

## **Environment and Sustainability Committee**

Inquiry into Energy Policy and Planning in Wales

EPP 274 - Centrica

### **Environment and sustainability committee response**

#### **About Centrica**

Centrica is an integrated energy company which owns the following brands.

#### **British Gas**

British Gas supplies gas and electricity to UK residential and business customers, provides central heating and gas appliance installation and maintenance and low-carbon and energy efficient products and services. Its business is divided into residential, business and service sectors.

#### **Centrica Energy**

CE's business is divided between power generation assets, such as Barry Power station - a 280MW gas fired power station in South Wales. It also encompasses the proposed offshore wind development in the Irish Sea.

The Midstream team is both the trading arm of Centrica Energy – charged with trading gas, power and related commodities – and the bridge delivering energy from our Upstream and Power Generation teams on one side and British Gas on the other.

#### **Centrica Storage**

Centrica Storage's commercial team is separated from those parts of Centrica that deal in gas supply, gas shipping, trading and storage procurement. The Rough storage facility is the largest in the UK, able to meet approximately 10% of the UK's current peak day demand and representing over 70% of UK storage capacity.

Beyond Rough, Centrica Storage now incorporates all business development activities relating to gas storage, which could see future investments in new storage facilities within the UK and Europe.

#### **Direct Energy**

Direct Energy is one of North America's largest energy and energy-related services providers. We provide choice and support in managing energy use and costs through our portfolio of innovative products and services.

Its businesses range from natural gas production and power generation, to energy pricing and protection plans, together with a full line of energy efficiency and building comfort services.

#### **Dyno**

Dyno is the UK's leading drain cleaning service, also offering plumbing and lock fitting. The Dyno Group is part of British Gas. It operates through a network of franchises covering all of the UK and Ireland.

## **Centrica in Wales**

British Gas currently employs around 1200 people in Wales at its call centre in Cardiff. Additionally, it employs 500 service and installation engineers throughout Wales. We recently opened the Green Skills Training centre in Tredegar which is designed to upskill our engineers as well as providing skills opportunities for local long term unemployed individuals. Through our relationship with JobMatch Wales, we have recently provided training for ten local long term unemployed individuals as smart meter engineers. Six of these have now been offered full time employment with British Gas.

## **Centrica statement on reserved powers for planning of large energy infrastructure projects**

- Unlocking private sector investment in large energy infrastructure projects is key to stimulating the economy, both through direct investment and through its broader impact on GDP.
- It is also important that we operate in a climate where it is acceptable that businesses are profitable to drive forward investment and job creation.
- Centrica is not of the view that decision making relating to major energy infrastructure projects (>50MW) should be devolved for the foreseeable future. It is Centrica's intention to participate in constructive dialogue with the Major Infrastructure Planning Unit (MIPU), which will be phased in to replace the Infrastructure Planning Committee (IPC) once the Localism bill receives Royal Assent.
- It is important that a seamless transition between the current IPC regime to the new MIPU takes place to prevent unnecessary delays in bringing projects forward.
- We believe that the new regime should be given the opportunity to demonstrate that major projects can be brought forward quickly and within a framework of appropriate consultation with devolved government, local stakeholders and members of the public.

## **Response to questions raised by the Environment and Sustainability committee**

### **1 What are the implications for Wales if responsibility for consenting major projects onshore and offshore remains a matter which is reserved by the UK Government?**

- 1.1 Centrica believes that decision making around major infrastructure projects should remain with the UK Government for the foreseeable future.
- 1.2 We believe that the new MIPU should be afforded time to demonstrate it can quickly and effectively address the major infrastructure challenges faced by the UK, while also interacting effectively and sympathetically with devolved Government and other stakeholders to bring forward projects in Wales.
- 1.3 The new planning regime's work should dovetail effectively with devolved Government and any areas relating to the decision making process which are devolved – eg – under provisions of the Transport and Work Act or the Food and Environment Protection Act in relation to offshore wind developments.

## **2 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?**

- 2.1 Centrica would highlight the huge potential for low carbon generation afforded by the built environment, most notably the domestic housing sector, which contributes around 40% of overall CO2 emissions UK wide.
- 2.2 However, Centrica appreciates the potentially anomalous situation whereby delivery of renewable and low carbon energy generation targets as set out in the Welsh Government's Energy Policy Statement cannot be measured effectively because decision making relating to these projects (and therefore, de facto 'ownership' of the generation output) is not devolved. As a potential developer, we would not want to be caught in any political crossfire between central and devolved Governments.
- 2.3 To highlight the point raised in 2.2, Centrica also notes that the EPS details the contribution (potential) of offshore wind to Wales' overall renewable energy generation by 2025. This seems to contemplate the contribution made by projects such as the Round 3 Irish sea zone – potentially contributing as much as 4GW of renewable power.

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

- 3.1 As noted in 2.1, the largest contributor to emissions is the domestic housing sector – accounting for around 40% total annual emissions. While continuing to bring forward community energy projects up to 50MW, we think that focussing on emissions from the housing sector represents the most impactful way in which the Welsh Government could influence overall emissions reduction.
- 3.3 Housing is a devolved matter and something which the Welsh Government can continue to influence directly through the creation of standards which set desired emissions levels – for example, The Welsh quality Housing Standard.
- 3.4 Through its responsibility for combating fuel poverty as a devolved matter, the Welsh Government is already implementing programmes which serve a dual function of alleviating fuel poverty and improving the efficiency of housing stock.
- 3.5 British Gas (which is owned by Centrica) is a significant contributor to a number of mandated and voluntary schemes which provide a range of free and subsidised measures and advice to Welsh homes and businesses which deliver Carbon emissions reductions.
- 3.6 These include CERT, CESP (Arbed) as well as delivery of the all Wales fuel poverty scheme (NEST).

There are two other ways in which British Gas will be working with Welsh households to reduce their energy bills and carbon footprint.

- 3.5 Home Energy Savings Plan (HESP). Also available to households in Wales, HESP is British Gas' early implementation of the Westminster Government's Green Deal and will enable households to take advantage of carbon reducing technology such as solar thermal (hot water) and solar PV (central heating) without the upfront capital outlay.

- 3.6 Smart meters. British Gas is leading the industry roll-out of smart meters to every property in the UK. Smart meters will enable real time monitoring of energy consumption from individual household appliances and will serve as the front end of a smart grid which will more effectively achieve load balancing and time of use savings. Smart meters could lead to behavioural changes in energy consumption which ultimately contribute to reduced carbon emissions.

#### **4 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?**

- 4.1 Centrica's stated position is to work with the MIPU on the advancement of major energy infrastructure projects - and for this organisation to have the opportunity to be seen to deliver the progress on infrastructure projects across all sectors which are seen as critical to the overall Economic Recovery Programme.
- 4.2 Centrica would urge that the new planning regime's work should dovetail effectively with devolved Government and any areas relating to the decision making process which are devolved (for example, under provisions of the Transport and Work Act or the Food and Environment Protection Act in relation to offshore wind).