

May 2023

1. About the Local Government Association (LGA)

- 1.1. The Local Government Association (LGA) is the national voice of local government. We are a politically led, cross party membership organisation, representing councils from England and Wales.
- 1.2. Our role is to support, promote and improve local government, and raise national awareness of the work of councils. Our ultimate ambition is to support councils to deliver local solutions to national problems.

2. Summary

- 2.1. Councils want to work as partners with central government, and Ofgem, to tackle climate change with a focus on transitioning to net zero. Councils are well-placed to do this as place-shapers, convenors of communities and partners, delivery agents, commissioners, and owners of assets. Net zero can only be achieved with decarbonisation happening in every place across the country and this will require local leadership.
- 2.2. Councils need to play a pivotal role in effective energy system planning and operation at the sub national level. Councils, as planning authorities, shape place through the Local Plan making process and through location specific Masterplans. Through these processes, growth areas are identified, and areas of land are designated for uses. These plan making processes shape future land use and with that comes future energy demand.
- 2.3. Increasingly councils are looking to play their role in supporting decision-making around the local electricity system. For instance, many councils are now looking to develop Local Area Energy Plans but are also considering other ways to best shape place given the likely largescale shift to the electrification of buildings and transport. Councils, as community leaders, can be a positive and influential partner when taking this agenda forward.
- 2.4. However, many councils do not have the resources and technical skills required for detailed energy planning and therefore a far more joined up partnership approach to delivery needs to be considered. For instance:
 - 2.4.1. There is a need for financial and technical support to help councils come together at a sub-national level to effectively collaborate with the electricity system.
 - 2.4.2. In our view this support could be funded by energy consumers via the electricity system rather than by taxpayers
 - 2.4.3. Further opportunities for collaboration might include Distribution Network Operators (DNOs) and Future Systems Operators (FSOs) placing technically competent resources in councils
 - 2.4.4. Ofgem and partners should work collaboratively with councils to determine the most appropriate spatial areas. For instance, currently

Coventry is a city in the West Midlands, but within the East Midlands DNO.

- 2.5. Increasingly, a lack of grid capacity and integrated planning is blocking progress with local net zero delivery and the need for collaboration and coordination is now urgent. This needs to happen across the nation irrespective of whether a council is developing a Local Area Energy Plan or not.

3. Answers to consultation questions

Proposed governance reform: energy system planning

- 3.1. 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?
- 3.2. Q2. What are your views on the detailed design choice considerations described?
- 3.3. Q3. Do you have views on the appropriate regional boundaries for the RSPs?
- 3.4. Q4. Do you agree that the FSO has the characteristics to deliver the RSPs role? If not, what alternative entities would be suitable?

3.5. Answers to 1-4

- 3.6. Yes, in principle we agree with the proposal. As the nation transitions to net zero our energy system will be required to transform from the current, predominantly centralised, fossil fuel intensive gas and electricity system to a flexible, decentralised predominantly electrified low carbon system. If this transition is going to be achieved in a cost effective and fair way, then localism will need to be considered front and centre in this journey.
- 3.7. We welcome the recognition that a placed based approach is at the heart of how a regional energy system is planned and agree that the introduction of Regional System Planners (RSPs) would help to support regional system planning. Councils are experienced positive collaborators often coming together at wider sub-national levels; however they will need clarity, flexibility, support and resources to determine how best to come together with the proposed RSPs.
- 3.8. Councils will need to play an increasingly predominant role in energy systems planning as the local planning authorities, place shapers, conveners of communities and local partners and asset-owners. Councils are whole place leaders responsible for housing, planning, transport, and economic growth. Many councils also have plans to generate renewable energy and develop district heat networks utilising waste heat and therefore play a significant role in local area energy planning across all vectors.
- 3.9. When considering the appropriate regional boundaries for the RSPs it is essential that this is considered from the bottom up with councils being involved from the outset. It is imperative that individual councils or combined authorities, are not covered by two or more RSPs, and that the spatial geographies are pragmatic. For instance, Coventry is a city in the West Midlands, but within the East Midlands DNO.
- 3.10. Given the irrefutable link between local spatial plans and strategies produced by councils and the overlay of regional system plans, councils in a RSP area should have an important role in the governance of the RSP. This is significant as information regarding the development of Regional System Plans and local authority spatial plans needs to flow in

both directions. Local authority spatial plans need to respond to the needs of residents and businesses in their area and are consulted on. Similarly, Regional System Plans need to consider the needs of residents and businesses in their area and therefore utilising local authority special plans as the starting position makes sense.

- 3.11. Increasingly councils are looking to play their role in supporting decision-making around the local electricity system. For instance, many councils are now looking to develop Local Area Energy Plans and are considering how best to shape place given the likely largescale shift to the electrification of buildings and transport.
- 3.12. However, many councils do not have the resources and technical skills required for detailed energy planning and therefore a far more joined up partnership approach to delivery needs to be considered. For instance:
 - 3.12.1. There is a need for financial and technical support to help councils come together at a sub-national level to effectively collaborate with the electricity system.
 - 3.12.2. In our view this support could be funded by energy consumers via the electricity system rather than by tax payers
 - 3.12.3. Further opportunities for collaboration might include Distribution Network Operators (DNOs) and Future Systems Operators (FSOs) placing technically competent resources in councils

Proposed governance reform: energy system planning

- 3.13. 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??
- 3.14. Q6. Do you agree with the allocation of roles and responsibilities set out in table two? If not, why not?
- 3.15. Q7. Are there other activities that are not listed in table two that should be allocated to the market facilitator or other actors?
- 3.16. Q8. What are your views on our options for allocating the market facilitator role?
- 3.17. Q9. Are there other options for allocating the market facilitator role you think we should consider? If so, what advantages do they offer relative to the options presented?
- 3.18. **Answer to questions 5 to 9**
- 3.19. The LGA agrees there is a need for a single responsible body accountable for decision making and delivery at pace. The LGA also agrees that of the bodies discussed in the consultation paper (ENA, FSO or a new body), the FSO or a new body would be the two preferred options.
- 3.20. The FSO clearly has the expertise and knowledge required to take on the role, but the question of complete impartiality remains given the FSO will be responsible for the system operation of the gas, hydrogen, and electricity network as well as Regional Systems Planning.
- 3.21. The recognition of this risk is clear in the consultation document but how this risk could be mitigated would require further consultation.

Proposed governance reform: real time operations

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

3.23. **Answer to question 10**

- 3.24. The LGA agrees the Distribution Network Operators should retain responsibility for real time operations but the level of engagement and cooperation the DNO's have with councils in their area needs to increase.
- 3.25. The LGA has taken this into its own hands by having an engagement event on [Future local electricity networks – creating a partnership approach to growth](#) on May 16th however ongoing engagement needs to become part of the business plan cycle. We have also produced our own [Renewable Energy Good Practice Guidance](#) (currently being updated). The system is going through change not seen since the role out of the natural gas grid network and therefore councils need to be considered as the DNO's primary stakeholders.

Next steps

- 3.26. Q11. What is your view on our proposed approach to the undertaking of and impact assessment as outlined in Appendix 1?
- 3.27. Q12. What is your view on the most appropriate measure of benefits against the counterfactual?
- 3.28. 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.
- 3.29. 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.
- 3.30. 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.
- 3.31. **Answer to questions 11 - 15**
- 3.32. The proposed approach to the undertaking of an impact assessment as outlined in appendix 1 seems sensible given the relevant data available. Regarding the most appropriate measure of benefits against the counterfactual, these should include transparency of decision making, increased stakeholder confidence, whole system benefits and cost.