub-national level and between institutions operating at/ across both the sub-national and national levels, and that this coordination needs to be supported by robust engagement with stakeholders. As we have suggested piloting in Cornwall in our County Deal proposal. Cornwall Council supports a model for local energy system planning, coordination and governance where the Government sets a central guiding framework with delivery coordination led-locally, supported by regional specialist bodies, as outlined in the UK Research and Innovation Accelerating Net Zero Delivery report<sup>3</sup>.
- **Simplicity:** Cornwall Council agrees that energy system institutional and governance arrangements should be as simple as possible to enable stakeholders, including local authorities and market participants, to engage with them effectively.

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.

<sup>3</sup> See Hybrid Model: <https://www.ukri.org/publications/accelerating-net-zero-delivery/>

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

Cornwall Council recognises and experiences the resource constraints and skills gaps, which Ofgem has identified as impacting local authorities in this call for input.

The Council finds it challenging to play our part in energy system planning effectively whilst working with:

- The practical capacity and capability limitations we face;
- A context where institutional actors necessarily work to varying mandates and priorities, which results in challenges in aligning organisational/ energy system planning processes and timescales.

Cornwall Council believes that the lack of a fully formed and adequately resourced sub-national energy system planning and coordination function capable of:

- Enabling collaborative planning across system actors;
- Delivering proactive strategic energy system planning, mission-focused on facilitating a whole-system net-zero transition at least cost;

Represents the biggest blocker to realising effective energy system planning at the sub-national level.

Over the last decade, Cornwall Council has developed a positive working relationship with our Distribution Network Operator (DNO)/ Distribution System Operator (DSO) Western Power Distribution (WPD). The Council believes this inter-organisational arrangement to be mutually beneficial. We experience our DNO/ DSO to be increasingly proactive in seeking to plan proactively to enable the net-zero transition.

However, this proactive strategic net-zero planning function is still emerging within Cornwall Council and WPD. As such, the Council believes that enhancing our existing collaboration with our DNO/ DSO, Gas Distribution Network operator, and other energy system stakeholders represents a significant opportunity to improve energy system planning, helping deliver the net-zero transition at least-cost.

Cornwall Council's response to the climate emergency has already benefited from the improved coordination with our DNO/DSO enabled through the Cornwall Devolution Deal and the proactive stakeholder engagement conducted by WPD during their RIIO-ED2 Business Plan development. The Council is keen to develop this inter-institutional coordination further, potentially through the County Deal mechanism. Should there be an opportunity to do so. Council would also welcome the opportunity to engage collaboratively with Ofgem to enable any lessons learned in Cornwall to support Ofgem's efforts to establish the sub-national energy system functions needed to facilitate the net-zero transition at least cost.

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

Yes.

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

Yes. Cornwall Council believes there is an opportunity for the energy system planning function to be more effective if this function also acts to proactively engage and coordinate with other energy system institutional and market actors (both generation and demand-side). To ensure that energy system planning is evidenced-based and informed by robust market intelligence - with the aim of system planning being more responsive to policy drivers and the market context to ensure the net-zero transition is delivered.

In signposting Ofgem's (2021) RIIO-ED1 Green Recovery Scheme<sup>4</sup>, Cornwall Council engaged supply and demand-side market actors to identify projects that could potentially benefit from accelerating low-regrets shovel ready network investments. The funding secured for network investment in Cornwall through the Green Recovery Scheme was very welcome. However, Cornwall's success in accessing this funding was limited. This was potentially due to the limited existing intelligence Cornwall Council had on the project pipeline, combined with the timebound nature of the specific funding opportunity. The Council believes that establishing a mechanism, co-joined to the sub-national system planning function, that would enable the gathering and processing market intelligence and facilitate proactive interactions and coordination between energy system institutions and those market actors involved in developing projects would support more effective network investments planning.

*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?*

Yes, Cornwall Council agrees with the risks and the potential impact that Ofgem has identified. The Council has not identified any additional risks.

*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?*

Cornwall Council does not have the necessary experience to be well placed to comment regarding all the assumptions made across the different functions regarding DNO/ DSO roles or to comment on the most appropriate division of network system functions. However, concerning our own experience and the domain in which the Council operates, we agree with the following assumptions:

- 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.

<sup>4</sup> [https://www.ofgem.gov.uk/sites/default/files/docs/2021/05/dno\\_green\\_recovery\\_scheme\\_decision.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2021/05/dno_green_recovery_scheme_decision.pdf)

*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.*

Cornwall Council's view is that Framework model 4 (Interaction organisation 'base' model) is the most practicable model in the short-term with potential evolution to another variant or model over time. This approach would enable the introduction of much needed enhanced cooperation between local authorities and the existing energy system actions without significant delay. Allowing time for legislation to progress and any new functions to be created during RIIO-ED2 with any more fundamental changes aligned with the start of the RIIO-ED3 price control period.

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

The challenge of facilitating effective net-zero focused system, institutional and organisational governance change, working within the existing system complexity and practical limitations that actors face.

*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)?*

N/A

*12. Are there other key changes taking place in the energy sector which we have not identified and should take account of?*

N/A

*13. What do you consider to be the most important interactions which should drive our project timelines?*

From a local authority perspective, the most important interaction is the interface with energy system operators and any potential changes to local energy institutions and governance and the development of Local Area Energy Plans.

There will be regional variance in the timescales that different local authorities are working to when developing their LAEP. Cornwall Council is working towards beginning developing Cornwall's LAEP in completing this work before the end of 2023-24 and is seeking Government support to pilot a local coordination function as part of the County Deal. This process could enable the piloting of some of the proposals set out in this Call for Input where no legislative changes are required – helping to learn lessons for improving the coordination between sub-national energy system institutes for the country as a whole.

More broadly, the interaction between any changes to the sub-national energy system institutional and governance landscape proposed as an outcome of Ofgem's consultative process, with the delivery of DNO's RIIO-ED2 business plans (2023-28) and then the business planning process for the RIIO-ED3 price control period would seem to be a criteria interaction/ timeline consideration.