



Independent Networks
Association

To Fiona Campbell (emailed to flexibility@ofgem.gov.uk)

10 May 2023

Dear Fiona

Future of local energy institutions and governance consultation

I am writing on behalf of the Independent Networks Association (INA). The INA represents and consists of the Britain's leading independent utility network owners and operators who serve the domestic, commercial, and industrial sectors across GB.

Thank you for the opportunity to input. The INA's members have a significant role in connecting new homes and businesses to energy networks and operating the resulting last mile networks and so have an active interest in the future planning and operation of networks at a distribution level to connect and manage the electrification of heat and transport and to foster new low carbon technologies. Below are the INA's responses to your questions

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

The INA broadly supports a regional system planning role that it is necessary to improve regional and local-level coordination if we are to meet net-zero targets in a way that achieves buy in from local populations. We agree it is critical that these functions look across electricity, gas(es), heat and transport networks. As the proposed policy of removing fossil fuels for heating homes takes effect over the coming decades, it will be crucial that there is a focus on local energy networks and their interactivity as well as security of supply for customers as we transition.

We agree that there are limitations to this role, and we agree that existing actors such as independent electricity and gas licence holders should feed into the planning. We do expect delivery of the regional plan to migrate to being competitively delivered. It is important that we do not slip to a central planning delivery model. Significant gains have been made for domestic and commercial customers from competition in the provision of 'last mile' distribution networks, including the agility, speed and cost-effective delivery of energy networks. This will be critical as we look to increase the pace of networks to support local growth plans to deliver net zero.

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?



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Q4. Do you agree that the FSO has the characteristics to deliver the RSPs role? If not, what alternative entities would be suitable?

It is crucial that the regional system planning role is undertaken by an independent entity to prevent politics or vested interests skewing a plan that should be in the interests of customers. This will help with investor certainty.

The INA accepts that the FSO taking on the role will have a number of advantages as set out in the consultation. There is a significant uprating in skills and experience that will need to be obtained in a short space of time to be competent to perform this cross-vector role at a regional level. There will be significant expertise and engagement developed in the DNOs, especially through the ED2 business planning and the Distribution Future Energy Scenarios. This should either be a clearly defined input into the process or transferred to the RSP in time.

To fully align infrastructure planning with local plans, the boundaries need to fit with the appropriate local or regional planning boundaries, such as the statutory remit of the devolved governments in Scotland and Wales, evolving metropolitan areas or county level.

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?

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?

As new homes and businesses are built to enable smart low-carbon technologies and consumers and local areas adopt electrified transport options, there will be a steady rise in the ability to exploit demand side flexibility at a local or regional level. There is considerable scope to improve and widen these markets through standardisation and the availability for a range of market-led solutions to flourish if we pick the right platform models. A single, neutral entity would add confidence to the market, but it would be detrimental to lose the work being taken forward by DNOs in the interim and this should be transitioned over time as that entity builds its skills.

We agree with the allocation of roles and responsibilities in table 2.

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?



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We recognise the arguments of the benefits of considering flexibility at a transmission and distribution level, however, this role could be undertaken by a licenced neutral entity. The important element to get right is the interaction with the FSO and the collaboration and standardisation required to make this a success.

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

Yes. Independent Distribution Network Operators (IDNOs) should also retain responsibility for the operation of their own network assets.

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.

The proposals place a significant burden on a single organisation to deliver new services and significantly reskill. This will take time to build at a point when most commentators are calling for the pace on net zero delivery to be quickened. This potential inertia to deliver at a time when the DSOs will be less motivated to innovate around market facilitation may add costs or delays.

Yours sincerely,

Nicola Pitts
Executive Director