

Second Session Energy Bill

The following measures will be included in the second session Energy Bill:

- Electricity Market Reform (EMR)
- Introduction of a Strategy and Policy Statement (SPS) to improve regulatory certainty by ensuring that Government and Ofgem are aligned at a strategic level
- Creation of the Office for Nuclear Regulation (ONR)
- Enabling the sale of the Government Pipeline and Storage System (GPSS)
- A technical amendment to avoid offshore wind generators constructing transmission assets falling foul of the law

Electricity Market Reform (EMR)

The UK is at a critical juncture in the way it generates electricity. Around a fifth of existing capacity is expected to close over the next decade. At the same time, demand for electricity is expected to double from its current level by 2050, particularly with the expected electrification of heating and transport

Set against this backdrop, it is imperative that the right mechanisms are in place to attract the £110 billion investment that is needed to ensure that the UK can meet its requirements for secure and flexible supplies of electricity at affordable prices. The reforms will ensure that low-carbon generation is sufficiently incentivised to ensure new plants are built, which will be crucial if the UK is to meet its obligations to reduce carbon emissions and increase the use of renewables.

With such large-scale changes to the electricity market, the key measures in the second session Energy Bill focus on EMR, which will consist of provisions for:

- **Contracts for Difference** – long-term instruments to provide stable and predictable incentives for companies to invest in low-carbon generation;
- **Investment Instruments** – long-term instruments to enable early investment in advance of the CfD regime coming into force;
- **Capacity Market** – to ensure the security of electricity supply;
- **Conflicts of Interest** and **Contingency Arrangements** – to ensure the institution which will deliver these schemes is fit for purpose;
- **Renewables Transitional** – transition arrangements for investments under the renewables obligation scheme, and
- **Emissions Performance Standard** – to limit carbon dioxide emissions from new fossil fuel power stations.

See: [Planning our electric future: a White Paper for secure, affordable and low-carbon electricity](#) (July 2011) [Ofgem Review: Final Report](#) (July 2011)

Introduction of an Strategy and Policy Statement

A new Strategy and Policy Statement will set out the Government's strategic priorities for the energy sector in Great Britain; describe the roles and responsibilities of Government, Ofgem, and other relevant bodies; and define policy outcomes that Government considers Ofgem to have a particularly important role in delivering.

Creation of the Office for Nuclear Regulation (ONR)

In February 2011, the Government announced that it would create a new independent statutory body, the Office for Nuclear Regulation (ONR), to regulate the nuclear power industry. This signalled the Government's commitment to securing an appropriately resourced and responsive regulator for the future challenges of the nuclear sector. Pending legislation the ONR was set up as a non-statutory agency of the HSE on 1 April 2011.

As a statutory body, the ONR will retain the best of current practice whilst creating a modern independent regulator based on the better regulation principles of transparency, accountability, proportionality and consistency. The ONR will build on its current strengths as a world-class regulator and will be better placed to respond quickly and flexibly to current and future regulatory challenges, while retaining its focus on the protection of people and society from the hazards of nuclear generation.

See: [Chris Grayling's Written Ministerial Statement](#) (8 February 2011)

Government Pipeline and Storage System (GPSS)

The Energy Bill also includes measures to allow the sale of the GPSS, a Ministry of Defence-held asset which supplies 40% of aviation fuel in the UK to major commercial airports such as Heathrow and Gatwick as well as RAF and US airbases. Legislation is needed to create transferable rights of access to the land through which the pipeline runs, so that its future sale might be possible. This part of the Bill is led by MoD.

Offshore Transmission

This technical change to the Electricity Act 1989 is crucial to ensure that UK offshore grid constructors can build and test infrastructure to export power without committing a criminal offence. Not making this change would act as a significant barrier to this infrastructure investment.