

RTPI evidence to the BEIS and Ofgem consultation on flexible and responsive energy markets

September 2019

The Department for Business, Energy and Industrial Strategy (BEIS) and Ofgem have launched a joint review to investigate what policy, legal and regulatory changes might be needed to ensure that the energy retail market is fit for the future. The review aims to enable consumers to take advantage of the increased flexibility and lower costs of a smart, low-carbon energy system while appropriately safeguarding all consumers. It also aims to support delivery of the government's commitment to fully decarbonising the energy system with net zero emissions across the whole economy.

Recent changes to national planning policy across the UK have placed a greater emphasis on the need for local and strategic plans to be accompanied by strategic policies for infrastructure, including energy. These changes recognise that the UK's planning systems can and should play an important role in the transition to a smart, low-carbon energy system for both new and existing customers.

This can be achieved in numerous ways. For example, the plan-making process helps energy providers to identify the location and quantum of future infrastructure need in relation to other place-based objectives and provides a mechanism to enable coordinated infrastructure delivery across different interrelated sectors (which is especially important for distributed energy infrastructure such as EV charging points, which span the transport, energy and digital infrastructure sectors). During the development management process, planning raises revenue for infrastructure, regulates developments to manage energy demand, and sets conditions which can help to improve the coordination of connection requests to utility companies and reduce disruption to the highway network from street works.

However, our upcoming report *A smarter approach to infrastructure planning* found that planners face significant challenges when seeking to manage these processes, and for infrastructure providers seeking to engage with planning frameworks¹. Infrastructure planning is hindered by complex, multi-level governance arrangements, with limited incentives or mechanisms for infrastructure providers to engage at an early stage in planning or invest in capacity improvements ahead of demand. Our recent report *Planning for a Smart Energy future* similarly found that planning policy and practice in England gives insufficient emphasis to smart energy and climate change, inhibiting the aforementioned energy transition².

¹ See: rtpi.org.uk/integratedinfrastructure (due to be published late September 2019)

² See: rtpi.org.uk/smartenergy



In this context, the focus of this review should widen its scope beyond the focus on consumer prices and consider wider costs and benefits to place-making. For example, much of the consultation document describes how the regulatory framework could be adapted to encourage new products, services and business models into the energy retail market, driving competition and innovation and bringing down prices to consumers. While there are benefits to increased competition, it makes no mention of the costs that are incurred by local authorities, developers and other infrastructure providers in terms of engaging with an increasing number of Independent Distribution Network Operators and Connection Providers that are entering the market. To manage engagement across this fragmented sector, some local and strategic authorities, and larger developers, employ dedicated teams to coordinate infrastructure provision throughout planning and development. Without this investment of time and resource, developers can experience unexpected costs and delays to development, which can have knock-on impacts to the delivery of housing targets and contributions to affordable housing, and in high-growth areas can lead to congestion, noise and air pollution from uncoordinated street works for grid reinforcement. While these costs may not be borne directly by consumers, they do have real impacts on the public.

This review should therefore consider which forms of energy retail market are most compatible with existing governance structures for planning and development management, and ensure that proposed solutions are fully supportive of a plan-led and place-based approach to energy provision and decarbonisation. This could include looking at the role of regulation in shaping how energy providers engage during the plan-making process and structures which enable them to invest in advance of demand.

This review should also recognise that the planning systems in Scotland and Wales are going through periods of significant change. The Welsh Government is placing a renewed emphasis on cooperation through the emerging National Development Framework, assuming new decision-making powers for development proposals on energy and water infrastructure, and have a growing interest in coordinating telecommunications infrastructure. Meanwhile, the Scottish Planning Act contains provisions for an infrastructure levy, and the government has established an Infrastructure Commission and Infrastructure Delivery Group to improve coordination between infrastructure providers and the planning system. The devolved nations should be fully engaged with this review, and able to develop their own policies and initiatives.