

Environment and Sustainability Committee

Inquiry into Energy Policy and Planning in Wales

EPP 155 – SWALEC / SSE



SWALEC/ SSE's Response to the Environment and Sustainability Committee's inquiry into energy policy and planning in Wales

SWALEC was the incumbent electricity supplier in South Wales prior to privatisation and has over forty years of commitment to Wales. Today the parent company of SWALEC is SSE, known previously as Scottish and Southern Energy.

SSE is the second largest energy supplier in the UK and is the largest generator of renewable energy. It is a UK based company employing around 20,000 people in the UK with 5,000 of these were newly created in the past five years.

Over recent years SWALEC/ SSE has been increasing its activities in Wales. In 2009 SSE purchased the Uskmouth power station near Newport, and recently SSE has been granted permission to build a significant gas fired power station in Baglan. In addition SSE is seeking to build a wind farm in Mid Wales, although this project is currently encountering some difficulties.

SWALEC has increased the numbers of people employed in Wales in recent years and now employs over 2,000 people. Most of these are based at its two centres in Cardiff which deal with collections and business to business supply relationships. Over the past four years SWALEC has recruited over 800 new members of staff in Wales displaying our continued commitment to the country.

In addition SWALEC has plans to establish a new Smart Energy Centre in Wales which would serve as an operational and training centre for its Home Services team, its Contracting arm, and its Metering Service. It will also house the establishment of two new businesses in Wales concentrating on microgeneration and solid wall insulation. This could create an additional 250 new well paid green jobs in a Convergence area of Wales, but remains subject to support from the Welsh Government and a final decision by the SSE Board.

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

The EU has calculated that in order to meet the three prongs of European strategy: ensuring security of energy supply, respecting carbon emissions targets and protecting the EU's competitiveness, over 1 trillion Euros needs to be invested in the sector in the next decade. The UK Government has calculated that in the UK alone £200bn will need to be invested.

The energy industry's balance sheets are already extremely stretched; nevertheless SSE for example is investing over £1.5bn per annum on generation schemes. However with banks less willing to lend, utilities are becoming increasingly aware of the need to make sure that the investments that they do make are the right ones. Many areas across the globe are competing for this investment therefore it is likely to go to the place where companies can expect a simple and consistent policy framework.

SSE has developed good working relationships with the Department of Climate Change in London and the Infrastructure Planning Commission (IPC) which is currently responsible for granting consents for major onshore and offshore energy infrastructure. It should be noted that energy is an extremely complicated portfolio which is well resourced in London and Bristol (where the IPC is located)

SSE's recent experience in relation to the development of its proposed wind farm in Mid Wales and the recent position taken by the Welsh Government on the mid Wales grid connection has caused a large degree of concern within the company and the rest of the industry. It is perceived that there has been a shift in position by the Welsh Government which changes the viability of previously discussed grid infrastructure in Mid Wales. If the Welsh Government wished to increase its responsibilities in relation to energy it would require a substantial amount of additional expertise to deal with these highly technical issues. The level of technical knowledge required in terms of understanding how grid infrastructure works and the technical aspects of how to connect wind farms, for example, may justify the use of external advisors. The resources committed to energy policy in the Welsh Government are extremely limited and this would need to change.

While SSE will not comment specifically on constitutional issues, it is clear that any change would have to involve a step change in resourcing within the Welsh government. It seems from recent UK Government statements that there are unlikely to be constitutional changes in the near future. It is therefore critical that there is closer cooperation and agreement between the Welsh Government and the UK Government and a consistency in approach to medium and long term energy investment in Wales. Without this energy investment in Wales is likely to decrease.

With energy infrastructure, companies are investing over twenty year periods (at a minimum). This type of investment needs certainty. Any changes in process or responsibility must heed this or investment could be driven from Wales.

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?

Wales has an abundant amount of resources suited to be captured for the purposes of generating renewable energy. The Low Carbon Energy Revolution document published by the Welsh Government in 2011 demonstrates this with great clarity. The document however does not take significant account of the fact that companies seeking to invest will need to make a commercial return on their investment and that there is fierce competition for this investment. In addition the aspirations for renewable energy generation did not take account of what was going on elsewhere in the UK. The potential for wave and tidal generation for example is set above the UK's target, and did

not consider seem to assess that wave and tidal conditions are generally more suitable in Scotland and that companies are given greater incentives to invest there.

Overall the key for achieving the Welsh Government's aspirations on renewable energy is to create a stable and predictable environment for investment. This does not exist in the current situation.

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?

The proposed reduction in GHC emissions is restricted to areas where the Welsh Government has responsibility. The Government has the tools to affect change in schools hospitals and public services , so SSE believes that the primary focus should be on energy efficiency. There is no reason why these targets should not be met.

The Welsh Government could also take a more leading role for example in relation to transport through insisting that all Welsh public bodies in receipt of funding for vehicles must ensure that a percentage of these vehicles are electric. If this were to happen it could establish Wales as a primary mover and build some industry and infrastructure around it. It would reduce carbon emissions by public sector vehicles, reduce the amount spent on petrol and potentially stimulate a new industry in Wales.

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?

It is already more complicated in some circumstances to invest in Wales than it is to invest in other parts of the UK. This is because aspects of planning policy had already been devolved to Wales and then to local authorities. Wales therefore retains control of some aspects of planning which relate to major infrastructure developments, whilst the IPC/ DECC retains the major consenting decisions.

This is best illustrated through SSE's recent experience in developing a wind farm application in Nant y Moch Mid Wales. The planning application can be broken down in the following way. All of the separate applications would need to be consented for the project to proceed.

Project	Application by	Consenting body
Wind farm	SSE to submit	IPC
Grid connection from windfarm to sub-station	SSE to submit	IPC
Grid connection from sub-station to National Grid network	National Grid to submit	IPC
Sub-station	National grid to submit	Local Authority

In England all the above would be considered by the IPC. In Scotland it would all be considered by the Scottish Government. In Wales however there are more complicated mechanisms which could lead to an inconsistent approach.

Overall developers will be reluctant in the future to invest in a country if they are repeatedly caught in constitutional battles. A developer wants a fair, predictable and timely consent regime.