The UK Electricity Grid: Overview of Government Policy

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Agenda
- Electricity grids and climate change
- The Government’s role and Ofgem’s role
- The scale of investment needed
- The Government’s policy levers
  - Network regulation
  - The planning framework
- Major next steps

Electricity networks will play a key role in some of Government’s top priorities

- Tackling climate change and securing energy supply are key Government priorities
  - EU renewables target (20% of energy to come from renewable sources)
  - A quarter of our existing generation scheduled to close by 2020
- Urgent need for a diverse range of new energy infrastructure
  - Renewables
  - New nuclear
  - Clean coal and gas
- Electricity networks are vital to enabling this transition
  - Upgrading
  - New infrastructure to transport new energy sources to demand

DECC works with the independent regulator to deliver networks policy

Department of Energy and Climate Change (DECC) Ministers set strategic policy objectives

Independent regulator (Ofgem) develops and implements regulatory policy

Industry delivers the necessary changes in the network

DECC is currently reviewing Ofgem’s regulatory role

Assessing the scale of new investment needed

- A key challenge is assessing what network is needed given that the location of new generation (e.g. windfarms) is uncertain
- The Government and Ofgem set up the Electricity Networks Strategy Group (ENSG)
  - Identified the scale of network investment required to meet 2020 renewables targets
  - Best available overview but only illustration – should not prejudice the outcome of applications
- DECC and Ofgem will work together during 2011 to consider incentives for coordinated offshore transmission development, ensuring it is coordinated with the onshore network

Network regulation governs what new network is funded

- Statutory obligation on National Grid and the Scottish transmission owners to develop and maintain the electricity transmission system
  - Must be efficient, co-ordinated and economic
  - Must have regard to amenity
- Approval for new investment is governed by Ofgem’s price control system
  - Framework for the next price control period is currently being developed by Ofgem
- GB Security and Quality of Supply Standards (SQSS) set out the security standards National Grid and the Scottish transmission owners must meet
Infrastructure Planning Commission will balance benefits against adverse impacts

- New planning regime as a result of the Planning Act 2008
  - Set up the Infrastructure Planning Commission (IPC) as the decision-making body for nationally significant infrastructure projects in England and Wales
- National Policy Statements (NPSs) will play a central role in the new system
  - Primary documents used by IPC when making decisions
  - Integrate environmental, social and economic objectives and provide clarity on the need for infrastructure – to enable the IPC to balance the benefits against the adverse impacts
- Consultation on the revised energy NPSs and associated documents runs until January 24th 2011

Government is technology neutral: projects are assessed case by case

- Each project is assessed on a case by case basis depending on its specific circumstances
  - Assessment of cumulative environmental impacts must be undertaken for the environmental impact assessment required for each planning application
- Regulatory and legislative framework for development of proposals aims to ensure the most appropriate technology is used
  - Different circumstances require different technological solutions
- Government asked National Grid to fund an independent study on the costs of undergrounding
  - General reference document for all interested parties, including the Infrastructure Planning Commission

Major next steps

- January / February 2011: KEMA independent study into the costs of undergrounding
- Early 2011: Begin consultation on the coordinated development of offshore electricity transmission
- Spring 2011: Revised National Policy Statements (NPSs) laid before parliament for ratification / approval
- Spring 2011: Expected publication of the Ofgem Review
- Spring 2013: Next price control review period starts