

# ICE submission to the Department for Energy Security & Net Zero consultation on the proposed Strategy and Policy Statement for Energy Policy in Great Britain

July 2023

## Introduction

Established in 1818 and with over 95,000 members worldwide, the Institution of Civil Engineers exists to deliver insights on infrastructure for societal benefit, using the professional engineering knowledge of our global membership.

This response has been informed by the National Engineering Policy Centre (NEPC) response to the same consultation and the ICE's policy position statement on how can the UK's infrastructure be made more climate resilient.

For more information, please contact:

**Laura Cunliffe-Hall**, Policy Manager, ICE  
[policy@ice.org.uk](mailto:policy@ice.org.uk)

## General comment

As the first time that a Secretary of State has designated a strategy and policy statement for energy policy in Great Britain, this step is welcome. However, it is important that the statement aligns with the wider policy landscape, including for example the Climate Change Committee's Carbon Budgets.

As the consultation document states, both Ofgem and the Future System Operator (FSO) are vital in delivering government's strategic priorities for the energy sector and now is the time to recognise both the considerable urgency of the establishment of the FSO and the need to develop key capabilities within both Ofgem and the FSO.

This needs to be accompanied by the development of governance and other arrangements to ensure effective working and decision-making across government, Ofgem and the FSO. As the energy landscape changes at pace and is characterised by uncertainty, the SPS needs to be able to adapt and evolve to ensure that it remains relevant.

## 1. Does the strategy and policy statement identify the most important strategic priorities and policy outcomes for government in formulating policy for the energy sector in Great Britain? If not, please provide details of the priorities that you think should be included.

The SPS in general highlights key strategic priorities and policy outcomes to set the future direction for the energy sector in Great Britain.

However, there is a key gap when it comes to resilience and adaptation. As highlighted in the ICE's recent paper on climate resilience and also in the National Engineering Policy Centre (NEPC) response to the SPS that ICE contributed to, more attention must be paid to resilience and adaptation within the SPS. Whilst the SPS document highlights the priority for the SPS to help develop an energy system which is "secure and resilient,"<sup>1</sup> the SPS omits how this priority and others outlined within the document align with the resilience standards the government has already committed to in its National Resilience Framework.<sup>2</sup>

The SPS also highlights the "highly resilient" electricity and gas systems within Great Britain, but does not provide sufficient detail relating to how their future resilience will be increased, other than stating that Government, Ofgem, ESO/FSO and wider industry will "continue to play a critical role in ensuring existing strategies keep pace with shifts in the risk landscape and consider gas and electricity interactions to support the resilience and security of downstream gas and electricity systems."

National policy and guidance currently contain advice on the application of the sequential and exemption tests for flood risk,<sup>3</sup> in part due to the regularity of heavy flooding devastating parts of the UK, including Shropshire, Gloucestershire, South Wales and Yorkshire over the past few years. There is significantly less guidance for other adaptation issues. This information gap must be filled through the development of detailed National Policy Statements highlighting climate risks and how these can be mitigated through specific standards of protection for each scenario.

Areas of risk that need to be examined include extreme heat in summer months (alongside how the design and implementation of green infrastructure can address this), potential droughts and power outages. By analysing these risks and how they can be mitigated, measures can be put in place to meet the needs of future communities and protect the UK's critical national infrastructure. National Policy Statements should accurately reflect the challenges and prospective mitigations resulting from climate change and set out requirements for necessary action. This would also support meeting the Sustainable Development Goals (SDGs) regarding resilience.<sup>4</sup>

Regulators like Ofgem should be playing a key role in furthering national adaptation and resilience. The Joint Committee on the National Security Strategy made a recommendation for cross-sectoral standards for resilience to be introduced to provide a basis for more effective future planning and investment.<sup>5</sup>

Any regulatory framework would need to reflect these to ensure appropriate incentives are in place, and for standards implemented to guide investment across critical national infrastructure. All regulators should report on how they are updating regulatory approaches, in relation to adaptation and resilience, and how they are embedding adaptation into their regulatory frameworks to ensure that resilience efforts are focused on the most material risks.

<sup>1</sup> The Department for Energy Security and Net Zero (2023) [Strategy and Policy Statement for Energy Policy in Great Britain](#)

<sup>2</sup> UK Government (2022) [UK Government Resilience Framework](#)

<sup>3</sup> Town and Country Planning Association & Royal Town Planning Institute (2023) [The Climate Crisis: A Guide for Local Authorities on Planning for Climate Change](#)

<sup>4</sup> UK Government (2021) [Implementing the Sustainable Development Goals](#)

<sup>5</sup> Joint Committee on the National Security Strategy (2023) [Readiness for Storms Ahead? Critical National Infrastructure in an Age of Climate Change: Government Response to the Committee's First Report](#)

The ICE, in a recent report on climate resilience and adaptation, has called for an economic review of resilience and adaptation, led by the Treasury to ensure investment in climate mitigation and adaptation is allocated correctly.<sup>6</sup> This can then feed into developing existing resilience standards the government has already committed to in its National Resilience Framework.

## **2. Does the strategy and policy statement effectively set out the role of Ofgem in supporting government to deliver its priorities? If not, please identify where these expectations could be made clearer.**

Ofgem's statutory net zero duty allows it to protect the interests of future gas and electricity consumers. It is important for Ofgem to have a more strictly focused net zero remit, expanding on its previous role as a downstream regulator for electricity and gas in a decarbonised electricity system, as outlined in the NEPC consultation response to the SPS.

The SPS also indicates that "Ofgem's role will be to encourage cost-effective anticipatory investment, facilitated by the network price control and charging regimes, in the low carbon infrastructure and technology needed to deliver net zero and take an active role in facilitating investment and ensuring it is effectively spent." This sets out that Ofgem will play a key role in enabling network companies to build the necessary infrastructure with capacity to reach vital net zero targets, which is essential to "seize the economic opportunities of the net zero transition" as highlighted within the key strategic priorities of the SPS.

However, the SPS omits how Ofgem can work more closely with the Department for Energy Security and Net Zero relating to the future of the market whilst still supporting market growth. Equally, it is indicated that Ofgem "could play an important role in facilitating other key policies on low carbon heat" without sufficient detail around what this role would entail and how the regulator can facilitate policies relating to heat pumps and low carbon heat networks.

## **3. Given the Future System Operator does not exist yet but will need to have regard to the strategy and policy statement once it does, do you consider that we have effectively reflected the Future System Operator's role in this document? If not, please identify where these expectations could be made clearer**

Alongside our NEPC partners, the ICE welcomes the introduction of the Future System Operator (FSO) to enable the decarbonisation of the electricity system, particularly the stipulation that this will be from a "whole system perspective".

The ICE has called for a systems-thinking approach to infrastructure to be embedded in policy development and infrastructure planning, as outlined in our 2023 paper on climate resilience. Infrastructure is a 'system of systems' and a systems-thinking approach to resilience and adaptation is therefore needed which builds in sufficient flexibility for infrastructure to adapt to potential future impacts which haven't yet been predicted.

As the energy security strategy noted, decarbonising energy is key for achieving secure, independent supply and meeting the UK's climate objectives.

The FSO will therefore be tasked with ensuring energy resilience on the transition to net zero. As highlighted in the joint NEPC consultation response, for effective delivery and planning, the FSO will need to be sufficiently distinct from the current role of the National Grid ESO. This will mean that it can work with long-term time scales and the range of

---

<sup>6</sup> Institution of Civil Engineers (2023) [How can the UK's infrastructure system be made more climate resilient?](#)

uncertainties that brings, while also ensuring the agility to proactively and reactively respond to local, as well as regional and national, challenges.

The SPS indicates that “the FSO should be looking to support the delivery of market developments” to create a more flexible energy market. However, it must be made more explicit that it is the FSO’s responsibility to design and deliver markets for key system functions, rather than support the delivery of market developments as this wording is unclear and obscures effective reflection of the FSO’s role.

