



FUTURE OF LOCAL ENERGY INSTITUTIONS AND GOVERNANCE

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WRITTEN BY NIGEL WILKINSON

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GEMSERV RESPONSE

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?

Yes – we agree - We agree that regional ‘whole system’ planning is an important part of an overall national strategy to reach net zero. The introduction of a co-ordinating body is a sensible proposal.

Q2. WHAT ARE YOUR VIEWS ON THE DETAILED DESIGN CHOICE CONSIDERATIONS DESCRIBED?

We agree with the key design assumptions including;

- coherent planning assumptions between local and national level and between regional actors;
- individual bodies undertaking their own planning within their own competencies and sharing common inputs and assumptions;
- the importance of democratic accountability and diverse stakeholder management, given the participation of representatives from the trade associations (and local actors) for hydrogen, heat networks, DNOS and carbon capture and storage; and
- the need for the Regional System Planner (RSP) to be credible, be ‘one entity with local branches’ and to have digital capability to facilitate sharing of data.

Efficiently sharing assumptions and data is unlikely to be sufficient to drive agreement and engagement. The RSP must navigate a range of local actors who may hold different interests, varying competencies, and levels of engagement. This multi-stakeholder environment will require careful management. In addition, nationally agreed organising principles may need to be developed in which the regulated utilities, non-regulated companies and the Local Authorities are all invested.

Q4. DO YOU AGREE THAT THE FSO HAS THE CHARACTERISTICS TO DELIVER THE RSP’S ROLE? IF NOT, WHAT ALTERNATIVE ENTITIES WOULD BE SUITABLE?

We agree that the FSO is a suitable candidate for the RSP but are concerned that the capabilities required do not all lie within the FSO. Where this is the case, the FSO should acquire market-tested solutions rather than inefficiently building them itself - Against this background, the choice of the FSO is reasonable. Having said that, we are concerned that the FSO’s expanded role does not come at the expense of best practice across a range of capabilities that have been developed outside of National Grid’s boundaries. Within GB there are many market services and other functions that can be provided competitively. We caution that, in ‘awarding’ many new responsibilities to the FSO, that in turn, the FSO is careful to outsource the functions which are non-core to its role.



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?

Yes, but market facilitation is just one component of good governance – Markets operate within an accepted governance framework in the energy industry and across the world. To aid understanding for new investors and participants within the market for flexibility, these principles should also apply. Key amongst them is the need for a Flexibility Code to be developed or for this to be included within an existing code. A Code will then need a Code Manager (procured by the market facilitator) and the underlying governance structure aligning to best practice which should be competitively procured.

Q6. DO YOU AGREE WITH THE ALLOCATION OF ROLES AND RESPONSIBILITIES SET OUT IN TABLE 2? IF NOT, WHY NOT?

Partly, in our view the scope of the market facilitator is too narrow - The market enabling infrastructure and platforms may process/host some of the items mentioned in Ofgem's table. However, the market facilitator should procure a Code Manager which should be responsible for the following (all of which require human intervention and cannot be wholly automated).

- **Managing customer registration & management** - including 'market entry' type activities (all of the market entry onboarding, registration of corporate and technical elements, and should also include market entry assurance).
- **Pre-qualification** – this is an activity that should be codified and the responsibility of the market facilitator.
- **Recording and publishing market data** – this may be hosted on the market platforms, but the market facilitator should take responsibility for doing this.
- **Settlement, credit and clearing** – (as above)
- **Assurance and compliance activities**

Q7. ARE THERE OTHER ACTIVITIES THAT ARE NOT LISTED IN TABLE 2 THAT SHOULD BE ALLOCATED TO THE MARKET FACILITATOR OR OTHER ACTORS?

Yes – Potential additional features for the code manager role include the vital importance of having very good stakeholder management and having robust systems to respond to complex queries and provide the elements of service excellence that are now widely expected. It also includes determining;

- market entry requirements;
- security requirements;
- liability arrangements;
- testing requirements for market entry;
- invoicing and settlement arrangements;
- interoperability requirements;
- specifications for home energy management systems and connected devices;
- change process;
- dispute process;
- assurance and code compliance processes;
- provisions relating to Code enforcement



To find out more please contact:

Nigel Wilkinson

T: +44 (0)20 7090 1000

E: bd@gemserv.com

W: www.gemserv.com

London Office:

8 Fenchurch Place

London

EC3M 4AJ

Company Reg. No: 4419878



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