



Department
of Energy &
Climate Change

Strategy and Policy Statement

Summary of responses

[2015]

© Crown copyright 2015

URN

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence.

To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/ or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Any enquiries regarding this publication should be sent to us at [insert contact for department].

Contents

Overview	Error! Bookmark not defined.
Summary of responses	6
Annex: List Of respondents	10

Overview

The Energy Act 2013 provides for the Secretary of State to designate a SPS which must set out:

- the strategic priorities, and other main considerations of the Government in formulating its energy policy for Great Britain;
- the particular policy outcomes to be achieved as a result of the implementation of that policy; and
- the roles and responsibilities of those who are involved in implementation of that policy or who have other functions that are affected by it.

Once a SPS is designated, Ofgem must have regard to the strategic priorities set out in the statement when carrying out its regulatory functions, and both the Secretary of State and Ofgem must carry out their respective regulatory functions in the manner they consider best calculated to further the delivery of the policy outcomes.

The Energy Act 2013 provisions also place new reporting requirements on Ofgem in respect of a SPS. After a SPS has been designated, Ofgem will be required to:

- set out in its forward work programme each year its strategy for implementing the SPS, the actions it proposes to take, and the ways it has had regard to the strategic priorities contained in the SPS in doing so; and
- report annually on how it has contributed towards meeting the policy outcomes, giving the authority's assessment of how the carrying out of its functions during the year has contributed to the delivery of the policy outcomes contained in the Strategy and Policy Statement.

The legislation requires the Secretary of State to consult on drafts of the SPS, firstly with Scottish and Welsh Ministers and Ofgem and revise the draft as he considers appropriate as a result of their responses. This exercise was completed earlier this year. The Secretary of State must then consult again with them and with other persons as he considers appropriate. This requirement was met by a full public consultation exercise which concluded on 17 October 2014¹. This report summarises the responses received in respect of the latter exercise but it does not contain any policy response on behalf of the Government at this stage.

Before the SPS can be designated, the Secretary of State must again make any revisions he considers appropriate as a result of the responses before laying the revised SPS before

1

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343314/SPS_consultation_paper_.pdf

Parliament along with a report summarising the responses he received and any changes he has made as a result of those responses. The draft SPS must be approved by a resolution of each House of Parliament before it can be designated. It is our intention that this report will set out the Government's policy response to the consultation when it is laid before Parliament in due course.

Summary of responses

We received 29 responses. The Annex sets out the full list of respondents. In addition, DECC met with representatives of EnergyUK, Scottish Power, RenewableUK, Scottish Renewables and the European Marine Energy Centre.

General comments on the SPS:

While there was general agreement that a SPS should be designated, DECC did receive a range of comments on its proposed content.

A number of industry respondents said they thought that the SPS should make it clear that effective competition is preferable to regulatory interventions. On the other hand, a consumer group wanted the SPS to recognise that measures to increase competition and consumer engagement cannot be relied upon to protect consumers.

Some respondents felt that the SPS should be used to specify what actions Ofgem should take and how it should interpret its remit, particularly in terms of the trade-offs it is required to make.

Ofgem and others raised questions about the link between the SPS and the Government's Principles of Economic Regulation.

There was some commentary upon the terms used in the SPS and the extent to which the language, particularly in the policy outcomes, reflected Ofgem's existing objectives. Several industry respondents said it should be clearer that the policy outcomes were subject to the Principal Objective.

Several energy industry stakeholders suggested that the wording of the policy outcomes should be more consistent with, and more closely reflective of Ofgem's existing objectives.

Some respondents queried the use of the term "at least cost" in the SPS, arguing that this encouraged a too short-term view and that "affordable" or "cost-effective" was a more appropriate term.

A number of stakeholders requested additional references to subjects such as Smart metering, Community Energy, Carbon Capture and Storage and Demand Side Reduction.

A number of stakeholders, particularly those from a renewable technology or environmental perspective, commented that they particularly welcomed paragraph 15 of the SPS which highlights Ofgem's duty to have regard to the need to contribute towards sustainable development and that its regulatory decisions should take account of economic, social and environmental factors. There were requests that this reference could be expanded and more references to sustainability added to the SPS.

Several stakeholders commented upon the timing of designation of the SPS. They thought that the election scheduled for May 2014 or publication of the findings of the Competition and Markets Authority's (CMA) investigation into energy markets (expected by the end of 2015) may mean that the SPS will need to be revised and prevent it contributing towards improving regulatory certainty in the way intended.

Some stakeholders from a Scottish perspective queried whether the SPS would be compatible with the post-referendum settlement.

The following sections cover specific points and comments about sections of the SPS not already covered above.

Strategic priorities

Ofgem and others considered that the SPS did not say enough about the importance of security of supply in the strategic priorities section.

One stakeholder suggested that the SPS should be used to establish a new strategic aim to put energy users at the heart of policy making. *Roles and responsibilities*

Some respondents requested more information on the functions of the Secretary and State and less detail on the existing statutes.

Policy outcomes

A number of network operators suggested that the policy outcomes should cover safety.

A range of respondents said they felt that the wording of the policy outcomes covering security of supply in the consultation SPS was unclear and ambiguous.

Some industry respondents said that the policy outcomes should be prioritised. The primary legislation does not provide for the outcomes to be prioritised and the Government does not think this would be appropriate as it might mean that some outcomes are not pursued as strongly as others.

A few respondents suggested that the policy outcomes should include specific targets in terms of carbon reductions and system losses. Some respondents felt that some of the outcomes were too specific, particularly those on consumer information and service standards, and could impinge on consumer choice. In contrast, other respondents said that the outcomes were not specific enough and that they could, for example, identify barriers to effective competition and be more explicit about the need for energy systems to be able to contribute towards the decarbonisation of heat and transport.

One small supplier considered that the policy outcome covering system balancing could be read as being biased against intermittent generation. Two industry respondents suggested that the market framework outcomes as well as the network outcomes should include "ensuring that there is an attractive market for investors".

Some respondents suggested that the network outcomes should explicitly reference clean and low carbon energy. The revised outcomes already reference low carbon energy and we do not consider that it is necessary to expand this reference.

Other points made not covered above:

- One respondent suggested that the regulatory framework for gas and electricity is no longer fit to face the challenges facing these markets and that a new form of regulation is required.
- A member of the public said that the SPS should be used to exclude nuclear energy from the GB energy mix.

Annex: List of respondents

Parents Concerned About Hinkley

Member of the public

Scottish Environment Protection Agency

The European Marine Energy Centre

E.ON

Centrica

SP Energy Networks

Highlands and Islands Enterprise

UK Power Networks

The co-operative energy

Good Energy Switch for Good

National Grid Electricity Transmission and National Electricity Transmission System Operator

SSE

Renewable Energy Events

Community Energy England

Scottish Renewables

The Carbon Capture Storage Association

Renewable Energy Forum

University of Exeter

Combined Heat & Power Association

Citizens Advice

Renewable UK

EDF Energy

Energy UK

Scottish Government

Scottish Power

RWE npower

Ofgem

Fuel Poverty Advisory Group

© Crown copyright 2015

Department of Energy & Climate Change

3 Whitehall Place

London SW1A 2AW

www.gov.uk/decc

URN