



**THE WIRING BEHIND
REWIRING THE STATE**
ENERGY DEVOLUTION IN ENGLAND

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OUR NEW ENERGY SYSTEM IS MORE DIFFUSE

Rewiring the State, the Burnham government's new plan for devolution, lays the blame for the UK's low growth and poor services on its over-centralisation. It argues that too many decisions are made in Whitehall, disconnected from the places and people using services and infrastructure.

In 2000, the UK had roughly 25 coal plants, 30 gas turbines and 12 nuclear power stations generating its power. In March 2026, the UK installed 26,000 solar panels, bringing the total up to over 2 million (DESNZ 2026), alongside over 11,000 wind turbines (Benn 2025). We have moved from a centralised power system of a few big energy generators, easily connected and centrally managed, to millions of dispersed units across the country.

How we use electricity is also becoming more dispersed. The more we use electricity to power our everyday lives, the more we can spread the fixed costs of building new infrastructure across more hours and users, making it cheaper for all. This relies on consumers switching to clean technologies and, crucially, spreading energy use to less busy times of the day. With time and location of energy use more important, minimising the distance between where energy is generated and where it is used becomes more important.

A clean system is therefore a chance to decentralise. It can give local areas control to transform their energy system, potentially lower costs and develop projects that best fit their local circumstances. The goal should be, like with any infrastructure, to give devolved authorities the power to provide certainty and make decisions without reliance on the centre.

But because the shift from centralised to dispersed is relatively new, there has been little analysis on the role of devolved governments in energy, and how to give them more control. There is a wealth of work on how local leaders affect their carbon emissions, or boost local growth, but little on the wiring behind it: the energy system.

Current devolution is about delivery, not design

Energy governance is asymmetric and fragmented; energy boundaries do not overlap with political boundaries. This is often the case with devolution (Shaw 2024): few UK city regions share geographies with the NHS, police, or other authorities they might oversee. Most decision-making takes place in Whitehall, but planning, delivery mechanisms and spending sit elsewhere in the governance chain.

Devolved authorities can still influence energy demand and electrification: conditions on planning and developers through section 106 powers and community infrastructure levies can create new demand by funding infrastructure; councils also invest in their own building stock; there are light-touch powers over heat network zoning; and some centralised grants spent by local authorities for example to stimulate energy supply chains or upgrade homes or enforce minimum energy efficiency standards in rental properties.

The devolution white paper under Starmer promised further energy devolution through the clean power mission. This continued the view that devolved authorities could help deliver specific aspects of nationally set priorities. It didn't give them the freedom to develop energy resources in ways which align with their priorities or other competencies.

Still, this increased ambition in how devolved authorities are supported by public financial institutions like the National Wealth Fund (NWF) or GB Energy (GBE) on energy. Strategic authorities now work with GBE, with some like Greater Manchester having legal agreements on the breadth of their cooperation. But

existing relationships are mainly confined by the Local Power Plan, with devolved authorities mostly helping to allocate already defined spending. Similarly, local net zero acceleration is orchestrated by DESNZ, including two trailblazers in GMCA and WMCA, a project in York and North Yorkshire, and a financial support service.

Apart from centrally designated funding or already devolved powers, local authorities can decide to independently invest in Local Area Energy Planning (LAEPs) to understand their local energy systems. Greater Manchester and several other combined authorities have highly developed plans, but wider uptake has been low due to the cost and capacity required to develop a plan. Some are effective, but many are not, with varying methodologies and an unclear connection with national regulation of the energy system by NESO and Ofgem (Johnson and Stegman 2026). This can make it difficult for private finance to judge their weight in making investment decisions.

Ofgem's answer to integrating localised energy planning with the national system is regional energy system planners (RESPs) – new regional 'blueprints' to align local and national energy priorities. However, the 11 RESP regions have been slow to get off the ground, with the first not due until 2028. This will come too late to shape decisions in the next regulatory investment period energy distribution – the most localised aspect of energy. RESPs still maintain a passive view of devolution. Mayors or strategic authorities don't have a role in directing these plans and by and large they remain top-down.

DEVOLUTION CAN GIVE LOCAL AREAS CONTROL OVER ENERGY TRANSFORMATION

Burnham's Rewiring the State promises to give "local leaders greater power to shape their places through control over local transport, housing, innovation, local energy and cultural investment" (Cabinet Office 2026). Westminster now needs to give local leaders authority and funding to move at scale, building on technocratic reforms already underway. The test case for energy devolution should be whether changes are sufficient for devolved authorities to have the freedom to direct private or public investment into the projects they've chosen. The reward for central government is greater and hopefully quicker expansion of the supply side of the economy, with rapid progress on electrification cutting emissions.

Competence

The ambition should be for strategic authorities to lead the following.

- 1. Planning the local system.** To systematically integrate energy into SAs' economic development agenda, identify the most viable projects, develop them, and better integrate them into the national energy system.
This will be a more detailed and technical part of higher-level spatial development plans that SAs are already developing.
- 2. Increasing electricity demand.** To manage and accelerate the rollout of clean tech and use public institutions like social housing, transport projects or municipal buildings as an anchor for demand.
To achieve this, **energy demand and distribution should be a formal SA competence**, essentially a recognition that legal powers to deal with this sit best at a strategic authority level. Devolved authorities are able to build capacity for anything, provided there is a clear reason to. Strategic authorities already have competences on significant areas that affect energy like housing, transport and economic growth, but not the systems that sit behind them like energy distribution.

Underneath SAs, local authorities (LAs) have competencies that also affect energy demand and distribution that will need integrating. This will be manageable for

combined authorities where LAs are part of governance structures, for example Manchester, but may be challenging where they are not – for example, in London. LAs will likely remain the level of many planning approvals of energy projects (though for utility-scale infrastructure it may make sense for more wind and solar projects to be approved centrally). They also own many buildings creating energy demand, or space for new generation, like solar on rooftops.

Planning and capacity

It is impossible to deliver a new competence without a plan, and it's impossible to plan without capacity.

To take greater control of their energy systems and deliver new investment, strategic authorities need **a single authoritative plan on the current state and desired development of their energy system**. This needs to move beyond the fragmented collection of disparate plans – LAEPs, climate plans or heat network zoning – to a single source of information with sufficient weight to instruct investment. However, many SAs lack the capacity to do this alone.

DESNZ should evolve the Warm Homes Agency (WHA) to become “the Local Energy Agency”, who in turn should support the rollout of comprehensive energy and heat plans and eventually bodies or teams in SAs. The WHA is a new delivery body for DESNZ's £15 billion Warm Homes Plan. This money will go towards retrofitting buildings and electrifying heat across the country. Beyond its initial activities, the agency should pivot to energy planning incorporating transport and economic development. It will already support local authorities to deploy area-based heat transition schemes – an integral part of future energy planning. The WHA has also signalled it wants a closer working relationship with district network operators.

Using the WHA allows the government to build on what is already happening and begin to make progress with the most developed strategic authorities who are already developing retrofit and clean heat planning. Given capacity constraints, this should follow the historic model of devolution in England and pilot energy planning with a small number of SAs who have interest and capability, before expanding to others.

The agency would standardise systems, processes and data which are currently lacking, and make it open source to lower the burden on local capacity in developing integrated energy plans. These systems and data should be based on the RESP methodology to ensure compatibility. There will likely need to be a small increase in the Mayoral Capacity Fund to support either personnel on the SA side or an increase in secondments. If energy is designated as strategically important to devolved authorities, money to build capacity will be essential.

Plans developed alongside the Local Energy Agency should aim to take over the planning function from distribution system operators, and include all aspects currently covered by LAEPs: retrofit of public, domestic and non-domestic buildings; heating and cooling; and electric vehicle charging and generation; alongside new aspects like public transport; industry; and new development. This should provide sufficient detail to inform distribution network planning and highlight opportunities in new, local generation.

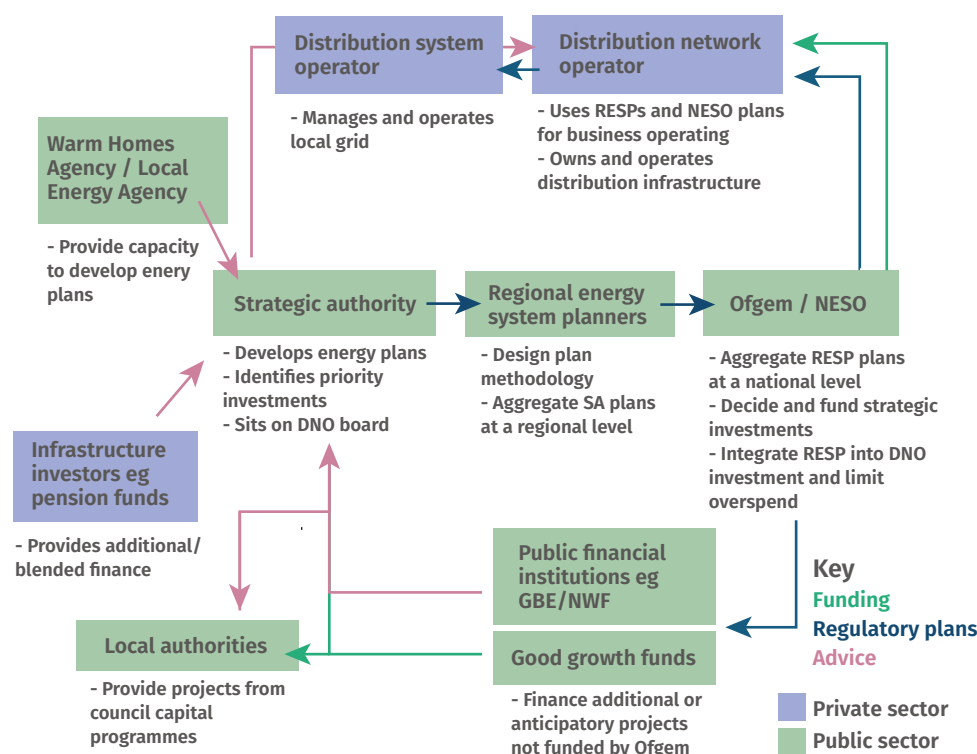
The goal is one source of information that is both comparable and collatable across strategic authority boundaries. As well as using existing bits of energy planning as inputs, mayoral spatial development strategies could also be integrated to highlight where anticipatory investment aligned to economic development is required; for example, alongside development corporations.

RESPs should be the mechanism to aggregate local energy plans into Ofgem's regulatory process. This will require a change of approach with greater weight

given to bottom-up planning, rather than top-down from Ofgem and NESO. NESO should be able to use these regional social plans to align its strategic spatial energy plan at a national level.

FIGURE 1: STRATEGIC AUTHORITIES SHOULD BE GIVEN THE CAPACITY TO BETTER INFORM NATIONAL ENERGY INVESTMENT

Respective roles of key institutions in a more devolved energy system



Source: Authors' analysis

Only with a standardised framework can local energy plans successfully shape national-level system planning. The areas of local 'strategic investment need' identified in RESPs are intended to affect the investments made in Ofgem's regulatory investment cycles, but in their current state, strategic authorities have varying ability to convince the regulator of new or expected energy demand in their area. Creating a new framework to standardise the quality of information that strategic authorities feed into RESPs through the Local Energy Agency is simpler than giving a different tool, like LAEPs, new regulatory weight. The aggregation role then performed by NESO will be vital to make sure not every devolved authority assumes new demand will be within its boundaries, allowing anticipatory investment while avoiding over-building.

Boundaries will be a challenge. There are 11 RESPs, 30–40 strategic authorities, and 14 electricity distribution networks whose investments will be impacted by these new planning processes. Changing the boundaries of private companies like district network operators (or gas networks) would be slow and legally fraught. It is simplest to **aggregate SA plans into one RESP region and use that to formally input into multiple DNO business plans**. NESO has recently launched strategic boards for RESPs where local governments can advise plans, this is a good first step (NESO 2026). National **government should also instruct Ofgem and NESO to give greater weight to existing local energy plans** prior to any formal involvement.

Strategic authorities may want to consider how they work together through RESPs, for example through a single joint venture, or each holding individual seats. SAs will in turn need to be legally accountable for the delivery of plans they agree to under RESPs. Without this, RESPs plans would remain insufficiently credible to attract private investment.

Funding

With the ability to plan their energy system, SAs can take a stronger role in investing in it. Energy plans, coordinated through RESPs, should be used to inform DNO business planning. Funding for this will continue to come through NESO and Ofgem, via billpayers.

A high ambition settlement could devolve the distribution portion of energy bills to strategic authorities. This would have significant implications for DNOs and the certainty of their funding. SAs would have a choice whether to use devolved bill funding to lower consumer bills or invest in infrastructure (via DNOs), but they would also then be responsible for the consequences of a low-investment network, such as an inability to accommodate new demand or a failure to deliver RESPs.

For other projects outside NESOs strategic needs, public infrastructure funding can offer SAs the ability to de-risk additional investments that may offer narrower benefits locally. Bristol City Leap is one example where in 2018 Bristol City Council embarked on city-scale upgrade and decarbonisation of its energy infrastructure (Nolden et al 2023). But with funding cuts since then no local authority could afford to pursue such a project on their own now.

The ambition to replicate Manchester's good growth funds in more authorities can be a vehicle to pool funding streams and support local energy investment.

Good growth funds would aggregate disparate funding from government departments the NWF, GBE and potentially the private sector to help mayors to invest themselves clean energy and growth projects. The NWF and GBE would also be available to advise on project development and delivery.

NWF should complete strategic partnerships with all established SAs. The four priority strategic partnerships, in Glasgow, Greater Manchester, West Yorkshire and the West Midlands (NWF 2026a), have added additional commercial expertise into these regions, with NWF staff working closely with the SAs to develop investable project pipelines. The four additional partnerships announced in September 2026 will aim to do the same (NWF 2026c). This has removed a key barrier for institutional investors, including regional pension funds, to deploy their capital.

These strategic partnerships will function alongside the good growth funds to ensure local plans are then both developed into robust pipelines and invested in. There is also an opportunity for community municipal investments (GFI 2026), where local authorities raise money from citizens and retail investors to be a small part of capital investing alongside the NWF; a modern day Tell Sid campaign (see BBC 2011).

This ambition will require decisions from the prime minister and the chancellor on the strategic purpose of NWF and GBE, and how they balance local and national projects. GBE is expected to confirm financial products for SAs in its capital toolkit over the next couple of months (DESNZ 2026b). However, as SAs multiply, local partnerships will be in competition for internal resources and funding as well as GBE's goal to be a national energy developer. Similarly, NWF will need to apportion its capital, resource and advice to support more devolved authorities, alongside its already broad duty to support infrastructure and the industrial strategy. There

is also a further trade-off between more internal capacity for NWF to advise, and capacity within MSAs themselves.

Central government should compel project developers to offer micro-projects within large developments available for community revenue sharing but managed by the original energy company. This offers rural authorities a stake in the energy transition as they are more likely to host national scale infrastructure due to their open space, but less likely to need their own with more dispersed populations. It would incentivise LAs to attract investment and give them a predictable funding streams. It should be of no risk to developers, though it brings a small cost. There is an alternative to give local authorities control of aggregated community benefit funding from developers, which could allow it to be spent more strategically, for example in decarbonisation projects. However, it does risk the separation of funding from those impacted by development, and LAs have struggled to spend similar pots like section 106 funds.

Future ambition

These powers can underpin a broader selection of activities that could be devolved in the future. Planning, funding and local capacity are central to electrifying places, but there are regulatory limitations to further local control. For example, SAs have limited powers on building regulations or standards, no power or influence over grid connections and prioritisation, and limited ability to provide consumer finance.

Should the central Local Energy Agency sufficiently develop capacity within SAs, there is an opportunity to join up the ‘back end’ of energy planning and investment with the ‘front end’ of consumer-facing delivery. This is a gap in the current system and would look similar to the ‘one-stop shop’ vision of the WHA.

- Spatial planning powers can facilitate an area-based approach to targeted upgrades of vulnerable homes, coordinated heat pump rollout (potentially with mandatory powers over network connections to stop gas being supplied to certain areas), or faster/targeted rollout of EV charging. Street-by-street or neighbourhood-level upgrades could be prioritised in line with local plans.
- Consistency and certainty of funding would also better stimulate local supply chains as is already apparent in North East Combined Authority, the Retrofit Hub in London or Low Carbon Academy in Manchester. This can be linked to planned skills devolution.
- Clear understanding of energy plans and their implications for households and businesses would allow strategic authorities to support consumer journeys through consumer advice, signposting on planning or finance, and protections or remediation.
- Strategic authorities may also be able to develop their own energy services, for example expanding access to clean technologies supported by their own funding, for example underwriting local EV social leasing schemes or car clubs, or providing heat as a service.

Given their increasing role in expanding energy demand and delivering energy infrastructure, there may be a case to also devolve some legal responsibility for carbon budgets, most likely as a proportion of the national budget. This would provide a potential backstop to SAs not using new powers and funding.

What to keep national

Many aspects of the energy system will still need to remain national.

- Targets for the wider energy system, for example on the rate of decarbonisation and electrification.

- National market design will remain necessary to ensure businesses can work effectively across strategic authorities.
- Planning and approval of nationally significant infrastructure. NESO/Ofgem should also remain the final arbiter of bottom-up system planning and continue to manage the network.
- Heavy industry and industrial decarbonisation.
- Procurement schemes for utility-scale generation. Though this would likely contract, with devolved authorities having their own financing mechanisms available for local generation.

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