



Flexibility@Ofgem.gov.uk  
Office of Gas and Electricity Markets

By email only

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## **Consultation on future of local energy institutions and governance**

Dear Colleague,

I am writing on behalf of ESP Electricity, a licensed Independent Distribution Network Operator ("IDNO") operating in Great Britain. We welcome the opportunity to respond to Ofgem's consultation on the future of local energy institutions and governance.

We are broadly supportive of the proposals to reform the function of energy institutions and implementation of a centralised market platform for the facilitation of flexible resources. We have noted our responses to the consultation questions in Appendix 1.

If you wish to discuss any of the issues raised in our response or have any queries, please contact us at [Regulation@espug.com](mailto:Regulation@espug.com) or on 01372 587507.

Yours sincerely,

Brandon Rodrigues  
Regulatory Analyst

## **Appendix 1: Responses to consultation 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?**

We agree with the proposal to introduce a Regional System Planning role to undertake regional energy planning activities. While we understand the potential appearance of duplication in planning activities performed by the RSPs and network operators, we think a forward looking view formed from a high-level strategic perspective is necessary to enable an effective electricity system that adequately accounts for consumer needs in the medium and long term.

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?**

We note that in the current market, gas and electricity network operators all have varying geographical boundaries in which they operate. We believe the regional boundaries for the RSPs should minimise any overlap between network operators and keep the areas as aligned as possible to reduce the potential complications of strategic plans affecting multiple network operators which could add administrative burden and increase complexity.

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

Yes, we agree that the FSO's characteristics will have some overlap with RSPs and could potentially fulfil that role. However, any entity that takes a planning role should be an independent party to prevent vested interests in detracting from planning for an optimised electricity network.

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?**

We agree that the responsibilities between the market facilitator, the proposed platform, and the network operators, are suitably allocated.

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?**

We agree that it is necessary for the market facilitation role to be assigned to single entity that is an independent party with appropriate decision making power and clearly defined obligations. There is merit in exploring whether the FSO is able to undertake this role, but there will be significant skill sets in existing organisations which should be employed to ensure that the regional planning role can be effective as soon as possible.

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?**

Yes, we believe DNOs, and by extension IDNOs, should 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.**

Subsequent to the proposals being implemented and prior to the set-up of market facilitator and market system being achieved, we may see lags in the current form of DSO innovation which could have short term effects. Although we do not think this will result in increased costs to industry, it may delay the benefits they would otherwise bring.