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Dear Ofgem

Please find below Reading Borough Council's response to the 'Future of local energy institutions and governance' consultation, which details the intention to create 'neutral' body(s) that help to establish a more effective engagement with local actors in the different regions of the UK.

We have answered the questions that we consider to be relevant in our experience of the network, the issues involved and our views on a functional future system that can help to deliver our net zero commitments and other local policy objectives. Please note this is an Officer's response.

Some of our answers may also be relevant to other questions that you have asked.

Q.1 Do you agree with our proposal to introduce Regional System Planners as described, who would be accountable for regional energy system planning activities?

We generally agree with Regional System Planner (RSP) model approach but it should be noted that currently Local Authorities do not generally hold any energy systems functions beyond their own managed assets and engagements with statutory undertakers and therefore have limited capacity to engage as currently configured. Whilst the challenge to decarbonise our communities has become a strong strategic imperative for most UK local authorities our knowledge and capability in relation to energy planning is limited, albeit more important than ever. These investment decisions have major implications for place making in our local communities and as we transition into net zero there are significant new electricity loads anticipated. In Reading we have engaged with the District Network Operator (DNO) (SEN) about upcoming system challenges and found that in their RIIO ED2 plans the scale that these demands were going to put onto the network was underestimated. For this reason, it is, in our view, crucial that decisions are taken collectively with local government, whose communities the energy system serves, rather than from a system centric view. It is, however, also crucial that all parties have access to credible information and knowledge of the system in order to contribute to the system planning. This knowledge and competence need to be brought in across the system. This can be managed and delivered through a RSP body/process but must also be incorporated into local authority function too. The democratic and system interfaces will vary and part of the

challenge for RSPs will be in engaging across these. As it currently stands, we would have concerns about a technical body being established with which we would not have the in-house capacity or expertise to meaningfully engage. We are unclear about what access to resources Local Authorities would have, be they data sets, tools, external or internal staff resources? Specifically, the RSP service would need to assist us in ensuring that our local policies can be delivered and infrastructure can be developed in a such a manner as to help alleviate network constraints, enable local project investment and enable electrification of heat and transport at scale.

Reading Borough Council made a declaration of Climate Emergency in 2019 which included a commitment to a carbon neutral Borough by 2030. Our principal strategy is one of electrification of heat and transport. We are in the process of installing large heat pumps and electric vehicle charging infrastructure across our own estate. We also have policies in our local plan that require developers to install low carbon heating, primarily through heat pumps. We are now facing network capacity issues where we were not previously experiencing this problem. The local DNO has put a restriction of 500kVa on connections in spite of engagement through the RIIO ED2 process and a clear steer and submission of evidence from our Local Authority. A recent case in Reading where a developer requested 2153kVa or capacity to provide heat pumps, the application was rejected by SSEN who could only provide 500kVa and the number of heat pumps had to be significantly reduced with the remaining properties to be heated using gas boilers. The Planning Committee had little choice but to approve this modification to their application on the basis that it was beyond their control. We are particularly eager to prevent this taking place on all large developments in the borough as it will cause our most modern buildings to be locked in to fossil fuel powered heat supply for decades to come. It is felt that the provision of RSPs might help to pre-empt such draconian measures being applied to the network capacity challenge and enable strategically important developments to go forward in a policy compliant manner.

Q2. What are your views on the detailed design choice considerations described?

We feel positive that the independent functions described will be a significant improvement on the current system although the intention to make it multi-vector could be a challenge as networks do not currently coordinate and heat and hydrogen for example are new technologies to be managed in this way. We note the proportionate remuneration comment and hope that this would extend to local authority input?

Q3. Do you have views on the appropriate regional boundaries for the RSPs?

Local Authority boundaries are not aligned with DNOs or system boundaries. This increases the complexity of the engagement but LAs could have joint engagements with the RSP/FSO and ensure that network considerations are made across the relevant LA areas.

Reading Borough is geographically small in relation to its more rural neighbours but due to the density and pressures for housebuilding there are significant capacity issues for development anticipated in the coming years. The RSP will face additional challenges in Berkshire as there are six unitary authorities and no unifying County Council. This means that each of the LA areas needs to be represented in the proposed RSP 'unit'. Greater Reading sits across 4 LA areas in Berks and Oxon. There may be some sense in considering an RSP boundary for system planning purposes that reflects this.

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

If the FSO has a role in regulating the functions of the future system then the system planning aspect would need to work closely with Ofgem to ensure that regulatory reform and network design are effectively implemented.

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?

We agree that a single neutral expert should take on the market facilitation role. The energy market, as it is currently configured, creates significant barriers to local areas in their ability to deliver net zero plans. Quite apart from the issues of obtaining network capacity to bring forward renewable energy generation projects (which create, rather than consume energy on the network), there are issues around the charges for the use of network which are applied to the generated energy. This is alongside the complexity and lack of available knowledge on developing energy projects that are designed in a way that adequately 'stacks' revenue streams and enables viable investment propositions to be developed.

The value of this energy to local users in real time is not adequately compensated for suppliers outside of the main energy networks. Whilst we appreciate that a manageable system with smoothing and limited number of charging periods might be required, it is felt that more could be done to incentivise renewable energy generation, system electrification and energy storage. The flexibility associated with increased levels of local energy storage should create opportunities for local communities to invest in a net zero future. We believe that the key transition that is needed to electrify heat and transport requires local innovation to ensure that citizens and businesses become empowered to adopt and control their consumption from and their supply to the local network. Currently local projects that bring forward energy generation, storage and consumption control are not being developed at the scale needed. We feel that a neutral body that is sufficiently engaged at local level through local government organisations alongside the development of local knowledge, competence and supply chains will be help to unlock this potential to deliver net zero outcomes. At the moment it feels as though large scale system centric factors are driving the charging regime and this is rewarding a centralised system that is primarily fossil fuel powered over local low carbon generation and storage solutions.

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

For the most part, insofar as our experience/ knowledge allow, although we a little unclear of the link or proposed process between the market facilitation roles and the regulatory function to be retained by Ofgem.

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

Table 2 does not have any reference to Local Government role. It was also unclear of the linkage between the RSP outputs and the market facilitation functions. Local Authorities are increasingly commissioning Local Area Energy Plans to assist in building their evidence and strategic position in relation to energy in their areas but there seems to be limited detail and a lack of clarity around the role of these in the proposals as presented.

Local actors include community energy organisation and climate change partnerships for example. These could be included via a forum with the Local Authority.

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

The function would need to demonstrate independence from those who are benefiting financially from its decisions and recommendations.

As a final comment we would hope that the RSP would have the capability to ensure that network reinforcements are made where required at a cost that makes development and decarbonisation projects viable in our area. We would welcome the opportunity to have regular engagement and review of local cases to ensure that strategic development of network assets enable and do not hinder local projects/development

Thank you for the opportunity to comment.

Yours faithfully

Ben Burfoot

Sustainability Manager

Reading Borough Council