

## **RIIO-ED2 Methodology Consultation**

### **Response from Greater Birmingham and Solihull LEP**

The Greater Birmingham and Solihull LEP (GBSLEP) welcomes Ofgem's review of the price control methodology to enable the future energy system to support the delivery national net zero commitments. Developing a smart, flexible system, supporting innovation and maintaining low prices for customers are at the core for a successful delivery of the energy transition both locally and nationally.

This is in line with the key objectives and ambitions outlined in the [Regional Energy Strategy for the West Midlands](#) which details the regional energy infrastructure investment plan over the next decade.

Business as usual is not an option, the distribution system needs to adapt to the changing requirements of the wider power system, which is the result of the ever-increasing deployment of renewable energies and their integration with lower-carbon end-use technologies.

#### **Do Ofgem's proposals support your ambitions to decarbonise?**

The suggestions put forward in RIIO-ED2 reflect the learning from previous price controls aiming to incentivise the uptake of low carbon technologies which is key to facilitate the regional decarbonisation agenda. This is in line with Greater Birmingham and Solihull LEP's work to support the growth of the Low Carbon and Environmental Technologies (LCET) sector, as outlined in the [Low Carbon Sector Action Plan](#).

To be able to secure low carbon investment that can support decarbonisation, decision makers at the local level need to have assurances that the energy network can deal with increased demand without having to incur excessive costs which could impact project viability. This is particularly relevant with the electricity network, which needs to be ready to respond to both the increased power demand from the electrification of heat and transport, and to continually integrate the level of distributed and intermittent renewable generation that will facilitate their uptake.

A smart system that allows flexibility of connections and can manage variable flow of power is key to manage uncertainty and reduce risks of local investment, incentivise the uptake of low carbon technologies and distributed energy solutions, more speedily, at lower cost, and reduce the need for traditional network reinforcement.

#### **Are the proposals sufficient to deliver your local development plans?**

WMCA has set ambitious development plans for the region, which focus on the delivery of the [net zero 2041 carbon reduction target](#).

As such, GBSLEP support the decentralized Strategic Investment Models, which takes account of regional plans to identify the investment required. Regional plans will enable the evolving context of the local energy system to be considered and define the future development of the energy system. Meanwhile, a centralised approach stands to be more limiting for regional initiatives and could

hamper more ambitious activity focussed on the climate targets and investment priorities of our region..

Thus, basing *“expenditure upon a regional view of forecast demand growth, while incorporating a centralised forecast output for specified outputs”* would be the best approach to ensure that national targets are embedded without limiting local proposals.

It is welcomed the suggestion for joined up work with devolved government and structured engagement with Local Authorities and local stakeholders which is essential to define investment requirements that can support delivery of national and regional carbon reduction targets.

Transparency and availability of data is also important to support decisions and successful local planning. Better monitoring systems and more management controls to DNOs could provide more accurate forecasting and enable investors, operators and innovators to effectively identify where constraints are and what solutions are needed.

### **Will Ofgem’s proposals support growth and opportunities in your area?**

Industry, and in particular the Low Carbon and Environmental Technologies sector, are an essential part of the energy transformation. Therefore, we would have also liked to see in the proposal evidence of engagement with businesses; particularly those that could contribute to the development of the energy system for the future – growth of which may depend on the type of investment chosen. GBSLEP aims to enable stronger conditions for economic growth by securing inward investment, reducing unemployment and stimulating demand-led innovation. This can only be done by involving businesses in the planning and decision processes across the economy; we are doing this at the regional level. Scaling-up the low-carbon sector is a key strategic priority for our regional economy, and we would welcome the opportunity ensure our local businesses are active participants in the design of our future energy system.

A multi-vector approach is required to respond to the ever-changing energy needs, and new solutions and technologies will continue to shape the evolving energy landscape. Funding towards innovative solutions that can support energy system transition and reduction of fuel poverty is paramount. We agree with the proposed methodology in relation to the RIIO-2 Strategic Innovation Fund and continuation of the NIA Innovation Framework, which will also need to be aligned with other source of funding and national and regional policies to maximise the outcome.

### **Do the proposals adequately recognise the needs of vulnerable customers in your constituency?**

The transition to net zero energy systems does not have to come at the expenses of lower income and vulnerable consumers. We agree with the proposed approach to ensure customers in vulnerable situations receive an appropriate level of support in RIIO-ED2. It is also welcomed the focus of the RIIO-2 NIA Innovation framework which support projects that address customer vulnerability

Uncertainty mechanism could work more effectively than baseline allowance, but their design needs to provide assurance that the risk of a potential price increase is buffered and not transmitted onto the more vulnerable consumers.

### **Are the benefits of a local workforce and apprenticeships fully recognised in the proposals?**

Insufficient skills provisions and high unemployment levels are a barrier to productivity and growth.

GBSLEP is committed to reducing the skills gaps, including working with the academic sector to enable local people to have the skills required by industry and creating conditions for private sector

job creation. We are currently considering proposals on how to best support the workforce of the low-carbon sector to ensure the forecasted skills gap towards 2041 does not curtail decarbonisation efforts and economic growth. We feel that the proposal does not sufficiently address the expected impact and opportunities offered by each of the proposed investment models to businesses and the local workforce. It would be also useful to understand what the skills requirements required to support the successful delivery of the new methodology will be, and how local workers can contribute to this. Moving forwards, this should form part of the discussion with LEPs, industry and local authorities and be better outlined in the proposal. By working closely with LEPs, industry and Local Authorities, a collective approach on ensuring the workforce is sufficiently prepared for the transition to a zero-carbon economy can be achieved.

We would welcome the opportunity to discuss any of the above issues and clarify our position with Ofgem upon the conclusion of this consultation.

Best regards,

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1<sup>st</sup> October 2020