

### DRAFT Version 2.1

The past two years of UK100 and local authority engagement in the RIIO2-ED process has highlighted both the opportunity to strengthen capacity on the energy system transition, and the challenges of moving to taking a more accountable and strategic approach to that transition.

This consultation offers an opportunity to put in place better governance, more accountability and stronger strategic capability, which in turn should help speed up an effective transition of the energy networks to meet the collective net zero ambition of communities across the UK. After all it is these communities that will achieve the UK's ambitions for Net Zero by 2050.

In summary UK100 agrees with a need for a sub-national governance system, yet would place its form and function firmly within the domain of existing governance arrangements for GB. The energy challenge reaches much further than the existing 'boundary' of the regulated energy system, and the governance arrangements must reflect that, just as it must reflect the variety of geography and local governance - there is no one size fits all approach for the whole of the country.

With proper local authority involvement and oversight giving a stronger strategic partnership between local government and the energy networks, all parts for the country will be better placed to work through what is required where, agree a broad approach that suites them and work to a single strategic plan of action for energy and its infrastructures. Ensuring communities buy into the energy system that will best suit them will enhance their ability to progress to net zero, rather than locking them into infrastructures and energy uses that are determined elsewhere to the agenda of others.

We would welcome the opportunity to explore these questions and their evolving solutions over the coming months.

*Q1. Do you agree with our proposal to introduce Regional System Planners as described, who would be accountable for regional energy system planning activities? If not, why not?*

We do agree with sub national system planning for energy on the basis of the need for effective coordination, robust plans to drive the right investment (which must always be ahead of need), and the need to avoid duplicatory costs to consumers.

As one example it clearly cannot be right nor good for consumers to have gas networks carry out one stream of stakeholder engagement for their business planning, which concludes only to be followed by a separate stream of work by DNOs – both paid for by consumers, who might also live in areas where LAEPs have been developed to create a place focused 'whole system' understanding of what's needed and the best approach to providing it.

LAEPs can provide a coherent and 'whole system' approach, yet may also need to be cognisant of the wider energy demand and supply questions that lie beyond the boundary of the particular LAEP, making some element of a higher tier oversight or coordination essential.

It is also clear, noting your parallel call for evidence, that the future requirement for flexibility require an energy system that is optimised at every level. This should inform and be informed by the options and choices that can be made for a place.

We note that Ofgem flagged a number of cases in RIIO-ED2 where energy networks had not sufficiently optioneered solutions to the challenges of the energy system transition. This reinforces our view that not only does energy system planning need to be coordinated, it needs to be independently overseen.

While the energy networks are a key part of informed decision making about future plans for the system, place by place, they are not well placed to 'see' the nature and detail of future plans for a community and its economy, nor are they well placed to decide the place-based trade-offs involved. This will be particularly true of those places where the relative importance of one network or another needs to change to better reflect local needs and ambitions; including the need to develop new networks (e.g. for heat).

We have noted in our previous submissions the importance of a local government voice in this context, given it is both about the nature of planning for energy for the future AND the planning, organisation, engagement and support to citizens, consumers and businesses as they take part in, and play their part in the net zero transition. It is something that is more than a technical energy exercise.

As an aside, with wider net zero action in mind, it would help to name these new entities as Regional Energy System Planners, RESPs, to avoid any confusion with future non-energy regional entities.

There needs to be further debate about the accountabilities involved in the fit of local/ regional governance and the proposal to make the RESP a regulated entity. It is not sufficient for local spatial and energy planning to sit apart or in parallel, nor is it appropriate for the future of local energy planning in the form of LAEPs to be left as an informal, nice to have element of energy (and net zero) planning and delivery.

The RESP, and the LAEPs across its region, must be both coordinated and a primary consideration in network business plans, if we are to avoid a lack of optioneering of the whole system, duplication and excessive cost to the consumer. They need to be able to inform and direct a future price control to ensure a network reflects local plans [3.9, *to avoid a network planning for a locally redundant future*].

*Q2. What are your views on the detailed design choice considerations described? Q3. Do you have views on the appropriate regional boundaries for the RSPs? And Q4. Do you agree that the FSO has the characteristics to deliver the RSPs role? If not, what alternative entities would be suitable?* Taken together -

Where possible we would argue in favour of adapting and reflecting existing structures and arrangements, suitably reframed or re-orientated, having the advantage over newly created entities of being able to operate sooner – while acknowledging the risk that in some cases the 'old' framing persists. An oft quoted example of the latter would be the creation of British Airways having to build Terminal Five to finally bring the predecessor BEA and BOAC together literally under one roof.

For us that would then mean considering the geography of Licence areas, the various governance arrangements across GB and the interactions between them.

On the former we would suggest the 14 DNO licence areas are the most relevant reference point given the increasingly electrified system we are moving towards. How those networks need to change and do change will be key.

In governance terms we clearly have to acknowledge the devolved governments of Scotland and Wales, while in England there are the nine regions, established in 1994, which are the highest tier of sub-national division in England and form the basis of much regionally based action in England.

It should be for the respective governments of Scotland and Wales to identify and affirm their preference for the geography of the RESP serving their citizens. We could readily see and understand a preference for a Scottish Energy System Planner and a Welsh Energy System Planner (not least when Wales is considering a National Energy Plan).

In England, in the absence of an England wide sub-national tier of government, the nearest existing body could be the Regional Transport Authorities/Bodies (RTA). These bodies have the experience of being locally led while working closely with the transport '*system operators*', and they have a regional scale, allowing them to coordinate services and plan between different modes.

While they have a high degree of coverage of England (more detail of their regional geography [here](#)), greater and nearer to universal coverage than Mayoral Combined Authorities, they are not co-terminus with the DNO licence areas. For example, the area overseen by Transport for the North would reflect the ENW and both NPG licence areas.

Could RTAs oversee regional energy system planning? Potentially yes, given the role of local authorities within them, the links to the wider planning duties of local government that that entails; as well as a recognition that the electrification of mobility is an issue they are already grappling with.

At the least Ofgem should engage the English local government sector to explore how RTAs could fulfil this role – initially that could be in shadow form as a convened group that over time leads to the final governance settlement. That would also allow them to start supporting regional and local (LAEP) energy planning within months rather than years.

They would clearly need help and support, not least from the energy networks and other parts of local government that is addressing energy system change, from fuel switching for heat to integrated and optimised multi vector energy systems that support warmth, power and mobility.

Reflecting on your proposed role for the FSO, we can see the benefit of the FSO supporting and underpinning technical and energy planning elements of the work of RESPs. Yet the FSO by its nature is a centralising entity, with limited track record in engaging sub-nationally. We are not convinced that it would effectively engage with, or reflect national (Scotland & Wales) or regional (England) priorities.

[Members of the RTAs should interview FSO regional teams]

*Q5. Do you agree with our proposal for a single, neutral expert entity to take on a central market facilitation role? If not, why not?*

While not a primary focus of our input we are aware of issues that could affect how this role works in practice, based on the growing prevalence of much more local energy system activity focused on ensuring the delivery of local benefits. This may also arise from the need to optimise at every level.

We would be concerned if this single central role became a centralising function, if it reinforced a regime where local users offering local benefits were subject to charges and arrangements designed for national players or for the benefit of the ‘whole’ national system, without due consideration of their smaller local action.

Some of this section gives the impression of an energy system that is ‘*still*’ viewed as one based on a distant generator serving an array of appliances, when many local and local authority led projects are holistic and place based, e.g. the Smart Local Energy Systems (SLES) work of [Project LEO](#), [Project ESO](#) and [REFEX Orkney](#) among many others. **These are managing flexibility within their project for their benefit, rather than seeking to trade further afield** (something that is either physically constrained or sub-optimal).

The work of EnergyREV also highlights how SLES provide a faster, fairer, cheaper and more enduring transition to net zero than top-down centralised approaches – see their submission to the initial call to Input for this work.

*Q6. Do you agree with the allocation of roles and responsibilities set out in Table 2? If not, why not?*

*Q7. Are there other activities that are not listed in Table 2 that should be allocated to the market facilitator or other actors?*

*Q8. What are your views on our options for allocating the market facilitator role? Q9. Are there other options for allocating the market facilitator role you think we should consider? If so, what advantages do they offer relative the options presented?*

*Q10. Do you agree that DNOs should retain responsibility for real time operations? If not, why not?*

*Q11. What is your view on our proposed approach to the undertaking of an impact assessment as outlined in Appendix 1?*

*Q12. What is your view on the most appropriate measure of benefits against the counterfactual?*

*Q13. How should we attribute these benefits between the governance changes in the proposed option, and other changes required to achieve the benefits? We particularly welcome analysis from bodies that have undertaken an assessment of benefits, specifically how those benefits might be attributed to different policy reforms that are required to achieve those benefits.*

*Q14. What additional costs might arise from our governance proposals? We welcome views both on the activities that may arise and cause additional costs to be incurred, as well as the best way to estimate the size of the costs associated with those activities.*

*Q15. What additional costs may arise from sharing functions with several interacting organisations? We welcome views on set up cost, lost synergies, and implementation barriers.*

Taken together (Q12-15) we would highlight how, assuming Ofgem can determine and publish the cost of stakeholder engagement and business planning for RIIO2, we should be able to show the savings from a single planning process rather than the existing parallel processes.

There will also be the savings from planned and sequenced deployment, compared to the current first come first served approach. Though we appreciate it may be difficult to calculate the costs and losses generated by the current system/approach, we are aware of many cases where the 'queue' appears to have had a detrimental effect on which projects could go forward when, if at all. This then has a negative impact on local co-benefits that such opportunities could have released.

Our authorities recognise many aspects to the co-benefits that local approaches seek to realise. While the regulatory regime may undervalue or not value them at all, they are still of value to local communities, be that cleaner air, local jobs or economic returns from locally owned and orientated energy assets/systems. All of these are relevant and appropriate considerations of the functions of each RESP.