**Energy Capital’s response to the**

**Regional Energy Strategic Plan policy framework consultation,**

**in consultation with the West Midlands Combined Authority constituent members, Transport for West Midlands, all Tier 1 local authorities comprising the “West Midlands” and others.**

**Introduction**

Energy Capital, a part of the West Midlands Combined Authority (WMCA), is pleased to have the opportunity to respond to this consultation on the future Regional Energy Strategic Plan (RESP).

The proposed RESP and its structures are consistent with the work being undertaken in the West Midlands area and we welcome the opportunity to formalise these working relationships with the National Energy System Operator, for the benefit of both the “place” – its residents, communities and economy – and the energy networks in the region and beyond.

In line with the proposed RESP boundaries, the WMCA has reached out to all of its constituent local authorities as well as all of the Tier 1 authorities in the West Midlands region to seek their views on working together as a region and to respond to this consultation, with the view to submitting a shared response. That engagement has been very positive and whilst this response may not formally reflect the views of all local authorities in the West Midlands, it can be seen as a consensus view from the West Midlands RESP area.

As part of our regional consultation process, we have sought and included the views of Transport for West Midlands (TfWM) which is responsible for the public transport fleet and operations as well as being responsible for wider transport policy and transport investment across the region.

**1. What are your views on the principles (in paragraph 2.8) to guide NESO’s approach to developing the RESP methodology? Please provide your reasoning.**

**Place-based:** From a governance perspective, a place-based approach to planning the energy system is an important principle and there is plenty of evidence to suggest that this approach will ensure the cost of the transition is minimised. Listening to local stakeholders is of paramount importance to ensure that interventions lead to not only more efficient outcomes for network providers, but also fairer outcomes that acknowledge a range of societal co-benefits, but listening must be followed up by feedback to ensure that stakeholders can see the value and impact of their contributions.

From a technical perspective, it is recognised that the existing electricity distribution and transmission networks, whilst needing some enhancement, do not suffer to the same degree from some of the structural deficiencies experienced in other regions. As such, the challenge for the West Midlands is focused more on maximising the efficiency of the existing assets, especially with regards to managing the peak and off-peak disparities and exploiting assets - both physical and software - that can smooth out excess demand and reduce the need for large scale infrastructure upgrades to serve large demand centres such as the West Midlands as they grow. Amongst these, are interventions that operate “behind the meter”, where there is scope for considerable innovation.

**Additional Principle – Ensuring a Just Energy Transition:** it is the view of all of the contributors that the underlying principle of a Just Energy Transition should also be adopted, not only for access to energy for those in fuel poverty, but also to other services such as transport. This principle embeds the importance of effective stakeholder representation and participation to achieve the best outcome for consumers. It further leads to an emphasis on measures that may be scaled in such a way as to benefit communities and vulnerable users, whether small businesses or individual residents. Following this thread, there needs to be a proper emphasis on demand reduction and flexibility as a means of balancing local energy needs, even though this may be at odds with the network providers ambitions. Embracing these points then enables the greater uptake of micro-generation and other behind-the-meter solutions – fixing the “holes in the bucket” instead of just “pouring in more water”.

**Whole system:** this isthe critical added value that the RESP provides. This value ensures appropriate participation in the process, so keeping focus on this from the outset is paramount. Insofar as one of the key technologies for decarbonisation will the widespread deployment of heat networks, the integration of that deployment process with the corresponding electricity requirements is essential and needs to be integrated from the beginning, as heat network zoning policy and regulation is developed nationally.

**Vision-led:** change in this field is inevitable and fast, but is not always equal. Having a clear vision of "the future", based on both national predictions AND the needs and priorities of local stakeholders, against which to appraise progress towards this transition is important. Each region has its own assets and challenges that drive investment and decisions when considering the ‘whole energy system’. It is important that this input is understood spatially, and validated spatially. NESO needs to recognise that a single overall agreed vision, for a region that has been defined to suit a RESP, may not be easy to establish. In most instances, the NESO will need to analyse the assets and evidence spatially alongside the aspirations and opinions of local stakeholders and conclude the vision for the whole area themselves in partnership, taking into account the constituent parts.

**Be proactive:** this is key – it is critical that OfGEM supports the principle of investing ahead of need to enable the net zero transition, but it is recognised that this inherently bears risk. Current pricing frameworks seek to minimise risk by limiting which costs can be transferred to the customer, but it is clear from the innovation work that has been undertaken, that better, more granular information can lead to better decision making. Proactively seeking this information is paramount, as the RESP cannot mandate the information necessary from stakeholders, but this shouldn’t be a reason to accept greater risk or poor decision making.

**2. Do you agree that the RESP should include a long-term regional vision, alongside a series of short-term and long-term directive net zero pathways? Please provide your reasoning.**

As set out above, this is important, but not as simple as it may sound and there is an important balance to be struck. It is important to consider what is driving investment and decisions locally and use these to inform a vision for the region. It is not yet clear by what mechanism these issues will be identified and how the short-term pathways could be "directive" unless there was funding upon which following such direction was contingent. There is also a fundamental question about how any "direction" from NESO would stand *vis a vis* Local Authority Planning Policy and local delivery mechanisms etc. The longer-term vision would have to be guided and endorsed by local democratic structures and consistent with Local Authorities own long-term visions.

**3. Do you agree there should be an annual data refresh with a full RESP update every three years? Please provide your reasoning.**

If the RESP goes forward only using the DFES process, then an annual refresh would seem like a sensible way forward. However, if the RESP was to be modified by the ongoing, frequent uploading of useful data from LAEP submissions as we would advocate, then the updates could be aggregated more frequently. A full RESP update could be undertaken every three years, but it would be more meaningful to do so in line with spending rounds, or when there are policy or regulatory changes that would require a full update.

**4. Do you agree the RESP should inform the identification of system need in the three areas proposed? Please provide your reasoning, referring to each area in turn.**

This seems to be a logical approach, which might otherwise be described as a baseline review, a vision statement and an action plan. It is important to review the development of each of these stages at a regional level, not least because the existing infrastructure, patterns of supply and demand and regional opportunities will vary significantly from one region to another. These analyses also need to consider wider market operation issues, including regional pricing etc.

**5. Do you agree technical coordination should support the resolution of inconsistencies between the RESP and network company plans? Please provide your reasoning.**

Yes. It is likely that one of the key parts of the RESP will be to look at the strategic priorities for making connections to both supply and demand, both areas where there are currently significant delays arising from the "first come, first served" or "first ready, first served" approaches. It is probable that there will be occasions where one stakeholder might consider a connection request to be a lower priority than another stakeholder and arbitration may be necessary. It is worth considering also that if an energy company is directed to connect to customers other than they would have chosen, there may be financial implications. For example, if an energy company determines that there is a higher risk then they may seek either a higher return or mitigation measures that may fall to consumers. In recognition of this potential lack of transparency, it is important that such arbitration be an inclusive process that reflects the views of all relevant stakeholders.

**6. What are your views on the three building blocks which come together to form the RESP in line with our vision? Are there any key components missing?**

The three building blocks should, if properly developed, form a robust process, but they must be considered spatially. However, if either of the first two parts is deficient then the outcomes of the Technical Coordination will not be acceptable.

**7. Do you agree with the framework of standard data inputs for the RESP? Please provide your reasoning.**

Yes, the proposed data sets are a sensible starting point. However, we would suggest that the standing of the LAEPs be elevated, as it is through these that local authorities become empowered and local spatial data is obtained.

The working group structure could be used to source appropriate local and regional data sets and validate standard data inputs as part of the process of assessing the credibility of plans. Local customer groups consisting of those working on transport infrastructure planning, industrial decarbonisation, housing and public sector decarbonisation etc could feed valuable spatial data into the process.

A key data set that is not currently provided is half-hourly usage from SMART meters which often demonstrates the opportunity for demand management as a means for "freeing up" electrical capacity for other decarbonisation measures.

**8. Do you have any suggestions for criteria to assess the credibility of the inputs to the RESP?**

The key weakness of the existing inputs to the RESP being data supplied into Distribution Future Energy Scenarios (DFES) by individual Local Authorities is that this data is not validated. In the same way that grid connection queue management is being explored, the validation of data through consideration of whether investment has been allocated, local plans are supportive, policy is facilitative etc could be applied. Customer groups could also be used to assess the market appetite to deliver against local aspirations.

The main weakness of existing processes is the lack of a feedback loop resulting in a poor understanding of the implications of how the information provided is used, its importance, and how all of the elements come together and are interpreted spatially. This contributes to a lack of resources and importance assigned to this work politically within local government. The RESP process provides the opportunity to engage senior figures within local government to raise the profile and the importance of this work to ensure better inputs and therefore better outputs.

One way of demonstrating the thoroughness of the response could be ensure that DFES returns had to be signed off locally, by the democratically accountable body. However, this could also lead to delays, or even no information being provided at all, so any validation requirement would need to sit alongside a programme of education about the need to provide accurate returns, i.e. poor data means poor future connectivity. An alternative approach, which is being developed though Project PRIDE and elsewhere, is to use the LAEP process and the LAEP+ tool to develop more accurate and useful energy modelling to support development proposals. This might be summarised as DFES providing a guideline for organic growth whilst LAEPs provide the inputs for specific projects spatially.

**9. Do you agree with the framework for local actor support? Please provide your reasoning.**

Yes. It is worth noting that the proposed framework of support for RESP closely matches that being developed by the recently approved PRIDE project, that seeks to develop many of these principles further. Specifically, the PRIDE project is already looking at providing technical support to Local Authorities through digital tools such as LAEP+, managing the LAEP Coordination Group and the Net Zero Infrastructure Delivery Panel as part of the local Governance structure and building a wider partnership with Local Authorities across the West Midlands with the deliberate aim of matching the area proposed for the RESP.

It is important that the RESP process continues to engage political actors and raise the profile of this work to obtain government support nationally, regionally and locally, as set out above.

**10.Do you agree with the purpose of the Strategic Board? Please provide your reasoning.**

In part. The structures proposed in this consultation are consistent with existing arrangements in the West Midlands. A pan-regional coordination group of officers (LAEP-CG) already exists, which is being expanded to include the other top-level local authorities in the proposed RESP region. The Net Zero Infrastructure Delivery Panel (NZIDP) brings together those who we would expect to see on the Strategic Board. In the West Midlands, these bodies can be evolved collaboratively and aligned to the RESP objectives without the need for further restructuring, and learning from the process of establishing these can be used to inform and support other areas to establish such structures in partnership with NESO.

With regard to the composition of the proposed Strategic Board however, it is our view that limiting membership to Tier 1 bodies is the wrong approach. Whilst acknowledging the increased challenge of achieving consensus in larger groups, it is clearly not appropriate that a Unitary Authority with a population of less than 200,000 should have the same representation as the WMCA with a population of almost three million. Rather, we propose that the seven WMCA local authorities and the five new County Councils and two Unitary Authorities that will comprise the West Midlands region should be on an equal footing. To avoid overwhelming the Strategic Board, a mechanism could be established for this group to feed into the Strategic Board (for example, in the West Midlands, 2 LA representatives of the LAEP CG sit on the NZIDP). Further consideration and consultation are needed with regards to the role of elected members, serving to ratify the proposals and recommendations of local authority inputs, as well as thematic representation, e.g. Transport, housing, industry etc, also needs to be considered with regards to their input to the Strategic Board make-up.

**11.Do you agree that the Strategic Board should include representation from relevant democratic actors, network companies and wider cross-sector actors in each region?**

In the West Midlands, the LAEP-CG includes officer representation from all of the local authorities comprising the WMCA and is in the process of being extended to include all of the top-level local authorities across the proposed RESP region. It is proposed that this model is adopted by the RESP and an inclusive Local Authority officer working group is set to ensure input from all areas. Further consideration of the role of political actors should also be undertaken through additional consultation now that a new political era has been entered, with the purpose of raising the profile of RESP.

In the West Midlands, the NZIDP comprises representatives from the electricity, gas and heat sectors as well as IDNOs and other infrastructure investors, such as the water company, with nominated place-based representatives from the LAEP-CG. It is proposed that something similar is established by the RESP for the Strategic Board. How heat network investors are represented will be an important consideration. We also found that having an IDNO representative also offers a valuable perspective and challenge to existing network positioning.

It is important to acknowledge that the Technical Coordination function needs to have effective representation from both the networks and the "place". As such, the representation on the Board needs to be such that it can make competent decisions and that those decisions will have meaningful weight in the arbitration process. Without this, the networks will retain their monopoly on decision-making and the ‘whole system’ objective will fail. Working groups can be used in similar ways for technical co-ordination, allowing the Board to be kept to a manageable scale.

Ideally the representation would also have regard to other regional agendas such as Energy Security, Biodiversity Net gain etc.

**12.How should actors (democratic, network, cross-sector) be best represented on the board? Please provide your reasoning, referring to each in turn.**

It is important to consider the role of each of the actors on the Board and what they are expected to contribute. Job descriptions for each of the roles should be developed and considered locally.

In the West Midlands, the LAEP-CG comprises officer representatives from all of the participating Local Authorities, with either delegated authority or a mandate to seek political approval from their respective Councils. The 2 representatives who then sit on the NZIDP were elected from this group to represent the views of all of the local places.

It is important to obtain the involvement of the right people within the sector to represent their organisations on the Strategic Board. This can be achieved with clear role descriptions setting out appropriate delegations.

**13.Do agree with the adaptations proposed for Option 1? Please provide your reasoning.**

Yes, it is our view that there are significant differences in the strategic priorities and accessible resources for the West and East Midlands and, as such, it makes sense that they have separate RESPs. Each region would look to work closely with all neighbouring RESPs, and we feel this level of aggregation is the most appropriate.

We do not agree with the "1 RESP, 2 plans" approach. The Midlands does not have a strong regional identity from a political or energy perspective which would necessitate this.