

Cynulliad Cenedlaethol Cymru Pwyllgor Amgylchedd a Chynaliadwyedd	National Assembly for Wales Environment and Sustainability Committee
Dyfodol Ynni Craffach i Gymru?	A Smarter Energy Future for Wales?
Ymateb gan RWE npower (Saesneg yn unig)	Response from RWE npower
SEFW 14	SEFW 14



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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4<sup>th</sup> September 2015

**A smarter Energy Future for Wales**

Dear Sir / Madam

Thank you for providing us with the opportunity to respond to the above consultation.

This response is on behalf of the all RWE companies operating in the UK and we welcome this opportunity to engage in working with the Assembly on matters of Welsh energy policy.

Within the UK, RWE Generation operates and manages a flexible portfolio of coal, oil, biomass and gas-fired power stations, producing more than 10% of electricity used in Great Britain. We also manage a portfolio of cogeneration plant. In the UK, RWE Innogy is at the forefront of producing energy through renewables sources. The gross operational renewable generation portfolio that RWE Innogy are involved in totals near 2,000MW across UK wind farms, hydro plants and biomass generation.

Specifically within Wales, we generate electricity at Aberthaw Power station (coal) and Pembroke Power Station (gas) as well as from 890MW of renewable generation plant, making RWE the largest generator of electricity in Wales.

Our retail business, RWE npower supplies ca. 5.4m residential and non-domestic customers with energy, energy efficiency and holistic energy solutions, including Energy Performance Contracts. RWE npower is committed to providing our customers with innovative products and services which support and deliver more energy efficient outcomes. We have a long history of delivering energy efficiency measures in Wales under EEC1, EEC2, CERT, CESP and now ECO. In April, npower Business Solutions bought RUMM, the specialist Welsh energy management company as part of our broader strategy of helping our larger customers better manage and control their energy usage.

**1. The Energy Mix (decarbonisation and energy mix)**

**1.1 Efficient delivery of carbon reductions within the electricity sector**

Having invested heavily in both renewable energy generation and high efficiency fossil fuel generation in Wales, we are fully supportive of efficient measures to mitigate the damaging impacts of climate change.

Whilst there is a clear role for national, regional and local measures in sectors falling outside the Traded sector of the EU ETS, we believe that climate change management at regional level is potentially inefficient and sub-optimal for consumers who will have to pay through their energy bills or taxes. Costs of decarbonising electricity should be optimised at a UK level and carbon pricing should be at EU level and ultimately at the global level to ensure emissions reductions are delivered at least cost.

We are supportive of a strengthened and properly functioning carbon market through the EU Emissions Trading Scheme and welcome the establishing of a Market Stability Reserve and the recent legislative proposals from the European Commission.

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## 1.2 Renewable electricity generation deployment

It is welcome that The Environment (Wales) Bill 2015 sets a 2050 emissions reduction target and five-yearly carbon budgets and complementary progress reviews. However, because to date Wales has fallen short on reducing carbon emissions at the necessary pace, there is an urgent need for significant new deployment of readily available emission reduction solutions. Figures in the latest [Climate Change annual report](#) show against the (non-statutory) target of a 40% cut in emissions by 2020, the level of reduction achieved so far falls well short of what is required with emissions from Wales rising between 2011 and 2012 (the most recent year for which statistics are available). Emissions in 2013 are forecast to show an even bigger increase due to a 20% increase in emissions from the energy sector. The [Welsh energy mix should shift towards an increased share from renewables and gas](#). This should be in conjunction with improved energy efficiency and emission reductions from the heat and transport sectors.

## 1.3 Overcome existing barriers to the deployment of renewable electricity:

Whilst we are of the view that grid access should be equal for all users, there are a number of barriers in place that slow the rate of power sector emissions reduction. The consenting process for UK renewable energy projects and new grid infrastructure is slow and costly, thus moderating deployment.

Regarding the barriers in the planning process we see a chance for National Assembly to step in and determine NSIP 132kV grid connections. With DECC handing back planning to local authorities in England, there is an opportunity for National Assembly to have a say over Section 36 and NSIP projects in Wales.

A key barrier to additional deployment is central UK Government policy on renewables. Investor confidence is being harmed by the UK Government approach to renewable energy especially relating to recent measures relating to solar and onshore wind. The potential for onshore wind and solar PV to be ineligible for participation in future Contracts for Difference is a particular risk, especially given to potential for these low cost renewable technologies to operate under a subsidy free CfD.

There is a clear role for the National Assembly to work with Westminster to explore such mechanisms, particularly in promoting a subsidy free CfD for onshore wind.

## 1.4 What mixture of distributed generation resources best meets Wales' renewable energy needs in respect to the supply of a) electricity, b) gas, and c) heat?

Whilst we have no particular view of the best balance between electricity, gas and heating sectors in Wales, we believe there is a key role for the National Assembly to:

- Further promote energy efficiency;
- Secure contributions from the heat and transport sectors;
- To support a properly functioning carbon market through a reformed EU Emissions Trading Scheme; and
- To support the ongoing deployment of renewables

## 2. **The grid**

The grid infrastructure in Wales is at capacity. Both distribution and transmission connections require large financial commitments on the part of developers and can take many years to complete. This access along with associated cost of consenting and time to construct are barriers to deployment of all energy projects.

One critical lesson to be learnt from the TAN8 process is that if any future strategic search areas for renewables are designated these should consider access to existing grid infrastructure so that the length of new lines and the cost of reinforcement works is considered alongside other factors. What is needed is strategic planning of upgrades to the grid network – outside and independent of the development process - in parallel with strategic planning of the changes to the renewable energy generation mix.

## 3. **Storage**

Whilst we have no particular comments, we welcome innovation in this area and are keen to see cost reduction in storage solutions in order to enable their wider deployment at both large and small scale.

#### **4. Ownership (public and community ownership of generation)**

Given recent UK policy announcements and barriers to investment in renewables, community investment within the renewable electricity sector appears challenged, despite considerable previous effort in encouraging shared community ownership of renewable generation.

However, the investigation in Wales of the desirability and feasibility of community investment , given these constraints would be welcome.

#### **5. Energy efficiency and demand reduction**

Whilst we have no detailed comments on the planning system or impacts of a higher energy efficiency standard in Wales for new housing, we are very supportive of the proposed Energy Efficiency strategy for Wales as proposed by the Welsh Government and look forward to working with the Welsh Government to deliver on its vision for Wales of ensuring Wales can meet its full energy efficiency potential and become a major exporter of energy efficiency technology and know-how.

Within the Welsh Government's Consultation we note that the proposed strategy will cover a ten year timeframe. We agree and support this intention to set out a longer term framework given that some of the key enablers for greater energy efficiency will be realised over the medium term (including the roll out of smart metering and the development of smart grids and a broader transition to half hourly settlement for electricity).

RWE npower agrees with the approach proposed by the Welsh Government, whereby tackling the barriers to energy efficiency will be addressed through a multi-agency and partnership approach; understanding that different customer segments and sectors all have different needs, different levels of engagement regarding the benefits of improved energy efficiency and that these require diverse approaches and differing and tailored levels of support. Furthermore RWE npower remains very supportive of the Welsh Government's approach to continue to provide additional funding for support and measures to improve energy efficiency through the Welsh Government Warm Homes Nest and Arbed.

Since the publication of the consultation, we note the announcements that no further funding will be made available to the Green Deal Finance Company, likely resulting in its closure and that there is to be an independent review undertaken by Dr Bonfield (into standards, consumer protection and enforcement of energy efficiency schemes). Until this review is completed and there is clarity as to what any future framework for financing, consumer protection and managing energy efficiency improvements may comprise, it is unclear to what extent this may impact the proposals to support the take up of energy efficiency measures amongst the able to pay. From that perspective, we are particularly supportive of research into the feasibility and potential impact of establishing a paid for service that facilitates the assessment and installation of energy efficiency improvements for middle and higher households and would welcome the opportunity to understand the research parameters and its future outputs.

#### **6. Communities - making the case for change**

We have no additional comments

Yours faithfully



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RWE npower (on behalf of RWE operating companies in the UK)