

Getting Energy Governance Right

Prof Catherine Mitchell

Catherine.Mitchell@Exeter.ac.uk
Energy Policy Group, University of Exeter



New Thinking For Energy



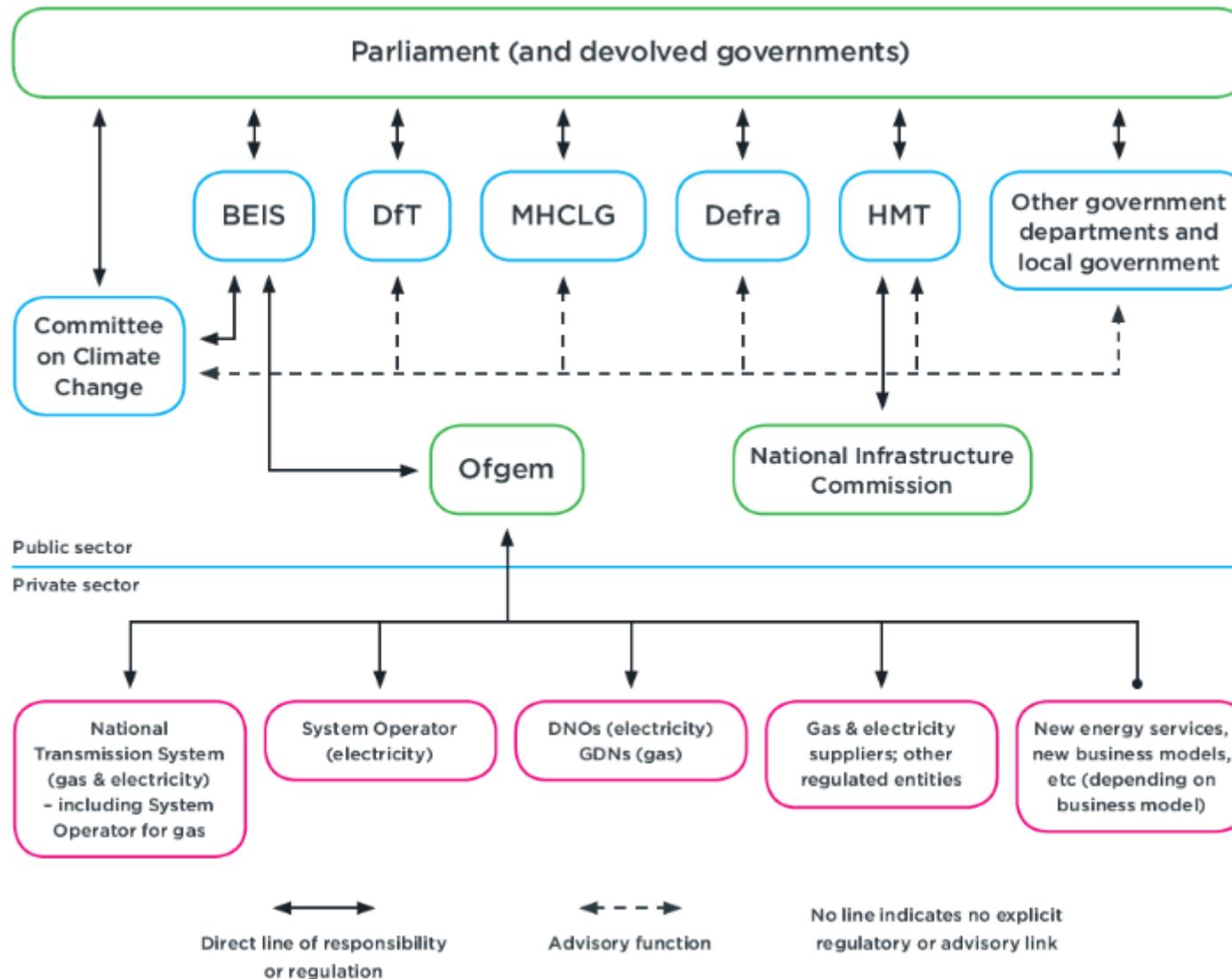
Definitions

- 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 (and therefore energy economics); sets eligibility (eg Licenses, DSR (or not) in capacity mechanism; sets rules (Codes for system operation, market design); reveals value (or not) through markets; enables choice (or not); enables competition (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Energy governance is outdated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

GB energy governance: current institutions and responsibilities



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

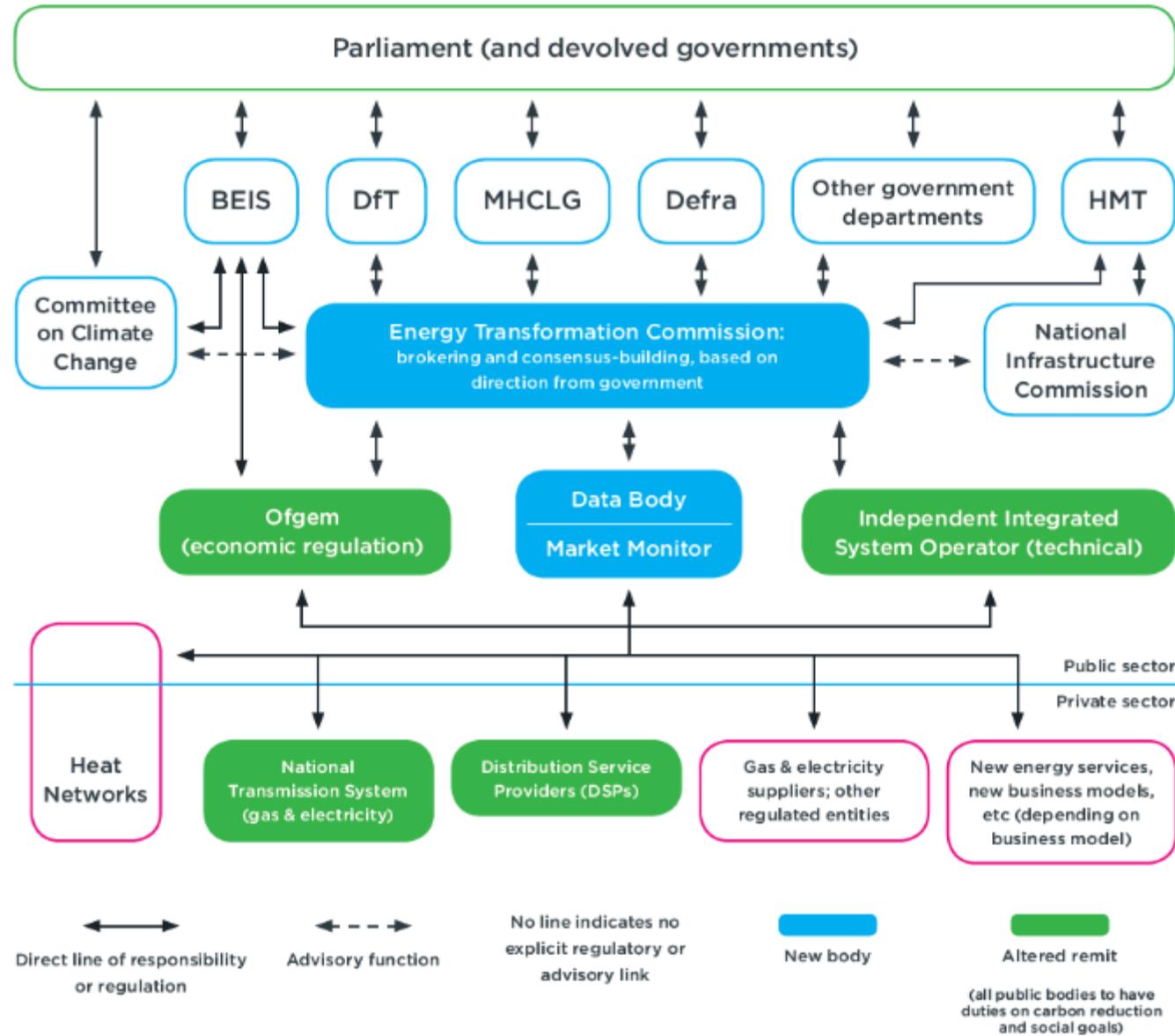
Reforming energy governance

- Governance reform needs to incentivise the outcomes that society requires from the energy system, including security, rapid decarbonisation and social goals.
- This reform should be underpinned by three core principles:
 - legitimate and transparent governance
 - putting people into the centre of the energy system and its transition
 - Based on regulation that is adaptive to change

A new governance framework

- Achieving these goals and principles will require new institutions, and reformed roles for some existing institutions
 - This process has to bring together the technical, the regulatory, the political, people and preferences, justice and legitimacy to manage the process of energy system transformation
- IGov advocates
 - A 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
 - An amended remit for Ofgem, focussing on economic regulation
 - The evolution from Distribution Network Operators (DNOs) to active Distribution Service Providers (DSPs)
 - Extended markets to local level
 - A Data Body, Market Monitor,
 - A regulatory framework for heat networks

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>

Conclusions

- The innovation sweeping the energy system has the potential to radically shift the way energy is produced, stored and used, and help the UK achieve its goal of net-zero carbon emissions, cost-effectively, justly and securely.
- But current governance of the energy system is outdated, and supports existing technologies and companies at the expense of innovators.
- The reforms we recommend will ensure that governance supports innovation, adapts to change and puts people at the centre
- Together this is transformational – to speed up; to bring together (technical, regulatory, political, political); and enable more competition