Strategy and Policy Statement for Energy Policy in Great Britain

The Association for Renewable Energy & Clean Technology (REA) is pleased to submit this response to the above consultation. The REA represents a wide variety of organisations, including generators, project developers, fuel and power suppliers, investors, equipment producers and service providers. Members range in size from major multinationals to sole traders. There are over 500 corporate members of the REA, making it the largest renewable energy trade association in the UK.

The REA regularly hears from its members that long-term strategic thinking and policy pathways reduces uncertainty, making investment more attractive and subsequently allowing for the increased deployment in renewables and clean technologies. As such, the REA welcomes the Government consulting on a clear set of strategic priorities for its energy policy.

The REA broadly agrees with the approach taken with these strategic priorities, and our members look forward to feeding into these proposals as they inform further areas of policy development.

1. Does the strategy and policy statement identify the most important strategic priorities and policy outcomes for government in formulating policy for the energy sector in Great Britain? If not, please provide details of the priorities that you think should be included.

The REA broadly welcomes the three strategic priority areas for energy policy that the consultation identifies concerning enabling clean energy and net zero infrastructure; ensuring energy security and protecting consumers and ensuring an energy system fit for the future.

Below we highlight specific points in relation to each strategic priority, while considering the stated policy outcomes:

Enabling Clean Energy and Net Zero Infrastructure

Policies must be aligned to Government Targets

We emphasise that this priority should be explicitly aligned with the Government's net zero targets, with a clear statement within SPS that energy policies must focus on, and be able to deliver, the 2035 decarbonisation of the power grid and the legally binding 2050 net zero target.

There needs to be greater emphasis on immediate electricity network reinforcement.

We welcome the focus on the delivery of electricity network infrastructure at pace but emphasise that infrastructure barriers for renewable energy deployment are already significant, with progress already falling behind the stated ambition of ensuring infrastructure is delivered "ahead of need". Renewable and low-carbon generators are ready to be built, but grid connection constraint is one of largest barriers to deployment today. Equally reinforcement is needed now, not as "electrification grows", a development which itself is already being restrained by regional network capacity issues. The SPS should make specific reference to reinforcing our grid networks and infrastructure today, rather than positioning this as a future ambition.

SPS Should make refence to wider policy work on planning reform.

There should be recognition in the SPS of other limiting factors outside of direct energy policy, specifically the SPS should reference governmental work streams focused on ensuring the UK planning systems is fit for purpose, both in terms of how low carbon development is prioritised and how planning authorities are resourced to manage the expected number of applications. The SPS could, for example, refer to co-ordinated priorities with other government departments to ensure barriers to the SPS delivery are addressed.

The SPS must deliver a wide range of renewable and clean technologies.

The REA welcome the recognition within the SPS of the role of hydrogen, CCUS heat pumps and heat networks. It is correct to recognise that further supportive policy and, importantly, infrastructure is required to see these strategically important innovations delivered. However, we caution that this must not come at the cost of other essential low carbon technologies that could sit outside of immediate scope of those identified areas. This includes established sectors in bioenergy (including biomass power, anaerobic digestion); geothermal, marine technologies, as well as the role of a wide range of energy storage technologies. Meeting the government net zero targets will require the deployment of all the low carbon solutions available to the UK, and the SPS should explicitly recognise this.

All pathways to hydrogen should be recognised in SPS

On hydrogen, we also emphasise the need for the SPS to specifically recognise the multiple pathways to hydrogen production that will be required to deliver low carbon hydrogen. This included alternative bio-hydrogen pathways. The

development of the hydrogen infrastructure to support the sector will need to recognise that diverse nature of hydrogen production and need to be built accordingly.

SPS should recognise role of further regulatory bodies

The REA also welcome the recognition of needing to have strong regulatory and policy frameworks in place for innovative technologies that will be necessary for the UK to get to net zero. However, understandably, the SPS primarily focuses on Ofgem as the regulatory body, while not considering the wider regulatory landscape. The SPS should also reference the environmental regulators, such as the Environment Agency in the UK, who also play an important role in regulating operations and development of many forms of low carbon generation and will have a role to play in delivery of both CCUS and hydrogen production pathways.

Ensuring Energy Security and Protecting Consumers

The REA welcome the SPS focus on security of supply and consumer protection. We call for the SPS to explicitly recognise that low carbon generation is now the cheapest form of generation and directly helps to reduce UK reliance on imported fossil fuels. The connections between strategic priority one and two should therefore be made more explicit.

When it comes to consumer protection the SPS should not only recognise the need to protect consumers at the point of energy supply, but that the energy transition is also going to require a significant level of changes in the home, particularly considering the installation of low carbon heating systems, smart meters, onsite generation, and EV charging points. High quality standards around installation must be a priority to build trust in the energy transition. The SPS should refer to this area of consumer protection and the role of standards and consumer code managers (for example MCS and RECC).

An Energy System Fit for the Future

The REA agrees with the wording of the third strategic priority. We would like to highlight that energy market design should reward not only flexibility (which is critical) but also firmness in generation contracts. This will become increasingly important with the increased deployment of variable renewable energy generation and help to also support the growth of storage and DSR assets.

The REA especially welcome the recommitment in the SPS to the delivery of a policy to de-risk Long Duration Energy Storage by 2024. However, we take this opportunity to raise concern that Government is already falling behind this

ambition, given the current lack of further policy proposals since the high-level call for evidence that concluded in 2022.

On Governance, it remains crucial that a wide set of stakeholders can engage with the code management and change processes. This should be expressed as a key priority in the SPS in order to ensure all energy market participants are able to understand and engage when changes are being made, to avoid any process being dominated by those with dedicated resource to look at code changes.

The REA also suggests including a wider definition of a whole system approach to ensure that the energy system recognises the interaction between power and heat. For instance, having clean heating, at a domestic and industrial scale, requires the deep electrification, utilising a range of renewable and clean technologies. Additionally, a whole system approach fits more widely into organics and decarbonising the agricultural sector.

The REA agrees with the legislative framework suggested in the SPS but take this opportunity to reiterate the need for the Energy Bill to be passed and for the Future System Operator to be established as soon as possible. This is for that the business models for hydrogen and BECCS need to be expedited.

2. Does the strategy and policy statement effectively set out the role of Ofgem in supporting government to deliver its priorities? If not, please identify where these expectations could be made clearer.

The REA welcomes that the current draft of the SPS recognises Ofgem's role in delivering net zero as part of its objectives. However, we believe that this should now be strengthened given the amendment to the Energy Bill, which applies a legal mandate to Ofgem to prioritise the UK's 2050 net zero target. This should also explicitly include the role Ofgem has in addressing regulatory barriers to market for industry so that the deployment of renewables can be accelerated.

We welcome the SPS statements on ensuring Ofgem maintains its duty to protect consumers and the consultation correctly notes that the interests of consumers need to be taken in the round, including their interests in the reduction of greenhouse gases. We also support the nuance provided in Ofgem's position regarding how they consider promotion of competition, which can often be in the consumer interest, but that it should not always be considered a firm rule. Consumer protection must be considered in the whole, including considering how consumer experience and involvement in the energy market could well evolve in a low carbon and more flexible energy system. The SPS

should make explicit reference to Ofgem's role in future proofing regulation as the energy system, and consumer interaction with it, changes.

We note and welcome the fact that Ofgem has led some recent efforts to address market barriers to deployment of low carbon generation. For instance, the REA welcomed Ofgem's open letter on future reform to the electricity grid connections process, and its continued work with National Grid ESO and the Energy Network Association. The REA would welcome a strategic statement in the SPS that commits Ofgem to addressing electricity grid constraints, to ensure that this positive work continues in the future.

Finally, the SPS should also note that Ofgem is frequently the contracted party by Government for the delivery of low carbon support schemes, typically as part of Ofgem E-serve. This includes the RHI, the FIT, RO and CfD. The delivery of these schemes has not always been fit for purpose. There have been examples of the Ofgem themselves being considered a barrier to low carbon deployment due to poor scheme delivery. While this may fall outside of Ofgem role as a regulator, and therefore the SPS statement, E-serve's work should still be recognised as being critical to the delivery of mechanism that will lead to the decarbonisation of the energy system, and it should be noted they have a duty to ensure they are delivered effectively.

3. Given the Future System Operator does not exist yet but will need to have regard to the strategy and policy statement once it does, do you consider that we have effectively reflected the Future System Operator's role in this document? If not, please identify where these expectations could be made clearer.

The REA believe that the Future System Operator's role is appropriately reflected but believe the FSO's independence from DESNZ, Ofgem and National Grid ESO could be further reinforced within the SPS. The FSO needs to be able to act independently if it is to fulfil its system design role and its establishment should be prioritised to ensure that it can run as soon as possible.

The FSO's role in the determining whole system design of the clean energy and net zero infrastructure should go further than currently detailed, demonstrating its role in developing recommendations to disincentivise carbon-intensive projects and incentivise affordable renewable technologies as part of a whole energy system approach. For example, this could include analysis of how contract lengths designated by National Grid ESO or DES NZ can be linked to carbon intensity of generation.

We particularly welcome the focus in the SPS on the need for efficient and flexible systems. This should include a clear statement for the FSO to consider and analyse the volume of energy storage and low carbon generation that will be required as demand increases.

Historically, there has been a particular mismatch between power, heat, and transport policy development. The FSO will need to take a more joined-up approach. While the document does consider the wider power sector and network infrastructure, the understanding of whole systems should be expanded to include other areas that require decarbonisation, such as heat and transport. The FSO's role should explicitly include consideration of how power, heat, and transport decarbonisation will become interlinked given the expected levels of electrification. As such the FSO will need to assess not only gas and power policy, but wider decarbonisation deliverables.

Additionally, once established, there should be an immediate transfer of strategic responsibilities to the FSO. This pace would lead to less disruption in the longer term and more explicit industry understandings of the lines of authority and organisational scope. As the same time, day-to-day operations of balancing and managing the grid should remain with National Grid ESO, so that implementation is simplified, and potential conflicts of interest are avoided. The role of the FSO should be to consider strategic aims, rather than day-to-day operations, delivering organisational simplicity and the potential for cost savings as existing responsibilities do not have to migrate.

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