

FPSA3 - Enabling the Energy Transition – Preamble

Introduction

In November 2017, the FPSA Management Group (MG) commissioned Enzen Global to carry out the foundation work for phase three of the FPSA programme. This paper should be read in conjunction with the 'Enabling the Energy Transition' final report. It provides context to the conclusions and recommendations. It also proposes how the report should be used as part of the on-going FPSA programme.

Background

The first phase of the FPSA programme (FPSA1) focused on enhancing our common understanding of the nature and scale of the transformation required. It explored, in a systematic way, the technical functionality that the future power system will require. It identified over thirty new or enhanced functions that will need to be delivered by 2030.

FPSA2 focused on the efficient and timely delivery of these new functions. This work confirmed the widely held view that the governance arrangements for the standards and codes in the power industry are acting as a barrier to innovation and change. To address this, radically new, more agile ways of managing changes to the technical and commercial arrangements that apply across the whole-system were proposed. They were conceived to embed customer-centric, whole-systems thinking, give better access to the change process to a wider group of stakeholders, especially those newly active in the sector, and to reduce the time and cost of developing and delivering change.

The goal of FPSA3 is to further develop, validate and demonstrate the proposals made by FPSA2. Enzen Global was contracted to carry out the foundation work for this phase of the programme.

Objectives

The primary objective of the Enzen Global work was to develop the ideas formed in FPSA2 such that a use case or cases could be elaborated. This would show how the FPSA2 proposals could be applied in a real-world situation. It would turn the theory into practice.

The components of this work included the exploration and development of: the roles and responsibilities of all parties, noting the whole-system considerations required for the future; the legal and regulatory requirements and structures; proposals for funding this new governance framework; and the development of a transition plan.

The FPSA3 – Stage 1 (Enzen Global) Report

As with previous phases of the FPSA programme, working with Enzen Global to lay the foundations for FPSA3 has proved to be a valuable learning process. Enzen Global has significantly developed the understanding of the challenges and opportunities but in the process has revealed significant issues that require further specific consideration.

Firstly, this stage of the work has thrown into sharp relief the regulatory¹ divide that currently exists on each side of the consumer's meter. With a few exceptions, the standards owned and governed by the industry do not extend beyond the meter. Similarly, the regulations that apply to devices that consume electricity do not, generally, take account of their impact on the power system. This presents a major risk to the delivery of the whole-system benefits that most stakeholders believe are achievable. It also presents challenges to the Enabling Frameworks methodologies proposed in FPSA2 that need to be considered. Greater attention to the issues beyond the meter is now required.

Secondly, the work has highlighted the challenge of delivering multi-vector solutions as opposed to power alone. It has always been the ambition of the FPSA programme that its thinking should be applied across the energy vectors but there has not yet been sufficient engagement with stakeholders outside the power sector to make proposals that are sufficiently substantiated.

Lastly, work remains to be done on the practical application of the Enabling Frameworks proposed by FPSA2: how stakeholder groups would be convened, how decisions would be made and the crucial question of how market participants will be moved from their current adversarial mindset to one that is more aligned to solving shared problems. Achieving a 'system of systems' architecture is vital to the success of the Enabling Frameworks concept. It is also recognised that the cultures, processes and timescales in sectors such as automotive and digital technology are very different to power and these differences will need to be taken into account. It will be valuable for FPSA to understand governance approaches in other sectors to better understand how their perspectives should shape the proposals FPSA is developing. Further work is required on these important issues before a more public debate is initiated.

The Enzen Global report was commissioned to develop and evaluate options for alternative governance frameworks. The report was to complement the work that Ofgem is currently pursuing on governance reform in response to the CMA's recent energy market investigation.

The Enzen Global report considers four options for the future structure and operation of energy sector governance. It concluded that the optimum solution was one that maximised accessible and inclusive access to new and existing industry participants, with agile change processes providing greatest flexibility. The report suggested that this option be explored further, recognising that a process of stakeholder engagement and evidence building will be required to develop and assess this and other alternatives in greater depth.

¹ Used here to embrace legislation, codes and standards