

How inadequate policy action and governance is a barrier to a sustainable and cost effective energy system

Citizens Advice Series

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New Thinking For Energy



Definitions

- Energy Governance
 - policies, institutions (at all levels), economic regulation, network rules, market design, retail policy etc **AND**
 - the decision-making processes behind those rules and incentives
- Governance impacts on costs and revenues (therefore energy economics); sets eligibility (eg Licenses, or for DSR (or not) in capacity mechanism); sets rules (eg Codes for system operation, market design); reveals value (or not) through markets; enables choice and competition (or not); reveals value of resources and capabilities (or not); enables capture of value (or not); integrates customers / citizens (or not); enables a Just transformation (or not); has legitimate decision-making (or not).

Energy governance is outdated

- Fundamentals of GB energy governance were established at the time of privatisation
- Since then, lots of reforms, but little fundamental change
- It is not fit-for-purpose in the face of rapid innovation and the need to reach net zero by 2050, or before
 - We have to accelerate our GHG reductions
- Currently no process for direction-setting or managing the process of decarbonisation, across government departments and agencies, and across different industrial sectors
- Result is confused signals for market participants, ongoing support to established players, a lack of coordination within and between vectors; as well as limited support and protection for low-income households

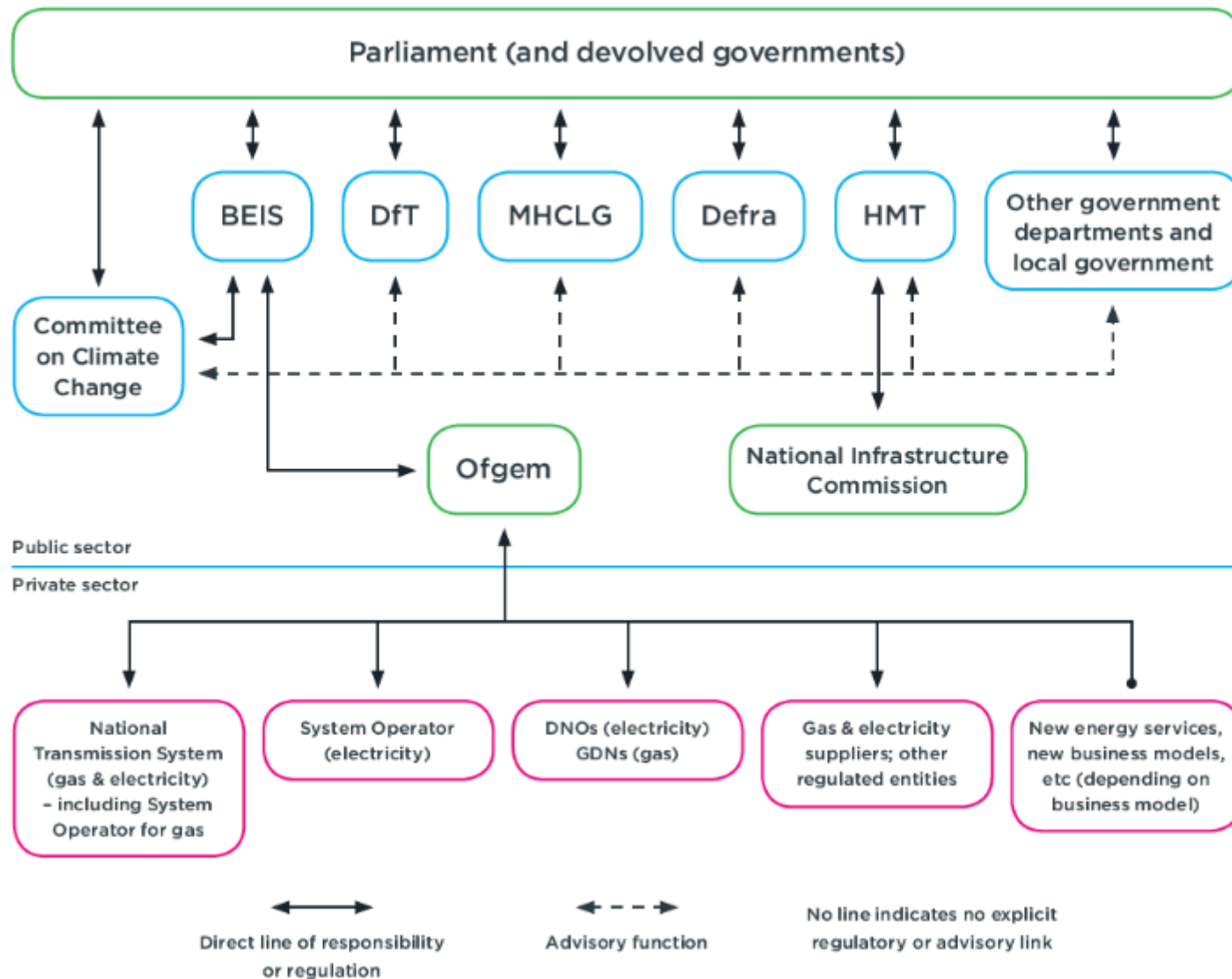
We need to reset our energy governance

- For better coordination
- To reveal the value, and enable its capture, of new energy and system resources created or enabled by digitalisation, new technologies, new stakeholder preferences
- To speed up GHG reduction
- To better integrate citizens and customers into decisions
- To enable a Just transformation
- **Achieving these goals and principles will require a few new institutions, reformed roles for some existing institutions and better integration between them**

IGov argues for <http://projects.exeter.ac.uk/igov/shortcut-to-key-igov-findings/>

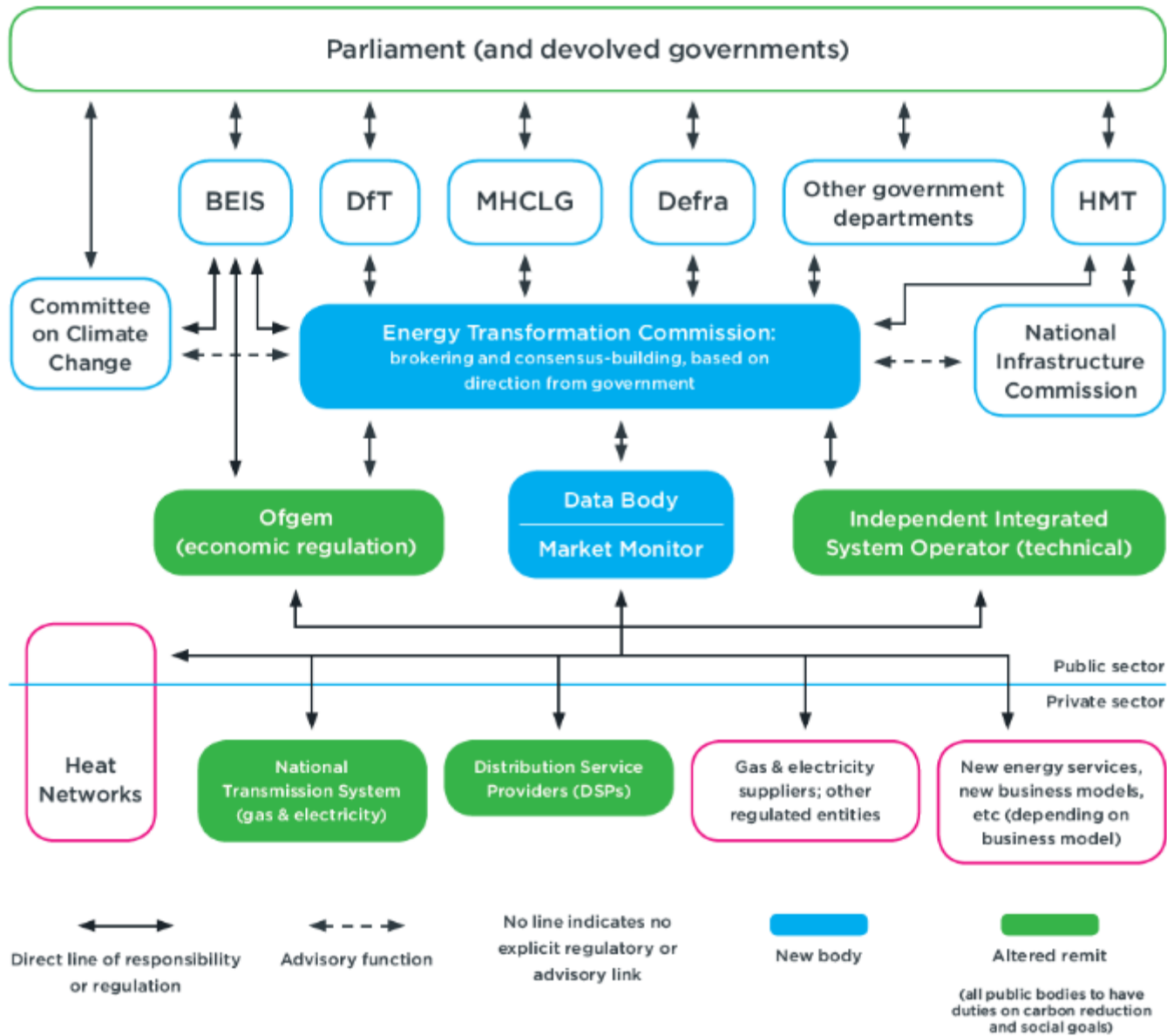
- One **new** institution (the Energy Transformation Commission) to implement the transformation process set by government, through brokering, co-ordination, consensus-building and engagement
- An Independent, Integrated System Operator, overseeing gas and electricity systems, and moving into the public sector (**reformed**)
- Regulatory reform (**reformed**)
 - New Duties and Role for Ofgem, and other Ministries
 - New ways to incentivise desired outcomes, including more energy efficient system op
 - Improved data governance, independent Market Monitor (**new**)
 - A regulatory framework for heat network (**new**)
- Integrated local governance, including the evolution from Distribution Network Operators (DNOs) to active Distribution Service Providers (DSPs) (**reformed**)
- Extending markets to local level (**reformed**)
- **More** customer / citizen / prosumer involvement

GB energy governance: current institutions and responsibilities



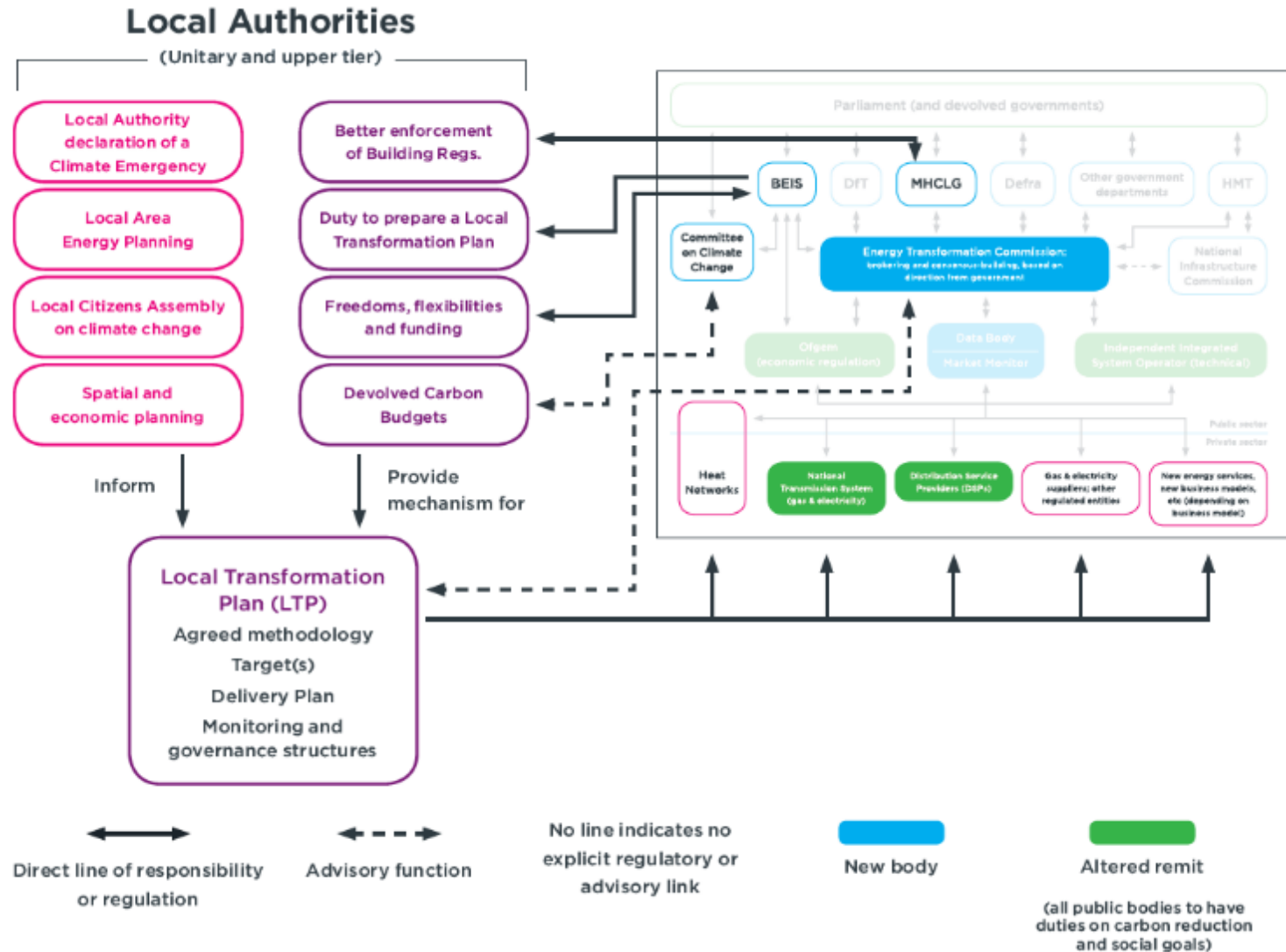
<http://projects.exeter.ac.uk/igov/getting-energy-governance-right-lessons-from-igov/>

GB energy governance: proposed new institutions and responsibilities



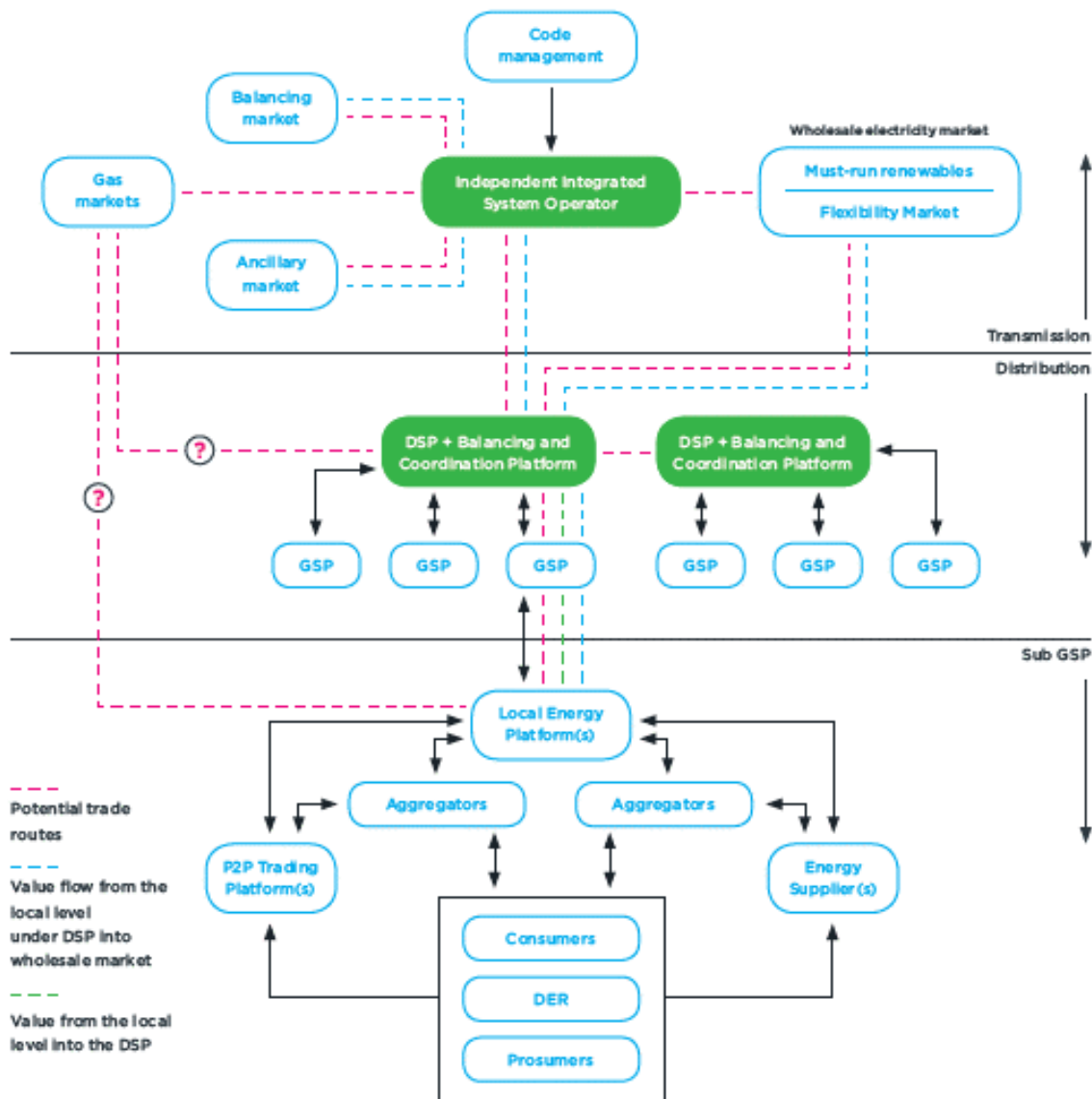
<http://projects.exeter.ac.uk/igov/wp-content/uploads/2019/04/Enabling-the-transformation-of-the-energy-system-01-08-2019.pdf>

Local Government Dimension has to be coordinated

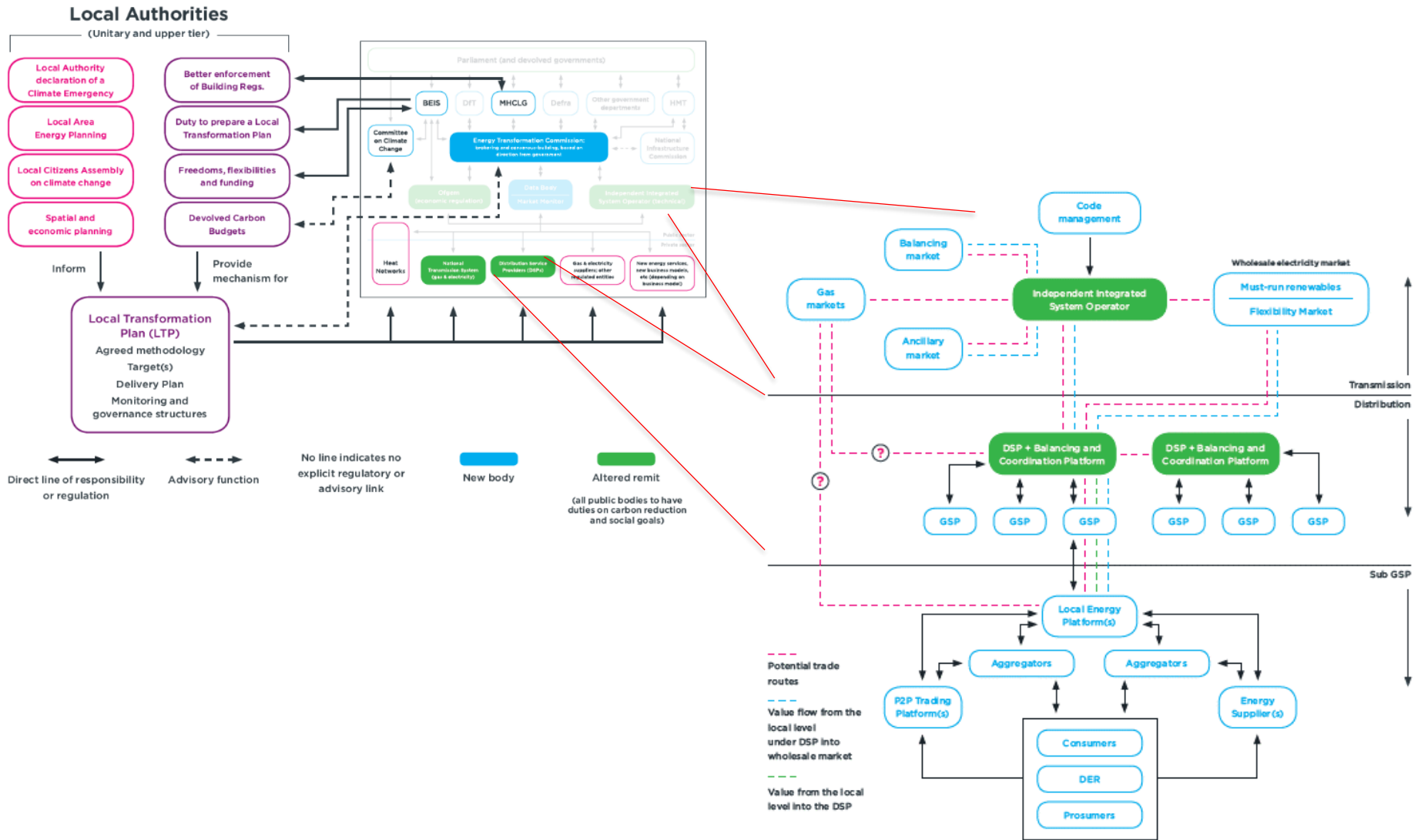


<http://projects.exeter.ac.uk/igov/wp-content/uploads/2019/08/IGov-Getting-energy-governance-right-01-08-19.pdf>

Market Dimensions as well



<http://projects.exeter.ac.uk/igov/wp-content/uploads/2019/08/IGov-Getting-energy-governance-right-01-08-19.pdf>



<http://projects.exeter.ac.uk/igov/new-thinking-the-igov-institutional-framework-for-energy-governance/>

We have to 'confront' the Politics

- The move from a 'dirty' to a 'clean and efficient' energy system is hugely political
 - There are major differences in distributional outcomes depending on what pathway is taken (ie nuclear, CCS and hydrogen v RE, flexibility and EE) on different actors
 - This cannot be ignored
- Achieving Net Zero could be a huge positive opportunity for GB but could be squandered, more expensive, more unjust and without the necessary outcome we need

References

- <http://projects.exeter.ac.uk/igov/>
- <http://projects.exeter.ac.uk/igov/shortcut-to-key-igov-findings/>