Environment and Sustainability Committee

Inquiry into Energy Policy and Planning in Wales
EPP 249 – National Grid

nationalgrid
THE POWER OF ACTION

National Grid plc's submission to the National Assembly Wales Inquiry into Energy Policy and Planning in Wales

Key Points

- Energy is vital for Britain's health and wealth. And that energy needs to be affordable, both economically and environmentally. Yet energy is changing – its sources, how it is produced and the way it is used.
- Given the changes in the energy industry, the commitment to address climate change and the age of National Grid's transmission assets, a substantial amount of new energy infrastructure investment and development is required.
- The level of investment needed to achieve the UK's targets[1] is estimated to be around £200 billion by 2020 in all forms of sustainable energy generation, transmission and distribution technologies – large and small, onshore and offshore, and across the UK. The scale of investment proposed by National Grid alone for both regulated transmission entities is £30.7bn for the period 2013/4-2020/1[2].
- In the context of the sheer scale of the energy challenge, it is important to have a planning system that facilitates the development of energy infrastructure in a timely, economical and responsible manner. National Grid has been a strong supporter of the changes to the planning system that were introduced by the Planning Act 2008 including the clear statement of energy policy in the National Policy Statements and the streamlined planning process that the Act established.

Executive Summary

1. As set out in National Policy Statement EN-1[3], more investment is needed in low-carbon technologies and in more diverse sources of energy supply to meet Britain's future energy needs. Some of that will be remote from the existing electricity transmission network or will require network reinforcement to carry the amount of power that will be generated. Less predictable renewable energy sources will need to be balanced with more flexible gas-fired power stations and more stable nuclear sources. More of our natural gas will be imported. Some of those energy developments will be onshore and some offshore. Meeting those

[1] The Climate Change Act 2008 targets commit the UK to reduce greenhouse gas emissions by 80% by 2050, and the EU Renewable Energy Directive requires 15% of all energy to be from renewable sources by 2020.
[2] From our RIIO T1 business plan submission to Ofgem in July 2011. Total expenditure (nominal) National Grid Electricity Transmission £21.9bn, National Grid Gas Transmission £8.8bn http://www.talkingnetworkstx.com/
[3] http://www.decc.gov.uk/en/content/cms/meeting_energy/consents_planning/nps_en_infra/nps_en_infra.aspx

challenges will require changes to the electricity and gas transmission networks and the development of carbon capture and storage transportation networks.

2. A strong, clear, coordinated and aligned energy and planning policy context is therefore needed to encourage the right innovation and investment – from the European level, at the National level and through to the local level.

3. The suite of energy-related National Policy Statements[4] (NPSs) recently designated under the Planning Act 2008[5], have put in place a clear national policy statement framework for Britain and are strongly supported by National Grid. The NPSs should ensure that the right balance of considerations is taken in respect of decisions about Nationally Significant Infrastructure Projects (NSIPs), taking account of the need for the infrastructure, local impacts and community involvement in shaping development proposals.

4. The clarity provided by the NPSs and the requirement for decisions about applications for consent under the Planning Act 2008 to be taken in accordance with them, is strongly supported by National Grid and in our view is essential for the investment that is required. There is clarity on the status of the NPSs, in terms of NSIP decision-making, the relationship between the NPSs and other planning policy documents and for development proposals being considered under the Town and Country Planning Act 1990 regime.

5. The points of disagreement between the Welsh Government and UK Government relating to Wales' request for the transfer of energy consenting responsibilities and nuclear policy are matters for the UK and Welsh Governments. National Grid welcomes the fact that, aside from those two points, there appears to be broad agreement on other energy-related matters[6].

6. In addition to a clear national energy and planning policy context, the Planning Act 2008 puts in place a single consent regime and greater certainty over application timescales for NSIPs – a streamlined planning system, ensuring consistent best practice and effective and appropriate community and stakeholder involvement. National Grid strongly supports the new regime.

7. Whilst the single consent concept can be applied to a greater extent in England than in Wales, as the ability to include associated development in a Development Consent Order (DCO) in Wales is very limited, certain prescribed consents/authorisations may be incorporated in a DCO application in Wales with the agreement of the normal decision-making body. National Grid would encourage the pragmatic use of that discretion in appropriate circumstances.

Introduction to National Grid

8. This response is provided on behalf of National Grid. National Grid owns and manages the grids to which many different energy sources are connected. In Britain we run systems that deliver gas and electricity across the entire country. In the North East US, we provide power directly to millions of customers. We hold a vital position at the centre of the energy system. We join everything up.

9. Our purpose is to connect people to the energy they use. We all rely on having energy at our finger tips: our society is built on it. From the warmth and light we rely on at home, and the power which keeps our factories and offices going, to the mobile communications and other infrastructure technologies that are essential parts of our modern lifestyle.

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4 http://www.decc.gov.uk/en/content/cms/meeting_energy/consents_planning/nps_en_infra/nps_en_infra.aspx

5 http://www.legislation.gov.uk/ukpga/2008/29/contents

6 http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-sc-home/bus-committees-third-sc-agendas.htm?act=dis&id=159461&ds=2/2010

10. That puts National Grid at the heart of one of the greatest challenges facing our society; supporting the creation of new sustainable energy solutions for the future and developing an energy system that can underpin our economic prosperity in the 21st century.

The need to reduce carbon emissions

11. The Climate Change Act 2008[7] stipulates that the UK's carbon dioxide (CO^2) emissions must fall steeply. By 2020 they must be 34% lower than in 1990 and by 2050 they must have fallen by 80%. As the Welsh Government's Energy Policy Statement – A Low Carbon Revolution (March 2010)[8] recognises, we need to reduce our energy needs through energy efficiency action, increased use of renewable heat and most importantly from the carbon emission reduction perspective, by providing much more of our energy needs through electricity and low-carbon electricity systems. Thus, whilst today some 3% of our energy comes from renewable sources, by 2020 this figure needs to rise to 15%.

12. National Grid shares the Welsh Government view, as outlined in its Energy Policy Statement, that tackling these challenges presents potentially significant economic opportunities. We believe that having a strong policy framework in place to encourage innovation and investment in renewable energy and energy efficiency is vital to deliver carbon reduction, economic benefits, energy security, job creation and skills encouragement.

Security of energy supplies

13. Renewable energy sources can be less predictable, but other sources involve certain risks, as demonstrated by the Deepwater Horizon incident in the Gulf of Mexico, the problems at the Fukushima nuclear plant in Japan and the effect on oil supplies of the unrest in North Africa and the Middle East. To accommodate this, the mixture of different types of energy – and where in the world they come from – will need to be more diverse in the future.

Our gas supplies are running out

14. With North Sea gas resources dwindling, we are no longer self-sufficient in gas. In 2000 the UK imported almost no gas at all. In 2011, 50% of our gas is imported and by 2020 that figure will rise to around 75%. Half of our imported gas is piped beneath the sea from Norway or continental Europe and the other half – the proportion which will increase – is Liquefied Natural Gas (LNG), which is imported by ship. Wales, of course, is already playing a key part in this regard with the South Hook and Dragon importation terminals at Milford Haven and the associated National Grid pipeline network infrastructure which has been installed in the last 5 years.

15. Supplies of imported gas can be variable. Their sources, prices and availability may frequently change, depending on factors including commercial agreements, international politics and market demand (global but especially European). In response National Grid needs to monitor demand and manage supply much more actively.

[7] http://www.legislation.gov.uk/ukpga/2008/27/contents
[8] http://wales.gov.uk/docs/desh/policy/100331energystatementen.pdf

Implications for our energy transmission networks

16. Achieving the huge reduction in carbon emissions outlined above will mean connecting new lower-carbon sources of electricity to the electricity transmission network, including renewable ones such as wind power. The current transmission grid is designed to handle large, stable and predictable sources, but the new sources – which often depend on nature – are inevitably less predictable and much less controllable. Doing this will mean balancing, minute by minute, less predictable supplies of renewable energy with more flexible sources such as gas-fired power stations and stable sources such as nuclear plants.

17. It is widely accepted that there will be a lot of change in where our electricity comes from and how it will be used, but no-one knows exactly what the future supply and demand mix will actually look like. To illustrate this, over 60 gigawatts of generation is currently contracted to connect to our network in the future, but the reality is that only around half of this will actually connect. So whilst new sources of generation will require connections – some in remote areas requiring large scale construction projects – we cannot predict exactly where or when these will take place.

18. In terms of our gas transmission network, whilst we do not yet know the precise effect that changes in the sources of our natural gas will have, we do know that we will need to re-engineer our system to cope with them, for example to cater for much greater imports of LNG.

19. What is abundantly clear, therefore, is that in order to meet our targets for renewable energy generation and carbon dioxide emissions reductions there must be significant investment in the UK's energy infrastructure. To achieve this investment and development in a timely manner it is imperative that the UK's planning regimes are as streamlined, unified and coordinated as possible in order to provide greater certainty, efficiency and consistency for all whilst ensuring the quality of decision-making is maintained. To ensure that this is achieved it is essential that the aims of the Welsh, English and Scottish national planning regimes are all aligned with each other and so far as possible with 'local' planning policies.

Current National Grid projects in Wales

20. National Grid currently has one project in Wales notified to the IPC. Our Mid Wales Connection project to connect proposed TAN8 wind farms is trans-boundary with England has just been through our first stage of pre-application public consultation. Another in Wales that is currently at the early stage of identification of strategic options, is our North Wales Connection project, looking at works which might be required to connect new nuclear at Wylfa and Round 3 offshore wind in the Irish Sea.

21. We are also jointly developing proposals with Scottish Power Transmission for a sub-sea high voltage DC link between Hunterston in Scotland and Deeside, which is trans-boundary between Wales, England, the Isle of Man, Northern Ireland and Scotland in territorial waters terms. That project comprises a 2000MW sub-sea link with converter stations and sections of onshore buried cables in England/Wales (coming ashore on the Wirral peninsula) and in Scotland and does not require consent under the Planning Act. Public consultation was

undertaken in February 2011 and a planning application for the converter station at Connah's Quay is due to be submitted to Flintshire Council shortly.

The questions being considered by the Inquiry

What are the implications for Wales if responsibility for consenting major onshore and offshore energy infrastructure projects remains a UK Government reserved matter?

22. The UK Government has made its view clear most recently in a Westminster Hall debate on 6 September 2011, that the right decision maker for larger energy projects in England and Wales is the Energy and Climate Change Secretary. Climate Change Minister, Greg Barker, explained that there needs to be a unified energy policy and planning system across England and Wales and that the UK government has democratic legitimacy to take such decisions regarding Wales, being accountable to Welsh voters. On the greater than 50MW threshold for new onshore electricity generating stations falling under the Planning Act regime, the UK Government view, explained by Mr Barker, was that this is set at an appropriate level because developments larger than this, including large wind farms, have a UK national significance and therefore decisions over their development should be taken by the UK Government.

23. We strongly support the principle set out by the UK Government that there must be a strong, clear, coordinated and aligned energy and planning policy context and as streamlined as possible a planning system to encourage the innovation and investment required in energy efficiency and new low carbon technologies that is needed.

24. The Planning Act 2008 has put in place a new streamlined planning regime in England and Wales applying to defined types of NSIPs. A range of NPSs have also been designated which clearly set out Government policy on the need for the different types of new NSIP and give clarity about what forms of development are, or are not, in line with Government policy.

25. Following a process of public consultation, review and ratification by Parliament, the suite of six energy-related NPSs were designated in July 2011:

    - EN-1 Overarching NPS for Energy
    - EN-2 Fossil Fuel Electricity Generating Infrastructure
    - EN-3 Renewable Energy Infrastructure
    - EN-4 Gas Supply Infrastructure and Gas and Oil Pipelines
    - EN-5 Electricity Networks Infrastructure
    - EN-6 Nuclear Power Generation (Volumes I and II)

26. Now that these have been designated, decisions about energy-related Development Consent Order (DCO) applications must be taken in accordance with the relevant NPS, except to the extent that to do so would be in breach of international obligations, other duties or laws, or where the adverse impacts of the development would outweigh its benefits.

27. Government has therefore made it clear that the NPSs are at the heart of the new regime and are the primary basis for NSIP decision-making. They are therefore the primary policy document for the IPC, Secretary of State, applicants and other

interested parties when considering applications for consent under the Planning Act[9].

28. National Grid strongly welcomes and supports the designation of the energy-related NPSs, the clarity provided by them and the requirement for decisions about applications for consent under the Planning Act 2008 to be taken in accordance with them. In our view it is essential for the investment that is required. Clarity too on the relationship between the NPSs and other material considerations, including planning policies in Wales, is essential. The Welsh Assembly Government in response to the draft NPS consultations acknowledged that the NPSs provide the primary basis for decisions about NSIPs and has called for Welsh Policy to form the primary basis for non-IPC consents[10]

29. The six energy NPSs designated in July 2011:

    (i) confirm that they form the primary basis for decisions about DCO applications for NSIP projects;
    (ii) make it clear that there are other matters which the IPC can take into account, including any local impact report submitted by a relevant local authority, Development Plan Documents or other documents in the Local Development Framework and Marine Policy Statements;
    (iii) explain that where there is conflict between these or any other document and the NPS, the NPS prevails for the purposes of IPC decision-making given the national significance of the infrastructure;
    (iv) confirm that the NPSs are likely to be a material consideration in decision making on applications that fall under the Town and Country Planning Act 1990 in England and Wales – the amount of weight being determined on a case-by-case basis; and
    (v) confirm that the NPSs have taken account of relevant Technical Advice Notes in Wales where appropriate.

30. The IPC too has confirmed that, whilst Welsh Government policies, where relevant, will be an important consideration, they do not carry the same weight as the NPSs in decisions about applications for consent under the Planning Act 2008[11]. National Grid therefore believes that there is sufficient clarity on the status of the NPSs and the relationship between those and other planning policy documents.

31. In addition to a clear national energy and planning policy context, the Planning Act 2008 put in place a single consent concept and greater certainty over application timescales for NSIPs. National Grid strongly supports the principle of a streamlined planning system where decisions about a major infrastructure project that has been developed through a process of appropriate community and consultee engagement can be taken through a single consent application.

32. National Grid notes that devolving energy consenting responsibility is not considered to be appropriate for the reasons outlined above and is therefore not on the agenda of the UK Government. As a national company with network

[9] http://www.communities.gov.uk/documents/planningandbuilding/pdf/1376507.pdf

[10] http://www.decc.gov.uk/en/content/cms/meeting_energy/consents_planning/nps_en_infra/resp_2nd_cons/resp_2nd_cons.aspx

[11] http://www.assemblywales.org/sc_3_-19-10_paper_1_-_evidence_from_the_infrastructure_planning_commission.pdf

operations extending into England and Wales, we would be concerned if we were to have a trans-boundary project which ended up being only partially consented in one or other of the respective administrative areas due to differences in opinion between the Welsh Government and UK Government over matters of energy policy.

33. Whilst a 'single consent' was how the Planning Act 2008 revisions were first described, there is now an understanding that the process is in fact one of coordinating a number of different consents in different regimes. This 'cooperative timetabling' leads to what has been described as 'Aligned consenting'. The 'single consent' concept can be applied to a greater extent in England than in Wales, to the extent that associated development in Wales is limited to certain works associated with proposals for underground gas storage in natural porous strata, there are certain prescribed consents/authorisations which may be provided for in a DCO application in Wales with the agreement of the normal decision-making body. Section 150 of the Planning Act and Regulation 2(1) and 2(2) of The Infrastructure Planning (Miscellaneous Prescribed Provisions) Regulations 2010 apply in this regard. National Grid would encourage the pragmatic use of that discretion by the Welsh Government and other organisations, in appropriate circumstances, where they are the normal decision-making body.

34. The IPC in its Advice Note 11: "Working with Public Bodies – Part 1" (May 2011)[12] encourages developers and consultees to identify as early as possible at pre-application stage a comprehensive and accurate schedule of the range of likely consents that might be necessary for an NSIP and to discuss with the normal consenting bodies the question of whether those consents should appropriately be included within or deemed by a DCO application. Where other consents, licences and authorisations are to be included in a DCO application, the IPC advises consultees and developers to time their interactions to enable agreement on matters as much as possible at pre-application stage. The Commission also encourages developers to provide information in support of their DCO application stating how close they are to such approvals under other legislation where those have already been sought at the time of a DCO application. Further guidance in this area is still to be published by the Commission. The Commission has said that "Consideration of arrangements in Wales" is a part of this shift from 'single consent' to 'aligned consenting'. It may mean that it is not just important to consider what can incorporated within any DCO, it could be just as important to coordinate matters that then fall outside a DCO.

35. National Grid will therefore be liaising very closely at pre-application stage with a wide range of decision-making bodies in connection with a potentially wide range of ancillary consents which may be needed in connection with NSIP proposals, both in England and Wales, to consider these very questions. Whilst there are differences in Wales with regard to associated development and to that end the consenting regime in Wales is potentially more fragmented, National Grid believes that there should not be a significant difference in the approach required with regard to ancillary matters.

[12] http://infrastructure.independent.gov.uk/wp-content/uploads/2011/05/Advice-note-11-Working-with-public-bodies.pdf

36. In its existing capacity and in respect of the Planning Act 2008, the Welsh Government has particular roles and responsibilities in relation to infrastructure planning, in terms of:

- devolved areas of policy formulation for Wales, including marine spatial planning in Welsh territorial waters out to 200 nautical miles;
- direct regulatory functions;
- a prescribed body (statutory consultee) for the purposes of the pre-application consultation requirements Planning Act 2008 for all proposals likely to affect land in Wales;
- a consultation body for the purposes of Environmental Impact Assessment (EIA) scoping requests under the Planning Act 2008 for all proposals likely to affect land in Wales, which the IPC has confirmed will include those relating to NSIPs in Welsh borders, territorial waters and on all nuclear proposals;
- an interested party in respect of any accepted DCO application under the Planning Act 2008;
- marine licencing in Welsh territorial waters out to 200 nautical miles for activities in or over the sea, or on or under the sea bed, which could include the installation of cables, pipelines and overhead lines or investigatory work such as intrusive surveys;
- decision-maker for certain appeals and other consents;
- certifying role in respect of land given in exchange for special category land (e.g. Common Land) will be no less advantageous;
- overseeing agencies such as Countryside Council for Wales and Environment Agency Wales; and
- supporting and promoting the Welsh language.

37. National Grid welcomes the guidance in IPC Advice Note 12 urging developers, decision-making bodies and consultees to work closely together on the question of ancillary matters and we very much intend to work with that spirit of co-operation and engagement in respect of our own NSIP proposals. We also welcome the Memorandum of Understanding between the IPC and the Welsh Government[13] setting out operational roles and co-ordination protocols to establish the framework within which the IPC and Welsh Government will work together on matters relating to NSIPs in Wales, recognising that the decision-making of both organisations must remain impartial and independent. Positive engagement and pro-active communication across both of those areas should help deliver the more streamlined planning system which the Planning Act 2008 sought to put in place.

What will be the impact if consenting decisions on major infrastructure projects and associated development are not all taken in accordance with Welsh planning policy?

38. The previous Minister for the Environment Sustainability and Housing Jane Davidson stated that, aside from the question of energy consenting responsibilities and nuclear policy, there are fundamental points of agreement between UK and Welsh energy policy on the need to achieve affordable, safe, low carbon energy for our population[14]. The NPS which have been put in place following a transparent consultation and accountable parliamentary process open

[13] http://infrastructure.independent.gov.uk/2010/10/infrastructure-planning-commission-and-welsh-assembly-government-agree-memorandum-of-understanding/
[14] http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-sc-home/bus-committees-third-sc-agendas.htm?act=dis&id=159461&ds=2/2010

to everyone in England and Wales, set out the national energy policy framework and will take primacy in respect of decisions about NSIP proposals in England and Wales. We believe that it is imperative that there is a strong, clear, coordinated and aligned energy and planning policy context and a streamlined planning system to encourage the right innovation and investment required in energy efficiency and new low carbon technologies.

How does this affect achievement of the Welsh Government's aspirations for various forms of renewable and low carbon energy as set out in the Energy Policy Statement?

39. As explained in the earlier part of this evidence, it is widely accepted that there will be a lot of change in where our electricity comes from and how it will be used, but no-one knows exactly what the future supply and demand mix will actually look like. To illustrate this, over 60 gigawatts of generation is currently contracted to connect to our network in the future, but the reality is that only around half of this will actually connect. So whilst new sources of generation will require connections – some in remote areas requiring large scale construction projects – we cannot predict exactly where or when these will take place. We note and welcome the point that, aside from the significant question of new nuclear generation in Wales, there appears to be broad agreement between UK and Welsh energy policy on the need to achieve affordable, safe, low carbon energy[15].

How does this affect delivery of the Welsh Government's target for a 3 per cent reduction in Green House Gas emissions per annum from 2011?

40. Please see the answer to the previous question as set out above.

23 September 2011

[15] http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-sc-home/bus-committees-third-sc-agendas.htm?act=dis&id=159461&ds=2/2010