



Report to:	Climate, Energy and Environment Committee
Date:	13 February 2024
Subject:	Energy System Reform
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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this report

- 1.1 To provide the Committee with an update on Ofgem's [energy system reform](#) and the West Yorkshire Local Area Energy Plans.

2. Information

Energy System Reform

- 2.1. The Great British energy system is currently undergoing significant change. As the previous system of managing predominantly centralised energy generation assets is gradually replaced by a decentralised system made up of renewables and storage, a new method of managing the energy system is required.
- 2.2. Northern Powergrid will be providing an industry insight on the reform process at the meeting, with specific reference to their role within the proposed system and how it links to Local Area Energy Plans (LAEPs), a key priority for the Combined Authority.
- 2.3. Reforms to the energy system are largely being led by Ofgem, the energy regulator for Great Britain, and the Mayor has met with them to discuss these proposals. Over the course of 2023, Ofgem have undertaken widescale consultation with stakeholders on its

reform plans. Of particular interest to the Committee is the [future of local energy institutions and governance](#) consultation.

- 2.4. Their proposals focus on a framework of interacting organisations centred around Regional Energy Strategic Planners (RESPs) and central market facilitation, and whether these proposals are proportionate and adequately targeted.
- 2.5. As a result of the consultation, Ofgem have firmed up their proposals for energy system reform. Key proposals are:
 - the introduction of a Future System Operator (FSO), which will provide national coordination of the energy system.
 - the introduction of Regional Energy Strategic Planners (RESPs), which will manage energy system planning, working with distribution network operators (DNOs e.g. Northern Powergrid, which operates in the region), gas distribution networks (GDNs e.g. Northern Gas Networks), and Local Authorities.
 - the production of a Central Strategic Network Plan focussing on the transmission network (on- and off-shore, including interconnectors from other countries).
 - the production of a Strategic Spatial Energy Plan aimed at informing energy network plans.
 - the revision of the queuing system for electricity grid connections at the transmission level¹.
- 2.6. Of the proposed reforms, the most important for regional and local government is the proposal to establish RESPs. Indeed, engagement on the reforms to date by the Mayor and officers from the Combined Authority has focussed on this element of the proposals.
- 2.7. The significance of the proposal to establish RESPs and their interface with Local Area Energy Planning is extremely high. Previously, there has been a disconnect between infrastructure planning that takes place at the local level and the management of the energy system at a national and pan-regional level. This has resulted in a disjointed system where developments incur expensive grid reinforcement costs or delays in implementation due to the timeframes to upgrade energy infrastructure to facilitate the infrastructure.
- 2.8. RESPs if implemented correctly should have the following benefits:
 - An ability to steer infrastructure developments to those areas of regions where the existing energy infrastructure is better able to accommodate their needs.
 - Better planning of the energy system to accommodate long-term infrastructure projects.

¹ This suggested reform was enacted in late 2023 through the introduction of a new system managed by National Grid Energy System Operator (ESO). To remain on the queue for connection, projects will now be required to meet delivery milestones e.g. securing planning permission and securing land rights. If projects fail to meet these milestones, National Grid ESO has the power to remove projects from the connection queue.

- 2.9. In developing their proposals for RESPs Ofgem need to ensure that the new system allows these benefits to be realised.
- 2.10. The Mayor attended a roundtable in November 2023 with other Metro Mayors to discuss Ofgem's proposals. One key discussion point at the roundtable was the decision to split England into eight RESP regions, with the boundaries of Transport for the North being used for one region which includes West Yorkshire. On the whole, the Mayors consider that these geographical boundaries are too large for the engagement required, and asked Ofgem to reconsider this decision. Mayors also requested that more information was provided on how the governance of the RESPs would work. To date, Ofgem have not responded to these requests.
- 2.11. A verbal update will be provided on next steps at the meeting as there is clearly a role for WYCA in terms of influencing Ofgem's position on energy infrastructure and the impact this will have on the development of West Yorkshire's Local Area Energy Plans (LAEPs).

West Yorkshire Local Area Energy Plans (LAEPs)

- 2.12. The relevance of the Ofgem reform is that LAEPs are key to ensuring the electricity grid infrastructure is adequately robust and flexible to handle the energy revolution with its widescale switch from centralised fossil fuel generation to renewables generated at a local level, and the electrification of heating in homes and businesses in the coming years.
- 2.13. It is significant to note that, in West Yorkshire, overall declines in electricity usage from large industrial closures over the last 50 years have left a strong foundation in place to allow the electricity grid to reach net zero. However, to fully meet net zero, the grid will require further investment in new (or increased capacity) network as well as expenditure on customer flexibility to smooth out peaks in power flows.
- 2.14. It will also need to be able to take account of a more diverse portfolio of energy generation and storage assets. For example, Northern Powergrid is already reporting a significant increase in grid-scale battery storage (around 60% of Northern Powergrid's connection pipeline involves battery storage).
- 2.15. Widescale adoption of LAEPs around the country is seen as an opportunity to mobilise Ofgem to ensure that Government support for this forward-thinking, future-proofed energy infrastructure offers the political framework and financial resources necessary to proceed to large-scale implementation and help meet the national 2050 net-zero target. In West Yorkshire, the LAEPs will aim to help meet the regional 2038 net-zero target.
- 2.16. Some of the data inputs, modelling assumptions and outputs from LAEPs are similar to the types of work done already by Northern Powergrid in its Distribution Future Energy Scenarios (DFES). However, the DNO is only looking at impact on the electricity network, whereas LAEPs model potential impact on the gas sector, and have the lens of being able to incorporate local priorities and detailed project data from large organisations. Northern Powergrid are highly supportive of these programmes, in part because it too is using increased local information on large projects 'in the pipeline' to refine its DFES. A

more accurate DFES (created annually) will lead to a more accurate representation of future demand on the region's electricity network and connections services, and allows it to plan investment in the network to manage the increasing electricity demand. This should lead to reduced costs and connection lead times for strategically-important projects in the future, facilitating accelerated regional decarbonisation.

- 2.17. In terms of West Yorkshire planning for the LAEPs, a bidders' day was held on 18 July 2023 with six bilateral consultancy meetings held between 18-28 July 2023. The region's LAEP proposal was presented at the bidders' day. Questions on the day and in the following bilateral meetings informed the statement of requirements for the procurement process.
- 2.18. Procurement is ongoing with the intention of starting the 18-month contract in the coming weeks. This follows a process of business case development and approval being granted for funding to progress the project.
- 2.19. This procurement would cover the production of LAEPs for four of the five local authorities in West Yorkshire. Calderdale already started its LAEP contract in February 2023, and this work will be built into the wider West Yorkshire LAEP programme.
- 2.20. Next steps for the region include collation and analysis of datasets to enable modelling, steering group engagement to clarify the scope of the LAEPs, and stakeholder engagement at a local level to ensure the LAEPs meet each district's local, place-based requirements. Final outputs from the project include four district energy infrastructure strategies, fully-costed spatial mapping, a short- and long-term project pipeline, place-based scenarios for the districts to choose from, and a digital tool to facilitate long-term planning.

3. Tackling the Climate Emergency Implications

- 3.1 The LAEPs respond to the ambition for West Yorkshire to be net-zero carbon by 2038 and the Mayoral pledge to tackle the climate emergency.

4. Inclusive Growth Implications

- 4.1 The Combined Authority's definition of inclusive growth is enabling more people and places to contribute to and benefit from economic success. The LAEPs will facilitate a level playing field in terms of renewable energy projects and retrofitting of homes and businesses by identifying the locations with the greatest need e.g. households facing fuel poverty.

5. Equality and Diversity Implications

- 5.1 As set out under point 4, the LAEPs will encourage inclusion in terms of equality and diversity by identifying locations with a greater need for support. LAs will have a role in prioritising equality and diversity when choosing the most appropriate scenario to meet local, place-based needs.

6. Financial Implications

- 6.1 £510,000 has been allocated for procuring a contractor to prepare the LAEPs under the Business Justification Case.

7. Legal Implications

- 7.1 Non-disclosure agreements (NDAs) will be required for various core stakeholders involved in data provision for the LAEPs. These include Northern Powergrid, Northern Gas Networks, and Yorkshire Water.

8. Staffing Implications

- 8.1 To ensure the delivery of this business case, staffing resources are required. These requirements have been integrated into the business case approved by the Combined Authority in December 2023.

9. External Consultees

- 9.1 Consultancies were invited to attend a bidders' day to discuss the West Yorkshire LAEPs and provide input on how to improve the process. Calderdale district was consulted when planning the procurement.

10. Recommendations

- 10.1 That the Committee notes the contents of the report and provides feedback, focussing on how each district and advisory organisations in particular can contribute to the LAEPs.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None.