

# Electricity Futures Series

Governance for Net Zero

31 January 2024

**DSO**

**nationalgrid**  
electricity distribution



# Welcome and housekeeping

## In-person

- ✓ No planned fire drills
  - ✓ There will be two breakout discussions hosted at your tables
  - ✓ There will be a panel discussion session at the end which will give an opportunity to ask questions
  - ✓ We will be taking some photos. If you are not comfortable, please make yourself known to the team
  - ✓ Please ensure that all mobile phones are on silent
- 

## Online

- ✓ Please mute yourselves during the presentations
- ✓ If you have any questions, please use the chat function
- ✓ You will be moved automatically into your breakout rooms

# Agenda

- 10:30** Welcome and introduction, Cordi O'Hara OBE, President, National Grid Electricity Distribution
- 10:50** External governance landscape and outlook, Kayte O'Neill, Chief Operating Officer, ESO and Janine Michael, Deputy Chief Executive, Centre for Sustainable Energy
- 11:45** Coffee break
- 12:00** NGED's internal governance story so far, Ben Godfrey, Director of DSO and Phillipa Slater, Director of Asset Management and Ops Support, National Grid Electricity Distribution
- 12:50** Panel discussion: Introducing the role and Chair of NGED's DSO Panel, Chaired by Steve Jennings, Advisor and Non-Executive Director
- 13:25** Wrap up, Cordi O'Hara OBE, President, National Grid Electricity Distribution
- 13:30** Lunch and networking

# Welcome and introduction



**Cordi O'Hara OBE**

President,  
National Grid Electricity Distribution

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# Welcome to Electricity Futures – Governance for Net Zero



**Shaping the Future Together**

19<sup>th</sup> September  
QEII Westminster



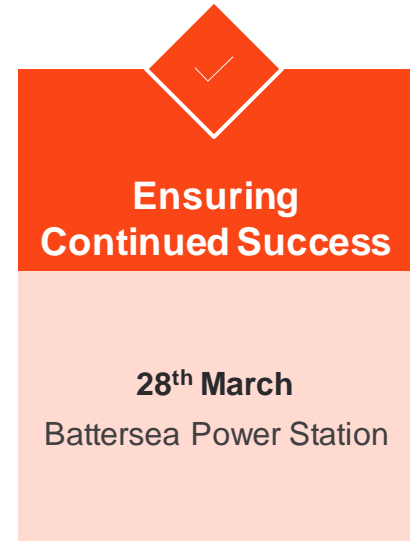
**Supporting Regional Ambitions**

16<sup>th</sup> November  
Virtual



**Governance for Net Zero**

31<sup>st</sup> January  
IET London



**Ensuring Continued Success**


28<sup>th</sup> March  
Battersea Power Station

**Continued programme of events, stakeholder engagement and updates**


# Our DSO Vision

To enable and coordinate a smart, flexible energy system that facilitates local decarbonisation for all customers and communities, at the right time and lowest cost

## Our DSO year in review – 2023



**10 GW** additional capacity for renewable energy projects

**213** net zero surgeries held, resulting in 168 local authority engagements



**19.9 GWh** of flexibility availability procured with 19,506 dispatch events

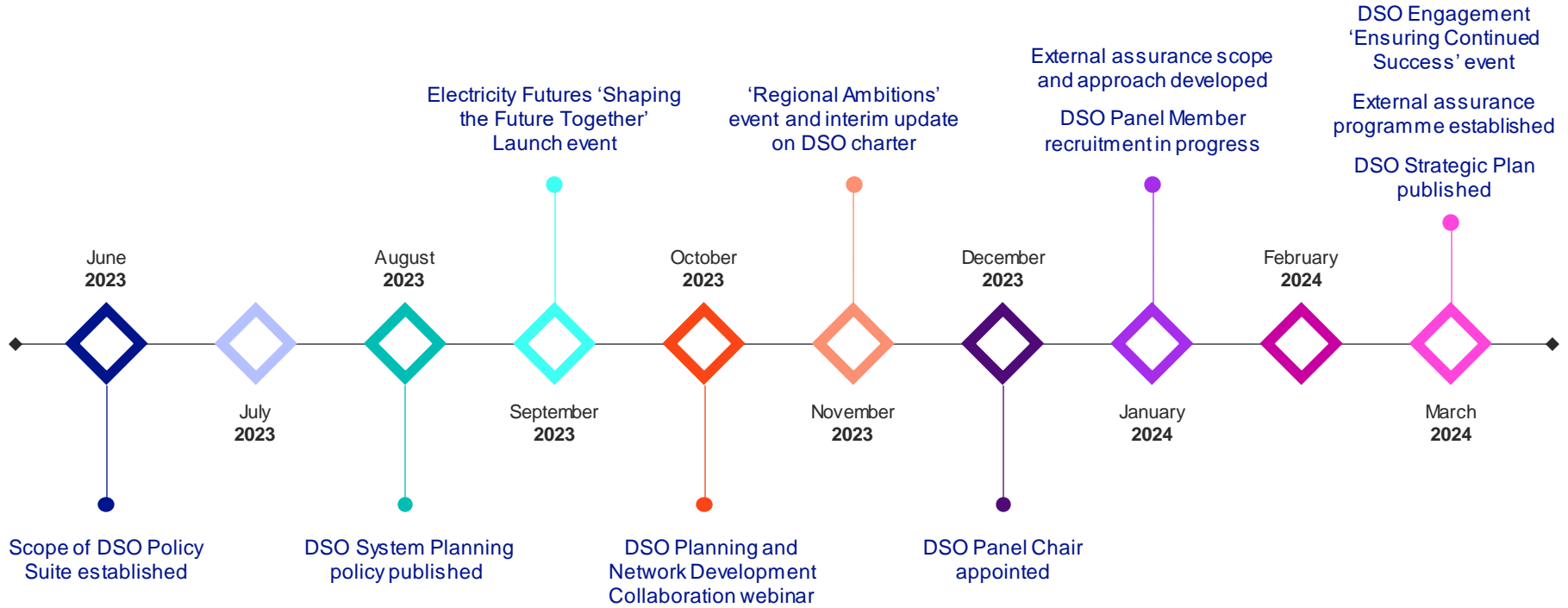


**Opportunity to defer £80 million** investment in conventional reinforcement through our flexibility programme to deliver consumer savings



**115** DSO stakeholder organisations engaged through our Electricity Futures event series

# We are establishing DSO governance measures needed to facilitate local decarbonisation for customers and communities





# The external governance landscape and outlook



**Kayte O'Neill**

Chief Operating Officer, ESO

**Janine Michael**

Deputy Chief Executive, Centre for Sustainable  
Energy

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**Introduction to NESO  
and its strategic planning responsibilities**

Kayte O'Neill, Chief Operating Officer, ESO

# Introduction



**Kayte O'Neill**  
Chief Operating Officer

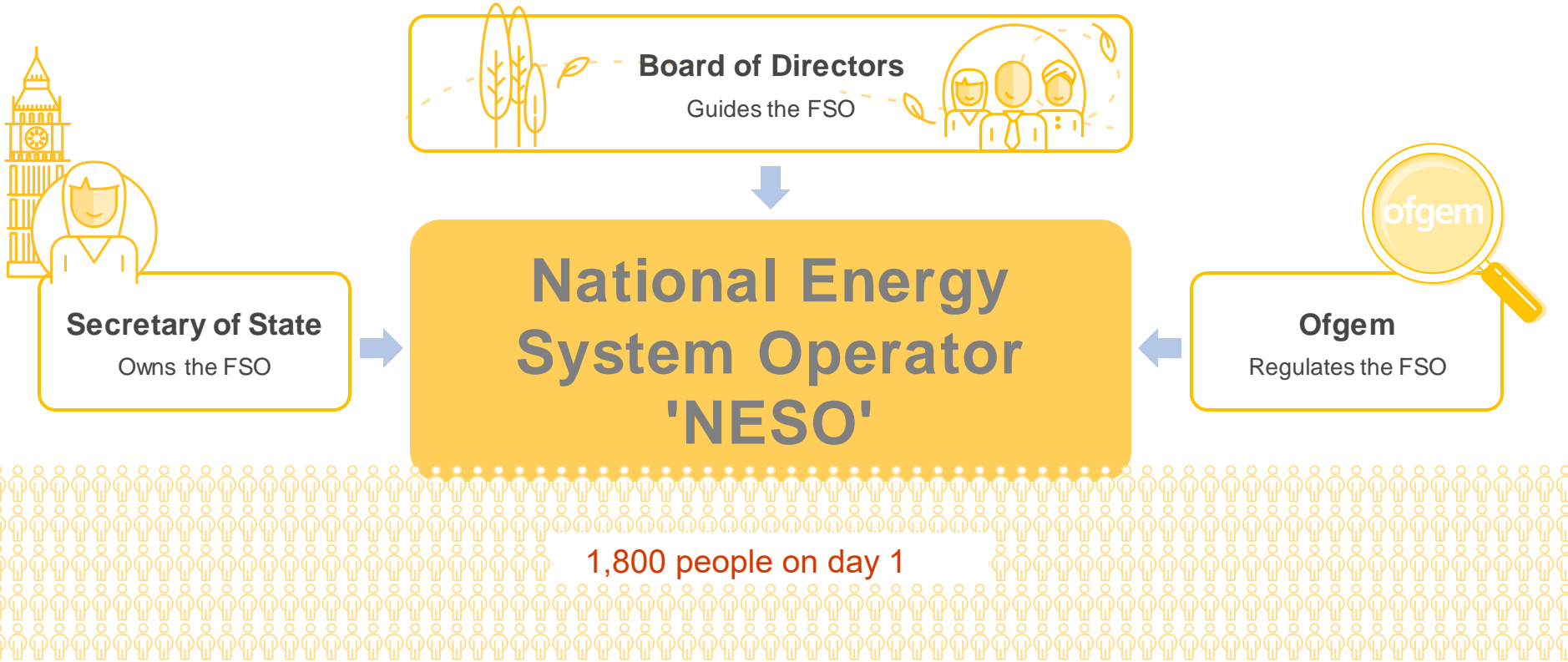
## What we are going to cover today

How we are setting up the FSO:  
governance and responsibilities

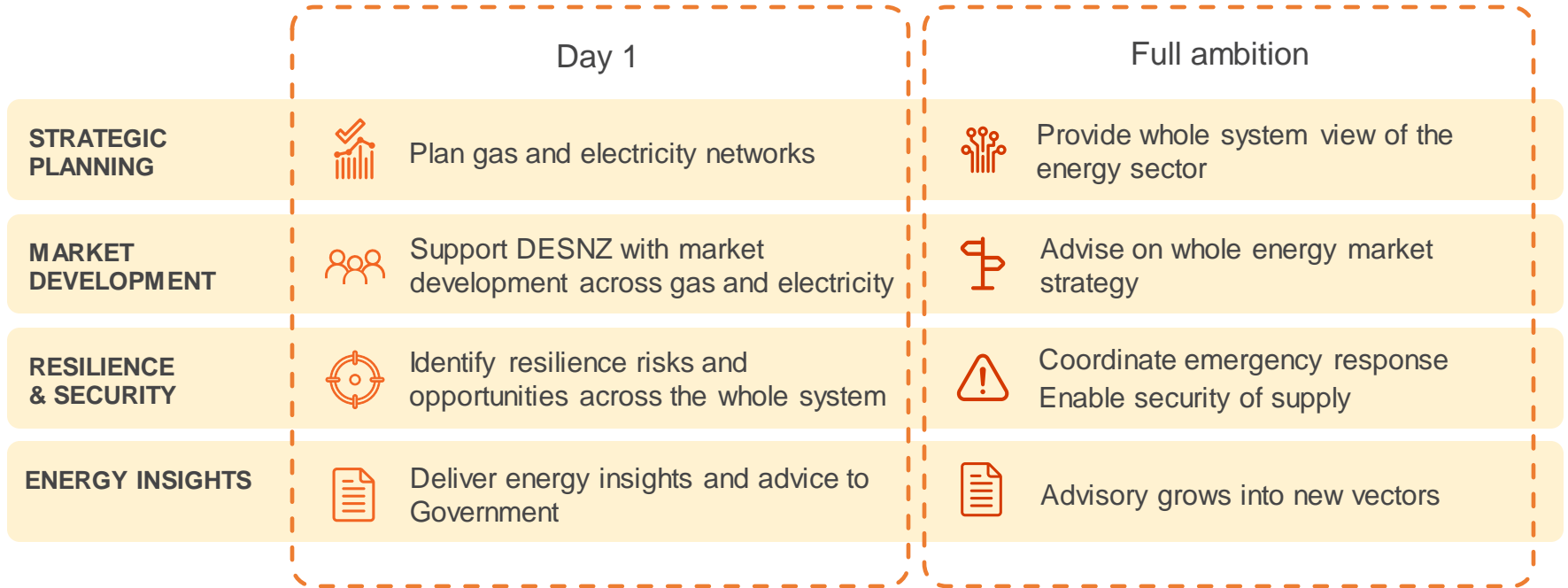
Overview of our future strategic  
planning responsibilities

Focus on regional energy  
strategic planning

# NESO to be established as a public corporation, independent from industry and Government



# NESO will deliver significant additional value across the whole system from Day 1





# As the Strategic Energy Planner, NESO will act as a body independent of asset owners to coordinate system design and planning efforts across the energy system



## Strategic planning

For the first time in industry, we will **coordinate system design and planning efforts across the whole energy industry** so planning and investment decisions can be optimised to deliver GB's net zero objectives at the most equitable cost to consumers.

Our three overarching roles are the following:

- **Strategic Spatial Energy Planning**
- **Centralised Strategic Network Planning**
- **Regional Energy Strategic Planning**



Facilitate Net Zero target while ensuring energy security



Deliver regional and national whole energy solutions



Consider the impact on communities



Consider the impact on the environment



Consider costs to consumers and deliver economic strategies

It's still early days for regional energy planning... Ofgem published their [decision](#) relating to local energy institution and governance on 15 November 2023

- 10-13 Regional Energy System Planners across GB
- NESO appointed as the delivery body for Regional Energy Strategic Planning
- Target to set RESP up by late 2025/26
- Detailed design led by Ofgem in 2024

## NESO's regional energy strategic planning roles

Strategic  
Planning

Technical  
Coordination

Place Based  
Engagement and  
Coordination

Support to Local  
Actors

## Regional Energy System Planners are being set up to “Ensure energy distribution networks support and enable the efficient delivery of net zero at a local level”

We will do this by

- Driving consistency of approach for regional energy planning
- Aligning national and local energy plans
- Ensuring cross-vector consistency.
- Having local legitimacy
- Providing support to local actors

**Our focus now: working with Ofgem and stakeholders to design the right governance for regional energy strategic planning**





## Let's continue the conversation!



Your ESO Contacts



FSO Webinars starting next week



FSO Website and email inquiries

# A PLACE-BASED PERSPECTIVE ON REGIONAL ENERGY STRATEGIC PLANNERS (RESP)



Janine Michael, Deputy Chief Executive  
*Centre for Sustainable Energy*



# ABOUT CSE



## Objectives & activities

**CSE's vision is a world where sustainability is second nature, carbon emissions have been cut to safe levels, and fuel poverty has been replaced by energy justice.**

Our work focuses on societal change – we support people and organisations across the UK to tackle the climate emergency and end the suffering caused by cold homes – sharing our knowledge, practical experience and policy insights.

INDEPENDENT  
LOCAL  
OPTIMISM  
INSIGHT  
PIONEERING  
POSITIVE  
CANDID  
PEOPLE  
INQUISITIVE  
DATA  
BRISTOL  
HOME  
TEAM

# KEY PERSPECTIVES ON RESP



- Significance of RESP for Local Stakeholders and Communities
- Considerations for accountability and local engagement
- RESP design considerations for NESO and Ofgem



# SIGNIFICANCE OF RESP FOR LOCAL STAKEHOLDERS & COMMUNITIES



- Governance structures that own the planning for a Net Zero energy system – nationally and regionally – are welcome
- Whole system is vital – if potentially messy in the near term
- Challenge will be to ensure next steps and progress can continue and increase in pace
- RESP could fill the governance gap that many LAs and LAEPs have not yet developed
- RESP should enable geographic gaps to be filled and more consistency in approaches
- Could RESP support via data ownership and capacity building support for LA?



# CONSIDERATIONS FOR ACCOUNTABILITY AND LOCAL ENGAGEMENT



- Impartiality from government and political interests is good – but conflicts (and perceptions of conflicts) need to be managed through transparency of decision making
- Boundary setting – following political and LA boundaries is welcome
- Capacity and skills issues associated with net zero vary enormously between different size and types of LA. This will affect the capacity of LAs to engage
- The planning system is an important level – and RESP could help feed into regional spatial plans – currently absent in England
- Planning is also devolved down to districts by county councils – need to recognise that these are smaller bodies with less resource to engage with RESP
- Local authorities are not the only stakeholders or catalyst for net zero – community groups, businesses, LEPs need a voice
- Synergise with what DNOs/GNOs/DSOs are already doing on stakeholder engagement

# RESP DESIGN CONSIDERATIONS FOR NESO AND OFGEM



- Powers and role of the RESP need to be clear – so expectations can be managed. Just strategic planning? Or coordinator and catalyser of action? Presumably not a delivery agent
- Relationship to NESO, the transmission grid and large local infrastructure developments
- Top-down vs bottom-up planning – LAs and DSOs need reliable and detailed local plans
- LAEPs are good – but variable, geographically patchy and expensive
- Planning for net zero needs to become a continuously refreshed process
- Recognise what knowledge and progress already exists - existing bodies/structures (e.g. LEPs, combined authority programmes, regional net zero hubs, best practice within DSOs already for working with LAs, local exemplar net zero stakeholder engagement processes)

It's going to be more jazz than Mozart...





# The external governance landscape and outlook



## Group discussion

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# The external governance landscape and outlook



## Electronic voting

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# Coffee break



15 minutes

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# NGED's governance story and outlook



**Ben Godfrey**

Director of DSO

**Phillipa Slater**

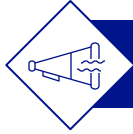
Director of Asset Management and Ops Support

**DSO**

**nationalgrid**  
electricity distribution



# Our DSO activity has the potential to deliver a wide range of positive outcomes for the customers and communities we serve



Our vision as DSO is to create a smart, flexible energy system that facilitates local decarbonisation for all customers and communities, at the right time and lowest cost



**Facilitate ambitious local decarbonisation efforts** by partnering with and providing data and tailored support to over 130 local authorities delivering LAEPs. We are also providing tailored support to connect 150 community energy schemes



**Accelerate development of flexibility markets and significantly expand access** to maximise the benefits of demand side solutions. We will offer easier access to extensive data and ensure this can be tailored to customer requests

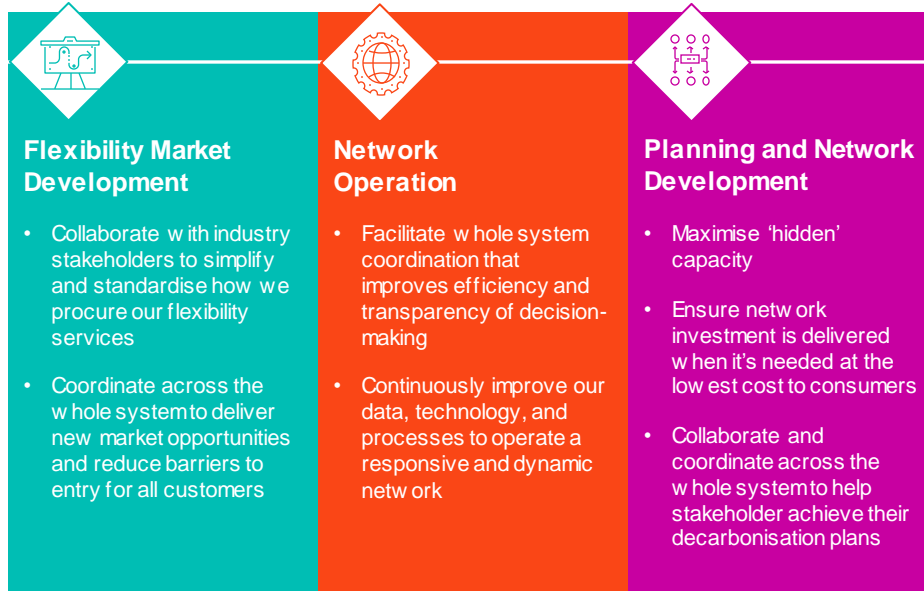


**Defer conventional reinforcement delivering at least £94 million in savings to customers.** We will keep costs low by only reinforcing the network where there is no alternative







**Provide additional capacity for customers to connect LCTs easily and without delays.** We will enable at least an additional 1.5 million electric vehicles and 600,000 heat pumps

# Clear and effective governance is central to enabling NGED DSO to deliver our core functions and drive positive outcomes for consumers and the energy system

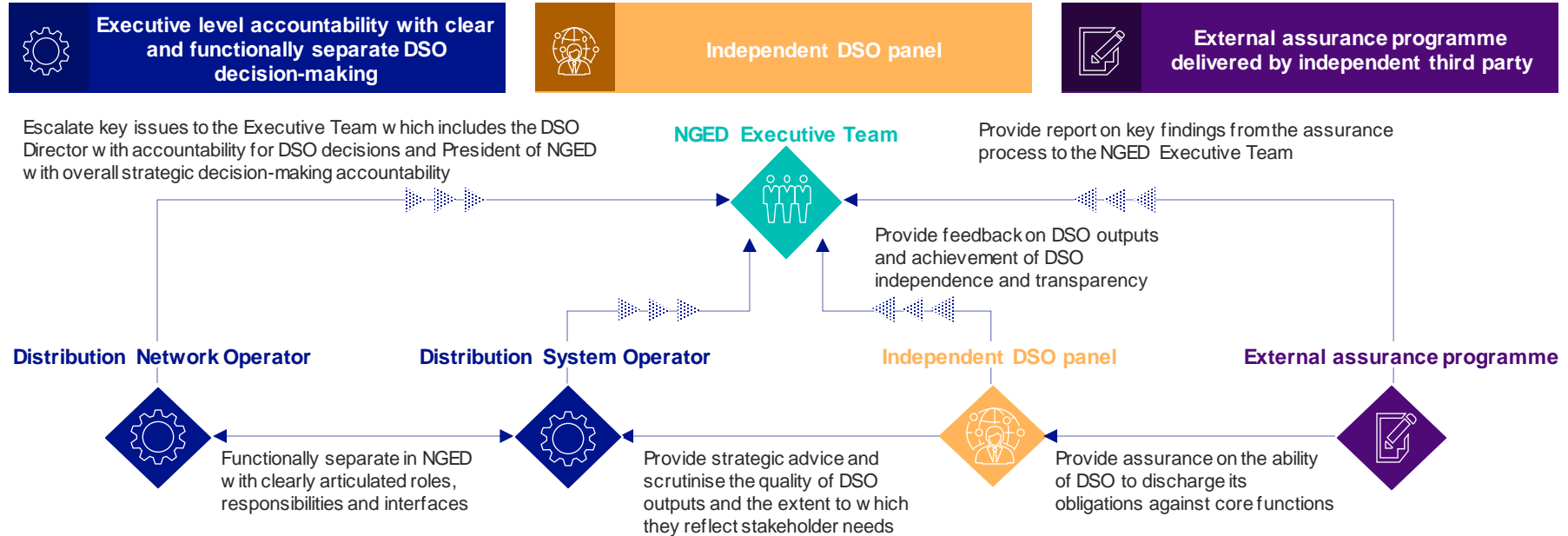


# We continue to stride forward in delivering our core DSO functions, whilst achieving key DSO governance milestones

	2022	2023	2024
 <b>Governance</b>	<ul style="list-style-type: none"> <li>✓ DSO and DNO functional separation completed</li> </ul>	<ul style="list-style-type: none"> <li>✓ DSO Charter published</li> <li>✓ DSO system planning policy published</li> <li>✓ Independent DSO Panel Chair appointed</li> </ul>	<ul style="list-style-type: none"> <li>✓ Establish full DSO Panel</li> <li>✓ Publish full suite of DSO Policies</li> <li>✓ Establish external assurance process</li> <li>✓ Publish DSO Strategic Plan</li> </ul>
 <b>Flexibility Market development</b>	<ul style="list-style-type: none"> <li>✓ Named largest flexibility procurer</li> </ul>	<ul style="list-style-type: none"> <li>✓ Ceiling prices introduced</li> <li>✓ Sustain Product launched</li> <li>✓ LV Zones launched</li> <li>✓ Market Gateway launched</li> </ul>	
 <b>Network operation</b>		<ul style="list-style-type: none"> <li>✓ Flex trades implemented</li> <li>✓ MW Dispatch Go Live</li> </ul>	
 <b>Planning and network development</b>	<ul style="list-style-type: none"> <li>✓ Network development plan published</li> </ul>	<ul style="list-style-type: none"> <li>✓ 10GW technical limits management</li> <li>✓ LV Network Visibility portal</li> </ul>	<ul style="list-style-type: none"> <li>✓ Publish Network Development Plan in Q1 2024</li> <li>✓ Updated DFES issued</li> </ul>

# We have made substantial progress against our commitments to enable efficient, transparent and functionally-separate DSO governance and decision-making

## Our DSO governance commitments

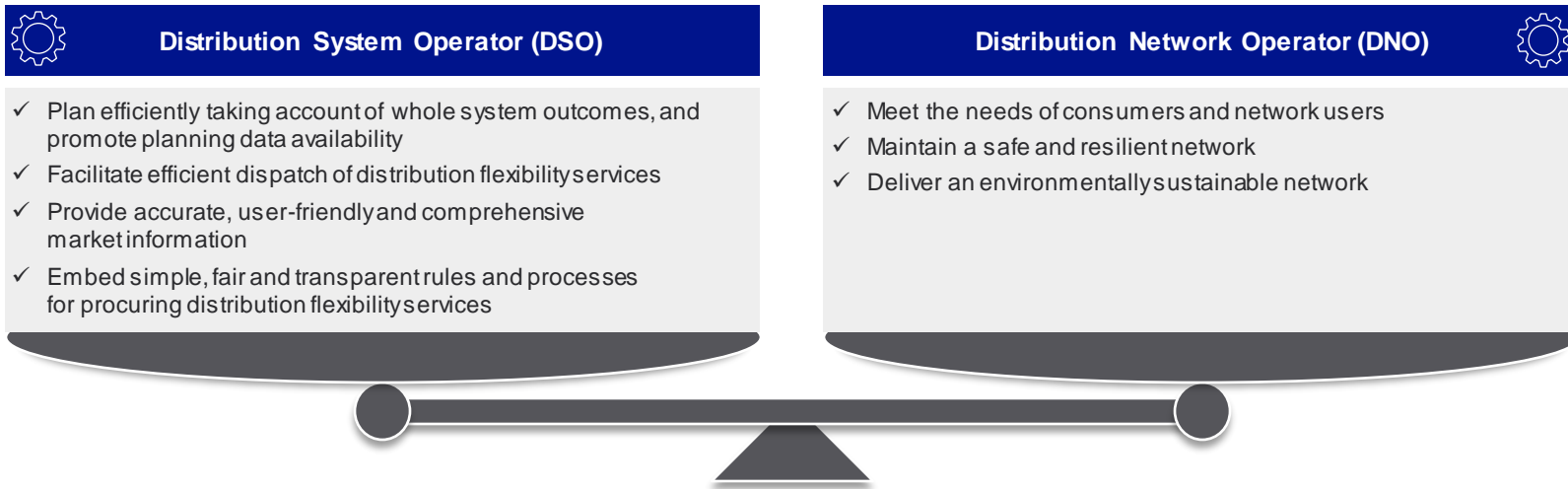




There is a need to strike a balance between both DSO and DNO objectives to deliver optimum outcomes for consumers and operate a safe and secure network

Across NGED, we are balancing DSO and DNO objectives to support development of a smarter system that enables decarbonisation for customers and communities, whilst maintaining a safe, reliable network and minimising costs to consumers

### Key Ofgem objectives





**Phillipa Slater**

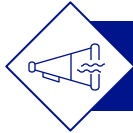
Director of Asset Management and Ops Support

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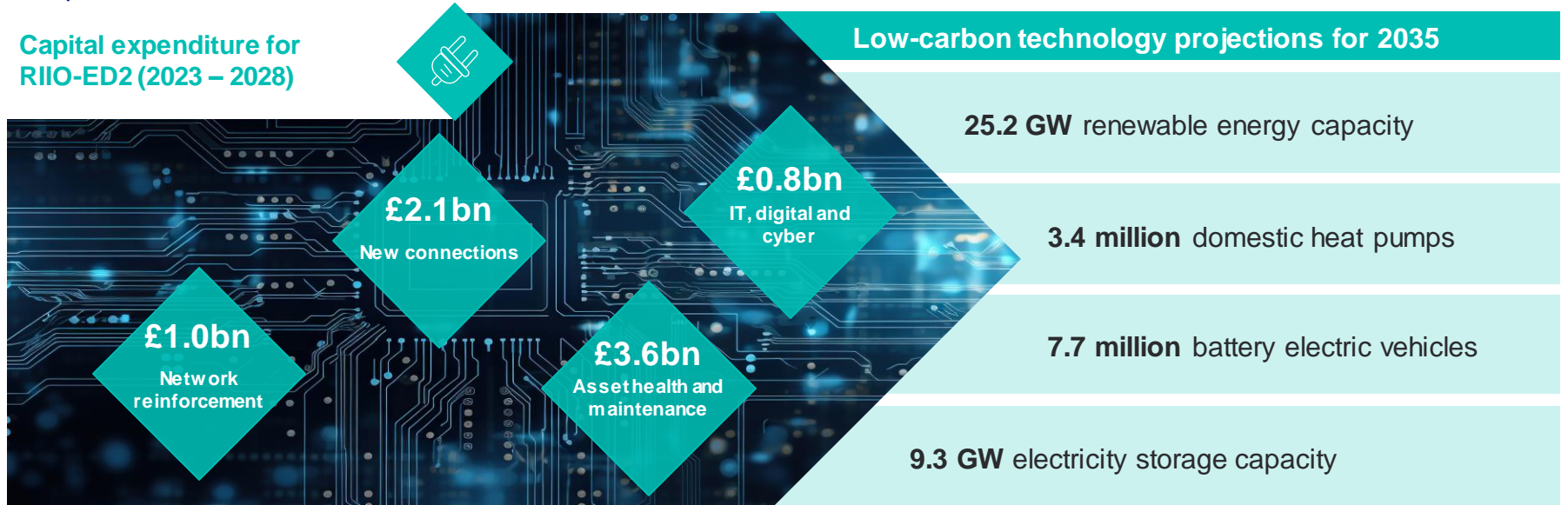


# Effective operation of the DSO:DNO interface will be key to optimising delivery of £7.5 billion of capital investment, where and when it is needed in RIIO-ED2



Projected spend on network reinforcement is expected to rise by over 100% from the RIIO-ED1 period alongside rising connections and non load network investment in order to build out the infrastructure needed enable the UK's drive to net zero

Capital expenditure for RIIO-ED2 (2023 – 2028)



Low-carbon technology projections are totals across NGED's distribution areas in the Leading the Way scenario from our latest 2024 Distribution Future Energy Scenarios (DFES)

# Our governance approach aims to enable efficient and transparent decision-making and outcomes

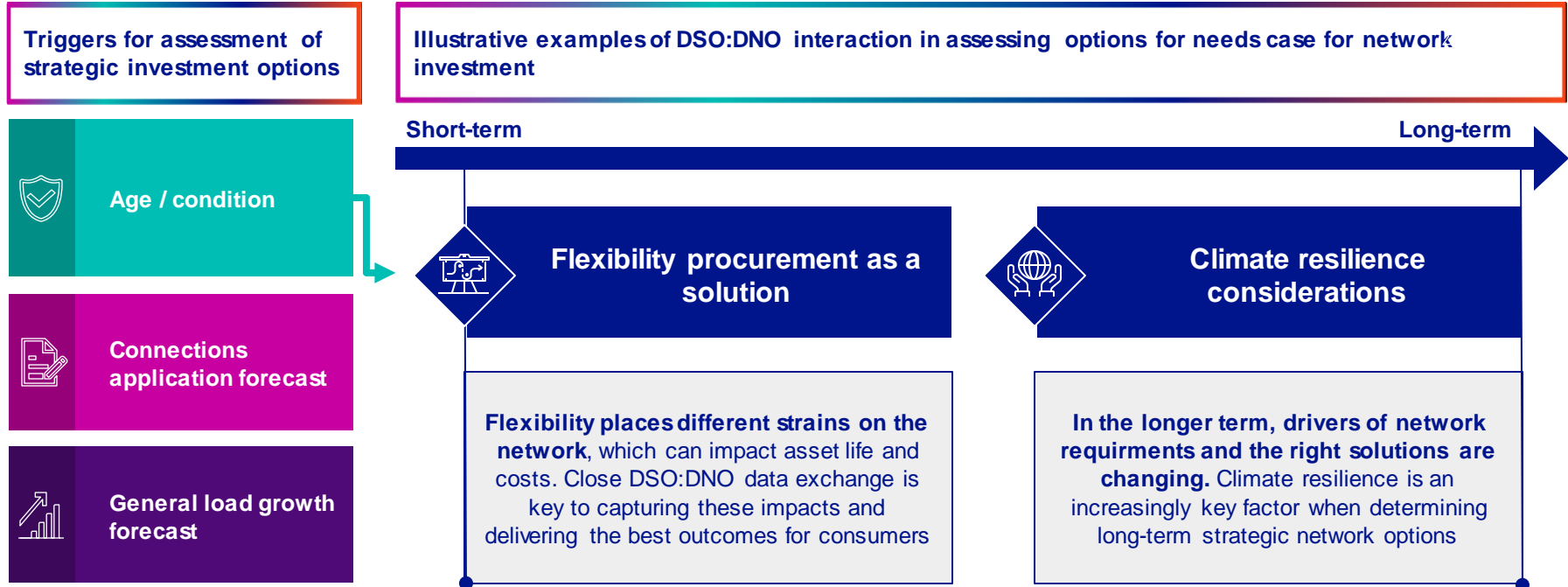
## Our approach will drive key organisational changes...

Sufficient focus on DSO and building the relevant capabilities

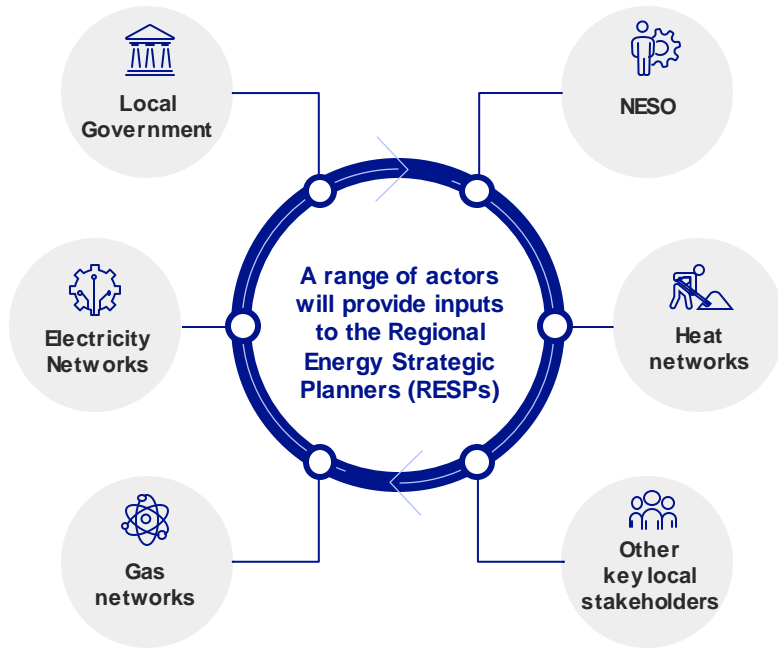
A cultural transition for NGED as we move towards a smart, flexible energy system



# A close relationship between DNO and DSO is key to working through the objectives and challenges of both functions to achieve the best outcomes for consumers



# As wider governance arrangements evolve, RESPs will play a critical role alongside DSOs and key local stakeholders in driving the transition to net zero



Key questions on the RESP detailed design remain	
<b>Governance model and operational structures</b>	<ul style="list-style-type: none"> <li>How to ensure the governance model and operational structures drive coherence across regional and national decarbonisation objectives?</li> </ul>
<b>Regulation</b>	<ul style="list-style-type: none"> <li>How should RESP performance be monitored and assessed?</li> </ul>
<b>Democratic representation</b>	<ul style="list-style-type: none"> <li>How to ensure RESPs embed democratic representation?</li> <li>What should the RESPs' role in supporting local stakeholders be? How should this interface with support offered by electricity networks?</li> </ul>
<b>Decision making</b>	<ul style="list-style-type: none"> <li>How should RESP plans and decision-making interact with electricity and gas network price controls?</li> <li>How should RESP plans interact with other strategic plans at local and national levels?</li> </ul>



# NGED's governance story and outlook



Group discussion

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# NGED's governance story and outlook



## Electronic voting

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# Introducing the role and Chair of NGED's DSO Panel



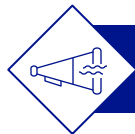
Panel discussion chaired by  
**Steve Jennings**  
Advisor and Non-Executive Director

**DSO**

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# The role of our DSO Panel will be to strategically advise on the activities and outputs of NGED DSO



Our DSO Panel will be responsible for providing strategic advice to NGED DSO on the quality of its outputs and the extent to which they reflect the needs of DSO stakeholders, helping to deliver a positive impact on the GB energy system



## Incoming NGED DSO Panel Chair



**Regina Finn**

Director, Lucerna Partners and Chair of the LCCC and the Electricity Settlement Company

# Our expert panellists here with you today to discuss DSO governance and our incoming NGED DSO Panel



**Steve Jennings**

Advisor and Non-Executive Director



**Regina Finn**

Director, Lucerna Partners and Chair of the LCCC and the Electricity Settlement Company  
*Incoming NGED DSO Panel Chair*



**Ben Godfrey**

Director of DSO, National Grid Electricity Distribution



**Marzia Zafar**

Deputy Director, Energy System Digitalisation and Decentralisation, Ofgem



**Bridget Hartley**

Head of Regional Energy Strategic Planning, National Grid Electricity System Operator

# Next steps



**Cordi O'Hara OBE**

President,  
National Grid Electricity Distribution

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Register your interest for  
the final event in our  
Electricity Futures Series



Ensuring Continued Success  
28 March, Battersea Power Station

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