RIIO-ED2 Consultation

Response from the Marches LEP

The Marches LEP welcomes the opportunity to comment on OFGEM's review of the price control methodology. The Marches Energy Strategy sets an ambitious goal of being an area that has an energy generation and supply system which is flexible and reliable, delivering energy that is low carbon and low cost to businesses and communities, can accommodate planned growth and can support well developed low carbon supply chains.

The LEP is therefore very keen to work with OFGEM and the local DNOs to enable the future energy system to support the delivery of local and national net zero commitments. The Marches Energy Strategy highlights the need for the rapid deployment of renewable generation within the region, but also highlights the constraints to development currently being experienced. Going forward, there is a need for the future demands to be met through a system that can adapt to changing requirements, and which is the result of increasing deployment of renewable generation and low carbon technologies.

This response to the RIIO-ED2 Methodology Consultation therefore attempts to answer the main questions raised through the lens of the Marches Energy Strategy.

Approach to Net Zero

Whilst the Marches LEP does not have a specific net-zero target, it has committed to supporting the three local authorities in the area to meet their Climate Change and Ecological Emergency aspirations. All three have set net-zero targets for both their own activities and those of the wider local authority area for 2030. The LEP recognises that this is an ambitious target and is supportive of the local authorities.

The proposed approach for a re-opener seems sensible. Having a wider scope does enable the potential scope to be adapted to meet requirements. It would seem illogical to restrict flexibility, particularly in light of the varying timescales set by local and national governments. Local authorities in the Marches already appreciate that achieving net-zero in the Marches is likely to require significant investment in low carbon infrastructure. However, decision makers at local level will require assurances that the energy network will be able to cope with the increases in demand before releasing investment. Anything that restricts flexibility runs the risk of being detrimental to future investment.

Due to the increasingly decentralised nature of energy, the benefit of pursuing a centralised approach is perhaps limited. The Marches Energy Strategy looks to increase the proportion of locally sourced generation, which could vary to other regions. There are some components, which may be better centralised. These might include drivers from central government policy, data provision or in areas that require a standardized approach across the board.

A centralized approach could be a barrier to the achievement of the targets set out in the Marches Energy Strategy. Therefore, a hybrid of basing "*expenditure upon a regional view of forecast demand growth, while incorporating a centralised forecast output for specified outputs*" seems like the best approach to ensuring that national targets are embedded without limiting the ambition of local proposals.

The Marches Energy Strategy recognises the role that flexibility of connections will play in the management of energy systems. and can manage variable flow of energy is key to manage uncertainty and reduce risks of local investment, incentivize the uptake of low carbon technologies and distributed energy solutions, more speedily and at less cost, and reduce the need for traditional network reinforcement.

Innovation

I would suggest that DNOs are already working towards incorporating innovation into their BAU plans. However, this should be encouraged further if possible and additional funding made available where appropriate. It is particularly important to ensure that funding towards innovative solutions will support the energy system transition and a reduction in fuel poverty is available.

Transparency

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 constrains are and what solutions are needed.

Ensuring greater transparency about the assumptions being made in forecasts (whether central or decentralised approaches to investment are taken) will enable better scrutiny of plans and ensure cost assessments, values are accurate, and evidence based.

Even greater visibility of data would be welcomed. Digital, whole-network, real-time monitoring of energy flows and constraints would enable more efficient network planning and management. It is important that data covers the entire network and does not simply highlight areas of constraint or potential constraint. Publishing where the network is currently underutilised could be equally important in enabling industry to identify where there is potential for LCT installations.

Vulnerable Customers

The rural off-gas grid nature of the Marches does mean around 14% of the population are classed as living in fuel poverty. It is therefore extremely important that OFGEM continue to put in place mechanisms to support vulnerable customers.

The transition to net zero should not expose lower income and vulnerable consumers to increased risk. DNOs should continue to ensure that vulnerable situations receive an appropriate level of support. The potential of DNOs and their local authority partners to address vulnerability at a local level should be supported.

Economic Growth and Skills

The Marches Energy Strategy directly feeds into the Local Industrial Strategy. Both highlight the importance of developing sustainable economic growth within the Marches. The current lack of infrastructure capacity in the Marches is depressing economic growth of the area. There are a number of examples of large businesses moving away from the region due to capacity constraints. This has a huge impact on the area both in terms of jobs, but ultimately in terms of the skills of the workforce. It is therefore important to evidence how industry and businesses are being engaged as part of the energy transformation.

Currently, there are also significant skills gaps within the Marches that has a direct impact on the economic output of the area. The LEP is committed to closing these gaps, but needs businesses, local authorities and energy providers to work together to enable this. The proposal needs outline better the expected impact and opportunities offered by the investment models.