

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Fifth Delegated Legislation Committee

DRAFT STRATEGY AND POLICY STATEMENT  
FOR ENERGY POLICY IN GREAT BRITAIN

*Tuesday 19 March 2024*

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**Saturday 23 March 2024**

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**The Committee consisted of the following Members:**

*Chair:* CHRISTINA REES

Blomfield, Paul ( <i>Sheffield Central</i> ) (Lab)	† Shelbrooke, Sir Alec ( <i>Elmet and Rothwell</i> ) (Con)
† Brown, Alan ( <i>Kilmarnock and Loudoun</i> ) (SNP)	† Smith, Jeff ( <i>Manchester, Withington</i> ) (Lab)
Byrne, Liam ( <i>Birmingham, Hodge Hill</i> ) (Lab)	† Solloway, Amanda ( <i>Parliamentary Under-Secretary of State for Energy Security and Net Zero</i> )
Duffield, Rosie ( <i>Canterbury</i> ) (Lab)	† Sunderland, James ( <i>Bracknell</i> ) (Con)
† Fletcher, Mark ( <i>Bolsover</i> ) (Con)	† Villiers, Theresa ( <i>Chipping Barnet</i> ) (Con)
† Gibson, Peter ( <i>Darlington</i> ) (Con)	† Whitehead, Dr Alan ( <i>Southampton, Test</i> ) (Lab)
† Hollobone, Mr Philip ( <i>Kettering</i> ) (Con)	
† Johnson, Gareth ( <i>Dartford</i> ) (Con)	Susie Smith, <i>Committee Clerk</i>
Johnson, Kim ( <i>Liverpool, Riverside</i> ) (Lab)	
† Mumby-Croft, Holly ( <i>Scunthorpe</i> ) (Con)	
† Nici, Lia ( <i>Great Grimsby</i> ) (Con)	† <b>attended the Committee</b>

**The following also attended, pursuant to Standing Order No. 118(2):**

Coffey, Dr Thérèse (*Suffolk Coastal*) (Con)

# Fifth Delegated Legislation Committee

Tuesday 19 March 2024

[CHRISTINA REES *in the Chair*]

## Draft Strategy and Policy Statement for Energy Policy in Great Britain

9.25 am

**The Parliamentary Under-Secretary of State for Energy Security and Net Zero (Amanda Solloway):** I beg to move,

That the Committee has considered the draft Strategy and Policy Statement for Energy Policy in Great Britain.

The past few years have brought unprecedented changes and uncertainty to Great Britain's energy system, but we have remained resilient. Last year, we laid the foundations for an energy system fit for the future with the landmark Energy Act 2023, the largest piece of energy legislation in the United Kingdom in a generation, which is world-leading in legally mandating net zero. The changes in that Act, including the powers to establish a National Energy System Operator—NESO—and new duties for Ofgem, mean that now is the right time to reaffirm the Government's strategic priorities and policy outcomes in this strategy and policy statement.

The Strategy and Policy Statement for Energy Policy in Great Britain is developed according to part of the Energy Act 2013. The SPS sets out in clear terms the Government's strategic priorities and other main considerations for energy policy, the policy outcomes to be achieved, and the roles and responsibilities of persons involved in implementing that policy. The Secretary of State, Ofgem and the National Energy System Operator—a new independent public corporation responsible for planning Britain's electricity and gas networks and operating the electricity system—will be required to have regard to the strategic priorities set out in the SPS.

**Alan Brown (Kilmarnock and Loudoun) (SNP):** Can the Minister give us a timescale for when NESO will be operational as an independent body, in the way envisaged by the Government?

**Amanda Solloway:** I will come on to that in a moment.

The Secretary of State and Ofgem must also have regard for the policy outcomes contained within the SPS, and both parties must carry out their respective regulatory functions in the manner which they consider best calculated to further the delivery of the policy outcomes.

NESO is expected to be established this year. The SPS serves an additional purpose of setting out and clarifying the roles and responsibilities of NESO alongside Ofgem and the Government. The SPS is intended to provide guidance to the energy sector on the actions and decisions that are needed to deliver the Government's policy goals, and places emphasis on where the Government expect a shift in the energy industry's strategic direction.

As the independent energy regulator for Great Britain, Ofgem cannot be directed by the Government on how it should make decisions. Similarly, NESO is being set out to be operationally independent and free from day-to-day Government control. However, the SPS will provide guiding principles for Ofgem and NESO when it is established. The strategic priorities and policy outcomes within the SPS do not include the creation of any new policies or duties.

**Theresa Villiers (Chipping Barnet) (Con):** I would be very interested to hear how the SPS will focus on the switch to renewables. That seems to have been one of the big successes under the current Government, with the proportion of our electricity generated from renewables somewhere near 40%. Obviously, we want that progress to continue.

**Amanda Solloway:** Absolutely. That is the very reason we are doing this—to make sure that we achieve our net zero targets.

The statement will support strategic alignment between the Government, Ofgem, NESO and the industry, by making clear what the Government want to achieve in the energy sector. The legal framework of the Energy Act 2013 requires that Ofgem, NESO and the Secretary of State all have a duty to have regard to the strategic priorities within the SPS.

Ofgem must publish a strategy showing how it will further deliver the policy outcomes and its annual report must assess its contribution to deliver those outcomes. The SPS also acts as a tool to promote alignment between Government, Ofgem, NESO and industry. As per the Energy Act 2013, the SPS has completed two consultations. The first was undertaken with Ofgem and the Welsh and Scottish Governments, and the Government worked with all parties to make sure views were correctly captured before moving on to the second public consultation, which was held last summer.

**Alan Brown:** I refer the Minister to the 16th report of the Secondary Legislation Scrutiny Committee, which was published earlier this month on 7 March. It details the fact that there was consultation with Scottish and Welsh Ministers, as the Minister said. However, additional information provided by her Department makes it clear that the Welsh Government asked for the Welsh net zero targets to be included in the SPS, and that the Scottish Government asked for the same for the Scottish net zero targets and also for the networks section to be strengthened. According to her Department, information was added to the introduction for the Welsh and Scottish net zero targets, but I cannot find it in the introduction. I wonder if the Minister could provide clarity on where that was included in the documents.

**Amanda Solloway:** I will have a look at that information and see if we can get that to the hon. Member if it is not included.

The feedback throughout both consultations was generally positive, and stakeholders were keen to see the SPS implemented to give guidance to the sector on the roles of Ofgem, NESO and the Secretary of State in delivering the Government's priorities for the energy sector. Since the consultation was concluded, officials

have worked through feedback and, where appropriate, used that to inform the current iteration of the SPS before us. The Government are confident that this SPS reflects the right strategic priorities and policy outcomes for energy policy for the whole of Great Britain. The SPS reaffirms the Government's commitments and priorities for the energy sector and, in doing so, acts as a tool to support strategic alignment between Government, Ofgem, NESO and industry. I commend this draft statutory statement to the Committee.

9.32 am

**Dr Alan Whitehead** (Southampton, Test) (Lab): The power to designate a strategy and policy statement, as the Minister has set out, has been in place since the passing of the Energy Act 2013. That Act envisaged, among other things, that a strategy and policy statement would be an essential tool in aligning the actions of Government and of Government agencies and bodies, such as Ofgem, and ensuring that they were marching in lockstep as far as the development of strategic priorities was concerned. Indeed, this strategy and policy statement is very important in making sure that, with the designation of a net zero mandate for Ofgem, which took place in the recent Energy Act 2023, the alignment is complete with the issue of the strategy and policy statement. However, I point out that these strategy and policy statements are supposed to last for five years and to be reviewed at the end of a five-year period—or, significantly, should an election take place in the meantime.

The strategy and policy statement power, therefore, has not been used since the introduction of the 2013 Act. We should have had one almost immediately after the Act, and we should be revising the second one now. The fact that one is not in place is a theme of this Government because we other publications have been long delayed, including a new national policy statement for energy and a national policy statement for nuclear.

The document necessarily acts at a very high level, and there is a lot that we agree with, particularly the strategic overview and priority that has been put forward with this policy statement. As I have mentioned, having an SPS is a great improvement on not having one in this area. However, it is clear that the document will not stand for five years, which is the time at which the legislation says it should be reviewed. For one, there is an election coming this year. While there are several points of substance on which Labour plans would differ from the Government's, the most important is our commitment to clean power by 2030, which is a clear differentiation from the strategic view set out in the document. Certainly, should there be an election shortly and should Labour be fortunate enough to win, we will revise the policy statement at a very early stage in the next Labour Government.

**Alan Brown:** If Labour gets in and if the policy document is revised, how will it be funded to get to zero carbon by 2030? Surely, that was a key component of the £28 billion a year pledge, which has now been scrapped. The two are surely incompatible now.

**Dr Whitehead:** I am tempted by the hon. Member to go down the lengthy path of discussing how the move to clean power by 2030 will be financed. I can assure him that that is fully set out and sorted out as far as Labour

policy statements are concerned. However, he makes the important point that a number of things that Government have done recently run against not only the idea of clean power by 2030 but their own strategy and policy statement as it is now being put forward—for example, putting back the mandate for the end of the sale of internal combustion engine vehicles to 2035 when it was originally 2030.

Regardless of the results of an election, I do not think the document can stand for five years because it leaves so much undefined. The Minister has mentioned the issue of the National Energy System Operator and its relationship to Ofgem, but that is completely undefined in the document because that has not yet been worked out. NESO itself is not yet established and, indeed, the strategy and policy statement makes frequent reference to unpublished interim steps, such as an interim strategic spatial energy plan, which we think is a good thing and long overdue. As NESO is established in the various plans that the SPS hints are in place, we need a much more substantive update to the policy statement, including what is to happen on the question of regional energy system planners, which the document mentions but does not discuss further, as far as their operation and organisation are concerned.

Can the Minister tell us when she hopes to issue an update to the strategy and policy statement? Perhaps, when we are clearer about what the National Energy System Operator will actually do and how its relation to Ofgem will pan out, she will be able to say to the House that a revision of the strategy statement will be forthcoming and will put things into place in a much clearer way regarding the new arrangement for energy systems.

There are also one or two drafting errors in the statement that I will point out. Twice, the document refers to plans that are due for completion in 2023. We are now in 2024, and it is not that the plans have not been completed or addressed; it is just that the document is referring to, I assume, something that has not been updated in terms of where we are now. It would be a shame if the document went out with factually inaccurate material on dates.

There are other commitments for 2024, on which we are not convinced the Government are making sufficient progress and which are mentioned in the document as if they were. One example is developing a plan for long-duration energy storage. Indeed, other areas bear little relationship to reality; for example, the Government reaffirm their commitment to the 2030 fuel poverty target, but National Energy Action says that they will miss it by over 90%. The SPS also talks about the roll-out of smart meters, but as we all know, that too is well off-track. I would question the value of a strategic overview that does not take proper account of the real state of the policy landscape it is summarising.

This strategy and policy statement is clearly going to need to be revised in the near future. However, as I said, it is better than having no statement at all, and it provides for some useful new processes such as Ofgem reporting annually on how it is meeting the requirement to have regard to the Government's strategic objectives. For that reason, and because of the fact that we finally have a strategic policy statement, we will not be voting against the measure this morning.



9.41 am

**Alan Brown** (Kilmarnock and Loudoun) (SNP): It is a pleasure to serve under your chairmanship, Ms Rees. The hon. Member for Bolsover has encouraged me to be brief, and I will see what I can do. There is such a good turnout on the Government Benches that I think they would want a proper debate on this. I apologise for how I will go through this; there are no paragraph numbers in the draft strategy and policy statement, which I find quite frustrating, as it means I am trying to make cross-references. Can I request that in the future there are paragraph numbers and references?

Starting with the fourth paragraph on page 7, the statement says that the Government

“expects private sector investment of around £100 billion in the energy sector in the period to 2030”.

It would be good to know what level of Government expenditure is expected. Do they intend to lever in that £100 billion? Also on page 7—the hon. Member for Southampton, Test mentioned this—the statement says that the Government

“plan to reflect how best to cover NESO in its substantive role once it is established.”

That basically confirms that this document does not set out proper duties for NESO because NESO still has to be up and running. In many ways, that suggests that this policy statement was too early. It would make sense to introduce it once NESO is established, so that its substantive role could be echoed throughout the document.

That brings us to the question of how this is going to work. NESO is going to be critical for helping to deliver energy strategy, but a paragraph on page 8 details the fact that the independent system operator and planner, meaning NESO, has a duty to notify the Secretary of State if, at any time,

“it thinks that a policy outcome in the SPS is not...achievable.”

What are the interim arrangements for the period until NESO is up and running if it is deemed that there are policies that are not achievable? As you know, Ms Rees, I am a glass-half-full type of guy, but there are policies in this document that I do not think are achievable.

The nuclear plan is never going to achieve a 24 GW deployment by 2050, and it is really unlikely that the planned deployment of 50 GW of offshore wind will happen. The emission reduction targets for 2030 are unlikely to be achieved, the sixth carbon budget is behind schedule, and the plan for 600,000 heat pump installations by 2038 ain't gonna happen on the current trajectory. The planned energy efficiency upgrade of ensuring that all properties achieve a rating of band C by 2030 is not practical, and that is not going to happen, either. What interim arrangements can be flagged up to the Government, and will the Government then review those, respond and take action?

Page 11 says that

“Ofgem is...accountable to Parliament”.

That is true, but would the Minister explain how Ofgem is accountable to Parliament and whether that is set out anywhere? I was previously a member of the Business, Energy and Industrial Strategy Committee. It conducted an inquiry, and Ofgem gave evidence. It was kind of set that Ofgem was effectively accountable to the BEIS Committee, and that that was a parliamentary scrutiny process. That came as news to everyone on the Committee,

and I am sure it would come as news to a lot of Members in Parliament. Having a clear process that sets out how Ofgem is accountable to Parliament would be useful to all Members across the House. Should there be something in the document about that, or should it be set out clearly somewhere else?

Page 11 confirms that it is now a duty for Ofgem

“to consider consumers’ interests in the Secretary of State’s compliance with the net zero targets”.

Going forward, it also confirms that Ofgem should

“have regard to the desirability of promoting economic growth when carrying out its core regulatory functions.”

It is quite possible that to balance consumer needs and economic growth means different decisions or recommendations. What should take precedence for Ofgem, and how will that work? What does that mean going forward? I have long said about the contracts for difference process that the Government have not put enough emphasis on local supply content and building up a UK-based supply chain. That would actually deliver economic growth, instead of CFD being based solely on the lowest price, which has offshored a lot of the manufacturing. Contracts for difference has been a missed opportunity. Going forward, it can still deliver economic growth, but is it going to be left for Ofgem to decide the options, or for the Government to decide the parameters?

Page 17 confirms the target of 600,000 heat pumps per year by 2028. Can the Minister explain what level of deployment we are getting at the moment, and what plans the Government have to get it up to 600,000 per year? Pages 23 to 25 detail nuclear policy, which is one of my favourite Government policies that exists. On page 24, we are told that nuclear is “providing reliable, safe electricity”. However, the reality is that each nuclear reactor is down on average for a quarter of the year. That has been every year for the past 10 years; I established that through parliamentary questions.

What does happen when nuclear is down for a quarter of the year and the sun is not shining and the wind is not blowing? That is the scenario that we are always told that nuclear is needed for. I wonder what back-up plans the Government have to deal with that.

I am going to be slightly facetious. There is a paragraph that talks about the

“approach to the delivery of new nuclear projects beyond Sizewell C, giving industry and investors the confidence necessary to deliver projects at pace”.

What is it that is happening now that will allow projects to be delivered at pace? We know that Hinkley Point C is years behind schedule. Sizewell C has taken years to even get to the final investment decision. Even if Sizewell C continues “at pace” during construction, it is going to be a further 10 to 15 years. Can we have a definition of what “at pace” means?

On the technology selection process for small modular reactors, can the Minister confirm that there is not a single approved design at the moment? They are only now approving the design. Therefore, even if the Government select a winner in the technology selection process, that winner still has to go through the approval process with the Office for Nuclear Regulation, which takes years. That will take us beyond the 2029 point.

There is a section on low-income, vulnerable and fuel-poor households. That talks about upgrading all homes in England to band C by 2030, “as reasonably practicable”. Can the Minister define what “as reasonably practicable” means, in terms of what is a reasonable cost or a reasonable level of disruption? That has got to be understood, because it will be a clear exemption that the Government will rely on, going forward. Given that after 14 years of Tory Government the number of properties in band C is sitting at 50%, that means the other 50% of properties have got to upgrade in the next six years. What are the Government doing to make it possible to do that?

If we are looking at low-income, vulnerable and fuel-poor households, a social energy tariff is not mentioned here. A consultation on a social energy tariff was supposed to be one of the Government’s pledges before, so what has actually happened? What is the thought process about a social energy tariff?

I welcome the fact that on page 32 it lists among the Government’s policy outcomes:

“By 2024, an appropriate policy to enable investment in large-scale long-duration electricity storage consistent with cost-effective decarbonisation.”

But clearly we are in 2024. I know that a consultation is ongoing about a framework carbon floor mechanism, but when will that be concluded and implemented? I have raised this several times, but we really need to get pumped storage hydro schemes on the go. I am thinking particularly of Coire Glas and the Cruachan Dam extension.

Finally—people will be glad to hear—the document finishes with the EU-UK trade and co-operation agreement. Energy UK has confirmed that as part of the current trade and co-operation agreement we are spending £1 billion extra a year on trading arrangements; that is added directly to our energy bills. When will the Government change or renegotiate that and save us £1 billion on our energy bills during this cost of living crisis?

I look forward to hearing the ministerial response.

9.50 am

**Dr Thérèse Coffey** (Suffolk Coastal) (Con): It is a pleasure to speak in this debate. Members of the Committee will know that I am not a member, so I will not have any view on the consideration at the end. However, I will say that today, unusually for Government procedures, this statement is on the Order Paper for it to go through tonight without any further debate after this Committee has debated it. That is why this is one of the most important debates in which I will participate in this entire Parliament, and why I am here today.

I am delighted to see my hon. Friend the Minister in her place. She will be well aware of many of the local issues. Very kindly, she met me before an Adjournment debate that I was due to have until I got laryngitis and could not do the debate. She will be conscious, in relation to east Suffolk Coastal, that stretch of the coast, that it is quite possible that within about 15 years that small, 5-square-mile area will be responsible for the generation and transmission, via interconnectors, into this country, for the UK electricity network, of 30% to 33% of the UK’s entire use of electricity. As a consequence, local people are understandably concerned about the scale of the development that is happening in an area

that already has significant environmental protections. That is why in many ways I welcome parts of this policy statement. Some bits are missing from it, and I would like the Minister to reflect on that. I will say this now, so that the Whips can message the powers that be. I do want the Government to consider not moving the motion tonight and to take the opportunity to reflect on what has been said not only in this Committee but elsewhere, in debates, and indeed in the other House.

Thanks to the Act under which we are discussing this statement, an affirmative resolution is required in both Houses. That is welcome. Unfortunately, the national policy statements that happened recently were not debated in this House and also have significant consequences. That is in contrast to the previous national policy statements that were made and debated in 2011. The particular policies to which I am referring rely on the Government to timetable that debate, and that is under the auspices of the Planning Act 2008, so I am pleased that under the more recent Act, under which we are debating this statement, we certainly get the opportunity to debate.

I know that this document replaces the social and environmental guidance of 2011, but I have a few questions of procedure that I would just like to understand. Right hon. and hon. Members may know that I left Government in November 2023. I have been part of collective responsibility, collective agreement. That does not mean to say that in all my time in office I have not been pursuing some of the wider principles that concern me about the development of infrastructure in that regard. Indeed, in relation to the industrial strategy, talking about offshore wind, I made sure that it was included that both onshore and offshore impacts of transmission were to be considered by the Department for Environment, Food and Rural Affairs in considering the environmental impact that was happening. I am pleased to see that this document does, vaguely, refer to the environment, but I would like to understand from the Minister—in terms of the rules that were passed thanks to the Environment Act 2021 and, due to my time in office, the environmental principles policy statement—what assessment has been made by Ministers specifically in regard to this development of this policy.

I would also be grateful to understand which Cabinet Committee cleared the final document that we are debating today. Was it Domestic and Economic Affairs, or was it Home Affairs? I am conscious that in my time in Government I had back-and-forth with the then Energy Secretary about the national policy statements, which I accept that we are not debating today. Hon. Members may know that I do not have perfect memory any more, after an illness—I had a brain abscess six years ago—but I do not recall specifically going through that, so I would be grateful to understand which Cabinet Committee cleared the legislation to come forward.

One of the aspects of why the environmental principles policy statement matters is that it is designed to ensure that we protect and enhance our environment and protect England’s unique natural assets. The part of the country that I represent is generally as flat as a pancake, yet it is about to have multiple energy converter sheds that are about four times the size of the outer edges of Parliament Square and the Treasury. There is not just one shed; there are multiple. I cannot see in any part of this statement,

[*Dr Thérèse Coffey*]

apart from at a generic top level, that in some way the new ESO will be required to even consider that in any level of detail.

I should be grateful if the Minister would publish any assessment made with regard to the environmental principles policy statement for transparency, so that it can be open to consideration by my constituents and others. Indeed, I am conscious that other Members of the House, from Lincolnshire and Scotland, including one of the Energy Ministers, are concerned about the development of such infrastructure. Certainly, the precautionary principle in the environmental principles policy statement is designed so that when evidence or consideration are given, aspects can be postponed, and I believe that that requires some substance to be added.

One of the historical elements of Ofgem is that it has always been driven simply by price or value, which is a challenge at times. I appreciate that that has an impact potentially on energy bills in the future. However, there is a risk at times that people know the price of something and the value of nothing. That is what we need to be concerned about as we take forward this holistic, whole-system approach, and that is why I generally support the statement before us. For the first time, it is taking us into a situation in which we will have that sort of spatial energy plan. However, at the moment it does not feel like the ESO is taking that into account in any way, nor has it taken it into account in some of its decision making so far. It is not covered in the policy statement in terms of sections 164(1)(c) and 164(1)(d) of part 5 of the Energy Act 2023. It does not seem to consider

“the whole-system impact of a relevant activity”

nor

“the desirability of facilitating innovation in relation to the carrying out of relevant activities.”

I know that my constituents, and constituents elsewhere across the country, have been promoting for a long time the idea of an offshore grid. I have also pushed that in the past to what was Suffolk Coastal Council—it is now East Suffolk Council—and worked with right hon. and hon. Members from East Anglia in particular on that. I am also concerned that despite all that and the past work that we have done, the Government and the ESO, as it will be constituted—it is the independent element of the National Grid today—will simply plough on. I am conscious that the substation being placed in a village called Friston at the moment offers connections to Sea Link, LionLink, Nautilus and various offshore wind farms. I cannot quite remember how many; I think there are about four or five. It has just announced—except that it does not announce; it has quietly put it on its spreadsheet, but at least there is some transparency—a further two solar farms of 249.9 MW each. Once again, there is a brand-new addition, and the place has not yet even been built. That is the frustration.

Members of the Committee may just think that I am being a nimby; I am not. This has nothing to do with pylons in my constituency, but I appreciate that it does in the constituencies of other hon. Members. We already have pylons. Under the proposals so far, there is no plan to have any more pylons, although I appreciate that there may be a risk of them in the future. My constituency is the home of Sizewell C, which is referred to in the policy statement regarding nuclear. That is about how

important it is, and the investment that the Government are putting into it. They recognise the need for energy security and generation so that we are not reliant on the likes of Putin, so that we try to become more resistant to the energy shocks that we have experienced in the last year or two, and so that we recognise the impact that it has on consumers and the security of what we are trying to do.

**Sir Alec Shelbrooke** (Elmet and Rothwell) (Con): My right hon. Friend mentioned Sizewell C. A huge environmental impact study was believed to have put back the planning process. Does she have any insight into what that may do to the ability to bring nuclear reactors online in the planned timeframe?

**Dr Coffey:** I am conscious that the planning timeframe is one of the reasons for creating the process that we are going through. I can honestly say that EDF spent a lot of time going through it and planning ahead, and I give credit for that. I have constituents who always have and always will oppose nuclear, and more have done so recognising the impact it will have. However, I was assured by our regulators, the Environment Agency and Natural England that the mitigations put in place and the modifications along the way would be sufficient to recognise the area of outstanding natural beauty and all the designations that we have, while accepting that there might be some disruption. I am conscious that the issue is of concern. Candidly, I think there is more concern about the Sea Link project, not only in my constituency but in that of my right hon. Friend the Member for North Thanet (Sir Roger Gale), which, as it stands, would struggle to get any environmental clearance at all.

We have a combination of factors. I agree that we need a whole energy plan in the future, and the Government are, rightly, in order to achieve net zero, trying to accelerate this strategy. However, what worries me is that they are accelerating it without necessarily having done the work. I give credit to the Government for making this strategic change, which was absolutely necessary as we move away from gas and coal. Inland, we had a hub and spokes approach. We are now bringing in most of our energy from the coast and abroad, so we do need to work through the impacts of that. What I am concerned about is the acceleration that is being proposed in a different way. Communities want certainty. What they do not want is a botched job along the way, which is the risk of aspects of what we are being asked to endorse today.

I will turn to the policy summary of responses. I will not be brief; I apologise to hon. Members, but I have told them that this one of the most important debates I will speak in. In question 1, 60% of the people who expressed an interest said that they felt the strategy and policy statement identified the most strategic policies and outcomes for Government in formulating policy. However, in question 2 on the role of Ofgem in achieving that, only 40% agreed, and on the role of the future system operator, which is being rebranded as the National Energy System Operator, only 46% agreed.

I want to ask the Minister how the responses to the consultation have been taken into account, and what changes have been made as a result of the feedback. I am conscious that people think that consultation is just a rubber stamp, and to some extent it is. However, the Government are supposed to show that they have



considered the views that people have put forward and justify why they have rejected them, which is why responding to consultations takes so long. I want to get an understanding of that.

In the summary of responses, the Government talk about the establishment of the national ESO. My understanding is that it is supposed to be established by the summer of 2024. I have been in Government long enough to know that summer can actually mean up until December. However, if it really is being established within the next three months—by the summer recess—why do we need to decide this matter now? I appreciate that it has already taken a considerable amount of time, but we should ensure that we get it right, so that we do not have to go through another consultation within the next 12 months. I think that would be helpful.

The hon. Member for Southampton, Test has already mentioned the timing. I think I understand; I think it is fair to say that, since the Energy Act that created this new body was only created by the Government in 2023, it is sensible that this has been done now, but it is still somewhat incomplete.

One aspect I would like to understand further is the automatic element of offering connections. In December 2023, the Government responded to the transmission acceleration action plan, which they had rightly been considering. It has been the practice that someone can just say, “I want to connect,” and National Grid or the new NESO has basically had to say yes, and has had to cobble together where that can go. That leads to a really inefficient situation. Once a connection is done, we can pretty much guarantee that almost any big shed can be built in that area without anticipating any normal planning process. I appreciate that the policy of nationally significant infrastructure projects—the NSIPs—is a democratic way of operating, but it does not feel like that when the connection is already offered several years in advance; it comes across as a fait accompli. That is really frustrating for local communities. That is true in my own constituency and right along the east coast, and I expect more Members in Lincolnshire will start to feel the same.

NESO is intended to be independent. One of the key elements here is energy security—it is a key policy that NESO, with Ofgem, has to effectively deliver. There is no indication in the policy statement of how that energy security is translated, if those bodies are supposed to be independent. I hope the Minister can reassure me that NESO and Ofgem will have sufficient knowledge of pretty secret stuff that the Government discuss in the National Security Council on the security of energy.

One of the things I know we have to be mindful of are foreign actors who regularly try to intervene in the cabling between the UK and the continent. How will NESO and Ofgem have access to that sort of knowledge?

I understand that one of the developers, LionLink, is deliberately trying to bring its cables in at Southwold or Walberswick in my constituency, because it would need to cross 13 or 14 other cables to connect further south. I am concerned that we already have on our seabeds what feels like a version of the M25 on steroids. We need to be mindful of that when we consider any further connections.

There is another aspect where this needs some revision or improvement. The Government should ultimately be in charge of the strategic spatial energy plan—the SSEP—and it should not be delegated to the NESO. It is ultimately for Ministers to make decisions. We should be mindful of trying to hold to account those officials who do things on our behalf, but I do not think it works for communities for the answer to be, “It is not my decision.” It is only not their decision because they have decided to give it away. There are challenges there. In its evidence to the Select Committee, National Grid suggested that the SSEP should ultimately be owned by the Government. It went further, in saying that it should be absorbed into national and local planning guidance in order to accelerate decisions for the transmission needed. The policy statement needs to make it very clear that, ultimately, the Secretary of State should sign off the SSEP in the future.

I am conscious that an interim SSEP is supposed to be being prepared. Could the Minister tell us where we are in that process?

This statement is, I believe, intended to help facilitate efficiency in the queue-based system. But what happens when the developer changes its mind? In the south North sea, ScottishPower Renewables set about creating part of the East Anglia array. We worked with the company locally to plan for the future, so that we did not have multiple or mass disruptions. The intention was for direct current to be transmitted and pulled in from the wind farm and to go straight through cabling to the principal energy converter at Bramford. A substantial amount of design and work was done, and there was engagement with communities, because again it involved significant disruption; to give the Committee a sense, when they lay a cable, they dig out a patch with a width about the length of this Committee room. The intention was to bring in more cables, so it would be a much bigger size and then they could pull through the cables as and when they were needed. Instead of having three different routes, we would end up with just one route, but it would be bigger. We could think of it as the M25 compared with the A12—or perhaps the A1 is a better analogy for the hon. Members here.

In the contracts for difference auction, ScottishPower did not get the price it was looking for, so it decided to say, “Oh, we’ll rip that up”—bearing in mind that it had already been through the NSIP—“and go to AC, because that is less money for us.” It still causes the big disruption, because the construction had already started; but as a consequence, the company needed to create new connections for the rest of the windfarm. That has led to us ending up with the converter station in Friston.

That is the problem. I do not understand what direction is being given to the ESO, or indeed to Ofgem, in this policy statement about what happens when, after a community has gone through all that, a change is made to the NSIP. Basically the developers can change their mind and hold the Government to ransom, because otherwise they would not have proceeded with the project at all, and we know we need to get to net zero. That is an example where co-ordinating and planning was done—years ahead of where we are today—and yet we were screwed over by ScottishPower Renewables. That is why there is a lack of trust in what is happening in the acceleration of this plan.

[Dr Coffey]

Turning to the document itself, I want to raise a few issues. I am conscious that Ofgem says what developers can and cannot do—there is a famous story about Chris Huhne creating a “pretty pylon” competition about a decade ago. EDF put forward the cost of using the pretty pylons rather than the ugly pylons, and I do not know exactly what happened, but Ofgem would not allow EDF to raise bills to pay for the pretty pylons, so that felt like a waste of time.

On page 11, the statement talks about the need to “secure that all reasonable demands for electricity and gas are met;” and I think that is the sensible part. The National Energy System Operator, as set out in the Energy Act, will be required to

“carry out its functions in the way that it considers is best calculated to promote the objective of ensuring security of gas and electricity supply”—

which is absolutely right—

“meeting our statutory decarbonisation targets and promoting coordinated, efficient and economical systems”.

That is where it starts to get tricky. There is no mention of the environment in there, or of how, if at all, NESO may be instructed to do the environmental principles policy statements.

The statement goes on to say:

“NESO will be a public corporation...independent from other commercial energy interests”—

again, that was one of the key points in the Energy Act. My constituents seem to think that BlackRock is making a lot of these decisions, solely on the basis that BlackRock is one of the key owners of National Grid, but that has always been separate. However, it also says:

“The government will be sole shareholder of NESO, and thus retain ultimate responsibility, however it will not exercise control over NESO’s operations. NESO will be licensed and regulated by Ofgem”.

That is where I have more difficulty. We do a lot of planning permission, setting out a variety of elements and other rules on how independent organisations are supposed to operate. I do not expect the Secretary of State to have to sign off the location of every single pylon, but it concerns me that at the moment I cannot see a specific role in this statement for how the Secretary of State will be involved in the strategic spatial plan. Ultimately, we need to be able to hold the policy to account in Parliament, and I am worried that that is simply not happening and that it is being pushed away.

Page 13 of the statement mentions

“a Centralised Strategic Network Plan...for electricity transmission onshore and offshore, building on ESO’s current role in delivering the Holistic Network Design”.

In the 2022 leadership contest, my right hon. Friend the Member for South West Norfolk (Elizabeth Truss) basically said that we should move to undergrounding everything—no pylons—and that is certainly one approach. The present Prime Minister, however, suggested that he would re-consult on innovative and alternative solutions to the scheme that National Grid had put forward. I am not aware that that has happened. He also committed to various groups that he would do all he could to reduce the amount of infrastructure required onshore. That has certainly not happened, nor has it taken into account section 164(1)(c) of the Act on innovation.

This is not trying to construct something from scratch; the offshore grid connection is already happening in other countries in the European Union. The statement does not take account of our wider approach to development of trying to promote brownfield development over greenfield. At the moment, the approach of the NESO is whatever is cheapest for the developer, not thinking about wider energy transmission loss that happens once DC is converted to AC.

Instead, the NESO should be thinking about taking electricity into Tilbury, Isle of Grain and even Bradwell, where existing transmission network needs to be upgraded. My right hon. Friend the Member for Maldon (Sir John Whittingdale) is keen to see small modular reactors there in future, but the point here is the existing brownfield sites. In my constituency, this is all greenfield development and all about taking out farming land. Some farmers have been prepared to sell, and I understand that, but others will be blocked from doing what they love and cherish on that family farm that has been passed on from generation to generation. Compulsory purchase plan orders are already being submitted and that is soul-destroying for farmers in Suffolk Coastal.

Consideration of where the connections should go seems, as I say, to be in the interests of developers, rather than those of the country as a whole, but another aspect—back on page 13—makes me wonder what consideration has been given to food security in the development of this policy. Have the whole-system impacts been thought through? Nothing has been developed so far about the offshore grid, and that is really missing. We should not be thinking just about the next five years.

I know that the acceleration is all about trying to get to 2030, and I appreciate—I say this frankly to the Opposition—that since the Conservatives came into Government in 2010, we have generated 99% of the amount of renewable energy that has been created, as opposed to what had happened previously. However, I am also conscious that as we hurtle towards that date, we are not taking into account the whole-system impact or the lifetime understanding of the value for the future.

On page 14, under the heading “Cross-cutting”, the document states:

“The purpose of this is to enable government and Ofgem to draw on the specific expertise of NESO and allow policy decisions to be based on robust evidence, with NESO’s independent consideration of whole system network impacts”.

In response to what the Minister or one of her colleagues asked for, a comparison grid was mentioned. It has been well documented that undersea cabling from wind farms in Scotland down to Lincolnshire, to Humberside, is happening. We were trying to understand collectively, as a group of MPs in East Anglia, why no consideration seems to have been given to what is happening in East Anglia. That has happened but it is odd that as part of that approach, NESO is basically saying, “Yeah, we are doing this, but it won’t make any difference.” Again, that frustrates the local community, and is more evidence to suggest that we were right all along.

I am conscious that there will not be one solution that pleases everybody. I get that, and we must have those wider considerations, but it does feel that my constituents are being shafted in this proposal. As I said, I am not being a nimbby; we have Sizewell C. I am concerned that some of the short-term elements do not include a longer term cost or environmental impact, and that needs to change in this policy statement.

On page 16 and the appropriate use of competition, I would love to hear from the Minister what happens to those developers who simply pull out when it does not suit them. What are we doing to ensure that they do not pull out and ruin people's lives? Going on to page 18, I agree with the strategic approach, for creating a more efficient system. Surely, it would be more efficient to have the energy brought into London and parts of the south-east much closer, because the energy drop-off in transmission is not efficient. We should get that connection much closer.

I have already asked a question about when the interim SSEP will be published. On page 24, I support the elements on supporting nuclear. As I said, the environmental regulators were content for that to go ahead. I am very supportive of the hydrogen strategy on page 21. I was surprised recently, however, by a change of view from National Grid and NESO about whether hydrogen can play any meaningful role, which concerns me. I am conscious of developments that need to happen as part of Freeport East, but I think that change has sent the industry rather cold. I am worried that we are cutting off hydrogen too early. I appreciate that the road map that the Minister has in her policy overall is important to try to deliver a low-carbon, hydrogen-heating neighbourhood trial by 2024 but, more broadly, I hope the Government will continue to press, to ensure that hydrogen is a part of our future.

In Section Two on page 26, I am conscious of some of the energy tariffs. Do not get me wrong: I am not seeking to inflate energy prices massively, simply because of constituents concerned about developments in Friston, Saxmundham, Southwold, Walberswick and Aldeburgh. People who visit those places know how flat and beautiful the area is, and how important to nature. I am doing this because I want a whole-system approach that would take that longer-term assessment.

I am sure the Committee will be thrilled to know that I intend to wind up. I want to ask the Minister please not to move the motion on today's paper. Even if colleagues are just reflecting on some of the comments made today, and perhaps the incomplete response to the consultation, this matter should not be rushed. Once we have laid this, this will not happen for some time. I am conscious that there is a lot of work going on. In the short term, I would like the Minister to direct National Grid and NESO not to offer any more connections until the interim spatial strategy energy plan is granted.

That is really critical. It is important that we do not just keep ploughing on making the same mistakes that so many elements of the policy statement are due to correct. Why keep adding things, which I already think are in error, that could quickly undermine the success of the spatial strategy?

I am grateful for the patience of the Committee. This might not be a No. 1 topic in Members' constituencies, but it is a most important one in Suffolk Coastal. I am grateful to be able to speak today and set out clearly why I believe that more needs to be done to the policy statement and with the attitude of the ESO and Ofgem so that we can go forward together and have a brilliant energy system for the future. The Department and every hon. Member here wants to see that, but we need to make sure it is done right.

10.25 am

**Mr Philip Hollobone (Kettering) (Con):** Ms Rees, it is a delight to see you in the Chair and a huge pleasure to follow my right hon. Friend the Member for Suffolk Coastal (Dr Coffey), who has brought to this debate not only her extensive Government experience, but her intense knowledge of her beautiful constituency and how it will be affected by UK energy policy. While listening to my right hon. Friend's speech, I reflected on how much better it would have been had she been appointed to the Committee instead of me; her knowledge of these things is far superior to mine.

I wonder why I am here at all—why any of us is here. It seems that what we are being asked to do today in approving the draft Strategy and Policy Statement for Energy Policy in Great Britain is a classic Whitehall example of legislating for legislation's sake. I have a huge amount of time for my hon. Friend the Minister, who works assiduously in her Department, and for the Whip who looks after these affairs here in Parliament. But if a strategy and policy statement is such a good idea—no doubt there was an extensive debate in 2013 when the Energy Act 2013 was passed—how on earth have we managed in the last 11 years without one at all? If it was so important, why was it not introduced in 2014 or 2013? We have had to wait 11 years for this thing to come along.

Frankly, it does not matter whether we pass the statement today or not because the statement, not in my words but the Government's own words, comprises only existing Government policy commitments and targets. What we pass today will make no difference whatever to Government energy policy.

The Energy Act 2013 said that the statement we are discussing today, 11 years later, should set out the strategic priorities of the Government in formulating energy policy, the particular outcomes to be achieved and the roles and responsibilities of persons who are involved in implementing that policy. Those are no doubt laudable aims—I get that. But in the document itself the Government say that they have already set out their strategic priorities for the energy sector in several papers over the years.

We have had the Energy White Paper 2020, "The Ten Point Plan for a Green Industrial Revolution" 2020, the "Net Zero Strategy: Build Back Greener" 2021, the "British energy security strategy" 2022, the energy security plan 2023, the net zero growth plan 2023 and the transmission acceleration action plan 2023. My gosh, we have gone over this stuff again and again! We do not need another statement just to repeat it. The Government say in their own statement:

"This statement does not introduce new roles or duties for bodies in the sector, it is comprised of only existing government policy, commitments and targets. It does not replace or override Ofgem's principal objective or other duties...Nor does it replace the National Energy System Operator's...objectives and duties set out in the Energy Act 2023."

It is always a joy to be appointed to a Delegated Legislation Committee, but even more so if we believe our time is being spent in a worthwhile way. Frankly, it makes no difference whether this is passed or not. The Government's energy policy is already set in stone and we do not need another legislative document to repeat what has already come before.



10.30 am

**Amanda Solloway:** I thank all right hon. and hon. Members for what have been, in all cases, heartfelt contributions. I also thank them for their scrutiny of the draft of the document. Some of the issues in hand fall outside my portfolio but within the Department. If there is anything I am unable to answer in this speech, I will respond in more detail to right hon. and hon. Members in writing.

I am confident that the strategic prices and policy outcomes in the SPS clearly establish what the Government are trying to achieve in the sector and why that is important. It demonstrates how smaller policy outcomes contribute to broader priorities, so stakeholders can be reassured about how their role fits into the bigger picture. I also hope the SPS sets out a clear description of the roles, responsibilities and remit of Government, Ofgem and particularly NESO in delivering the objectives. We have tried to provide enough information on NESO's remit to give confidence in its role when established, while also recognising that its responsibilities will evolve over time.

As well as reaffirming our ambitions, the SPS will give encouragement to Ofgem to utilise the full range of its powers to ensure that those ambitions are realised, and that stability and confidence are restored across the sector. I am pleased that most right hon. and hon. Members welcome the SPS. I want to go into further detail in response to some of the questions posed today.

The hon. Member for Kilmarnock and Loudoun asked when NESO would be operational. Our aim is for it to be operational later this year, depending on a few factors, including agreeing timelines with key parties. We continue to work closely with National Grid plc, National Gas and other stakeholders to enable efficient transition while maintaining the safety and ability of the operation of the energy systems.

In response to the hon. Member's question on Scotland's net zero targets, I should say that the SPS notes that Scotland and Wales have established their own net zero targets. Then, on a further point, Ofgem is established as a non-ministerial Government Department so, like other Government Departments, it is accountable to Parliament. I will write to the hon. Member if I have failed to address any other queries.

**Alan Brown:** I would just like a wee bit more detail on what "accountable to Parliament" really means and what that looks like overall, in terms of Ofgem and its responsibilities.

**Amanda Solloway:** The hon. Member will understand the parliamentary protocol around how regulatory bodies operate. Ofgem is set up as a Government body. On the scrutiny, he will know that a Select Committee, for example, would be able to talk to Ofgem.

My right hon. Friend the Member for Chipping Barnet asked how the SPS will focus on the switch to renewables. The SPS is clear that driving a net zero transition by achieving Government targets for renewable and low-carbon deployment is a strategic priority for Government.

I turn to the questions from the hon. Member for Southampton, Test. NESO will take time to reach full maturity as a new organisation, so we have kept references to NESO at a high level in the SPS. NESO is being brought

into existence and its roles are still in development, including spatial energy and regional system planning. We instead plan to reflect how best to cover NESO in its substantive role once it is established. The Government have the power to review and revise the SPS in preparation for or in connection with NESO's designation and will therefore consider the future when it is appropriate to do so.

I thank my right hon. Friend the Member for Suffolk Coastal (Dr Coffey) for our previous conversations on what I know is an important issue. The SPS does not create new policy, but reaffirms Government's existing priorities and sets out the roles of Government, Ofgem and NESO in delivering them. It is Ofgem's role as the independent regulator, and NESO's role as an independent system operator and planner, to decide how to go about achieving strategic priorities contained within the SPS. Their approach should be balanced in line with their duties.

In total, we received 140 unique responses to the SPS public consultation. The document summarising the responses, which was laid in the House alongside the SPS, details how we responded to that feedback. The SPS was cleared by the Home Affairs Committee and the parliamentary business committee before it was laid in Parliament on 21 February, and it is not a national policy statement for energy. The national policy statement for energy was published on 22 November 2023 and came into force on 17 January 2024.

With regard to the strategic spatial energy plan, we believe NESO has a key role to play in strategic planning for the energy system. The expertise of an independent NESO will be invaluable in creating the SSEP, but it is important that the plan is underpinned by proper democratic accountability. It will be produced through close working between the UK Government, the ESO, NESO—once established—and Ofgem. We will set out the full and clear expectations on governance and arrangements for each stage of the process in our commission to NESO.

Ultimately, we anticipate that the SSEP will cover the whole energy system, land and sea, across Great Britain. However, producing a comprehensive, multi-vector plan that effectively meets our future energy needs will naturally take time to get right. We are therefore commissioning the ESO, ahead of becoming NESO, to produce the first iteration of the SSEP, covering infrastructure for electricity generation and storage, including relevant hydrogen assets. That will foster a more efficient electric system design, promoting anticipatory network investments to enable the reduction of the waiting times for generation and storage projects to connect to the grid.

We also recognise the importance of protecting our environment and will ensure that any decisions on scale and location of infrastructure consider possible effects on the environment. The SSEP will go through an onshore and offshore strategic environmental assessment or an equivalent assessment under the environment outcomes report system, once it is in force. We also intend the SSEP to carry out a plan-level habitats regulations assessment. Planning policy will continue to take full account of legislation to protect the environment and habitats. As I said earlier, I will write to my right hon. Friend on other points she has raised.

In response to my hon. Friend the Member for Kettering, given Ofgem's new roles, legislated for in the Energy Act 2023, and the establishment of NESO, now is the



right time to publish the SPS. The SPS will give further guidance to the energy sector and support strategic alignment between Government, Ofgem, NESO and industry by reaffirming our priorities and commitments. Ofgem and NESO have a statutory duty to have regard for strategic priorities set out in the SPS, which makes it different from previous Government strategies.

*Question put and agreed to.*

*Resolved,*

That the Committee has considered the draft Strategy and Policy Statement for Energy Policy in Great Britain.

10.39 am

*Committee rose.*





