



House of Commons
Energy and Climate Change
Committee

**Pre-legislative scrutiny
of the Government's
draft legislation on
energy**

Sixth Report of Session 2015–16



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*Report, together with formal minutes relating
to the report*

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The Energy and Climate Change Committee

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Summary

The Government's draft legislation on energy, as published on 21 January 2016, has the potential to support Ministers in their aim of increasing competition in the energy market and reducing costs for consumers. But it should be amended to ensure that Ofgem and Government are transparent about the costs and benefits of the decisions that they make using their powers under the legislation, and that industry is able, where appropriate, to challenge them.

We agree with the proposals to give Ofgem the power to initiate modifications to industry codes in relation to next-day switching and half-hourly settlement. The current situation in which only industry can suggest changes does not serve customers as well as it might. But Ofgem's new powers should be tempered with an industry right of appeal to the Competition and Markets Authority on the merits of any code change, and with the publication by Ofgem of an impact assessment of any proposed alteration.

Similarly, we agree in principle with the proposals to introduce competitive tendering for some onshore transmission assets, which also have the potential to lower costs for consumers. But, first, there is a differential impact in Scotland compared with England and Wales, which needs to be addressed to ensure that there is a level playing field for transmission projects throughout Great Britain. Secondly, Ofgem should have to publish a project-specific impact assessment when it decides whether and how to tender an asset. And thirdly, the Government should set out how it will ensure the current planning regime in Scotland does not prevent or delay the development of competitively tendered projects there.

Finally, we agree that the Secretary of State should be granted an extension to her powers so that she can not only continue to oversee the roll-out of the smart-meter programme, but deal with its outcomes. But, given the ongoing concerns about whether the roll-out deadline will be met, the Government must ensure that all those involved in the roll-out are clear about their responsibilities and able to deliver on them by 2020. We urge Members of Parliament to press the Government on this point during the passage of this legislation through Parliament.

1 Introduction

Background

1. The Government published its draft legislation on energy in early 2016. It said the draft provisions would:

enable Government to drive timely delivery of smart meters [...]

provide the Gas and Electricity Markets Authority¹[...Ofgem...]with powers that support the introduction of arrangements for next-day switching and ensuring that suppliers use consumers' actual half hourly electricity consumption data in settlement processes²[...]

enable competitive tenders for some onshore electricity assets, fundamentally changing the way network investment is made while driving savings for consumers.³

The Government stated that it was “committed to increasing competition in the energy market and reducing energy costs for consumers,” and added that the draft provisions were “fundamental elements to achieving this aim”.⁴

2. Following a request from the Government, we agreed to undertake pre-legislative scrutiny of the draft legislation.⁵ In our call for evidence we sought views from stakeholders on whether the proposals in the draft legislation were sufficient to achieve the Government's stated aim of increasing competition in the energy market and reducing energy costs for consumers.⁶ We also invited evidence on whether the draft legislation's provisions were necessary, workable, efficient and clear.⁷

3. In response we received 26 written submissions.⁸ Following this we held two oral evidence sessions. A full list of witnesses is at the back of this report. We are grateful to all those who contributed to our inquiry, including the legislative team from the Department of Energy and Climate Change, who, prior to our first evidence session, briefed us on the proposals.

4. This report addresses the key issues that arose during our inquiry: in chapter 2 we consider the proposals to support the smart-metering programme; in chapter 3 we analyse the provisions relating to next-day switching and half-hourly settlement; and in chapter

1 The legislation refers either to “the Gas and Electricity Markets Authority” or “the Authority”, Ofgem's governing body. For ease of reference throughout we use “Ofgem”.

2 An explanation of half-hourly settlement is provided at paragraph 13

3 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016

4 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p 33

5 [Correspondence](#) from Rt Hon Amber Rudd MP on pre-legislative scrutiny of DECC measures, 21 January 2016

6 We note that the Government's aim lacked a time scale. In an earlier inquiry we discussed in detail energy investments and the need for Government to look not just at the costs for consumers today but the long-term costs if there is a lack of up-front investment in the energy sector. See Energy and Climate Change Committee, Third Report of Session 2015-16, [Investor confidence in the UK energy sector](#), HC 542

7 Energy and Climate Change Committee, '[Pre-legislative scrutiny of the Government's draft legislation on energy](#)', accessed 29 March 2016

8 Energy and Climate Change Committee, '[Pre-legislative scrutiny of the Government's draft legislation on energy inquiry—publications](#)', accessed 26 April 2016

4 we scrutinise the measures regarding competitive tendering for onshore transmission. Finally, in chapter 5 we set out a number of technical points that we would like the Government to clarify.

5. The draft legislation applies to England, Wales and Scotland.⁹

Box 1: Working towards our goals

At the start of the 2015 Parliament we set out three goals for our scrutiny work:

- Holding the Government to account on achieving a balanced energy policy;
- Setting the agenda on an innovative future energy system; and
- Influencing the long-term approach to climate targets.*

Our pre-legislative scrutiny of the Government's draft legislation on energy focuses primarily on our goals of holding the Government to account on achieving a balanced energy policy, and of setting the agenda on an innovative future energy system. Throughout the course of this Parliament, we welcome feedback on our work towards our goals.

*Energy and Climate Change Committee, First report of session 2015-16, [Our priorities for Parliament 2015–20](#), HC 368, paras 35-37

2 Smart metering

6. The draft legislation is intended to support the introduction of the Government's smart metering programme. The Secretary of State, in her foreword to the proposals, explained:

The Government is committed to ensuring every home and small business in Great Britain is offered a Smart Meter by the end of 2020. Smart Meters will provide consumers with near-real time information on their energy consumption, therefore helping them to control and manage their energy use, save money, switch energy supplier more quickly, and reduce carbon emissions. The draft legislation would ensure that Government is able to continue to drive the timely delivery of Smart Meters and ensure consumer protections are in place.¹⁰

In March 2015 our predecessor Committee issued a progress report on the programme. It was disappointed by the ongoing policy delivery challenges which the Government had failed to resolve, including compatibility problems between different suppliers and different meters; the slow start to full engagement with the public on meter installation and long-term use; and a reluctance to improve transparency by publishing the Major Project Authority's assessments of the programme. The Committee concluded that these problems were "symptomatic of a national programme that the Government has left largely to suppliers and failed to drive forward effectively." It added, "Consequently, we do not believe that near-universal smart meter roll-out will be achieved by 2020."¹¹ At paragraph 9 we consider stakeholders' continuing concerns about the programme.

The special administration regime

7. Clauses 1 to 10 of the draft legislation set out two main provisions relating to smart metering. First, they provide for a special administration regime to deal with a situation in which the body responsible for providing smart meter communication services threatens to become, or becomes, insolvent. The Government has explained:

Central to the operation of smart metering is the activity of communicating to and from smart metering systems (the 'smart meter communication service'). The smart meter communication service will be provided by a central communications provider called the 'Data and Communications Company', or 'DCC' [...]

there are currently no special statutory provisions to deal with the threatened or actual insolvency of the DCC [...] The objective of the Special Administration Regime [...] is to ensure the continuity of the smart meter communication service and therefore the provision of billing and smart services to consumers.¹²

¹⁰ Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, Foreword

¹¹ Energy and Climate Change Committee, Ninth Report of Session 2014-15, [Smart meters: progress or delay?](#), HC 665, summary

¹² Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p33

The creation of a special administration regime for the Data and Communications Company was considered good practice, and those who submitted evidence did not raise concerns about it.¹³

Extending the Secretary of State's powers

8. The draft proposals also extend the period during which the Secretary of State may exercise certain powers:

The Energy Act 2008 and the Electricity and Gas Acts provide the Secretary of State a number of powers in relation to smart metering, including powers to amend licences and industry codes, to veto any proposal by the Authority to consent to the transfer of the DCC licence, and to make activities relating to smart metering licensable.¹⁴

These powers have been in place since 2008 and have already been extended once, in 2013. They are due to expire on 1 November 2018. The draft clauses provide for them to be available to the Secretary of State until 1 November 2023.¹⁵

9. The inclusion of this provision prompted concerns among many who submitted written evidence. First, there was the serious worry that extending the duration of these powers was a tacit acknowledgement that the smart meter roll-out programme would not be completed by the Government's 2020 deadline, and that this would lead to increased costs for consumers.¹⁶ EDF Energy told us that "no justification" had been provided for the extension, "some three years beyond the smart meter roll-out deadline". It stated:

Effectively extending the duration of the original powers granted by Parliament to the Secretary of State by ten years brings in to question, not only the rationale for introducing a 'sunset clause' in the first instance, but the general use of such clauses and the protections they provide to licence holders in legislation [...] if these powers are to be extended a clearer rationale should be provided for the need, and length, of any extension.¹⁷

RWE npower also called on the Government to provide more explanation, suggesting that:

the transition from programme governance, where the DCC is accountable to DECC, to enduring governance arrangements, utilising the SEC (Smart Energy Code) Panel and Ofgem code governance and regulatory oversight, would be to the benefit of both industry and consumers and should be implemented as soon as practicably possible [...] more clarity is required from DECC on the justification for extending the Secretary of State's existing powers.¹⁸

13 See for example SSE, [DEB0024](#), para 7; EDF Energy, [DEB0010](#), para 8; British Gas, [DEB0026](#), para 17; E.ON, [DEB0021](#), s1

14 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p 34

15 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p 34

16 See for example Q3 [William Bullen], [Chris Harris]; Qq15, 22 [William Bullen]; Energy UK, [DEB0014](#), para 6; First Utility, [DEB0013](#), paras 11, 12; SSE, [DEB0024](#), para 8

17 EDF Energy, [DEB0010](#), para 11

18 RWE, [DEB0016](#), para 6

And it was not just the larger players in the energy market who were concerned about the proposal. Utilita, a smaller supplier, told us:

Extending the period during which powers can be used in this way without constraints may increase risk for suppliers and may also increase costs to the industry. We suggest consideration could be given to providing greater clarity on the intended use of the powers, for example, an approach which would apply criteria to the use of the powers.¹⁹

10. Witnesses pointed to a perceived risk that the Secretary of State, rather than using their influence to resolve issues, would intervene directly, over the top of existing industry-led governance processes.²⁰ But despite their concerns, witnesses could not provide us with an example of any Secretary of State having previously used the powers inappropriately.²¹

11. When we questioned the Parliamentary Under-Secretary of State for Energy and Climate Change, Lord Bourne of Aberystwyth, on the issue, he made two points. First, he told us that he had reassured industry about the programme deadline:

I meet with Big Six suppliers on a regular basis, and indeed other suppliers beyond them, and we are firm on the 2020 date. The rollout is proceeding at that pace. We now have more than 2 million smart meters in store and that will ramp up during the course of this year and particularly next year, so we do think it is on course. Obviously with any project of this size it does not come without risks. That is clearly the case with a national programme like this but we are alive to that and we do everything we can to address those risks as and when they arrive.²²

Secondly, when we asked the Minister why, if the programme was on course, the Secretary of State's powers needed to be extended, he said that:

there is a conflating of two different things there, the 2020 date and the date when we need the ability to address things that have arisen in the course of the programme. Delivery will be completed in 2020 but a year after that we undertake to review the whole programme to see how it is affected. There will be an issue like people who have refused smart meters, and we accept there will be some of those who may have changed their minds, who may want to revisit that [...] There will be things that will help us progress to smart grid, like peak load shifting and so on. These are issues that will arise after 2020 so we will need to continue to have the power of the Secretary of State to keep driving the programme to make sure we get maximum benefits. Our best estimate of how long that should go on is towards the end of 2023.²³

12. *The extension beyond 2020 of the Secretary of State's powers on smart metering has raised legitimate questions about whether the smart meter roll-out programme is on track to meet its 2020 target. We accept, however, that extending them until 2023 will enable the Secretary of State to address the outcomes of the programme in order*

19 Utilita, [DEB0018](#), paras 4, 8

20 Q10 [Chris Harris]

21 Qq8-10

22 Q139

23 Q140

to ensure its maximum benefits. We therefore support the extension of these powers, with the caveat that the Government must state whether the 2020 target is realistic and ensure that all those involved in the roll-out programme are committed to, and capable, of meeting it. We recommend that parliamentarians press the Government, during the passage of the Bill through Parliament, on what progress is being made towards achieving the 2020 roll-out target.

3 Switching and settlement

13. Clauses 11 to 15 of the draft legislation are intended to support two Government programmes: one, to enable consumers to undertake next-day switching between energy suppliers; the other, to enable suppliers to use customers' half-hourly consumption data in the electricity settlement process. On next-day switching, the Government said that Ofgem, with its support, is overhauling the change of supplier process in part by introducing a single central registration system that will hold data on all gas and electricity supply points and export points. The Government added:

Consumers see switching supplier as a hassle, and the fear of something going wrong is off-putting for many. A competitive market is reliant on engaged consumers to drive suppliers to innovate, improve their service and to seek to reduce their prices below those of their competitors.²⁴

In relation to half-hourly settlement, the Government explained the background to its draft measures:

The GB electricity industry is based around half-hour units of time, called 'settlement periods'. For generators and larger consumers, electricity production or consumption is measured every half-hour. However, the vast majority of domestic and smaller non-domestic consumers have their energy consumption settled on a non-half-hourly basis. This is because most consumers do not have meters capable of recording their half-hourly consumption or export [...] The roll-out of smart and advanced meters [...] which can record the amount of energy consumed or exported within every half-hour period and provide this data to energy suppliers remotely, presents an opportunity to improve the accuracy and timeliness of the electricity settlement process.

In particular, smart and advanced meters will improve the process by which the volume of electricity purchased by a supplier for a particular half-hour period is compared to the volume of electricity consumed by the supplier's customers for the same period using information about customers' actual consumption of electricity on a half-hourly basis; this is 'half-hourly settlement'.

Half-hourly settlement will put in place the right environment for more demand-side response [...] the active reduction in the electricity a user is taking from the grid at a given moment in time.²⁵

Ofgem is working to deliver next-day switching by 2019.²⁶ DECC says it is working with Ofgem to remove the barriers to suppliers and consumers choosing half-hourly settlement "by early 2017".²⁷

²⁴ Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, pp34-35

²⁵ Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, pp34-35. Suppliers have incentives to match the amount of energy they buy with the amount used by their customers: they are charged for the difference between the volume of energy that they buy and what their customers consume.

²⁶ Ofgem, [Launch: Moving to reliable next-day switching](#), February 2015, Overview, accessed 30 March 2016

²⁷ DECC, [DEB0009](#), para 6

Introducing powers to modify industry codes and licences

14. The draft proposals contribute to these two programmes by empowering Ofgem to initiate changes to industry codes and licences.²⁸ Ofgem told us that both programmes “require a comprehensive package of changes to industry codes and licences [...] implemented simultaneously as a single package.”²⁹ Currently, as Ofgem explains, most changes to industry codes follow a specific process:

any code participant can raise a modification proposal; this must then be discussed and developed by a panel of nominated industry representatives who make recommendations to Ofgem, which we must then approve or reject. While Ofgem has a role in approving modifications, it cannot raise modifications to industry codes directly, and the industry code arrangements are governed by industry participants.

The regulator suggested to us that these current arrangements had led to three problems:

fragmentation—responsibilities for managing change and ensuring timely delivery are unclear and it is difficult for industry to co-ordinate across multiple codes and parties.

industry parties may not have the right incentives to bring about changes that increase competition and benefit consumers.

there is no accountability mechanism for the bodies responsible for industry codes to ensure that the codes and agreements they oversee operate in consumers' (rather than industry's) interests.

Ofgem concluded that “without the powers set out in this draft legislation, the same problems may be encountered again when attempting to progress our switching and settlement reform programmes”.³⁰

15. Energy companies had a number of problems with the proposals to empower Ofgem to initiate code changes. First, it was felt that the industry had been serving customers well and the measures were therefore disproportionate. Second, it was suggested that Ofgem lacked the expertise to draft changes to what are complex industry documents. Third, industry was concerned that the proposal put too much emphasis on getting things done, instead of getting things right. Further commentary on these three issues is provided below.

16. EDF Energy said there was “little evidence” of existing code modification arrangements limiting innovation or causing the energy markets to fall behind on regulatory and policy developments. It added:

Whilst we accept that improvements could be made to the existing arrangements, including the provision of enhanced project management powers to the Code Administrators and addressing the challenges of cross code

²⁸ Industry codes are a number of highly detailed multi-party agreements, which define the terms under which industry participants can access the networks and participate in the electricity and gas markets. Licensees are required to maintain, become party to, or comply with industry codes in accordance with the conditions of their licence. There are 11 codes and agreements in place, all with separate governance and decision-making structures.

²⁹ Ofgem, [DEB0020](#), p 2

³⁰ Ofgem, [DEB0020](#), p 2

changes, we do not accept that the existence of such issues justifies the need to provide Ofgem with powers to manage the development and implementation of code changes.³¹

Utilita also considered that:

creating a powers based implementation process, for two projects which are so fundamental to the ability to participate in the industry going forward is disproportionate.

A revised approach of granting co-ordination powers to the Authority to facilitate timings across codes [...] would be a more appropriate way forward.³²

17. Industry participants were not, however, universally against the regulator taking on further powers. Sophie Yule from Tempus Energy said:

We fully support Ofgem's new powers... the industry panels might have served the industry very well for many years but I don't think they have been serving customers necessarily that well... the trouble is if you are an energy company that is disrupting an industry and then you have to say to the industry, "Please help us disrupt you by allowing this code modification to reduce our costs" [...] that seems very [...] cumbersome.³³

18. Maxine Frerk, Acting Senior Partner, Networks, at Ofgem, defended the proposals. She told us that the two programmes involved "big changes to the industry with wide ramifications," and suggested that industry lacked any "real incentives" to make the changes that are needed.³⁴ She also referred to a recent report from the Competition and Markets Authority (CMA), which had provisionally found that the current system "limits innovation and pro-competitive change", meaning that the energy markets have fallen behind on policy objectives.³⁵ The CMA suggested this was in particular due to:

(a) parties' conflicting interests and/or limited incentives to promote and deliver policy changes; and

(b) Ofgem's insufficient ability to influence the development and implementation phases of a code modification process.³⁶

The CMA continued:

incentives often differ between firms, leading to lengthy and costly regulatory processes and delays in decision-making [...]

31 EDF Energy, [DEB0010](#), para 12

32 Utilita, [DEB0018](#), paras 28, 29

33 Q29

34 Q105

35 Competition and Markets Authority, [Energy Markets Investigation: provisional decision on remedies](#), March 2016, p40

36 Competition and Markets Authority, [Energy Markets Investigation: provisional decision on remedies](#), March 2016, p40

We are also surprised to note that some decisions that appear to us to be fundamental to ensuring effective competition and meeting the needs of customers appear to be loosely governed under the industry codes, and not to have involved any formal role for Ofgem [...]

We propose to recommend to DECC that it seek to pass legislation: giving Ofgem the ability directly to modify industry codes in certain exceptional circumstances.³⁷

19. On the question of Ofgem's expertise to draft code changes, RWE npower said:

Ofgem [...] does not have sufficient experience of supplier-consumer relationships, consumer behaviour and IT technicalities, to fully understand the impact of large scale code change on the industry. As a result any increase in Ofgem's powers to control or direct code changes is likely to introduce uncertainty and delay in the code change process.³⁸

Utilita added that Ofgem's lack of experience in drafting and implementing major code changes was "an important point", because "the powers proposed would permit removal and replacement of any or all provisions of documents or agreements, including all incidental, supplementary, consequential or transitional provisions".³⁹

20. Sophie Yule, who previously worked as a legal adviser at DECC, explained, however, that:

Ofgem public policy officials don't spend their time drafting code modifications...There were lots of people in private practice and Elexon people we have used in the past to help draft those modifications...This seems like more of an argument for upskilling Ofgem than for not giving them the powers that they need to ensure the industry is competitive and acting in the best interests of consumers.⁴⁰

Ms Frerk, from Ofgem, also recognised that "industry have the expertise in the detail of those codes and we would have to collaborate very closely with them."⁴¹ While Lord Bourne added that DECC would "certainly be speaking to Ofgem about that but the indications that we have is that they do have the requisite expertise. I do not think there is any doubt in our minds that they do".⁴²

21. Industry concerns about the proposals putting too much emphasis on getting things done, instead of getting things right, were articulated by RWE npower, which said that:

the over-riding priority should be successful delivery of settlement and switching reforms, rather than speedy delivery [...]

The GB energy industry is undergoing an unprecedented amount of change at present, with major industry-wide system and process developments being

37 Competition and Markets Authority, [Energy Markets Investigation: provisional decision on remedies](#), March 2016, pp40, 41

38 RWE, [DEB0016](#), para 16

39 Utilita, [DEB0018](#), para 12

40 Q30

41 Q105

42 Q145

implemented between now and 2020 [...] Bringing forward the implementation deadline for a half-hourly settlement solution and next day switching will add further complexity to an already busy change and transformation programme and risks compromising the successful and timely delivery of all programmes and increasing costs to consumers.⁴³

Paul Delamare from EDF Energy added: “The important thing with any big IT project is that you do it from left to right [...] An arbitrary deadline is usually pretty unhelpful.”⁴⁴

22. Rob Salter-Church, Partner, Consumers and Competition, at Ofgem, defended the proposals by explaining his concerns about delays created by the existing code modification process. In relation to the ongoing introduction of half-hourly settlement for some business consumers, for example, he said:

It took four years for industry to develop the necessary code modifications, despite Ofgem encouraging industry to try to co-ordinate across the codes, and ultimately the implementation of those reforms will take three years longer than first envisaged. That is the kind of problem that we are trying to tackle through these powers, to make sure that we can have new arrangements in place that work for consumers as quickly as possible.⁴⁵

Mr Salter-Church also noted that the draft proposals did not themselves include the 2017 target for enabling half-hourly settlement: “They are powers for us for five years from the point that they are enacted.” Nonetheless, he felt the target could be met:

The way we are executing our work on half-hourly settlement is in two phases. The first is removing the barriers for suppliers who wish to use the current elective arrangements. There are a number of cost barriers that we can tackle and I am confident that we can deliver that early piece of work within 2017.⁴⁶

The Minister added that without legislation the switching and settlement process “could take two and a half years.” He said:

With the short circuiting of some of that process, if I can put it that way, it will still take a year, so it is still quite a long process. Given that the Government believe and I am sure consumers do, that switching and early settlement are very good things, we don't want it to be subject to unnecessary delay.⁴⁷

23. Enabling consumers to switch suppliers as quickly as possible, and helping suppliers to obtain a more accurate understanding of their customers' energy consumption, thereby allowing market participants to offer more competitive tariffs, are two significant undertakings. A more formal role for Ofgem to modify industry codes and licences in this area will help to ensure that the needs of consumers are put first. We therefore consider the proposals to give Ofgem the power to initiate modifications to industry codes to be necessary and proportionate. For too long the priorities of some in the industry have not aligned with those of consumers.

43 RWE, [DEB0016](#), paras 16, 17

44 Q58. See also Q58 [Chris Harris]

45 Q108

46 Q109

47 Q142

Safeguards

24. The draft legislation itself provides that before making a modification, Ofgem must:

- (a) publish a notice about the proposed modification,
- (b) send a copy of the notice to the persons listed in subsection (2),⁴⁸ and
- (c) consider any representations made within the period specified in the notice about the proposed modification or the date from which it would take effect.⁴⁹

Ofgem also told us that it “would not be permitted to modify an industry code without first undertaking a consultation for a minimum of 28 days.”⁵⁰ Following this consultation period, Ofgem must then, if it decides to proceed with the change, publish a further notice, including how it has taken account of any representations made.⁵¹

25. Despite these provisions, industry suggested that further information about proposed code modifications would be required. SSE said that:

in exercising its new powers, there does not seem to be a legal requirement on Ofgem to publish Impact Assessments for its proposed industry code changes. To ensure that the costs and benefits to customers and suppliers are fully considered, SSE believes Ofgem should undertake impact assessments to ensure policy development can be fully scrutinised.⁵²

EDF Energy agreed, stating that under section 5A of the Utilities Act 2000, Ofgem was under a duty to carry out impact assessments of important proposals:

The production of robust impact assessments form a vital part of the regulatory decision making process and aid the development of policy by assessing and presenting the likely costs and benefits and the associated risks of a proposal that might have an impact on competition and/or consumers. We believe that any additional Ofgem decision making powers should fall within the scope of its general duty to produce impact assessments and either new or amending legislation should be made to implement this fact.⁵³

26. We asked Ofgem whether it would carry out such assessments. Rob Salter-Church said:

As a matter of course, we would be carrying out impact assessments for these particular programmes. They are large programmes, there are a number of options and we will have to do an impact assessment. I am not convinced that this is the normal thing that would be put in place as a provision within primary legislation, given it is a matter of practice that we would be doing it anyway for these powers.⁵⁴

48 Industry (relevant licence holders), the Secretary of State and Citizens Advice

49 Clause 12(1); clause 14(1)

50 Ofgem, [DEB0020](#), para 1

51 Clause 12(6); clause 14(6)

52 SSE, [DEB0024](#), para 12

53 EDF, [DEB0010](#), para 18. See also Utilita, [DEB0018](#), para 22; Q32 [Paul Delamare]; Q33 [William Bullen]

54 Q115

Maxine Frerk added “we have an existing obligation more generally to do impact assessments where we are taking decisions that will have a significant impact. There is already an obligation on us in that area”.⁵⁵

27. We heard further concerns that, in the event that Ofgem proposed a change with which industry disagreed, the draft provisions included the right only to a judicial review of the process, rather than to an appeal against the change itself. EDF Energy described this as “a fundamental omission in the draft legislation.”⁵⁶ Paul Delamare, from EDF, felt an appeal mechanism would “help keep them [Ofgem] focused on the consultation process.”⁵⁷ This view was echoed by Utilita, which told us:

The proposed approach is justified on the basis that Ofgem will consult extensively throughout the process with affected parties and all necessary views will be taken into account. The risk of appeal is therefore deemed to be low.

On the basis that the risk of appeal is considered to be low, it follows that if an appeal is raised by one or more parties, the need is urgent and this route must not be excluded ex-ante.⁵⁸

28. Collaboration with industry at an early stage in the modification process was one reason why Ofgem felt a merits-based right of appeal against proposed changes would be unnecessary. Rob Salter-Church, from Ofgem, explained first that the regulator would not “sit in isolation” to make such changes:

What these powers will enable us to do is to form an Ofgem-led but collaborative industry programme. We have, for example, on switching, more than 40 organisations across the sector engaged in an active manner. We have working groups on a weekly basis with more than 150 people from these different organisations involved in helping us shape these new arrangements, from working level all the way up to the CEO. The key area of interest from suppliers and others is to ensure that we continue to do what we are doing, which is to engage them right up front in designing these new arrangements.⁵⁹

Mr Salter-Church added that:

because of the way that we will exercise these powers following a period of collaborative work up front, the most appropriate route is to have judicial review as opposed to CMA appeal [...]

If there was to be [...] a universal CMA appeal in these areas, there is a risk that you could see the new arrangements and code modifications that we have developed and built by consensus being disrupted by a small minority of suppliers who might oppose those reforms.⁶⁰

55 Q115

56 EDF Energy, [DEB0010](#), paras 15, 16

57 Q29

58 Utilita, [DEB0018](#), paras 14, 15. See also Energy UK, [DEB0014](#), para 9

59 Q106. See also Q144 [John Fiennes]

60 Q113

29. *Ofgem has provided assurances that it will work with stakeholders “up front” to develop industry code modifications. Given the draft measures, which ensure that Ofgem must also consult stakeholders after it has published its proposed changes, we understand why Ofgem suggests that any provision for an appeal against such changes on merit would be unnecessary. However, industry remains concerned that the draft provisions include the right only to a judicial review of the process, rather than to an appeal to the Competition and Markets Authority against the change itself. We recommend that the legislation be amended to include a statutory right of appeal. However, should this prove undesirable, we consider that the argument for Ofgem’s preferred approach would be bolstered if it was specifically required to produce an impact assessment when it publishes a notice of a proposed code modification in relation to the switching and settlement reform programmes.*

Future developments in electricity settlement

Mandatory half-hourly settlement

30. The question of impact assessments was raised, too, in relation to mandatory half-hourly settlement. Clause 13(2) of the draft legislation empowers Ofgem to enable or require half-hourly settlement. DECC explained:

We are working with Ofgem to remove the barriers to suppliers and consumers choosing half-hourly settlement by early 2017. This work will also consider the approach for moving to mandatory half-hourly settlement, with a decision to be taken on the timescale and approach in 2018. These powers would therefore provide Ofgem with the means to progress these reforms more quickly, if a mandatory approach is taken.⁶¹

Industry pointed to two issues with mandating half-hourly settlement. First, British Gas said:

The cost of implementing mandatory half-hourly settlement is currently unknown, but it is likely to involve significant industry changes and costs. Ultimately, these costs will be passed on to consumers, so it is important to fully understand these before any changes are made.⁶²

Utilita and E.ON raised similar concerns.⁶³ Secondly, British Gas said the distributional impacts of half-hourly settlement amongst consumers were also unknown: “For example, customers who require a constant supply of electricity to run medical equipment or customers who are at home all day will not be able to significantly alter their consumption patterns.”⁶⁴ It therefore called for a “full cost benefit analysis to understand the impact of half-hourly settlement on different types of customers and consider the optimum timescales for introducing this change.”⁶⁵

In response the Minister told us:

61 Ofgem, [DEB0020](#), para 6

62 British Gas, [DEB0026](#), para 29

63 Utilita, [DEB0018](#), para 14; E.ON, [DEB0021](#), p3

64 British Gas, [DEB0026](#), para 31

65 British Gas, [DEB0026](#), para 32

I can confirm that any licence modifications Ofgem does as part of the switching or settlement programmes will be subject to Ofgem's duties to conduct impact assessments. We would expect Ofgem to produce an impact assessment on half-hourly settlement prior to any decision on whether it should be mandated.⁶⁶

31. *Mandatory half-hourly settlement may involve significant initial costs to industry and, by extension, to customers. It may also impact on individuals who are unable to switch their energy consumption to any effective degree. We are grateful to the Minister for clarifying that his expectation is that Ofgem would conduct an impact assessment of mandatory half-hourly settlement. In order to leave no room for uncertainty we recommend that the legislation include the provision that Ofgem must conduct an impact assessment of mandatory half-hourly settlement.*

Future proofing

32. With disruptive technology beginning to make its mark on the energy sector, we also heard calls to ensure that the legislation did not bind the industry and consumers to purely half-hourly settlement. Sophie Yule from Tempus Energy said that:

the European network codes are looking at perhaps even 15 minute settlement periods, and some other places, like Ontario in Canada, have five minute settlement periods [...] The principle is that you should give customers accurate smart meters. They can have 60 second data so that they can be settled against their actual consumption [...] let's not make the legislation not future proof. Let's make sure that we don't end up having to redo everything if Europe ends up settling at 15 minute settlement periods.⁶⁷

33. *Settling against customers' actual half-hourly electricity consumption represents a big step forward from the current practice of settling on a non-half-hourly basis against average consumption profiles. But technological innovation will allow an increasing number of people to see how much energy they have consumed during periods shorter than 30 minutes. In turn, this will allow them to identify with even more precision when they can get the best value for money from their energy use. Such innovation is pushing the boundaries of existing regulation here and abroad, so the Government must ensure that the draft legislation and the detailed licences, codes and regulations that flow from it are, as far as possible, future-proofed, particularly in relation to moving beyond half-hourly settlement, should consumers and suppliers choose to.*

⁶⁶ Letter from the Parliamentary Under-Secretary of State for Energy and Climate Change, Lord Bourne of Aberystwyth, to the Chair of the Energy and Climate Change Committee on the [Pre-legislative scrutiny of DECC measures](#), 12 April 2016

⁶⁷ Q52

4 Competitive tendering for onshore transmission

34. Clause 16 and the schedule introduce provisions to support the draft legislation's third and final policy area: competitive tendering for licences to participate in onshore transmission. According to the Government, almost one quarter of the average household electricity bill in 2014 was made up of the cost of transporting electricity from the place that it was generated to the customer.⁶⁸ The draft legislation therefore seeks to introduce competitive tendering for onshore transmission and distribution networks. The Government explained the current situation:

The onshore electricity network consists of high-voltage, and typically long-distance, transmission networks and lower-voltage, local distribution networks. They operate as geographically-defined regional monopolies regulated by the Authority, supported by the Office of the Gas and Electricity Markets (Ofgem), through price controls [...]

The Energy Acts of 2004 and 2008 amended the Electricity Act 1989 to enable the Authority to identify on a competitive basis the party licensed to participate in offshore transmission (transmission between offshore electricity generation and the mainland network).

Government believes that there would be benefit in extending this competitive process to enable the allocation of some other network licences [...]

This draft legislation therefore provides powers for the Authority [Ofgem], where it thinks it appropriate, to determine on a competitive basis the person to whom some onshore transmission licences or distribution licences are awarded.⁶⁹

35. In August 2014, an independent report commissioned by Ofgem found that across the first nine projects and £1.1 billion worth of investment, the competitive offshore transmission regime had generated savings of £200 million–£400 million against any other plausible counterfactual regime. The Government has therefore said “the experience of the competitive allocation of licences for offshore transmission suggests that significant savings can be made through a competitive approach to network licensing”.⁷⁰ Ministers and Ofgem believe there would be benefits in extending such competition to licences for certain onshore transmission assets.⁷¹

36. Industry witnesses welcomed in principle the introduction of competition,⁷² but they expressed some concerns, particularly in relation to which projects would be subject to competitive tendering and how the detailed tendering regime would be applied.

68 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, Foreword

69 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, pp35-36

70 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p37

71 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p37; See also Q116 [Maxine Frerk, Ofgem]

72 Q61 [Frank Mitchell], [Tony Glover]; Q62 [Chris Bennett]

Deciding whether an asset should be contested

37. The Government, in its explanatory notes to the draft legislation, stated:

It is not cost-effective or practical to award all licences competitively, so the power to make a competitive determination for onshore transmission licences and distribution licences is limited to assets which meet a set of generic criteria set out by the Secretary of State in regulations. These criteria could be, for example, that the asset is new, high-value and separable.⁷³

Under the draft legislation, Ofgem will then decide which assets that meet the high-level criteria will be subject to competitive tendering, and in turn manage the tender process to determine the party that is licensed to operate and, in some cases, build the asset.⁷⁴ Ofgem has recently consulted on how onshore competitive tenders could work, including on details of how suitable projects will be identified. It has also confirmed to us that it will look at whether it is appropriate to tender “in-flight projects”—that is, those that already have a firm grid connection date.⁷⁵ Before 2021, when the current “RIIO-T1” price control period ends,⁷⁶ assets will be eligible for competitive tendering if they are “strategic wider works” (SWW) projects and worth more than £100 million.⁷⁷ In response to this, however, SP Energy Networks (SPEN) told us that:

a specific pounds million value should be utilised. Ofgem has proposed that a high value of £100m is used, however, this value is not fair if applied to all Transmission Owners.

In the current price control, only Strategic Wider Works (SWW) projects will be eligible for tender. The threshold for SWW projects in England and Wales is £500m, therefore, the majority of projects open to tender up to 2021 will be in Scotland (the SWW threshold for Scottish Hydro Electric Transmission is £50m and £100m for SP [Scottish Power] Transmission).⁷⁸

The Scottish Government voiced similar concerns about this provision, noting that Scottish transmission operators would be “differentially exposed to competition compared with their counterpart with responsibility for England and Wales, National Grid Electricity Transmission”.⁷⁹ Ofgem explained that transmission operators had put forward those thresholds as part of their RIIO business case submissions, and that it had been “made clear that that was also the threshold that we would be using for deciding which projects were going to be subject to tender.”⁸⁰

73 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, pp 35-36

74 Paragraph (3) of the schedule

75 Q119

76 The RIIO-T1 price control sets out the outputs that the gas and electricity transmission network companies need to deliver for their consumers, and the associated revenues they are allowed to collect, for the eight-year period from 1 April 2013 until 31 March 2021. RIIO stands for Revenue = Incentives + Innovation + Outputs. See Ofgem, [RIIO-T1 Price Control](#), accessed 18 April 2015

77 Ofgem, [Consultation: Extending competition in electricity transmission: arrangements to introduce onshore tenders](#), October 2015, p 6

78 SP Energy Networks, [DEB0017](#), para 34. Scottish Hydro Electric Transmission (SHE) and Scottish Power Transmission (SP) are the two Transmission Operators (TOs) permitted to develop, operate and maintain transmission systems in Scotland—SHE in northern Scotland and the Scottish islands groups, SP in southern Scotland. National Grid Electricity Transmission is the TO for England and Wales. See also SHE Transmission, [SHE Transmission Response to Ofgem consultation](#), p 4

79 Scottish Government, [DEB0002](#)

80 Q132

38. Looking at the issue in another way, we suggested to the Government that under the proposals Scottish consumers might see benefits from competitive tendering which were denied to their English and Welsh counterparts. In response John Fiennes, Director, Energy Strategy, Networks and Markets at DECC, suggested that the financial benefits should be shareable through the transmission regime more generally, and therefore the benefits would not be limited to Scotland.⁸¹

39. For projects due to begin construction beyond the RIIO-T1 period (post-2021), Ofgem expects all “new, separable and high-value” transmission investments to be eligible for competition. For all these projects post-2021, it is proposed that the System Operator (SO, currently National Grid) will undertake a Network Options Assessment (NOA), and recommend whether a project meets the criteria for tendering and whether there is a technical and economic need for it. Ofgem will scrutinise the SO's processes and continue to make the final decision on tendering.⁸² The Energy Networks Association said that:

the policy proposals being developed by Ofgem are not at a stage where they give clarity over the SO [system operator's] role. Alongside the proposals for competitive onshore tendering, there is a separate piece of work looking to establish the NOA [network options assessment]... the two work streams need to be more joined up with clarity over roles and responsibilities established quickly.⁸³

The tendering regime: further considerations

40. Any decision on whether to subject a project to competitive tendering will include consideration of whether any one of two different tendering models will provide value for money. Under the late CATO (Competitively Appointed Transmission Operator) model, the SO will prepare a specification based on system performance requirements and preliminary works, including the parameters of any planning consent. Bidders will then be able to submit fixed-price bids for construction, operation and maintenance. A late CATO build tender will start about four to five years before the assets are needed.⁸⁴

41. Under early CATO build, the SO will prepare a tender specification setting out the system performance requirements and bidders will set out their high-level asset design and Development Consent Order (DCO) application, including detailed route planning. The CATO will therefore carry out the preliminary works as well as the construction, operation and maintenance. Early CATO build tenders will start about seven to nine years before the assets are needed.⁸⁵

42. We heard that, irrespective of the tendering model chosen, the additional steps involved in encouraging competition could lead to delays in delivering projects.⁸⁶ SPEN told us that:

81 Qq161, 162

82 Ofgem, [Consultation: Extending competition in electricity transmission: arrangements to introduce onshore tenders](#), October 2015, p 6

83 Energy Networks Association, [DEB0007](#), s.1

84 Addleshaw Goddard, [Transmission Operators look out: CATO is coming](#), November 2015, accessed 1 April 2016

85 Addleshaw Goddard, [Transmission Operators look out: CATO is coming](#), November 2015, accessed 1 April 2016

86 National Grid Electricity Transmission, [DEB0006](#), paras 2.2, 2.12. Scottish Government, [DEB0002](#), ch.3

there is a minimum 9 months period required to run the process compared to the existing arrangement and no proposals to recover this time have been presented by Ofgem. Depending on the model chosen, the introduction of new steps and interfaces into the design and construction process will substantially reduce the scope for parallel working... The impact of the additional steps and interfaces will mean that delays are likely to be between 12 and 24 months.⁸⁷

43. In response to concerns about delays, Steve Beel from Ofgem said “we are engaging with the transmission companies and with the supply chain, to make sure that we create processes that do not lead to any delays.”⁸⁸ While John Fiennes from DECC said the Department believed there was scope to process a Development Consent Order and to manage the supply chain in parallel with the competitive tendering process. He added:

Of course, there is also the test in which you are putting confidence in Ofgem that they will pick assets for which this is a sensible way forward. They have certainly been clear to us that they are not going to be picking assets where this is going to introduce massive new delay in a way that is going to cause problems.⁸⁹

44. Ofgem has stated a preference for the late CATO model in the short term:

If we tender any RIIO-T1 SWW projects, then we will need to do so under late CATO build, as all the projects will be too far advanced for an early CATO build tender by the time we are ready to run the first tenders. We also think that late CATO build is closer to existing public infrastructure procurement models and therefore would be more attractive initially to potential bidders.⁹⁰

According to SPEN, however, the late CATO model has “very limited scope” for innovation in design or delivery, because:

to obtain consents and land rights, the System Operator will have been required to undertake design and development activities to a detailed level. This includes substation designs and layouts, overhead line tower design, construction techniques, access arrangements and traffic management. This level of detail requires suppliers to be engaged and in some cases, contracts placed, in almost all high value and complex transmission projects. The proposed Late Model does not acknowledge this aspect of delivering works and the timing of the tender process. SPEN believes that the System Operator will not be able to obtain all consents and land rights without knowledge of the detailed design or construction techniques.⁹¹

Chris Bennett, from National Grid Electricity Transmission (NGET), added that the early CATO model provides “more scope for innovation” and is “where the value would ultimately be to consumers.”⁹²

87 SPEN, [DEB0017](#), paras 14, 15

88 Q117

89 Q172

90 Ofgem, [Consultation: Extending competition in electricity transmission: arrangements to introduce onshore tenders](#), October 2015, p 7

91 SPEN, [DEB0017](#), para 19; see also National Grid, [DEB0006](#), para 2.7

92 Q79

45. When we put it to the Government that the late model might not offer sufficient scope for innovation and, ultimately, savings to the consumer, the Minister said that he thought the regulator would consider such matters on a case-by-case basis.⁹³ John Fiennes added:

If you can see you have a need you wish to meet and you do not know if the answer is a wire of one sort or a wire of a different sort, or maybe even a wire combined with a battery or something we have not even dreamt of, then the early competition is the way to do that because that maximises the innovation in the system. If you have a situation where the technical solution is pretty clear-cut, that what you are wishing to do is to see whether someone can surprise you about the efficiency with which they can put that asset in place or the way in which they can finance it, then the late model makes quite a lot of sense.⁹⁴

Cost-benefit analysis

46. SPEN told us, based on its views about the late CATO tender model: “Further cost benefit analysis and scrutiny is required before Ofgem initiate any tender process.”⁹⁵ Other witnesses called for further such analysis, given the Government's existing impact assessment of the proposals. This assessment estimated, based on the experience of the offshore competition regime and taking into account tender costs incurred by Ofgem, that:

the introduction of this system could, in a medium scenario, provide overall net estimated savings of £380m [...] In addition, competition will help bring on new technological solutions and more investment in research and development. It should also encourage new players into the market and drive up performance.⁹⁶

NGET said that there was too much reliance in the assessment on analogies to the offshore transmission (OFTO) regime. It added that the OFTO regime does not involve construction risk or “expose financiers to a large asset transfer risk at the end of the revenue stream”.⁹⁷ The Energy Networks Association explained that the lack of construction risk or delay in the OFTO sector was because “the assets have in practice already been built and commissioned by the developer before the tender takes place.”⁹⁸ And on asset risk the ENA told us:

The details we have seen to date do not provide sufficient clarity over what happens to residual value in CATO [Competitively Appointed Transmission Operator] assets at the end of the tender term [...] Under Ofgem's current proposals, the revenue stream will be 25 years. Offshore transmission assets tend to have value for the same time as the wind turbine life (around 20 years). However, onshore assets will have value beyond 50 years and Ofgem are

93 Q170

94 Q163

95 SP Energy Networks, [DEB0017](#), para 8

96 DECC, [Impact Assessment: extending competitive tendering in the GB electricity transmission network](#), January 2016, p1

97 National Grid Electricity Transmission, [DEB0006](#), para 2.5

98 Energy Networks Association, [DEB0007](#), para 4

proposing to depreciate them over 45 years. This means that at the end of the 25 year revenue stream, there will still be value to be recovered from the assets. There are no firm proposals on what would happen to this value.⁹⁹

NGET also suggested that recent low interest rates had also helped to make offshore transmission project financing comparatively inexpensive; and that if investors in generators perceived a risk from the introduction of competition, the cost of capital might rise.¹⁰⁰

47. Given the concerns from industry on the one hand, and the reassurances from the Government and Ofgem on the other, we investigated how Ofgem when deciding whether to tender, and how, might take account of all those issues. NGET said, “it is critical that all relevant stakeholders are fully engaged in the decision making process as to whether an asset should be contested.”¹⁰¹ Chris Bennett from NGET elaborated:

One of the things that could be considered in the legislation is to include project specific impact assessments [...] DECC [...] have recognised [...] once it has determined which projects meet the criteria for competition [...] there should be a process to assess the costs, benefits and risks. But at the moment the impact assessment is a generic one [...] If that suggestion was taken forward within the project-specific impact assessment the generator who might be connected would be part of that process, as would the local communities.¹⁰²

Mr Bennett added: “we need to really understand the potential risks of delay [...] these are material sums, if risks do materialise [...] there needs to be that assessment”¹⁰³

48. We therefore asked the regulator what processes they would put in place to determine whether an asset should be tendered—and whether if necessary to abandon tendering. Maxine Frerk from Ofgem replied:

For the first projects we are doing that are part of the [RIIO-T1] price control, we will be looking in each case at whether or not it is appropriate to tender that particular project... if it is clear when we look at a particular project that it will lead to material delays we would not go ahead with tendering on that particular project.¹⁰⁴

Ofgem has also stated:

We recognise that project need may change over time, in terms of whether a project is required and its necessary outputs [...] We propose to introduce tender checkpoints, mapped to key decision points in the project development lifecycle, to ensure that investment in the transmission network is required before progressing with the tender. The tender checkpoints will also help support an efficient tender process where bidders can be certain that a project being tendered will go ahead.¹⁰⁵

99 Energy Networks Association, [DEB0007](#), s.4

100 National Grid Electricity Transmission, [DEB0006](#), paras 2.3, 2.5, 2.11

101 National Grid Electricity Transmission, [DEB0006](#), para 2.13. See also National Grid Electricity Transmission, [DEB0027](#)

102 Qq72, 73, 74

103 Q80

104 Q119

105 Ofgem consultation, pp47, 48

49. *Competitive tendering for onshore transmission is in principle a positive step that should bring benefits to consumers and communities. But the process of determining whether and how to tender for onshore transmission has still to be finalised. In particular, we have heard concerns that Scottish transmission operators would be differentially exposed to competition compared with their English and Welsh counterparts. Before introducing the Bill in Parliament the UK Government should consult further with Scottish stakeholders to ensure that there is a level playing field for transmission projects across Great Britain.*

50. *Ofgem has consulted on a potential regime but it is clear from the responses to that work and from evidence we have received that stakeholders have ongoing concerns and further clarity is needed. Our main concern is to ensure that value for money is at the heart of any decision to take a project through the competitive tendering process. To that end, we recommend that Ofgem clarify, before the draft Bill receives its Second Reading, what exactly it will be doing to mitigate against the risk of delaying projects that are subject to tendering.*

51. *We also welcome the use of two different competitive tendering models for onshore transmission, which should provide different benefits for different projects. To ensure that efforts are concentrated on projects with the biggest potential benefits, we recommend that the legislation be amended to direct Ofgem to introduce project-specific impact assessments.*

Planning: issues in Scotland

52. SPEN, among others, alerted us to specific challenges with the tendering regime if applied in Scotland:

The approach envisaged for the Late Model of the System Operator obtaining detailed planning consents and land rights on behalf of the (yet to be appointed) CATO [Competitively Awarded Transmission Owner], raises a number of practical problems that are likely to impact the design and construction process timescales. In Scotland, the section 37 process requires a detailed knowledge of the environmental impacts of the scheme together with the design of the infrastructure and the construction proposals. Whilst the package of information required to ultimately receive a Development Consent Order (i.e. in England in Wales) is similar in its detail the opportunities afforded to vary that consented scheme are substantially clearer with associated processes and timescales known. These opportunities do not exist under the section 37 process in Scotland.¹⁰⁶

Regarding Scotland, the Energy Networks Association added:

Under Section 4 of the Electricity Act, the necessary wayleaves are acquired and held by a named licence holder. If there is a change to the licence holder, the new licence holder must apply again for the necessary wayleaves. Our Scottish members are concerned that the legislation seems to be drafted in a way to impose new requirements in Scottish Law. DECC will need to be mindful of the precedent which this could set.

¹⁰⁶ SP Energy Networks, [DEB0017](#), para 16

Land rights are already a major hurdle for delivery of new onshore transmission assets and the proposals effectively double the work and time required to achieve them. Any new regime of statutory land rights in Scotland will require access to some tribunal and compensation scheme for landlord's losses. This will result in additional costs and risks (ultimately paid by consumers) and delay key energy infrastructure. Consequently, we think this is a critical issue which DECC need to consider further in the legislative framework.¹⁰⁷

The Scottish Government were also concerned that the proposals “will impact Scotland disproportionately.” In response the Minister told us:

We are aware of the potential for the different legal systems operating in different ways. Officials are already talking to Scottish officials about how this will pan out, so we are keeping a watching brief on that. It is nothing that can't be fairly readily overcome, I think.¹⁰⁸

53. *We were given a clear example of how the draft legislation does not take account of the planning regime in Scotland, which could lead in that part of Great Britain to project delays that do not occur elsewhere. We note the Minister's evidence to us that officials in the Scottish and UK Governments are discussing the matter, and that he thinks it can be “fairly readily overcome”. We recommend that the Government set out in this or other relevant legislation how the potential delays to late model projects due to Scotland's planning regime will be overcome.*

Competitive tendering for distribution assets

54. The draft legislation also contains provisions to extend competitive tendering to distribution assets. Ofgem said:

we consider that there is logic in “future proofing” the legislation by including distribution networks, in particular given the potential for these boundaries to blur in future. Any decision to extend the approach to distribution networks would of course be subject to full consultation.¹⁰⁹

55. The Energy Networks Association told us, however, that the measure's inclusion in the draft legislation had been “a surprise”:

DNOs [Distribution Network Operators] are now well into the process of implementing the business plans which were approved by Ofgem as part of the RIIO-ED1 price control settlement which runs until March 2023. Unlike in RIIO-T1, final determinations for ED1 did not include any proposals for distribution assets to be subject to competitive tender. Consequently, the legislative proposals have created some uncertainty which is not good regulatory practice and contribute to investment hold up or higher financing costs in future. It would be helpful for the Government to confirm within the legislative notes that it does not envisage any competitive tendering of distribution assets within ED1.¹¹⁰

¹⁰⁷ Energy Networks Association, [DEB0007](#), s.2

¹⁰⁸ Q174

¹⁰⁹ Ofgem, [DEB0020](#), para 2

¹¹⁰ Energy Networks Association, [DEB0007](#), s. 4

SSE noted that the impact assessment, “which is a pre-requisite to good policymaking”, does not consider any of the potential implications for distribution networks:

The UK Government's Better Regulation Framework Manual (March 2015) states with regards to Primary legislation conferring Enabling Powers “[...] Ministers will want to be assured that there is a clear justification for the proposed intervention, and the supporting evidence regarding likely overall impacts of the proposed measure (including both primary and secondary legislation) is set out in the Impact Assessment at the primary legislation stage”.¹¹¹

56. The Minister confirmed that there would not be any competitive tendering for distribution assets during the current distribution price control period, up to 2023.¹¹² He also confirmed that there would be a new impact assessment, were the provision on distribution to be initiated.¹¹³

57. We welcome the Government's reassurance that competitive tendering for distribution assets will not take place until the end of the current RIIO-ED1 price control period in 2023; and that an impact assessment will be published before it is decided to give effect to the provision in further legislation. This should be reiterated as a clear undertaking by the Minister during the Second Reading debate on the draft Bill.

Generator-build

58. The draft legislation also permits transmission of electricity during a commissioning period without a requirement for the operator to hold a transmission licence. This effectively allows electricity generators to build, test and operate transmission assets before they are transferred to a successful bidder.¹¹⁴ NGET said that generator build was a viable option offshore, “where the infrastructure was being developed for a single user.”¹¹⁵ But it thought the proposal was “much less likely to be effective within the meshed onshore network, where assets will be developed for a range of generators.”¹¹⁶ SPEN said that such assets would include wider works that might impact on other generators seeking to connect. It therefore recommended “further provision [...] to deal with the interaction issues involved (ahead of the applicant becoming a licensee and so before they are subject to the normal rules)”.¹¹⁷ Tony Glover from the Energy Networks Association added:

Onshore you will be connecting into National Grid and Scottish Power's network, you will be connecting into distribution networks [...] If there is a problem with the CATO asset, how does that impact on the neighbouring network?¹¹⁸

111 SSE, [DEB0017](#), para 14

112 Q176

113 Q177

114 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p36

115 National Grid Electricity Transmission, [DEB0006](#), para 2.8

116 National Grid Electricity Transmission, [DEB0006](#), para 2.8

117 SP Energy Networks, [DEB0017](#), para 29

118 Q75

While SSE was concerned that the measure did not fall within the scope of Ofgem's consultation on competitive tendering "as such, and as a particular type of infrastructure asset, it should be specifically justified through inclusion in DECC's Impact Assessment".¹¹⁹

59. In response to these concerns, John Fiennes from DECC told us that:

this is an area where we are keen to get views from industry through the process that you [the Committee] are undertaking and we will be thinking very carefully about the points that they have made. I think we are more open-minded on this than on other points [...] If people feel that having a generator temporarily owning this transmission is a serious problem for competition then of course we would factor that into the final decisions that we make.¹²⁰

60. *The draft legislation includes a proposal to enable generators to build, test and operate, temporarily without a licence, onshore transmission assets. We welcome the Government's willingness to think very carefully about the points that have been made to us during our inquiry. There are concerns about the impact of such work on the wider transmission and distribution networks, and on other generators that wish to connect to them; and that provision should be made to deal with these issues while the generator is operating without a licence. We recommend that the Government undertake to consult further with the industry on, and to carry out a dedicated impact assessment of, this specific proposal before it is commenced through legislation.*

Onshore transmission: further considerations

61. Regarding onshore transmission, there are three other issues on which we would like the Government's response.

Licence change: right of appeal

62. Paragraph 4 of the schedule would amend the Electricity Act 1989 so that if, after a competitive tender, Ofgem decided to award a licence to an existing licence holder, it could modify that licence to give effect to that decision. NGET pointed out that normally licence modifications are made under section 11A of the Electricity Act 1989 and a statutory right of appeal to the Competition Commission is provided for under section 11C. Where licence modifications are made to an existing licence under the draft legislation, however, no such right of appeal is provided for, meaning that "an affected licensee (or other interested party) will have no recourse (save for judicial review) should it object to any proposed licence modifications." NGET suggested:

Rights of appeal to the Competition Commission similar to those provided for in sections 11C–H Electricity Act 1989 should be provided for by the new legislation in order that appropriate and proportionate rights of appeal exist regardless of which statutory provision is relied upon by the Authority in order to introduce the licence modifications.¹²¹

119 SSE, [DEB0024](#), para 18

120 Q178

121 National Grid Electricity Transmission, [DEB0006](#), para 3.4

63. *We ask the Government to explain why under the draft legislation an existing licence holder, whose licence Ofgem seeks to modify as a result of the holder being awarded a competitive onshore transmission or distribution licence, has no right of appeal to the Competition and Markets Authority against the proposed modification.*

Transmission owner of last resort

64. Paragraph 18 of the schedule amends the Electricity Act 1989 so that, in the event of insolvency, a transmission licence holder would be directed to act as transmission owner of last resort. SPEN said the legislation:

may be interpreted as requiring the Transmission Owner of Last Resort to deliver the project mirroring the winning CATO's bid costs. SPEN presumes that Ofgem will create a new licence condition which will permit the Transmission Owner of last resort to recover costs plus a reasonable return.¹²²

Frank Mitchell, from SPEN, added: "You can't pick up something at a cost that was probably undeliverable to start with, so we need to make sure we address that in some of the legislation to clarify it."¹²³

65. *We ask the Government to clarify whether, in the event of a licence holder being directed to act as a transmission owner of last resort, it would modify the licence to reflect any difference in costs required to deliver the project.*

Parliamentary procedure

66. The explanatory notes state that the regulations made by the Secretary of State in relation to the high-level criteria for competitively tendered onshore transmission assets "will be statutory instruments and subject to negative resolution procedure."¹²⁴ This means the regulations will become law without debate unless a Member of either House tables a motion that they be annulled. A motion put down by the Official Opposition will often be accommodated although there is no absolute certainty of this. The avenue for consideration of any annulment motion that a Backbench MP puts down, usually through an early-day motion (EDM), is less clear, but a debate may be arranged if there are a large number of signatories to the EDM.¹²⁵ John Fiennes from DECC said the Government was following the process established for the offshore regime and the assets and process were "sufficiently similar to justify the same treatment."¹²⁶ The Minister said he would look again at the question of the negative resolution.¹²⁷

67. *Given the concerns we have highlighted earlier, about the potential for the legislation to create an uneven playing field for transmission operators and consumers in Scotland and those in England and Wales, we recommend that the regulations setting out the criteria for those onshore transmission assets that may be competitively tendered, which the Secretary of State introduces under her powers in the schedule, be subject to the affirmative resolution procedure to ensure adequate scrutiny.*

122 SP Energy Networks, [DEB0017](#), para 27

123 Q103

124 Department of Energy and Climate Change, Draft Legislation on Energy, [Cm 9180](#), January 2016, p45

125 House of Commons Library, [House of Commons Background Paper: Statutory Instruments](#), December 2012, pp6-7

126 Qq155, 156

127 Q158

5 Further, technical considerations

68. In this final chapter, we detail several technical points on which we would like further clarification from the Government, and on which we suggest further scrutiny might be required during the legislation's passage through Parliament. We take these points in the order in which they appear in the legislation.

Smart metering

69. Clause 3(6) would empower the Secretary of State to make regulations specifying the activities a smart meter communications licensee (SMCL) administrator must prioritise, and how they must do so, when an SMCL is subject to an order under the special administration regime. No comparable power is created under chapter 3 of the Energy Act 2004, which brought in a special administration regime for other energy licensees.

70. *We recommend the Government clarify why in the draft legislation a smart meter communications licensee administrator should have to operate under closer ministerial direction than an administrator exercising their responsibilities in relation to other energy licensees under the Energy Act 2004.*

71. Clause 6 of the draft legislation enables the Secretary of State to modify not only standard licence conditions for future gas or electricity licensees, but existing licence conditions. The power can be exercised “Where the Secretary of State considers it appropriate to do so in connection with” the SMCL administration provisions. This includes the express power to require the licensee to raise money—through its charges, including consumer charges—to help finance an SMCL subject to the special administration regime. This clause is similar to section 15A of the Electricity Act 1989, but that gave the Secretary of State the power to modify licences only where “necessary or expedient”—a more demanding test than “appropriate”.

72. *Given the potential impact on consumer bills, we recommend that Parliamentarians pursue with Ministers the provision enabling the Secretary of State to require a licensee to raise money to finance a smart meter communication licensee subject to a special administration regime. We recommend also that the Government explain why the draft legislation gives the Secretary of State the power to modify licences where she considers it “appropriate”, rather than, as under the Electricity Act 1989, where she considers it “necessary or expedient”.*

Switching and settlement

73. Clauses 11 to 14 give Ofgem the power to modify “a document maintained in accordance with an electricity licence or gas licence.” These provisions are drafted in a similar way to section 6H(1) of the Electricity Act 1989, relating to offshore transmission, excepting: clauses 11 to 13 refer to a “document” maintained in accordance with a licence, rather than a “code”; and the draft powers are broader, as they include measures for Ofgem “to remove or replace all of the provisions” of a document or agreement.

74. *We recommend that the Government clarify why clauses 11 to 13 give Ofgem the power to modify a “document” rather than a “code” maintained in accordance with an*

energy licence; and explain why the draft legislation goes further than, for example, the Electricity Act 1989 and empowers Ofgem to “remove or replace all of the provisions” of a document or agreement.

Competitive tendering for onshore transmission

75. Clause 16 and the schedule to the draft legislation relate to competitive tendering for onshore transmission and distribution licences. The schedule amends the Electricity Act 1989, including by inserting new section 6CA, which changes the provisions for recovering costs after a tender exercise (currently in section 6D). It broadens the class of potential contributors to include those who had made a connection request in relation to a previous tender exercise, and to existing licence holders.

76. We recommend that the Government explain why it is seeking to broaden the range of bodies from which it seeks to recover costs after an onshore transmission or distribution tender exercise to include those who made a connection request in relation to a previous tender exercise, and existing transmission and distribution licence holders.

77. New section 6CA(5) of the 1989 Act requires Ofgem to ensure after a tender exercise(s) that the total sums received from potential or existing licensees in tender costs does not exceed the actual costs incurred. New section 6CA(7) refers to the amounts Ofgem must take into account when undertaking this duty. It includes the “tender costs” that Ofgem must account for, but not the cost assessment costs (CACs)—the costs Ofgem incurs in “assessing the expenditure which has been incurred, or will be incurred, on assets which are the subject of a competitive process.”¹²⁸ These CACs are, however, included in the definition of “tender costs” set out in section 6D, as amended by the draft legislation.

78. We ask the Government to clarify whether cost assessment costs are included in the tender costs that Ofgem must account for when, as the draft legislation makes provision for, it must ensure that the total it has received in tender costs does not exceed the actual costs. If they are not included, we ask the Government to explain their omission from the calculation that Ofgem must make.

79. Finally, we note that the draft legislation removes the seven-year limit on the modification of transmission and distribution codes by Ofgem. This is done through paragraph 8(6) of the schedule, which omits section 6H(8) of the 1989 Act.

80. We ask the Government to explain why it proposes to remove Ofgem's seven-year limit on transmission and distribution code modifications by virtue of the draft legislation's omitting section 6H(8) of the Electricity Act 1989.

Conclusion

81. **The Government's draft legislation on energy recognises a need for and provides for continued oversight and analysis of the smart meter programme; for the co-ordination of industry switching and settlement processes in the interests of consumers; and for the introduction of competition to some onshore transmission projects. It includes important and necessary provisions that, if enacted with certain amendments as described in this report, could help to drive innovation in the energy sector and potentially lower people's energy bills.**

Conclusions and recommendations

Smart meters: extending the Secretary of State's powers

1. *The extension beyond 2020 of the Secretary of State's powers on smart metering has raised legitimate questions about whether the smart meter roll-out programme is on track to meet its 2020 target. We accept, however, that extending them until 2023 will enable the Secretary of State to address the outcomes of the programme in order to ensure its maximum benefits. We therefore support the extension of these powers, with the caveat that the Government must state whether the 2020 target is realistic and ensure that all those involved in the roll-out programme are committed to, and capable, of meeting it. We recommend that parliamentarians press the Government, during the passage of the Bill through Parliament, on what progress is being made towards achieving the 2020 roll-out target. (Paragraph 12)*

Switching and settlement: introducing powers to modify industry codes and licences

2. *Enabling consumers to switch suppliers as quickly as possible, and helping suppliers to obtain a more accurate understanding of their customers' energy consumption, thereby allowing market participants to offer more competitive tariffs, are two significant undertakings. A more formal role for Ofgem to modify industry codes and licences in this area will help to ensure that the needs of consumers are put first. We therefore consider the proposals to give Ofgem the power to initiate modifications to industry codes to be necessary and proportionate. For too long the priorities of some in the industry have not aligned with those of consumers. (Paragraph 23)*

Safeguards

3. *Ofgem has provided assurances that it will work with stakeholders "up front" to develop industry code modifications. Given the draft measures, which ensure that Ofgem must also consult stakeholders after it has published its proposed changes, we understand why Ofgem suggests that any provision for an appeal against such changes on merit would be unnecessary. However, industry remains concerned that the draft provisions include the right only to a judicial review of the process, rather than to an appeal to the Competition and Markets Authority against the change itself. We recommend that the legislation be amended to include a statutory right of appeal. However, should this prove undesirable, we consider that the argument for Ofgem's preferred approach would be bolstered if it was specifically required to produce an impact assessment when it publishes a notice of a proposed code modification in relation to the switching and settlement reform programmes. (Paragraph 29)*

Future developments in electricity settlement

4. *Mandatory half-hourly settlement may involve significant initial costs to industry and, by extension, to customers. It may also impact on individuals who are unable to switch their energy consumption to any effective degree. We are grateful to the Minister*

for clarifying that his expectation is that Ofgem would conduct an impact assessment of mandatory half-hourly settlement. In order to leave no room for uncertainty we recommend that the legislation include the provision that Ofgem must conduct an impact assessment of mandatory half-hourly settlement. (Paragraph 31)

5. *Settling against customers' actual half-hourly electricity consumption represents a big step forward from the current practice of settling on a non-half-hourly basis against average consumption profiles. But technological innovation will allow an increasing number of people to see how much energy they have consumed during periods shorter than 30 minutes. In turn, this will allow them to identify with even more precision when they can get the best value for money from their energy use. Such innovation is pushing the boundaries of existing regulation here and abroad, so the Government must ensure that the draft legislation and the detailed licences, codes and regulations that flow from it are, as far as possible, future-proofed, particularly in relation to moving beyond half-hourly settlement, should consumers and suppliers choose to. (Paragraph 33)*

Competitive tendering for onshore transmission: cost-benefit analysis

6. *Competitive tendering for onshore transmission is in principle a positive step that should bring benefits to consumers and communities. But the process of determining whether and how to tender for onshore transmission has still to be finalised. In particular, we have heard concerns that Scottish transmission operators would be differentially exposed to competition compared with their English and Welsh counterparts. Before introducing the Bill in Parliament the UK Government should consult further with Scottish stakeholders to ensure that there is a level playing field for transmission projects across Great Britain. (Paragraph 49)*
7. *Ofgem has consulted on a potential regime but it is clear from the responses to that work and from evidence we have received that stakeholders have ongoing concerns and further clarity is needed. Our main concern is to ensure that value for money is at the heart of any decision to take a project through the competitive tendering process. To that end, we recommend that Ofgem clarify, before the draft Bill receives its Second Reading, what exactly it will be doing to mitigate against the risk of delaying projects that are subject to tendering. (Paragraph 50)*
8. *We also welcome the use of two different competitive tendering models for onshore transmission, which should provide different benefits for different projects. To ensure that efforts are concentrated on projects with the biggest potential benefits, we recommend that the legislation be amended to direct Ofgem to introduce project-specific impact assessments. (Paragraph 51)*

Planning issues in Scotland

9. *We were given a clear example of how the draft legislation does not take account of the planning regime in Scotland, which could lead in that part of Great Britain to project delays that do not occur elsewhere. We note the Minister's evidence to us that officials in the Scottish and UK Governments are discussing the matter, and that he thinks it*

can be “fairly readily overcome”. We recommend that the Government set out in this or other relevant legislation how the potential delays to late model projects due to Scotland’s planning regime will be overcome. (Paragraph 53)

Competitive tendering for distribution assets

10. *We welcome the Government’s reassurance that competitive tendering for distribution assets will not take place until the end of the current RIIO-ED1 price control period in 2023; and that an impact assessment will be published before it is decided to give effect to the provision in further legislation. This should be reiterated as a clear undertaking by the Minister during the Second Reading debate on the draft Bill. (Paragraph 57)*

Generator-build

11. *The draft legislation includes a proposal to enable generators to build, test and operate, temporarily without a licence, onshore transmission assets. We welcome the Government’s willingness to think very carefully about the points that have been made to us during our inquiry. There are concerns about the impact of such work on the wider transmission and distribution networks, and on other generators that wish to connect to them; and that provision should be made to deal with these issues while the generator is operating without a licence. We recommend that the Government undertake to consult further with the industry on, and to carry out a dedicated impact assessment of, this specific proposal before it is commenced through legislation. (Paragraph 60)*

Onshore transmission: further considerations

12. *We ask the Government to explain why under the draft legislation an existing licence holder, whose licence Ofgem seeks to modify as a result of the holder being awarded a competitive onshore transmission or distribution licence, has no right of appeal to the Competition and Markets Authority against the proposed modification. (Paragraph 63)*
13. *We ask the Government to clarify whether, in the event of a licence holder being directed to act as a transmission owner of last resort, it would modify the licence to reflect any difference in costs required to deliver the project. (Paragraph 65)*
14. *Given the concerns we have highlighted earlier, about the potential for the legislation to create an uneven playing field for transmission operators and consumers in Scotland and those in England and Wales, we recommend that the regulations setting out the criteria for those onshore transmission assets that may be competitively tendered, which the Secretary of State introduces under her powers in the schedule, be subject to the affirmative resolution procedure to ensure adequate scrutiny. (Paragraph 67)*

Further, technical considerations

15. *We recommend the Government clarify why in the draft legislation a smart meter communications licensee administrator should have to operate under closer ministerial direction than an administrator exercising their responsibilities in relation to other energy licensees under the Energy Act 2004. (Paragraph 70)*
16. *Given the potential impact on consumer bills, we recommend that Parliamentarians pursue with Ministers the provision enabling the Secretary of State to require a licensee to raise money to finance a smart meter communication licensee subject to a special administration regime. We recommend also that the Government explain why the draft legislation gives the Secretary of State the power to modify licences where she considers it “appropriate”, rather than, as under the Electricity Act 1989, where she considers it “necessary or expedient”. (Paragraph 72)*
17. *We recommend that the Government clarify why clauses 11 to 13 give Ofgem the power to modify a “document” rather than a “code” maintained in accordance with an energy licence; and explain why the draft legislation goes further than, for example, the Electricity Act 1989 and empowers Ofgem to “remove or replace all of the provisions” of a document or agreement. (Paragraph 74)*
18. *We recommend that the Government explain why it is seeking to broaden the range of bodies from which it seeks to recover costs after an onshore transmission or distribution tender exercise to include those who made a connection request in relation to a previous tender exercise, and existing transmission and distribution licence holders. (Paragraph 76)*
19. *We ask the Government to clarify whether cost assessment costs are included in the tender costs that Ofgem must account for when, as the draft legislation makes provision for, it must ensure that the total it has received in tender costs does not exceed the actual costs. If they are not included, we ask the Government to explain their omission from the calculation that Ofgem must make. (Paragraph 78)*
20. *We ask the Government to explain why it proposes to remove Ofgem’s seven-year limit on transmission and distribution code modifications by virtue of the draft legislation’s omitting section 6H(8) of the Electricity Act 1989. (Paragraph 80)*

Conclusion

21. *The Government’s draft legislation on energy recognises a need for and provides for continued oversight and analysis of the smart meter programme; for the co-ordination of industry switching and settlement processes in the interests of consumers; and for the introduction of competition to some onshore transmission projects. It includes important and necessary provisions that, if enacted with certain amendments as described in this report, could help to drive innovation in the energy sector and potentially lower people’s energy bills. (Paragraph 81)*

Formal Minutes

Tuesday 26 April 2016

Members present:

Angus Brendan MacNeil, in the Chair

Rushanara Ali

Matthew Pennycook

Glyn Davies

Dr Poulter

James Heapey

Antoinette Sandbach

Draft Report (*Pre-legislative scrutiny of the Government's draft legislation on energy*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 81 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available (Standing Order No. 134).

[Adjourned till Wednesday 4 May at 9.30am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 9 March 2016

Question number

Paul Delamare, Head of Customer Policy and Regulation, EDF Energy, **William Bullen**, Managing Director, Utilita, **Chris Harris**, Director of Regulation, RWE, and **Sophie Yule**, General Counsel, Tempus Energy

[Q1–59](#)

Chris Bennett, Project Director, Integrated Transmission Planning and Regulation, National Grid, **Tony Glover**, Director of Policy, Energy Networks Association, **Frank Mitchell**, Chief Executive Officer, SP Energy Networks, and **Chris Veal**, Managing Partner, Transmission Investment

[Q60–103](#)

Tuesday 22 March 2016

Maxine Frerk, Acting Senior Partner, Networks, **Rob Salter-Church**, Partner, Consumers and Competition and **Steve Beel**, Partner, Competitive Networks, Ofgem

[Q104–137](#)

Lord Bourne of Aberystwyth, Parliamentary Under-Secretary of State, **John Fiennes**, Director, Energy Strategy, Networks and Markets and **Daron Walker**, Senior Responsible Owner, Smart Meters Programme, Department of Energy and Climate Change

[Q138–188](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

DEB numbers are generated by the evidence processing system and so may not be complete.

- 1 Association for the Conservation of Energy ([DEB0008](#))
- 2 British Gas ([DEB0026](#))
- 3 Chartered Institution of Building Services Engineers (CIBSE) ([DEB0003](#))
- 4 Department of Energy and Climate Change ([DEB0009](#))
- 5 E.ON UK ([DEB0021](#))
- 6 EDF Energy ([DEB0010](#))
- 7 ELEXON Ltd ([DEB0005](#))
- 8 Energy Networks Association ([DEB0007](#))
- 9 Energy UK ([DEB0014](#))
- 10 First Utility Limited ([DEB0013](#))
- 11 Haven Power ([DEB0001](#))
- 12 National Grid ([DEB0006](#)) ([DEB0027](#))
- 13 Ofgem ([DEB0020](#))
- 14 Ombudsman Services: Energy Ombudsman ([DEB0004](#))
- 15 Renewable Energy Association ([DEB0012](#))
- 16 Renewable Energy Systems Ltd (RES) ([DEB0022](#))
- 17 RWE npower ([DEB0016](#))
- 18 Scottish Government ([DEB0002](#))
- 19 Scottish Renewables ([DEB0015](#))
- 20 ScottishPower ([DEB0011](#))
- 21 SP Energy Networks ([DEB0017](#))
- 22 SSE ([DEB0024](#))
- 23 Tempus Energy Supply Ltd ([DEB0019](#))
- 24 Transmission Investment LLP ([DEB0025](#))
- 25 Utilita Energy Ltd ([DEB0018](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2015–16

First Report	Our priorities for Parliament 2015–20	HC 368
Second Report	Future of carbon capture and storage in the UK	HC 692
Third Report	Investor confidence in the UK energy sector	HC 542
Fourth Report	Home energy efficiency and demand reduction	HC 552
Fifth Report	Setting the fifth carbon budget	HC 659
First Special Report	Linking emissions trading systems: Government response to the Committee's Fifth Report of Session 2014–15	HC 376