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Your Ref: FSO Consultation
Date: 23rd September 2021

Dear Sir/Madam,

A joint response from Suffolk County Council and East Suffolk Council to the Energy Future System Operator Consultation - July 2021

As Local Authorities which are affected by National Grid Electricity Transmission projects, and multiple projects requiring the connection of energy generation and interconnectors, Suffolk County Council and East Suffolk Council (hereafter referred to as 'the Councils') welcome the opportunity to respond to this consultation on a Future System Operator (FSO).

There are areas of particular concern on which we have focussed our response. These have been selected based on our experience with, and knowledge of, the current Electricity System Operator (ESO), and our understanding of the need to deliver an effective energy transition to achieve Net Zero by 2050. The Councils consider this must be achieved whilst both minimising adverse impacts on communities and the environment and increasing the levels of social permission, for the significant changes that are required.

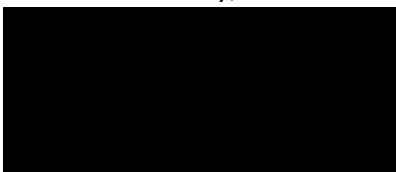
The Councils recognise that the current ESO has made significant strides in its engagement with those who represent communities affected by its planning and decision making. However, given the magnitude of the challenge that is delivering Net Zero, and the primacy of a FSO in that delivery, significant reform is essential. In summary:

- It is essential that the **FSO is entirely separate from National Grid PLC**, and that energy system planning in the UK should be reoriented to focus on the delivery of a flexible and low carbon energy system.
- **Integration across the whole system** needs to link generation, supply, demand, flexibility services and infrastructure planning, of both energy **transmission and distribution**, to bring down both costs and CO₂.
- To achieve a satisfactory Net Zero energy system, there is now a need to focus on achieving a low carbon energy system that is flexible, integrated, innovative and coordinated, using a **best value whole systems approach**.
- There are currently significant weaknesses in the processes for the **assessment of the environmental impacts and risks**, of both new transmission and connection proposals, at the plan rather than project (development consent) stage, that need to be addressed.
- The presumption of the need for new transmission infrastructure in the Draft National Policy Statement EN-5, places a significant additional onus on the FSO (and current ESO), as the system planner, to be more transparent and robust. This is required if **public acceptance of, and confidence in, the delivery of Net Zero transmission and generation infrastructure**, is not to be further eroded.

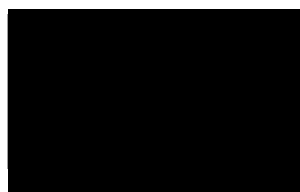
The Councils are committed to supporting the UK's delivery of Net Zero by 2050. However, this must be achieved in a way which increases public confidence in the process, whilst delivering substantial direct and indirect benefits to the environment and communities of Suffolk¹. The necessary Net Zero infrastructure must be delivered, whilst minimising its adverse impacts, if social permission for climate adaptive changes, is not to be further eroded.

The Councils' detailed responses to the consultation questions are appended to this letter.

Yours faithfully,



Richard Rout
Cabinet Member for Environment and
Deputy Leader of Suffolk County Council



Craig Rivett
Cabinet Member for Economic Development and
Deputy Leader of East Suffolk Council

cc. James Cartlidge MP, Dr Thérèse Coffey MP, Dr Dan Poulter MP

¹ <https://www.suffolk.gov.uk/assets/suffolk.gov.uk/strategic-electricity-networks/SCC-Energy-Policy-230212.pdf>

Appendix – Detailed response to the consultation questions

The need for, role, and the scope of the FSO (Questions 1 – 3)

It is agreed that the challenges of Net Zero do require a new energy system operator, and that this role should extend across the energy system. However, it is not clear that the proposals as set out in this consultation, provide an appropriate framework for the whole energy system transformation that is required.

The proposals do not appear to allow for the coordination of integration, across the energy system. Integration across the whole system needs to link generation, supply, demand, flexibility services and infrastructure planning, of both energy transmission and distribution, to bring down both costs and CO₂. It is also necessary to link the governance of the electricity and gas systems with energy use in transport², industry, and agriculture.

We agree, as set out in the consultation, that “*strategic decisions regarding net zero and carbon budget six will need to be taken shortly*”, consequently, the creation of an FSO is only the next and interim stage, in the development of a comprehensive framework for energy system governance.

The independent status of the FSO (Question 4)

It is essential that the FSO is entirely separate from National Grid PLC. As the consultation document points out there is, at the very least, a perception of an ongoing conflict of interest, notwithstanding the separation of National Grid Electricity System Operator (NGESO) from other parts of National Grid PLC, which has already taken place.

Current and future system wide planning and decision making (Question 5)

Energy system planning in the UK should be reoriented to focus on the delivery of a flexible and low carbon energy system. The current framework is only partially focussed on this outcome. It is no longer sufficient to solely focus on the lowest unit cost to the consumer. To achieve a satisfactory Net Zero energy system, there is now a need to focus on achieving a low carbon energy system that is flexible, integrated and coordinated, using a *best value*, whole systems, approach³. *Best value* is overall value, including economic, environmental, and social value.

Furthermore, a *best value*, rather than lowest cost to the consumer approach, would create greater scope for deployment of the innovative, and potentially more risky, technological solutions necessary to decarbonise. This would complement the Early Competition Model being explored, in the current *Competition*⁴ and *Early Competition*⁵ for Onshore Networks Consultations, which are exploring options for different types of network solutions to compete on a level playing field.

² Para 1.1 [Getting energy governance right University of Exeter](#) Sept 2019

³ <https://es.catapult.org.uk/news/local-area-energy-planning-key-to-minimising-decarbonisation-costs/>

⁴ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1008115/competition-onshore-electricity-networks-consultation.pdf

⁵ <https://www.ofgem.gov.uk/publications/consultation-our-views-early-competition-onshore-electricity-transmission-networks>

Finally, the Councils have previously made representations to both NGESO and National Grid Electricity Transmission (NGET), regarding the weaknesses in assessment of environmental impacts and risks at the initial plan rather than project stage, in the development of transmission proposals or connection offers. Both the Network Options Assessment⁶ (NOA) (para 2.45 – 2.47) and the Connection and Infrastructure Options Note⁷ (CION) methodologies rely on a process in which, *“TOs [Transmission Operators] provide views on the environmental impact of the options that they have proposed”*. It remains our view that this is not sufficient and robust, given the extent and complexity of environmental impacts. Furthermore, it is not consistent with the approach taken by other bodies, such as Crown Estate to the development of seabed for cabling and transmission projects, through its *Cable Route Protocol*⁸. This protocol seeks to evaluate the strategic environmental risks of subsea cables robustly at an early stage, and it is considered that a same or similar approach to onshore transmission would be both reasonable and proportionate.

The lack of transparency around the consideration of the environmental impacts of network planning and connection offers by the ESO, critically undermines public confidence in both the NOA and CION processes. This is not sustainable, given the extent of generation and transmission infrastructure required to reach either Net Zero, or 40GW of offshore wind by 2030; particularly when considering the wording in *Draft National Policy Statement EN5*⁹ (at para 2.1.2) that:

“...there is a significant need for new major energy infrastructure generally, and for electricity networks infrastructure specifically – including in areas with comparatively little infrastructure build to date. In light of this, and in accordance with the need statement set out in Section 3.3 of EN-1, in making recommendations to the Secretary of State the Secretary of State [(sic) Examining Authority?] should act on the basis that the need for the electricity networks infrastructure covered in this NPS has been demonstrated”

Such a strong presumption in favour of the need for new transmission projects, requires a correspondingly greater degree of transparency around system planning. The FSO will need to address this issue, if public acceptance of, and confidence in, the delivery of Net Zero transmission and generation infrastructure is not to be further eroded¹⁰.

The role of the FSO (Questions 8, 11 and 12)

The FSO should undertake the advisory roles suggested in the consultation. Furthermore, given the concerns that we have regarding the limited scope of the FSO, as outlined in answer to questions 1 to 3, we agree that the roles and functions should include, *“substantial advisory aspects, providing policy makers and wider stakeholders with technical advice, recommendations, and analysis across a range of issues, including decarbonisation”*. We also agree that the substantive engagement of the FSO with Distribution System Operator governance, is likely to be

⁶ <https://www.nationalgrideso.com/document/174231/download>

⁷ <https://www.nationalgrideso.com/document/45791/download>

⁸ <https://www.thecrownestate.co.uk/en-gb/media-and-insights/news/2019-28-gw-of-offshore-wind-extension-projects-to-progress-following-completion-of-plan-level-habitats-regulations-assessment/>

⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015238/en-5-draft-for-consultation.pdf

¹⁰ <https://www.standard.co.uk/news/uk/government-amber-rudd-policy-exchange-dame-scotland-b944686.html>

necessary, to support a whole system approach, and adequately develop the capacity of distribution networks, to support net zero heat and transport systems.

It is noted that the consultation highlights that once the FSO is established, it could fulfil a 'strategic function' role for the energy system, but that this is not part of the current proposals. The sharing of this role (in the interim) between the FSO, BEIS and Ofgem, has the potential to be a significant challenge, as there would remain no single point of accountability for the strategic planning of the energy system, needed to deliver Net Zero.

The organisational model for the FSO

We agree that ownership and governance of the FSO must exclude other commercial interests in the energy sector, and that government should have only limited strategic, rather than operational oversight, via the *Strategy and Policy Statement*. Therefore, based on the information available to date, the highly independent corporate model within the public sector, proposed in the consultation, is likely to be the preferred option.

Implementation

It is noted that the consultation proposes a phased implementation of the FSO. It is stated the FSO will initially be founded on the existing capabilities of the NGESO, followed by a phased introduction of other roles. At present this phased implementation does not appear very ambitious and could take a considerable time to be fully implemented, which would delay the benefits of improved system governance and planning.