

Call for Input: Future of Local Energy Institutions and Governance

Response from:

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I have read the call for input document issued by Ofgem on 26th April 2022. My response to the questions Ofgem has posed are as follows.

Q1. There is much merit in the three energy system functions outlined by Ofgem as the ones to focus on. Some form of planning or coordination at the subnational level is vital to drive forward effective, affordable and equitable energy transitions, which makes energy system planning very important. I think there are some limitations in the supporting reflections.

There is an assumption (for example para 2.7) that the electricity distribution system is the key starting point, though you also recognise that the electricity distribution system may be in response mode to the shifting approaches to heat, gas(es) etc. Despite the efforts to develop an integrated perspective, these elements appear secondary. Yet the building stock and changes to it, given the energy implications, could equally stake claims to be a driver.

Q2. The criteria for assessing institutional and governance arrangements look broadly sensible. Together they influence other criteria – legitimacy and authority – which are necessary to make sure that planning or other coordinated activity actually steers change.

Questions 3 – 7.

I support much of Ofgem's analysis of the case for change and the risks. I would make the following additional points.

As per my point above, para 3.6 seems to suggest that the existing distribution network is central and other energy dimensions are 'additional', which may be problematic.

I agree with the limitations identified with the roles of DNOs at present.

The discussion of coordinated energy planning is helpful. However, there is a leap to assume that a key problem with practice at present is that it 'lacks consistency' (para 3.12). This is a problem because we know little about whether local energy plans are effective, and what they should be effective for. I have engaged in some research into this matter, as per the following sources, which sheds some light on the efficacy to date of dominant models for local energy planning:

Cowell R and Webb J (2021) 'Making useful knowledge for heat decarbonisation: lessons from local energy planning in the United Kingdom', *Energy Research and Social Science* vol. 75, May, 102010, <https://doi.org/10.1016/j.erss.2021.102010>

Cowell R and Webb J (2019) *Local Area Energy Planning: A Scoping Study*, ETI/ESC

It is surely premature to pursue consistency in advance of understanding efficacy. This matters, because evidence from practice might show that the gains to allowing locally-tailored approaches outweigh the merits of consistency. It also matters because local communities or regions may place different emphases on what they regard as being the 'best value' outcome, depending on the array of economic, social or environmental factors that they wish to factor in. Ofgem's engagement in debates about local energy planning is welcome, and there is much Ofgem can do that would be facilitative, but there are risks in pushing models that make a complex problem more amenable to governance by a central regulator, rather than necessarily fit for purpose in the diverse contexts of use.

The document as written tends to assume that local energy plans are a device for coordination. This underplays the role that plans and plan-making could have in assessing alternative, identifying preferred choices, and so creating a stable framework for action.

I agree that there are problems in the assumption that one can resolve coordination challenges simply by creating a new, all-seeing organisation.

As well as considering the 'risks of change', it might be valuable to try to assess the costs of the status quo i.e. of further incremental 'muddling through'. Is there evidence to suggest that those costs could be severe? And if they are, on whom do they fall?

Questions 8 - 12

I see value in the four potential framework models. However, I wonder if they elided two problems that are to some degree logically separable. One is the institutional structure of the DNOs, and whether they are – without reconstruction/replacement – likely to act in a way that best performs a more neutral DSO role. The second is the need to coordinate and make robust choices about decarbonised energy pathways across energy vectors, for a given territory, aided by the making of energy plans. Having a more independent DSO actor may help with local energy plans (less likely to promote particular solutions that benefit incumbent interests), but it does not follow that the DSO role and wider energy planning role go together.

The discussion in Section 4 raises the question of 'what is the right geographic scale' at which to undertake the required coordinative work of multi-vector energy planning. As with so much of this agenda, there is no perfect solution. Most local authorities lack capacity and

have territories that make little sense in energy system terms, but nor does the scale at which DNOs operate. Our previous research on local energy plans (above) gives some support to the idea that city-region level government has some aptitudes and appetite for this kind of work, whether it is metro mayors or combined authorities. They operate at a useful strategic scale. The functions posited for regional system planner are useful – if their role is cross-vector, cross-actor coordination - but do those functions need to be lodged within the electricity system?

While footnote 32 and the analogy with LEPs is interesting, the problem here is that there is no clear precedent for the kind of coordinative work expected of local energy plans, whereas LEPs just ‘aggregated’ familiar economic regeneration tasks to the supra-local scale.

Framework mode 4 has a certain reality about it. It suggests that incremental progress is the way to go but provides a framework in which that incremental progress can be enhanced, accelerated and – importantly - learned from.