

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT ELECTRICITY CAPACITY (NO. 1)
REGULATIONS 2019

Tuesday 2 April 2019

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 6 April 2019

© Parliamentary Copyright House of Commons 2019

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: MR LAURENCE ROBERTSON

- | | |
|--|--|
| † Benyon, Richard (<i>Newbury</i>) (Con) | † Lefroy, Jeremy (<i>Stafford</i>) (Con) |
| † Brine, Steve (<i>Winchester</i>) (Con) | † McKinnell, Catherine (<i>Newcastle upon Tyne North</i>) (Lab) |
| † Brown, Alan (<i>Kilmarnock and Loudoun</i>) (SNP) | † McLoughlin, Sir Patrick (<i>Derbyshire Dales</i>) (Con) |
| † Costa, Alberto (<i>South Leicestershire</i>) (Con) | † McGovern, Alison (<i>Wirral South</i>) (Lab) |
| † Duffield, Rosie (<i>Canterbury</i>) (Lab) | † Skidmore, Chris (<i>Minister for Universities, Science, Research and Innovation</i>) |
| † Fitzpatrick, Jim (<i>Poplar and Limehouse</i>) (Lab) | † Smith, Nick (<i>Blaenau Gwent</i>) (Lab) |
| † Glindon, Mary (<i>North Tyneside</i>) (Lab) | † Whitehead, Dr Alan (<i>Southampton, Test</i>) (Lab) |
| † Grant, Mrs Helen (<i>Maidstone and The Weald</i>) (Con) | |
| † Hair, Kirstene (<i>Angus</i>) (Con) | Previn Desai, Jenny Burch, <i>Committee Clerks</i> |
| † Harris, Rebecca (<i>Lord Commissioner of Her Majesty's Treasury</i>) | † attended the Committee |

Second Delegated Legislation Committee

Tuesday 2 April 2019

[Mr LAURENCE ROBERTSON *in the Chair*]

Draft Electricity Capacity (No. 1) Regulations 2019

2.30 pm

The Minister for Universities, Science, Research and Innovation (Chris Skidmore): I beg to move,

That the Committee has considered the draft Electricity Capacity (No. 1) Regulations 2019.

It is a pleasure to serve under your chairmanship, Mr Robertson. May I pass on the apologies of the Minister of State for Energy and Clean Growth? She would dearly have loved to be here to present the draft regulations, which were laid before the House on 28 February. Unfortunately, however, she is detained in Cabinet, so I am standing in for her as a fellow Minister in the Department for Business, Energy and Industrial Strategy.

The capacity market is a key element of the Government's strategy for maintaining the security of electricity supplies in Great Britain. The security of our current electricity supply is robust; the electricity margin for winter 2018-19 is forecast to be more than 11%, the highest figure for five years, which shows that the capacity market works. The draft regulations will help us to maintain a strong security-of-supply position. They contain the modifications needed for the operation of the capacity market, pending fresh state aid approval by the European Commission, and make arrangements for a positive or negative state aid decision. These are not wholesale changes, but minor modifications to preserve the operation of the scheme to the extent possible while state aid approval is outstanding.

Before I go into detail, it may be helpful if I provide some context and background information. The capacity market ensures that there will be sufficient electricity supply in Great Britain during periods of peak electricity demand. It secures the required capacity by awarding capacity agreements in competitive, technology-neutral auctions held four years and one year ahead of delivery. The capacity providers that win agreements commit to providing capacity during periods of system stress in exchange for receiving capacity payments, the revenue from which incentivises the investment necessary to maintain and refurbish existing capacity and finance new capacity; it also ensures that those who are able to shift demand away from periods of greater scarcity are encouraged to do so.

On 15 November 2018, the General Court of the Court of Justice of the European Union annulled the European Commission's state aid approval for Great Britain's capacity market and introduced a standstill period until the scheme can be reapproved. Importantly, its judgment was based on the procedure that the Commission followed when approving the capacity market, not on the capacity market itself. The judgment prevents the UK Government from making capacity payments

unless and until the scheme receives state aid approval, but it does not change the Government's commitment to delivering secure electricity supplies at the lowest cost to consumers or our belief that capacity market auctions remain the most appropriate way of doing so.

The Commission is investigating the scheme. On 21 February, it confirmed that it was moving on to the next phase—an important step as we work to reinstate state aid approval in the capacity market as soon as possible. We are working with the Commission to ensure that it has everything necessary to reapprove the scheme as quickly as possible, and we are confident that it will be approved and that payments to agreement holders who have met their obligations during the standstill period will be allowed.

My Department published a consultation proposing modifications to allow the capacity market to operate as far as possible during the standstill period following the General Court's decision. We received 61 responses from a wide range of stakeholders. There was significant support for the majority of the proposals, with constructive feedback that led to several changes. The House of Lords Secondary Legislation Scrutiny Committee also highlighted uncertainties associated with the state aid process. We are confident that the draft regulations will help to address those uncertainties, including the unlikely event of a negative state aid decision.

Let me expand on the provisions in the draft regulations, beginning with deferred payments. To maintain industry confidence, the regulations include modifications to ensure that capacity payments that are currently being prevented by the Court's judgment can be paid to capacity providers after state aid approval is obtained. Those payments will remain linked to capacity providers' performance of the obligations in their capacity agreements.

Secondly, in recognition of the disruption caused to capacity providers, the draft regulations will provide additional flexibility during the standstill period. Capacity providers will have to pay financial penalties incurred during the standstill period only on the scheme's state aid approval. In most cases, the same will apply to the requirement to maintain credit cover. The instrument extends from six to 12 months the additional time existing agreement holders can request for taking steps to avoid termination. In exceptional circumstances, where the suspension of capacity payments means imposing a termination fee that would cause a capacity provider undue financial hardship, the Secretary of State may direct the delivery body to terminate the agreement without such a fee.

Moving on from terminations and penalties, the instrument sets out the conditions for rearranging the T-1 auction that was originally planned for earlier this year, securing the capacity required for winter 2019-20. The auction will award conditional capacity agreements, which will not entitle capacity providers to payments or require them to pay penalties or termination fees until they convert to full capacity agreements upon state aid approval, thus allowing the auction to be run before there is that approval. The instrument also allows the settlement body to hold payments made by suppliers to fund the scheme, where suppliers choose to pay during the standstill period. It also enables the collection of all outstanding supplier charges for the standstill period upon state aid approval, providing certainty that upon that approval capacity payments will be made promptly.

Finally, in the unlikely event of a negative state aid decision, or no decision by October 2020, the instrument will terminate capacity agreements and any entitlement to receive capacity payments, and will require similar payments held by the settlement body to be returned. Although we are confident that a state aid decision will be made by October 2020, we have included that long stop to ensure that supplier payments are not held indefinitely without the prospect of payments being made to capacity providers for performance against their obligations. We have also laid complementary amendments to the capacity market rules, which govern the technical and administrative procedures relating to capacity market operation.

In conclusion, the draft regulations are necessary to provide legal certainty and confidence to the industry about how the capacity market will operate until state aid approval is received, and I commend them to the House.

2.37 pm

Dr Alan Whitehead (Southampton, Test) (Lab): It is a pleasure to serve under your chairmanship, Mr Robertson.

The Opposition really do not want to vote against the draft regulations, because we consider some form of administrative procedure necessary to sort out the chaos with capacity market payments. As the Minister indicated, capacity payments cannot be collected and capacity money cannot be awarded to organisations with contracts arising from capacity auctions, because the capacity market itself has effectively been nullified by the European Court of Justice judgment. Companies, therefore, do not know what will happen. Indeed, companies that might otherwise have been liable for payments may well not be putting money into a pot for payments—or even into their own pot for payments—and may be doing other things with that money. Companies that had planned to undertake activity—investments, possibly—as a result of obtaining capacity market money for arrangements they had come about in good faith as a result of capacity market auctions, are not in a position to get that money on to their balance sheets and undertake that activity.

We have a difficult situation concerning how the capacity market affects those who pay into the fund for capacity market auction agreements and those who get money out of it. We accept that something needs to be done to stabilise that chaotic situation, but whether the proposals before us do that job properly is another question. Whether the proposals address themselves to the full gravity of the ECJ judgment and whether they are a rather simplistic response to it, regarding what needs to be done, are other issues to be considered. I want to concentrate on the two latter issues briefly this afternoon, because they are germane to how the procedure of stabilising the payments and outputs from the current capacity market can be progressed, and what that capacity market will look like when the payments and rewards are restored.

In order to concentrate on those two points, like the Minister, I will briefly refer back to the circumstances under which we reached our present chaotic state of affairs. The capacity market, which was formed in 2014, was originally intended to be a market to procure underwriting for long-term investment in plant capacity.

The assumption at that time was that those arrangements would normally be for 15 years. Plant such as new combined cycle gas plant would be underwritten for investment purposes by the capacity market, which would create better and more stable long-term capacity into the market.

As the Minister said, that is not an issue right now, because we have an 11% capacity margin in the capacity market. It is unlikely that there will be any capacity problems over the winter. However, as the Minister will also know, with the recent cancellation of nuclear plant programmes, and a number of other issues, there may well be a much longer-term capacity problem as far as that percentage difference is concerned, but not necessarily this winter or next.

A capacity market which did that 15-year job of bringing long-term capacity into the frame might make some long-term sense. The problem with the capacity market as it stands is that it has signally failed to do that job. Instead, almost all the contracts are one-year contracts for immediate capacity for companies not to produce, but to stand by to produce, if required, in the event of a capacity shortfall in a particular period, in this case, next winter.

That is a very long way from the original intention of the capacity market. Not only are contracts being given out to coal-fired generators, which increases the amount of energy they produce when they are supposed to be reducing it until their disappearance in 2025, but capacity payments are being given to old nuclear power producers in order for them to stand by and produce power when, in fact, a nuclear power station cannot be turned off. It is therefore quite impossible for that nuclear power station not to provide power and yet capacity payments are going to those organisations. It is not a good system as it stands.

That may have had a bearing on the ECJ judgment when it had before it a case that the Commission had not given proper consideration to the question of state aid acceptability of the original capacity market proposal. As hon. Members know, when a proposal that is known to be state aid comes before the Commission, it will consider whether there are circumstances which would give a wayleave to that state aid consideration. In this instance, that wayleave was given, on the grounds that the capacity market would do various things relating to the UK's ability to deal with any capacity gaps—indeed, on the basis that I described a little while ago.

The case before the ECJ stated that, not only had the Commission not considered properly that state aid case—indeed, the Commission quite palpably relied on UK submissions and did not do a separate investigation into state aid before pronouncing that state aid was okay as far as the capacity market was concerned—it did not consider concerns about the accessibility of the capacity market to newer forms of energy, such as demand-side management. Because of the construction of the capacity market, demand-side management was particularly disadvantaged in terms of access and therefore was being discriminated against in how it was able to get capacity payments in the way that might have been intended, compared with more traditional forms of energy production.

What particularly concerns me is that the whole basis of the proposal in this draft regulation is that the judgment by the ECJ to annul the capacity market as it

[*Dr Alan Whitehead*]

stands is merely a procedural issue. The explanatory memorandum states that the

“Court of Justice of the European Union...annulled the State aid approval for the scheme on procedural grounds concerning the European Commission’s procedure for investigating the UK’s notified scheme.”

That is palpably not so. The ECJ judgment did not simply decide on procedural grounds that it would annul capacity market payments for the time being. If it was concluded that the ECJ had simply decided on procedural grounds to annul the payments, one might expect—as, indeed, this document does—that within a short time the Commission would set right its procedure and put right the capacity market payments as they previously stood—and all would be well.

Essentially, that is what this statutory instrument assumes: that the capacity market is at present annulled and there should be various arrangements to secure payments in and hold payments out. As the Minister said, there is a cut-off date in 2020, whereby if a decision has not been reached about capacity payments, those payments will become null and void. The Government clearly consider that holding a contingent auction in autumn this year is perfectly okay, because fairly soon afterwards payments will come forward and the auction payments will be able to be paid up.

I am not sure whether those are sound propositions on which to base the whole of this statutory instrument. The Government are not only setting a long-stop about decision-making, but stating in the explanatory memorandum that they expect a decision to be received ahead of the 2019-20 delivery year, on 1 October 2019. That is the reason why the statutory instrument proposes that a delayed T-1 auction be held: on the basis that there will be a very short period while money must be held before money can be released as a result of that auction.

I am not sure that that is correct, however, because the judgment did not just refer to procedural issues; it also raised serious doubts about differences in treatment and about the compatibility of the measure on non-discrimination grounds with respect to demand-side response. Those issues should have merited opening a formal investigation procedure. Because the Commission did not carry one out, not only was its procedure not correct, but it had not correctly applied itself in matters of substance relating to the capacity market.

Consequently, the ECJ ruling nullified the capacity market, essentially on two grounds: first, that the Commission had not satisfactorily carried out its own procedures, but secondly because of the real concerns that I have outlined about the structure of the capacity market with respect to access for demand-side response and other modern energy arrangements. Those concerns could have given rise to further concerns about state aid that were not considered.

The draft regulations try to bring some order to the current chaos, but they do so on the basis of some frankly fairly wobbly assumptions about what the judgment was about, how long it is likely to be in the hands of the Commission for further determination, and what the Commission is likely to decide on the capacity market question.

If the Commission comes out with a judgment that reflects some of the more complex matters, it is distinctly possible that it will state that the capacity market has never been lawful and that all the money paid out in the eight capacity auctions that have taken place so far should be recovered one way or another. That could come to many billions of pounds. On receipt of such a judgment, it would be necessary to undertake such a procedure and—if it was felt that a capacity market was required—to start the process completely anew with a fresh application for state aid, on the basis that the previous arrangements were all completely unlawful.

It might therefore be more prudent to declare that the arrangements that have hitherto been undertaken were historical; that the capacity market for those circumstances has come to an end; and that, rather than having an interim auction to join the new capacity market with the old one, we should put a new capacity market in place when a judgment comes out. That, at least, would probably protect the UK Government from having to try to recover some £8 billion or £9 billion in payments from capacity auctions since 2014.

I apologise that I have had to go on at some length, but I hope it is clear that the Opposition have severe concerns about the substance, rather than the procedure, of the draft regulations. We do not oppose them on procedural grounds, but we would like to see a much better analysis of what the Commission might come out with, following the ECJ judgment, and of what the UK Government’s options would be.

The best thing to do is to ask this Minister, who is ably filling in for the Minister of State for Energy and Clean Growth, to facilitate a meeting between me and the Minister of State so that we can go through the concerns and see whether the UK Government have anticipated them or whether other things ought to be done to ensure that, as we come out of a period of nullification, we are properly protected when it comes to what happens subsequently. At the moment, I am not sure that we are or that we have taken as seriously as we should the substance of the ECJ ruling, as well as the procedure.

My concern, obviously, is to keep the payments flowing, to bring order to the market. The opportunity that there is now for a review of the capacity market next year, which is in the statute, might be a chance to get a number of these issues sorted out as far as the capacity market in the future is concerned. If the Minister can give an undertaking that such a meeting will be facilitated and that we can look at those wider issues in the not-too-distant future, I will be most grateful. In those circumstances, I would not seek to press this SI to a vote.

2.56 pm

Alan Brown (Kilmarnock and Loudoun) (SNP): It is a pleasure to serve under your chairmanship and to follow the hon. Member for Southampton, Test; as usual, I will be somewhat briefer and, I suspect, more superficial than he was. I, too, would appreciate it if, when he sums up, the Minister reminded us how we got to this point; whether these proposed changes are sufficient to meet the concerns with the ECJ; what the outstanding risks are; and, if the proposed T-1 auction we are preparing for does not go ahead, what the supply risks are in terms of the electricity market. Energy UK, the

industry body, is in favour of these changes, so it seems that some changes are required to facilitate further capacity auctions.

Paragraphs 6.4 and 6.5 of the explanatory memorandum detail the additional legislative changes required to accompany this statutory instrument. Can the Minister say what other changes are required, when they are coming and why we are not seeing the whole package together?

In terms of the Government consultation, half the responses express concerns regarding the T-1 agreement trigger and the amount of power or discretion that that gives the Secretary of State. Paragraph 10.3 of the explanatory memorandum says that some changes to the proposals have been made, following the consultation. Do the proposed changes to the legislation cover the concerns that respondents had with regard to the T-1 agreement trigger?

The hon. Member for Southampton, Test touched on the fact that the UK Government need a much more coherent energy strategy. Half the existing nuclear power stations are due to be decommissioned in the years 2023-2024. In recent written questions, I asked the Government about the proposed plans for the replacement generation capacity for these nuclear power stations. I was told that there are no immediate plans, but that they have decades to decide that. Clearly, they do not have decades to decide, given that those stations are going offstream in five years' time. That shows the failings of the Government's policy in their current nuclear obsession—new nuclear is not working but they are still carrying on full steam ahead.

We need more onshore wind generation in Scotland, CCS strategy, and greater investment in marine and tidal energy. Those are all required to stabilise the power generation market going forward. I would like to hear some comments about those issues, too.

2.59 pm

Chris Skidmore: I thank the hon. Members for Southampton, Test and for Kilmarnock and Loudoun for their considered contributions today. It is evident that they have spent a lot of time thinking about the policy perspectives when it comes to the capacity market.

The Government continue to believe that the capacity market is the right mechanism for delivering security of supply at the lowest cost to consumers. My Department is working closely with the European Commission to ensure that state aid approval in the capacity market can be reinstated swiftly. Meanwhile, the judgment of the General Court prevents the UK Government from making capacity payments unless and until state aid approval is obtained.

However, we do not consider that the judgment prevents other aspects of the capacity market from continuing to operate during that standstill period. The delivery body and the assessment body continue to operate aspects of the capacity market during the standstill period, facilitating ongoing compliance with the scheme and helping to limit that uncertainty following that General Court judgment, to which the hon. Member for Southampton, Test referred. It also ensures capacity in a way that promotes security of electricity supply and demonstrates that a provider should be entitled to back payments. It enables the scheme to restart full operations as quickly as possible after state aid approval.

The T-1 auction, referred to by the hon. Member for Southampton, Test, will ensure that successful bidders in replacement T-1 auctions will be eligible to receive capacity payments covering the entire delivery year if state aid approval is obtained before October 2020. We believe that this enables bidders to have confidence in the revenue they can expect to receive through the auction if it is approved by the European Commission, providing better value for bill payers and reducing the risk premium that might otherwise inflate auction bids.

The Government do not consider that holding this T-1 auction, or awarding additional capacity agreements in that auction, amounts to state aid. Conditional capacity agreements convert into capacity agreements only if there is state aid approval to make payments, meaning that any aid under the agreement awarded is entirely conditional on state aid.

I turn to the judgment of the General Court. We are clear that it was based on the procedure followed by the European Commission. The General Court gave examples of where the Commission should have had doubts and investigated them, but did not rule that the design was wrong. We are confident that the design of the capacity market is now compatible with the state aid requirement. We have carefully considered each of the issues raised through the Court judgment.

We cannot pre-empt the outcome of the Commission's investigation, but we remain confident that the scheme will be approved by the Commission following investigation—not least because it has approved six other capacity markets since 2014.

The Commission has also appealed the judgment of the General Court to the European Court of Justice. The Commission might require policy changes to the design of the capacity market scheme when granting state aid approval, in which case the Government would seek to respond swiftly to consider and bring forward the required changes. My Department has been in regular discussion with the Commission since the judgment to better understand the process they are following to ensure that we can support the investigation in the most effective and timely way possible. It is for the Commission to establish its own timetable, but we expect it to make the final decision later in the year.

I turn to the general points made on the necessity of the capacity market. The Government continue to believe that the capacity market is the right mechanism for delivering security of supply at the lowest cost to consumers. This view was supported by the majority of stakeholders that responded to our call for evidence in September 2018 as part of the proposed five-year review.

The capacity markets have a direct and indirect impact on new-build capacity. Around 4GW of new resources were cleared in the most recent 2018 T-4 auction, leading to the point made by the hon. Member for Kilmarnock and Loudoun: when it comes to the transfer away from fossil fuels towards renewable and nuclear fuels, the capacity market provides a cost-effective mechanism for bringing forward new capacity as and when needed. Recent auctions have supported a wide range of new-build resources, and the capacities of the market have had an impact on new builds.

Dr Whitehead: On the particular point of the capacity market providing new build, will the Minister agree that the only combined cycle gas plant supported by the

[Dr Whitehead]

capacity market is one 400MW plant during the entire period of the auctions? The capacity that has been procured more recently has either been open cycle gas plants, which are more polluting than combined cycle gas plants, or diesel set generators, which are more polluting than coal. Does the Minister consider that that is a good method of procuring capacity for the future through the capacity market arrangements?

Chris Skidmore: I would also point to the fact that we have seen 150 MW of battery storage through the recent T-4 auction; 1.1GW of DSR and 2GW of new interconnectors. There is obviously a variation. When it comes to the capacity market, this technology is based on delivering the most cost-effective mechanism, but we have demonstrated the need to introduce new capacity as and when needed.

When it comes to the Government's record on switching away from coal, I should say that we have invested £92 billion in clean energy and quadrupled the renewable electricity capacity since 2010: the share of electricity from low-carbon sources is now 56%. In quarter 3 of 2018, 33% was from renewables, an increase from 6.9% in 2010.

If the Minister of State for Energy and Clean Growth were here, I am sure she would expound on the recent offshore wind sector deal, which was published two weeks ago. We now have the ability in offshore wind to exceed 30GW of installed operational capacity—more than we expected. We have already met the 2020 renewable targets. That is the same for solar capacity: in 2013, we estimated it would reach between 10GW and 12GW by 2020. The latest figures indicate it has reached 30GW, enough to power more than 3 million homes.

Important progress has been made. In terms of the five-year review of the capacity market that the hon. Gentleman mentioned, in line with the requirements set out in the Energy Act, we intend to publish a report that summarises our five-year review of electricity market reform this summer. One chapter of that will cover the five-year review of the capacity market.

On the hon. Gentleman's specific point about meeting the Minister for Energy and Clean Growth, I should say that she will be delighted to discuss the opportunities for reform of the capacity market and to look at how we can deliver the best capacity market in the future.

When we look at the issue of agreements, the hon. Gentleman is right that the majority of capacity types can only access one-year agreements. An exception is obviously made for new and refurbished plants because investors require more certainty when investing in large capital projects; those agreements are for up to four years. However, we believe that longer-term agreements, where not needed, risk needlessly locking consumers into paying a long-term price, while there are challenges to encouraging business to engage in demand-side response. The same capital costs do not apply there. No clear evidence suggests that longer-term agreements are necessary to ensure demand-side response can compete effectively.

Jeremy Lefroy (Stafford) (Con): Opposition Members have referred to the long-term problem with capacity, particularly with the nuclear baseload coming off-stream

in the late 2020s and coal stopping between 2023 and 2025. At the same time, the Government are quite rightly encouraging increased uptake of electric vehicles—I declare an interest in that I drive one myself. This will place great demands on the grid and generation capacity. What plans do the Government have to make sure that the increased demand will be met by increased supply and to replace the energy that is coming offline?

Chris Skidmore: The question here is one of short-term capacity. We mentioned earlier that the electricity margin is 11%, which the highest it has been for the past five years. However, we cannot be complacent about ensuring that we have that insurance mechanism in place. That is why the capacity market is so important.

I point to the importance of investing in future technologies, while, side-by-side, we look at existing technologies and ensure that the capacity market adopts those providers. We have the Faraday battery challenge, which is quite close to where the hon. Gentleman is in the Midlands—that is £280 million worth of investment. When it comes to the supply of electricity, making sure that we have efficiency within a system, particularly with electric vehicles, is a key part of our grand challenge for Motability, particularly in cities. Work is being done to ensure that we can deliver on the power supply for that upscaling in electric vehicle manufacture and uptake, and I am struck by that work.

I am equally passionate about future technologies that we will need to invest in. We talked about nuclear fission, but we need to continue to work towards nuclear fusion with our European partners. The European Commission recently allowed a £100 million extension of the Joint European Torus contract at Culham. Going forwards, we are keen to associate with ITER, the international thermonuclear experimental reactor in France.

The point that the hon. Gentleman raises is right. We need to ensure that we have a portfolio of energy supplies as we reduce our dependence, as we have done successfully on fossil fuels and gas, but we can and will do more. It is important to recognise that this country has the most successful record when it comes to the introduction of renewables as a percentage of the overall grid supply.

We appreciate that the Court's judgment has created the uncertainty and the potential difficulties that the hon. Gentleman mentioned. The Commission is investigating the scheme and has confirmed that it is moving on to the next phase. That is an important step as we work to reinstate state aid approval for the capacity market as soon as possible. The regulations provide legal certainty and confidence to industry and the electricity system about how the capacity market will operate during that standstill period pending state aid approval and about what we expect after that period. We continue to believe that the capacity market is the right mechanism for delivering security of supply at the lowest cost. The regulations are essential to preserving the operation of the capacity market to the extent that is possible when state aid approval is outstanding. The regulations provide vital confidence to industry and safeguard a secure system.

We have had an important and detailed debate about some of the wider policy implications. I have set out an opportunity for the hon. Gentleman to have a meeting

with the Minister for Energy and Clean Growth. The regulations prescribe for the immediate future of the capacity market. That is important, and I urge all Members to support them.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Electricity Capacity (No. 1) Regulations 2019.

3.12 pm

Committee rose.

