

Energy UK Written Evidence

The Energy Bill – Committee Stage

Summary

The Energy Bill will deliver significant improvements to the UK's energy sector, opening the door to investment in emerging technologies such as hydrogen and carbon capture, as well as updating legislation for existing technologies across the energy system. It is critical that this legislation progresses at pace, and as such we encourage limited amendments to the bill as it stands.

However, some measures would benefit from additional detail from the Government, and there remain areas where additional statutory provisions could improve the legislation. There are also measures that should be removed given a lack of comprehensive understanding of potential impacts.

Energy UK's top asks relating to this Bill are:

1. To send a strong signal to investors by introducing a sunset clause for the powers assigned to the Secretary of State in the Energy Prices Act.
2. To put the UK on track to meet our climate targets by introducing a Net Zero Test for all Government policy and regulatory decisions.
3. To remove Measures 272 and 273 to allow time for the Government and the Regulator to consider in full the best approach to community energy deployment.
4. To introduce competition in electricity network connections in a way which creates a level playing field for incumbents and new entrants whilst protecting customers.

Energy UK would welcome further detail on the approach to be taken in delivering competitive processes for networks (Measure 160 / Schedule 13), and in delivering appropriate requirements for energy efficiency of buildings in place of the Energy Performance of Buildings Directive (Measure 205). It is critical that competition in networks contribute to faster delivery of connections to the network while delivering cost savings to consumers. It is also important that the UK not fall behind EU states with regards to the energy performance of buildings, where strong measures are needed to deliver energy efficiency, electric vehicle charging provision, and building standards fit for net zero 2050.

Our Recommendations

- 1. Send a strong signal to investors by introducing a sunset clause for the powers assigned to the Secretary of State in the Energy Prices Act.**

The Energy Prices Act of October 2022 includes measures that grant the Secretary of State broad powers across fundamental parts of the energy industry. These powers undermine long-standing evidence-based processes and have impacted investor confidence in the sector. It is right that the timeframe for these powers be set in legislation to ensure the sector can transition to a post-crisis footing that attracts continued investment.

These powers include the ability of the Secretary of State to revoke any energy licence, to acquire energy infrastructure, and to set the tariff price cap, all without any requirement for regulatory oversight. The Energy Bill provides an important opportunity to amend relevant sections of the Energy Prices Act to ensure that these expanded powers enable the Government to respond quickly in the short-term without unnecessarily impacting investor confidence in the long term.

2. Put the UK on track to meet our climate goals by introducing a Net Zero Test for all governmental policy and regulatory decisions.

Short-term thinking will not deliver the investment necessary to reach Net Zero. Currently, the Government departments have no requirement to consider Net Zero outside of the Department for Energy, which has led to, for example, planning and building regulations being detached from attempts to reduce emissions from buildings. To ensure that the UK seizes the opportunities of the transition to Net Zero, the Government and regulators need to better assess and understand the long-term environmental, economic, and growth impacts of its decisions. Several bodies, including the Corporate Leaders Group, Energy UK, and the Climate Change Committee, have called on the Government to apply a Net Zero Test to all policy, regulatory, spending and taxation decisions.

Energy UK, and its members, are highly supportive of New Clause 52 as tabled by the Government.

3. Remove Measures 272 and 273 to allow time for the Government and the Regulator to consider in full the best approach to the deployment of community energy.

Energy UK is supportive of the principle of community energy and recognises the role it will play in the UK's energy system over the decades to come, however, now is not the time to introduce such statutory provisions amidst the ongoing gas price crisis. The measures tabled present significant practical concerns for the sector that must be resolved before an effective approach to incentivising uptake of community energy can be delivered.

Measures 272 and 273 create rapid timelines for the creation of new requirements surrounding energy suppliers and community energy projects. While the sector recognises the need for a reform of the approach to community energy, the current regulatory and legislative approach is vastly more complicated than the timeline and approach of these measures allows. The additional context of developing roles for future energy system operation, reform of competition in delivery of network infrastructure, and wider reforms of electricity markets including energy retail mean that the integration of community energy projects into the wider energy system cannot be progressed in isolation.

Community energy projects integrate energy assets like communally owned energy storage and domestic rooftop solar generation into a single resource, capable of reducing energy costs for local consumers and supporting the balancing of the energy system. These projects show great potential to deliver benefits for all consumers, but only if a holistic approach is taken to ensure fair treatment of these projects while ensuring consumers who are not involved in this sort of project are also protected from unintended consequences.

We ask that these measures be removed to give the Government, the regulator, and the industry time to fully consider the best approach to integrating community energy effectively, protecting consumers and preventing additional costs being added to all consumers' energy bills on behalf of a currently small portion of the population.

4. Introduce competition in electricity network connections in a way which creates a level playing field for incumbents and new entrants whilst protecting customers (Part 6, Clause 160).

Given the ambitious 2035 and 2050 targets set by the Government, the need for significant investment in networks is clear. As currently drafted, we have concerns that Clause 160 / Schedule 13 of the Bill may create an unlevel playing field and could lead to the erosion of financial and consumer protections. This in turn could delay the development of and investment into new energy infrastructure whilst also risking new entrants into the market if they do not have the same requirements as incumbents.

It is vital to ensure that extending competition in networks is applied in a way which benefits consumers and does not delay investment. The proposals for Competitive Allocated Transmission Owner and by extension Competitively Allocated Distribution Owners must allow for financial fair play and full customer protections.

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