

PARLIAMENTARY DEBATES

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OFFICIAL REPORT

Fifth Delegated Legislation Committee

DRAFT COMBINED HEAT AND POWER QUALITY ASSURANCE (TEMPORARY MODIFICATIONS) REGULATIONS 2021

Wednesday 19 May 2021

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The Committee consisted of the following Members:

Chair: † DR RUPA HUQ

Betts, Mr Clive (<i>Sheffield South East</i>) (Lab)	Morris, James (<i>Lord Commissioner of Her Majesty's Treasury</i>)
Butler, Dawn (<i>Brent Central</i>) (Lab)	Rutley, David (<i>Lord Commissioner of Her Majesty's Treasury</i>)
Byrne, Liam (<i>Birmingham, Hodge Hill</i>) (Lab)	Thomson, Richard (<i>Gordon</i>) (SNP)
Caulfield, Maria (<i>Lewes</i>) (Con)	† Throup, Maggie (<i>Lord Commissioner of Her Majesty's Treasury</i>)
Cooper, Rosie (<i>West Lancashire</i>) (Lab)	† Tomlinson, Michael (<i>Lord Commissioner of Her Majesty's Treasury</i>)
Fletcher, Mark (<i>Bolsover</i>) (Con)	† Trevelyan, Anne-Marie (<i>Minister for Business, Energy and Clean Growth</i>)
† Furniss, Gill (<i>Sheffield, Brightside and Hillsborough</i>) (Lab)	† Whitehead, Dr Alan (<i>Southampton, Test</i>) (Lab)
Harris, Rebecca (<i>Lord Commissioner of Her Majesty's Treasury</i>)	Chloe Freeman, <i>Committee Clerk</i>
Mak, Alan (<i>Lord Commissioner of Her Majesty's Treasury</i>)	† attended the Committee
† Mann, Scott (<i>Lord Commissioner of Her Majesty's Treasury</i>)	

Fifth Delegated Legislation Committee

Wednesday 19 May 2021

[DR RUPA HUQ *in the Chair*]

Draft Combined Heat and Power Quality Assurance (Temporary Modifications) Regulations 2021

2.30 pm

The Chair: Before we begin, I remind Members to observe social distancing and to sit only in the marked seats. I think everyone has adhered to that. I also remind Members that Mr Speaker has deemed that masks should be worn in Committee—apart from by me; I might have to speak at any second, so I am exempt. Our *Hansard* colleagues would appreciate it if Members could pass on their speeches to hansardnotes@parliament.uk.

The Minister for Business, Energy and Clean Growth (Anne-Marie Trevelyan): I beg to move,

That the Committee has considered the draft Combined Heat and Power Quality Assurance (Temporary Modifications) Regulations 2021.

The draft regulations were laid before the House on 18 March 2021. The combined heat and power quality assurance scheme has been in place since 2001 to certify highly energy-efficient combined heat and power plants across the UK. Combined heat and power plants can be fuelled by natural gas or renewable fuels and are up to 30% more efficient than conventional methods of generation as they make use of both the heat and electricity that they produce.

To incentivise the deployment of combined heat and power plants, certification through the quality assurance scheme enables access to a variety of financial benefits. More than 1,400 sites across the UK certify their combined heat and power plants through this voluntary assurance scheme, giving them access to more than £500 million in benefits each year. Combined heat and power plants are a vital technology for some of our most valued but energy-intensive industries. They will play a key role in our move towards net zero emissions due to the variety of benefits that they bring to an increasingly renewables-based electricity network.

As the covid pandemic hit, restrictions on businesses meant that they were unable to operate their combined heat and power plants effectively and risked not being able to recertify as normal through the combined heat and power quality assurance scheme as a result. Two key issues affected their operation. First, for some industrial processes, demand for power remained but heat customers had shut down, meaning useful heat was being wasted. Secondly, there were reports of significantly reduced quality of biomass supply, which negatively impacted the volume required to meet demand. These issues impacted the operational data that is used in the certification process, presenting a risk for operators that they may not be able to certify for their usual level of benefits in 2021.

The draft regulations therefore amend issue 8 of the scheme's standard to allow for a temporary revision to the certification process to allow operators to use their unimpacted 2019 operational data for their 2021 certification, instead of impacted 2020 operational data. This will allow affected operators to access appropriate levels of financial benefits in 2021 based on their energy use, avoiding further covid-19-related financial impacts to key businesses and industries in the UK. The regulatory amendments will be in place for 12 months following the draft instrument's coming into force.

The Government do not intend to extend the amendment to the quality assurance scheme's processes for further years as it is expected that businesses have now had the opportunity to adapt their processes. We hope that there will be no additional extended periods of restrictions related to covid-19 for the rest of 2021 and beyond. The change to the combined heat and power quality assurance certification process will avoid increased operational costs being passed on to consumers and will support vulnerable businesses and industries in the UK to avoid further financial impacts and potential job losses caused by the covid-19 pandemic.

This is a necessary change due to the important role that combined heat and power technology will have on our route to decarbonising our energy use. Stakeholders affected by covid-19 restrictions should be supported. This is a proportionate, transparent and widely supported administrative amendment that will avoid further financial impacts to crucial, vulnerable businesses and industries in the UK. I therefore commend the draft regulation to the Committee.

The Chair: With impeccable timing, I call the Opposition spokesperson.

2.34 pm

Dr Alan Whitehead (Southampton, Test) (Lab): Thank you very much, Dr Huq. I am grateful to have been able to get here almost on time. I apologise for the discourtesy of not actually being here on time. I reflected on my journey from Waterloo station to here—I literally ran the whole distance—that I was doing all that just to say that we thoroughly agree with the statutory instrument in front of us—[HON. MEMBERS: "Hear, hear!"]

This proportionate and measured administrative change will ensure that quality CHP arrangements can continue, and that those taking part in such schemes, which are, by and large, the most innovative and best organised combined heat and power organisations, are able to use their 2019 data for the purpose of qualifying for the next stage in the quality assurance proposals, and indeed for the renewable heat incentive and its successors. It is necessary to do that because of the destruction caused by the pandemic and the problems that several such plants have experienced in getting their data properly organised for the present period.

To disqualify or disadvantage good schemes because they have not been able to get their data in on time would be a great injustice. This measure sets out a way to deal with that, while maintaining the proper regulation and arrangements for quality assurance for the future. I wholeheartedly support the proposal, and I see from the consultation carried out that it was endorsed thoroughly by the industry associations. We might therefore say

that there is not much to talk about, other than to wish this proposal every success in ensuring that quality assurance is maintained.

I would just like to ask the Minister a question to which I think I know the answer with reasonable certainty. I am sure she will be delighted to hear that this will not entail a further letter to me, as has been the case on previous occasions. What is happening with the wider proposals, which are very relevant to the good-quality schemes that are taking part in CHPQA activities? What is happening on the wider scheme to regulate the combined heat and power industry properly for the future? The Minister will recall that we had a Westminster Hall debate about that very recently, in which she was able to give some assurances about what is happening on regulation.

I see that nothing has appeared in the Queen's Speech on the legislation that might be necessary to undertake this regulation, perhaps as part of a larger energy Bill. I understand that a draft energy Bill may be presented in the next Session, but there is no proposal to legislate in this Session, as far as regulation is concerned. We do not need to rehearse the reasons for good regulation. Among other things, good regulation of the CHP sector will ensure that the best become even better and the worst come into the fold, as far as overall regulation is concerned. That is a real issue, in terms of the delivery of heating schemes, which is very much the subject of this SI.

My first thought is that it may be possible to regulate CHP schemes by way of secondary, rather than primary, legislation. Will the Minister investigate whether such a regulation route might be a better way of proceeding, rather than waiting for something perhaps two or three years hence to come through in primary legislation?

I emphasise the need to do so, because of the enormous expansion that I think both the Minister and I anticipate for CHP district heating schemes in the future. It is essential that we have proper regulation for that future expansion and for new operations coming into the existing scheme, so that they are included in the best possible way, making the best possible use of the incentives and other assistance that comes there way as a result of being part of the scheme, and which will enable them to

be much better CHP district heating schemes in future. That is a very friendly nudge to ask the Minister to get on with, as quickly as possible, a full range of regulation and undertakings to make this SI, important though it is for the immediate present, fit for the future as well.

2.42 pm

Anne-Marie Trevelyan: I thank the hon. Member for being here. We were hoping he would be, because, as ever, he brings his insightful contribution to the subject—I take “nudge”, but would also say “challenging”.

The hon. Gentleman would like me to be more precise on when the next energy Bill will appear. Sadly, I cannot be precise at this point, but I can reassure him that there is much work and activity ongoing on exactly that, because, as he rightly points out, there are many areas of change going on as we move towards a net zero energy system, which will require a great deal of work.

I am happy to take away the question of whether we want to look at secondary legislation for CHP. I commit to doing that with the Department, so he may, after all, get a response, and we may also generate more communication and correspondence as a result. I will take that away to investigate what it might look like.

The statutory instrument will support the impacted combined heat and power operators following the 2020 covid restrictions. Support in this way is crucial, as combined heat and power technology holds significant opportunity to help decarbonise energy use. The regulations will help maintain valuable jobs in green industries. Those jobs would be lost without support and efficient technologies would be abandoned in favour of carbon-intensive alternatives, which is absolutely the opposite of what we want to do. I commend the draft regulations to the House.

The Chair: Time for the last nail-biting moment in the Committee this afternoon.

Question put and agreed to.

2.44 pm

Committee rose.

