

Future Challenges in Energy Policy

Energy and Climate Change Committee
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New Thinking For Energy



Energy Challenges

- Need a new mind set
- Current institutions are not fit for purpose and have to be restructured
- Legitimacy has to increase
- AND if we manage these 3 challenges above then it will better enable the 3 challenges below
 - Greater connection, involvement, engagement with customer / citizens
 - Inertia to be overcome, new things to happen
 - An end to poor, decisions which we know will not lead to our stated goals

Need a new mind set of all system actors and stakeholders

- Lots and lots of things are changing within the energy system (technologies, economics, new business models, customer wishes)
 - But very little is changing
- This is because the mind set of most actors remains centralised, selling, fossil-fuel based, technocratic, customers as passive recipients
 - This is the reason why there is so much inertia in the system; why there is so little legitimacy

Current energy institutions are not fit for purpose

- Current, centralised economic regulation not suited to smart, responsive, integrated, competitive system
- Fundamental rethink of the role of the Regulator, Utilities, System Operator, markets and networks, new entrants, customers and citizens
 - Leading to institutional restructuring and new set of relationships between them
- Current institutional and legal base acts as fundamental block to change
 - Maintains inertia
 - Maintains illegitimacy
 - Allows poor decision-making

Legitimacy has to increase to involve, connect and engage citizens and customers

- EP and its system currently top-down, technocratic, inaccessible for most customers
- Broad view that Government policies and regulation benefit energy companies rather than customers
 - Too simplistic, but nevertheless a lot of truth in it
- Needs to become bottom-up, dynamic, engaged and optimised at each level (household, community, city, region etc)
- Needs new institutional framework (see Public Value Regulation on IGov website)

Overcoming Inertia

- Energy systems are social constructs – we have to construct a system which gives incentives or makes it easier (removes barriers) to do things differently – not the case at the moment (eg CM and Demand Side)
 - Incentives for new entrants / companies and so on
 - Ways for individuals, communities, cities to engage, become involved

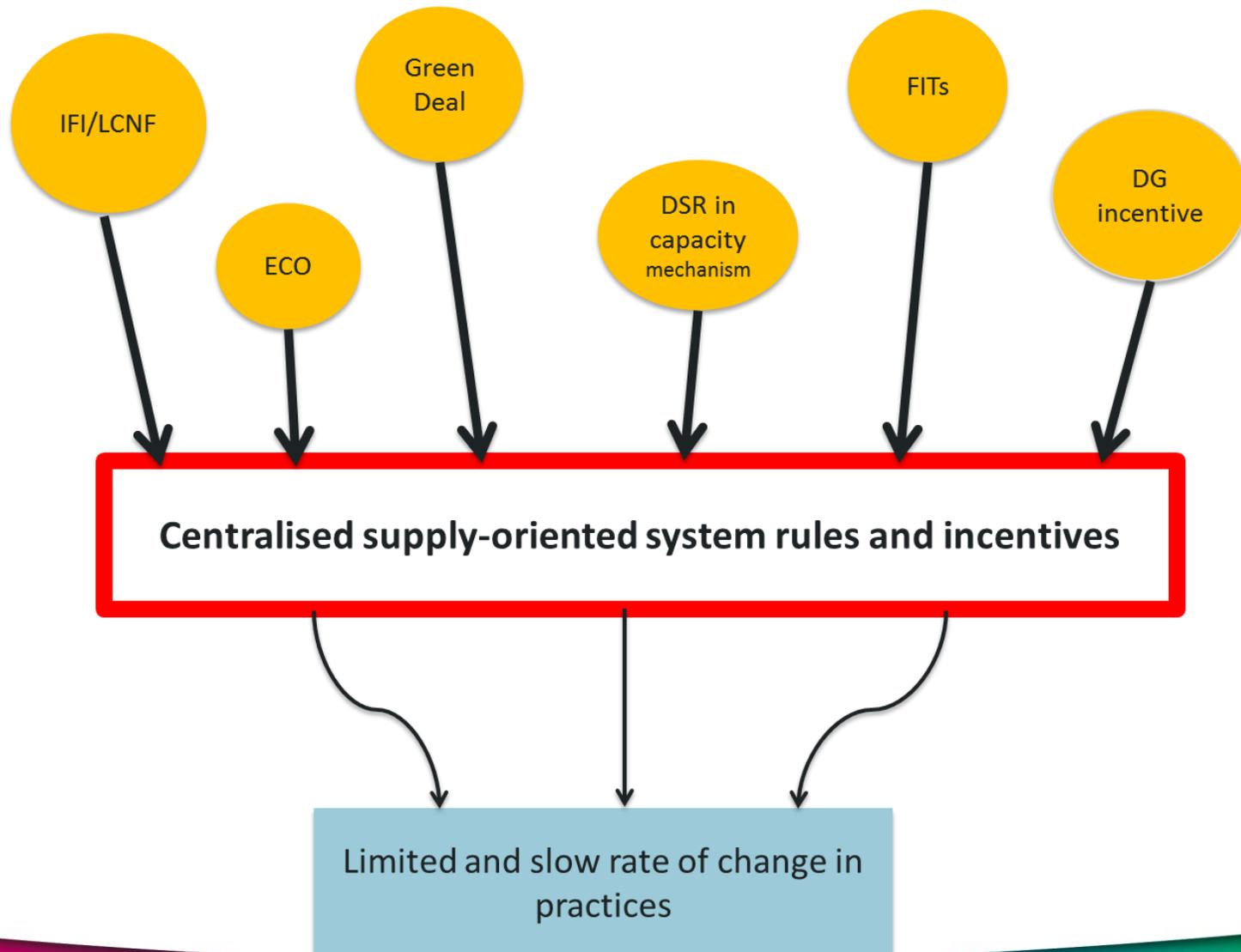
We have to stop taking energy policy decisions / implementing policies we know will not lead to our stated goals

- We are only able to make these poor decisions because of the points in previous slides –
 - our institutions are not fit for purpose;
 - there is minimal legitimacy and trust from customers to energy providers
- Multiple examples of poor decision-making

The challenges of energy is just one example of a number of policy areas which GB, and other countries, are grappling with to do with wider society

- Increasingly society does not see themselves connected with Parliament or those who benefit from Government decisions
- Having to rethink the role of Government, and its LEGITIMACY in an age of social media where (particularly) younger people are asking why is it that they are excluded from decisions other than at general elections, given the availability of technology which, in theory, allows them to be involved with any decision they wish to be involved in

Demand side policies find it difficult to make headway in the current energy system



Move from current delegated to more, directed, strategic framework to enable required rate of change

- Public Value Regulatory Process
 - Different institutions (probably)
 - Different balance between institutions (eg less dominant economic regulator)
 - Different balance between public and private (eg State-owned, not for profit System Operator)
 - Different relationships between institutions and actors (eg less letter of the law, more spirit of intention via more detailed expression of expected relationships (both legal and qualitative))