

Business Plan 2012–2015

Department of Energy and Climate Change

31 May 2012

This plan will be updated annually

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A) Coalition priorities

1. Save energy with the Green Deal and other policies and support vulnerable consumers

- Reduce energy use by households, businesses and the public sector, and help to protect the fuel poor

2. Deliver secure energy on the way to a low carbon energy future

- Reform the energy market to ensure that the UK has a diverse, safe, secure and affordable energy system and incentivise low carbon investment and deployment

3. Drive ambitious action on climate change at home and abroad

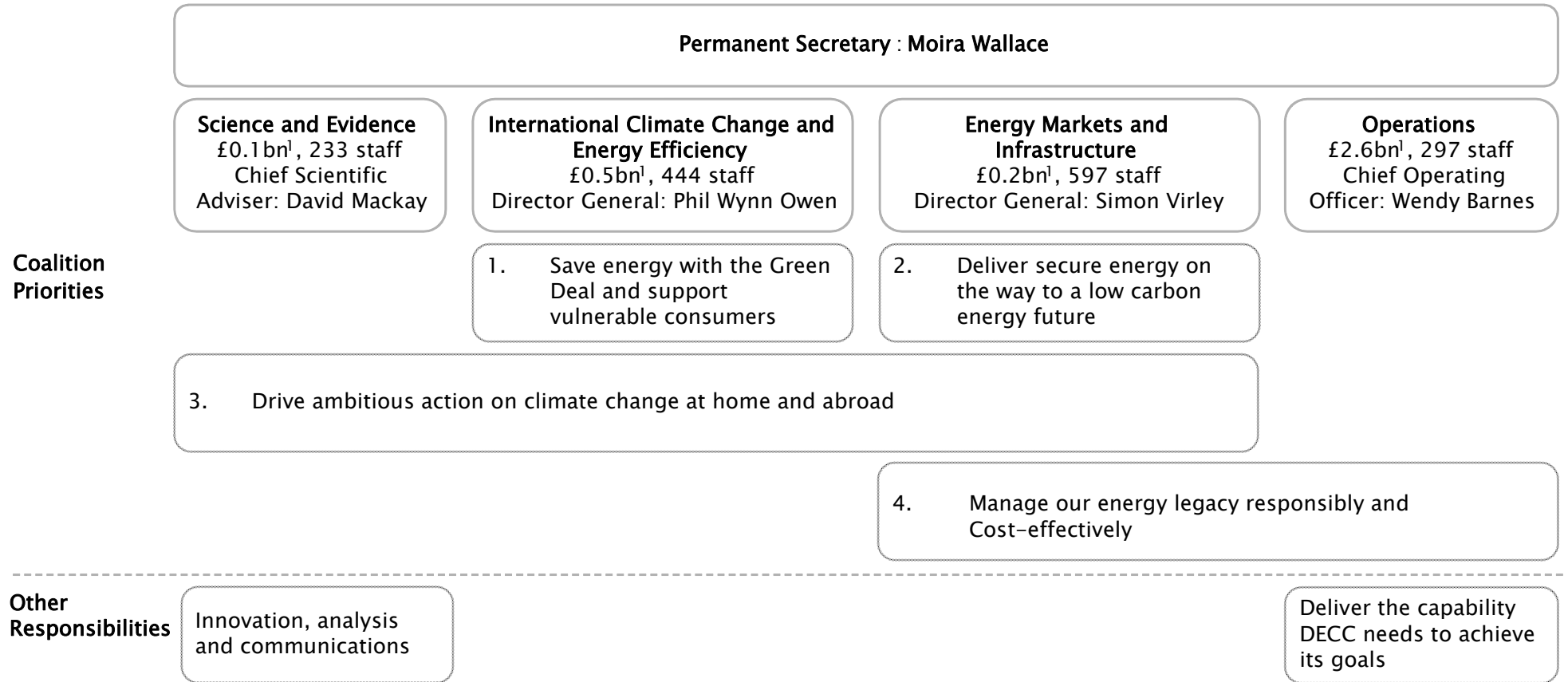
- Work for international action to tackle climate change, and work with other government departments to ensure that we meet UK carbon budgets efficiently and effectively

4. Manage our energy legacy responsibly and cost-effectively

- Ensure public safety and value for money in the way we manage our nuclear, coal and other energy liabilities

Departmental Responsibilities

This page sets out who in the Department leads on its major responsibilities, including its coalition priorities.



Notes: 1. Indicative budget allocation 2012/2013.

B) Structural Reform Plan

This section sets out the key actions the Department will take to implement its coalition priorities. An implementation report will be published online, setting out progress in completing them.

Additional actions, including contributions to cross-cutting government agendas such as the Growth Review, can be found in Annex A. All commitments and end dates relating to legislation and pre-legislative scrutiny are subject to parliamentary timetables

1. Save energy with the Green Deal and other policies and support vulnerable consumers

Lead: Phil Wynn Owen; departmental expenditure: £469m

ACTIONS	Start	End
1.1 Drive greater energy efficiency in households and businesses through the Green Deal		
i. Launch Green Deal (underpinned by legislation)	Oct 2012	Oct 2012
ii. Introduce policies to increase demand for the Green Deal, alongside core finance offer, which includes a £200m incentive scheme	Oct 2012	Oct 2012
iii. Introduce policies to enable application of Green Deal to the commercial sector, alongside household offer	Oct 2012	Oct 2012
iv. Lay secondary legislation and license modifications before Parliament	Jun 2012	Jun 2012
v. Encourage, with the Department for Communities and Local Government, local authorities to deliver energy efficiency in their areas and social landlords to improve the energy performance of their stock, using the Carbon Emissions Reduction Targets and the Green Deal and provide greater certainty to suppliers	Started	Oct 2012
vi. Introduce the Energy Company Obligation, which will both provide support for energy efficiency measures and help low-income households heat their homes more affordably	Oct 2012	Oct 2012
vii. Produce, with Defra, advice for households living in rural areas on improving home energy efficiency and reducing energy costs	Jul 2012	Nov 2012
viii. Release data showing number of energy efficient installations under the Green Deal	Mar 2013	Mar 2013
1.2 Use energy better through rolling out smart electricity and gas meters across Britain		
i. Amend energy suppliers' licenses to require them to complete the roll-out by 2019, and to facilitate early developments	Started	Oct 2012
ii. Award licence for central body to manage smart meter communications and data	Started	May 2013

1. Save energy with the Green Deal and other policies and support vulnerable consumers

Lead: Phil Wynn Owen; departmental expenditure: £469m

ACTIONS	Start	End
iii. Establish process to award competitively procured contracts for centrally provided smart meter communications and data services	Started	May 2013
iv. Complete all necessary arrangements enabling a mass roll-out of smart meters	Started	Sep 2014
1.3 Take action to support vulnerable households in meeting the cost of energy bills		
i. Require energy suppliers to deliver up to £1.1bn of support to around two million fuel poor households each year through the Warm Home Discount	Started	Mar 2015
ii. Use data matching to inform energy companies which of their customers is in receipt of a subset of pension credit, and so must receive an energy bill discount under the Warm Home Discount scheme	Oct 2012	Oct 2014
iii. Inform some additional customers that may be eligible that they need to claim the Warm Home Discount	Oct 2012	Oct 2014
iv. Inform Ofgem of energy suppliers' obligations under the Warm Home Discount to provide support for fuel poor households not in the Core Group	Feb 2013	Feb 2014
v. Deliver 65,000 to 80,000 heating and insulation measures to low-income and vulnerable households between 2011 and 2013 through the Warm Front scheme	Started	Mar 2013
1.4 Drive greater energy efficiency across DECC and its non-departmental public bodies		
i. Monitor progress of DECC and its non-departmental public bodies that fall within the scope of the Greening Government Commitments and report the results in the departmental Annual Report and Accounts	Started	Jun 2012
ii. Revise DECC's Carbon Management Plan for reducing greenhouse gas emissions by 25% by 2014/15 compared to 2009/10	Started	Jul 2012
iii. Implement plans for meeting the Greening Government commitments on waste and water in core DECC	Started	Sep 2012
iv. Introduce a plan for mainstreaming sustainable development into DECC's decision and policy making	Oct 2012	Oct 2012
v. Reduce greenhouse gas emissions from DECC's own estate and operations by 25% compared to 2009/10 by March 2015 and meet other Greening Government commitments to reduce DECC's impact on the environment	Started	Mar 2015

1. Save energy with the Green Deal and other policies and support vulnerable consumers

Lead: Phil Wynn Owen; departmental expenditure: £469m

ACTIONS		<u>Start</u>	<u>End</u>
1.5	Lead government's delivery of energy efficiency in all sectors of the economy		
	i. Publish green paper on the energy efficiency potential in the economy and objectives for further energy efficiency deployment	Started	Nov 2012

2. Deliver secure energy on the way to a low carbon energy future

Lead: Simon Virley; departmental expenditure: £2,644m

ACTIONS	Start	End
2.1 Reform the electricity market to ensure secure electricity supplies, affordable bills and the transition to low carbon generation		
i. Introduce primary legislation to reform the electricity market	Nov 2012	Nov 2012
ii. Establish the Emissions Performance Standard	Started	Apr 2014
iii. Launch Electricity Market Reform institution	Jun 2014	Jun 2014
iv. Enable early investment decisions for low carbon projects required ahead of implementation of the Electricity Market Reform programme	Started	Apr 2014
2.2 Drive deployment of renewable energy across the UK to ensure that at least 15% of UK energy comes from renewable sources by 2020		
i. Consult on and bring into force interim cost control measures for the Renewable Heat Incentive, subject to Parliamentary approval	Started	Jul 2012
ii. Consult on and bring into force longer term non-domestic cost control measures, biomass sustainability, air quality standards and changes to the existing regulations from lessons learnt since the Renewable Heat Incentive scheme opened	Jul 2012	Apr 2013
iii. Consult on and bring into force extended support through the Renewable Heat Incentive to additional non-domestic technologies and to the domestic sector	Sep 2012	Jul 2013
iv. Allow, with the Department for Communities and Local Government, communities that host renewable energy projects to keep the additional business rates they generate	Started	Apr 2013
v. Publish review of Feed in Tariffs for solar photovoltaic cost control and small-scale non-photovoltaic technology issues	Oct 2012	Oct 2012
vi. Publish conclusions of a four-yearly review of Renewables Obligation (RO) banding (levels of financial support for different technologies) to ensure that the RO provides the correct level of support to maintain investment in large-scale renewable energy generation	Started	Apr 2013
vii. Implement new Renewables Obligation bands (except for offshore wind)	Apr 2013	Apr 2013
viii. Implement new Renewables Obligation bands for offshore wind	Apr 2014	Apr 2014

2. Deliver secure energy on the way to a low carbon energy future

Lead: Simon Virley; departmental expenditure: £2,644m

ACTIONS		Start	End
2.3	Facilitate the world's first new nuclear development without public subsidy by 2019		
	i. Take all the decisions government needs to make in order to facilitate nuclear operators to proceed to a final investment decision on the first new nuclear power stations. These include planning consent, agreement on funded decommissioning, regulatory design acceptance and sufficient progress on Electricity Market Reform	Dec 2012	Dec 2013
2.4	Demonstrate the use of clean fossil fuels through commercial scale Carbon Capture and Storage (CCS) technology in the UK		
	i. Identify projects to receive government financial support that will contribute to the achievement of cost-competitive Carbon Capture and Storage technology and operation in the UK	Started	Nov 2012
	ii. Award contract(s) for activities that reduce the risk and cost of Carbon Capture and Storage	Dec 2012	Dec 2013
2.5	Support delivery of smarter electricity networks to ensure they can adapt to changes in electricity supply and demand		
	i. Publish, with Ofgem and wider stakeholders through the Smart Grid Forum, a report identifying actions to overcome current and future barriers to smarter network deployment	Jul 2012	Jul 2012
	ii. Publish initial electricity system policy paper	Jul 2012	Jul 2012
2.6	Set in place reforms to the electricity grid to ensure sufficient capacity and access to connect new forms of energy generation		
	i. Publish, with the nine other nations in the North Seas Countries' Offshore Grid Initiative, an assessment of possible costs and benefits of coordinated international development of offshore grids in the North Seas and proposals for tackling regulatory, legal, planning and technical barriers to such investment	Started	Mar 2013

2. Deliver secure energy on the way to a low carbon energy future

Lead: Simon Virley; departmental expenditure: £2,644m

ACTIONS		Start	End
2.7	Work to ensure that international action supports the UK's low carbon development and energy security objectives		
i.	Finalise UK position on EU legislation on energy infrastructure to support projects of European interest and facilitate commercial infrastructure investment needed for security of supply and low-carbon transition	Started	Jun 2012
ii.	Introduce EU technical and market codes to improve the functioning and integration of EU energy markets	Dec 2014	Dec 2014
iii.	Support proportionate proposals in reaction to Fukushima, including stress-testing nuclear plants within the EU, ensuring that these are fully transparent and undertaken by member states	Started	Jun 2012

3. Drive ambitious action on climate change at home and abroad

Lead: Phil Wynn Owen; departmental expenditure: £247m

ACTIONS	Start	End
3.1 Secure UK climate change policy objectives and encourage high ambition at EU level		
i. Put forward UK proposals to the European Commission to take forward the Low Carbon Roadmap 2050 to ensure a cost-effective trajectory to 2050. As part of this continue to make the case for the EU to increase its 2020 emissions reduction target to 30 per cent	Started	Jun 2012
ii. Publish the UK vision for Phase IV of the European Union Emissions Trading System following informal consultation with stakeholders to inform negotiations with the European Commission and other EU member states	Jan 2013	Jul 2014
iii. Contribute fully to the European Union-wide reviews of aviation ETS (ensuring the measure is well targeted after two years of operation) and carbon leakage (ensuring measures are targeted at those at genuine risk of carbon leakage)	Jan 2014	Dec 2014
iv. Drive efforts within the European Union to amend the Emission Trading System Directive to deliver full auctioning of allowances	Started	May 2015
3.2 Drive progress towards an ambitious global deal on reducing carbon emissions including through international negotiations at the UN Framework Convention on Climate Change (UNFCCC)		
i. Implement a programme for spending UK climate finance to reduce emissions from deforestation	Oct 2012	Dec 2012
ii. Work through UN Framework Convention on Climate Change negotiations to make progress towards a global deal on reducing emissions and the provision of climate finance	Dec 2012	Dec 2012
iii. Support work through the UN Framework Convention on Climate Change to review progress towards the two degree target and its adequacy in the light of the latest science	Dec 2013	Dec 2015

4. Manage our energy legacy responsibly and cost-effectively

There are no structural reform actions for this coalition priority, although this remains a high priority for the Department. Further information on this priority can be found in Annex B

C) Departmental expenditure

Planned expenditure and major projects¹

This section sets out the Department's planned expenditure over the Spending Review period, as agreed with the Treasury, and expected cost for the 2012/13 financial year on the Department's major projects.

Planned Expenditure (£bn)	2011/12 (Forecast outturn)	2012/13	2013/14	2014/15
Total departmental expenditure limits²	3.0	3.4	3.6	3.3
Administration spending	0.2	0.2	0.2	0.2
Programme spending	1.3	1.3	1.2	0.9
Capital spending	1.5	1.9	2.2	2.2

Major Projects Expected Cost (Top 4)	2012/13	Whole Life Cost
Renewable Heat Incentive	£139m	£864m ²
Green Deal	£63m	£200m ³
Smart Meters	£17m	TBC
Electricity Market Reform	£6.7m	TBC
Total (all major projects)	£420m	£17.1bn

Definitions:

Administration spending: the costs of all central government administration other than the cost of direct frontline service provision

Programme spending: spending on activities, goods and services such as pay and benefits (excl. administration spending as defined above)

Capital spending: spending on assets with a lasting value, such as buildings and equipment

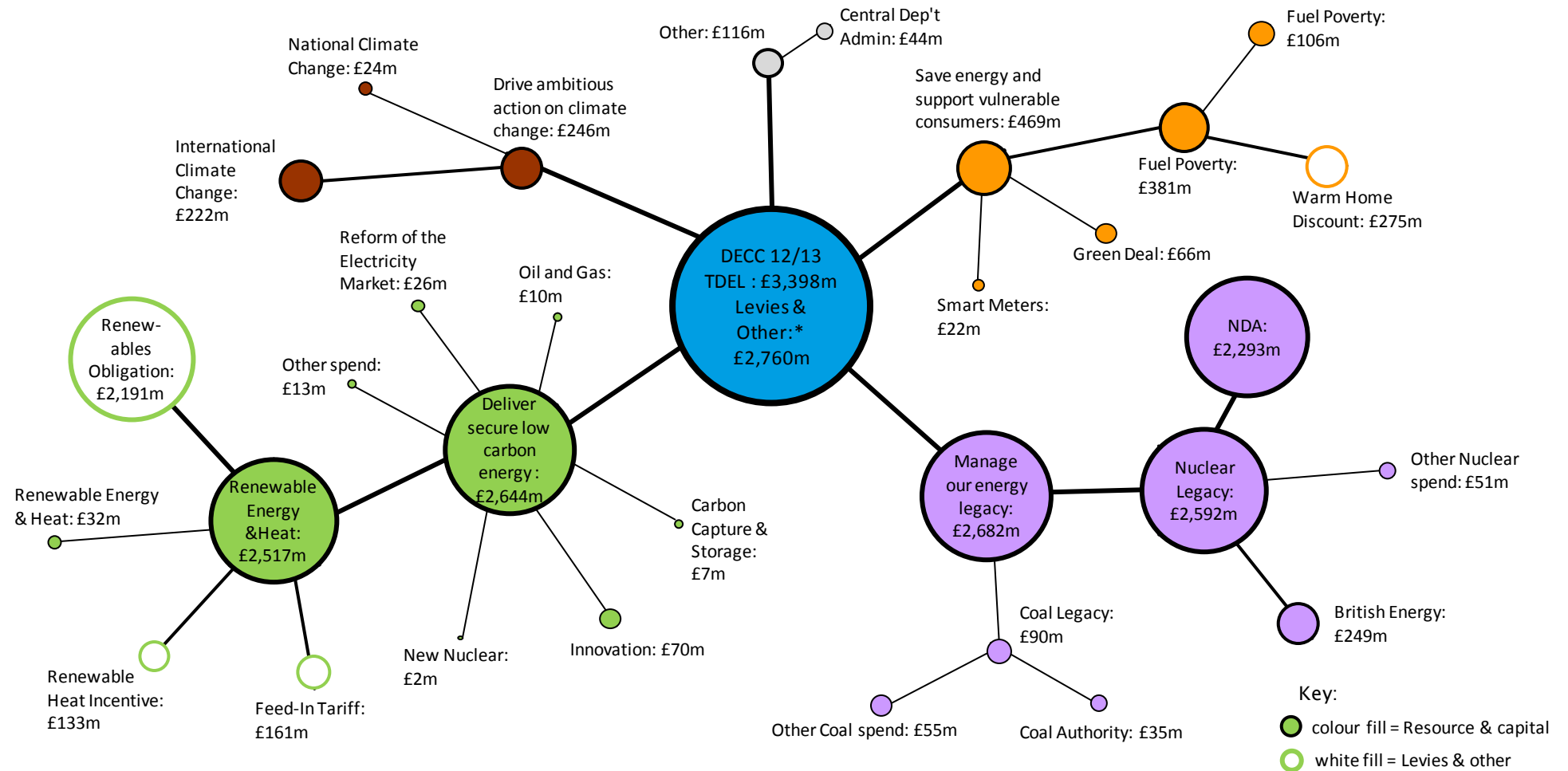
¹ Excludes departmental Annually Managed Expenditure. Numbers may not sum due to rounding

² Excludes depreciation

³ Over Spending Review period

Indicative budget allocation

This chart sets out further detail on how the Department's settlement will be allocated for the 2012/13 financial year across our key programmes and activities.



Notes: * Levies & Other comprises RO, RHI, FITS & WHD. Levy caps are provided rather than projected spend; ** Includes some resource spend

Departmental efficiency

This data allows the public to compare the Department's operations to other organisations by setting out the cost of common operational areas, and sets out the Department's efficiency plans for 2012/13.

Spending Category	Latest Data (QDS ¹ 3 2011)	Actions to improve operational efficiency in 2012/13
Estates	24,879 square metres	The office estate of the Coal Authority and Nuclear Decommissioning Authority will be reduced by 2,000 square metres through rationalisation. The Coal Authority will seek to use newly vacant space to generate income.
Procurement	£727.16m spent	The Department and its bodies will use central government procurement frameworks, or work with other government departments, to reduce procurement costs. The Nuclear Decommissioning Authority will save £30m in this way.
Fraud, Error and Debt	£0m Fraud, £0m Error and £8.65m Debt identified	To ensure fraud, error and debt remain low, the Department and its bodies will use counter fraud specialists, extend fraud awareness training, complete a recovery audit, and further apply the Managing Risk of Financial Loss tools. The target is zero fraud and error.
HR	2,816 civil servants employed	Across the course of the current spending review period staff numbers are planned to fall by 368 full time equivalents (18%) for DECC and its non-departmental public bodies. Departmental staffing numbers are planned to rise during 2012/13 as the Department continues to make the transition from policy development to implementation and delivery, and fall back during 2013/14 and 2014/15.
Major Projects	£17,075m total contract value	External assurance reviews to test whether projects can deliver their desired benefits to time and budget. Strengthened internal systems to scrutinise and test delivery options, ensure decisions demonstrate value for money and are evidence-based.
Information Technology	£6.20m spent ²	Costs will be reduced by using shared IT services across the DECC family, and securing IT service contracts at a lower cost for the Nuclear Decommissioning Authority, the Coal Authority and the Committee on Climate Change. This includes planned annual savings of £200,000 by the Coal Authority, an £800,000 saving by Nuclear Decommissioning Authority, and an £80,000 saving by Committee on Climate Change.

¹ Quarterly Data Summary

² This Department's IT spend is not directly comparable with that of other government departments. Across government, a very specific definition (which includes certain services and excludes others) is used to calculate this figure. DECC has an IT contract which includes many services which are outside the scope of the definition and cannot be split for reporting purposes. We have therefore included the cost of the whole contract.

Spending Category	Latest Data (QDS ¹ 3 2011)	Actions to improve operational efficiency in 2012/13
Corporate Services	£9.18m spent	Back office finance will be shared with the Department for Environment, Food and Rural Affairs (Defra) by June 2012, saving more than £1m in the first year.
Small and Medium Enterprises (SMEs) and Voluntary Organisations	£3.17m spent with SMEs and £0m spent with voluntary and community sector organisations	A small and medium enterprise champion has been appointed to work with the Cabinet Office on this issue. DECC is developing a second tier supply chain to help identify small and medium enterprises. The target is to increase spend with small and medium enterprises by 25% this financial year.

¹ Quarterly Data Summary

D) Transparency

Indicators and other key data

The Department has adopted the following input and impact indicators to help the public assess the effects of policies and reforms on the cost and impact of public services. These indicators, and the other data specified here and in the Department's Open Data Strategy, will regularly be published online.

Description	Type of data
Save energy and support vulnerable consumers	
The total number of energy efficiency installations in GB households	Impact indicator
The number of households in fuel poverty in England	Impact indicator
Average domestic electricity price (including taxes) (UK rank within EU15)	Other key data
Average domestic gas price (including taxes) (UK rank within EU15)	Other key data
Final energy consumption	Other key data
Temperature adjusted primary energy use	Other key data
Deliver secure energy on the way to a low carbon energy future	
Renewable financial incentive cost per unit of renewable energy generated	Input indicator
Percentage of energy consumed in the UK that has been generated from renewable sources	Impact indicator
The spare capacity of the UK's gas network	Impact indicator
The spare capacity of the UK's electricity network	Impact indicator
The proportion of all UK energy supply from low carbon sources	Impact indicator
Net UK energy import dependency	Other key data
Drive ambitious action on climate change at home and abroad	
Leverage of UK international climate change finance	Input indicator
The impact of other countries' pledges to decrease their greenhouse gas emissions on predicted global emissions	Impact indicator
Total emissions of greenhouse gases from the UK	Impact indicator

Description	Type of data
Manage our energy legacy responsibly and cost-effectively	
Proportion of the Nuclear Decommissioning Authority's budget that is spent on decommissioning and cleaning up nuclear plants	Input indicator
Reduction in the nuclear provision through decommissioning and clean-up	Impact indicator
The size of the nuclear provision	Other key data

Open data

This section sets out as a summary DECC's commitment to open data. Further details, including which new datasets will be published when, will be set out in full in DECC's Open Data Strategy, to be published this summer.

The Department of Energy and Climate Change (along with its predecessor Departments) has a long history of publishing data on both climate change and energy on a weekly, monthly, quarterly or annual basis depending on the business need. This includes greenhouse gas emissions, the impact of climate change in the UK, and energy production, consumption, efficiency and prices. Mapping tools, displayed as online maps, allow people to find information about their local area and will be developed to include additional datasets as they become available.

DECC has formal governance processes in place to manage corporate information from creation to disposal, and is working to embed a culture which values and exploits corporate knowledge. Processes to ensure data security and manage information risk are in place and proactively monitored.

The Department publishes a 2050 pathways calculator; an online tool to create a UK emissions reduction pathway, using real data. DECC also publishes Freedom of Information requests of wider public interest.

The Department's policies are increasingly moving into the delivery phase. Delivery is generally undertaken by delivery partners and/or the private sector, but the Department is ultimately responsible for achievement of the desired policy outcomes. Most information will be held by partner organisations, but DECC is committed to work with them to publish information whenever possible, including data and statistics relating to the Green Deal, Smart Meters and the Renewable Heat Incentive programmes.

DECC's policy is to co-ordinate across its arm's length bodies, strategic partners and users to ensure the data collected and published aligns with demand.

DECC publishes research reports unless there are issues with quality which mean the results are not sufficiently robust. These summarise key findings from either quantitative or qualitative work in an anonymised format. We also undertake a range of customer surveys to support the implementation of new policies, and to monitor their early impacts. Analysis of these surveys, combined with an evaluation of the impact of policies, will inform the Department's understanding of any difference between expected and observed impacts.

The Department engages with stakeholders through project, academia and local authority user groups, and members of the public are encouraged to register for updates on our website.

DECC has been working to make its data more accessibly and relevant to users, with more sub-regional data (down to lower level super-output area in some cases) and analytical tools to compare local authorities. In addition DECC has been supporting developer days to explore how we

could make more data accessible. We are investigating linking private sector data with data held by our arm's length bodies and other Whitehall Departments to create a richer evidence base.

All of the Department's current national statistics are accredited by the UK Statistics Authority and are accompanied by methodology notes and quality reports in line with Government Statistical Service guidance. We are also seeking accreditation of experimental statistics on insulation levels by December 2013.

Data published by DECC will improve accountability by having clear, contextualised information about the outcomes of policies. It will enable the public to make more informed choices about energy efficiency, and provide an improved evidence base to support policy making in this area.

In addition to the wide range of statistics already produced by the Department, we continue to look at new potential releases of data. The Open Data Strategy will highlight the key new releases in the coming years.