

Protection of Consumers (Energy) Bill

CONTENTS

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BILL

TO

Make provision about the revenues towards reduction of domestic energy bills, the financing and policy associated with energy development, auction mechanisms for grid connection, curtailment investigation, the granting of offshore petroleum licences and the duties of the independent system operator and planner.

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART 1: REMOVAL OF ENERGY LEVIES FROM CONSUMER BILLS

1 Authorisation of payment of energy levies from general taxation

- (1) *From the date this Act comes into force, specified policy costs which would have been due for payment by a licensed electricity or gas supplier shall instead be paid out of money provided by Parliament.*
- (2) A licensed electricity or gas supplier, or any person engaged in the resale or distribution of energy to an end user, must not recover any specified policy costs from a consumer, whether directly or indirectly, through any retail tariff, standing charge, unit rate, or other supply charge.
- (3) Any statutory provision which relates to specified policy costs must be construed so as to be consistent and compatible with subsections (1) and (2), and the Secretary of State may make regulations amending such provisions for the purposes of giving effect to this section.
- (4) In this Act, "specified policy costs" means sums levied or collected in respect of—
 - (a) the renewables obligation under the Electricity Act 1989;
 - (b) the climate change levy under the Finance Act 2000;
 - (c) feed-in tariffs payable under the Energy Act 2008;
 - (d) the warm home discount scheme under the Energy Act 2010; and
 - (e) any other sum levied or collected prescribed under subsection (5).

- (5) The Secretary of State may prescribe a sum or levy required to be paid under any enactment in relation to renewable electricity generation and supply, measures relating to the climate change, any fossil-fuel related levy, gas safety scheme, or electricity network-level costs passed down from transmission and distribution systems.

2 Removal of specified policy costs

- (1) Any provision which makes a specified policy cost chargeable or payable shall, unless subsection (2) applies, cease to have effect and no payment will be required after the expiry of 12 months from the date this Act comes into force.
- (2) This subsection applies where the independent assessor has confirmed the assessment can be relied upon, and the House of Commons has passed a resolution affirming the assessment prepared under subsection (3).
- (3) The Secretary of State must prepare no later than 6 months from the date this Act comes into force an assessment, subject to subsection (4), of whether specified policy costs provide good value for money.
- (4) Before undertaking the assessment, the Secretary of State must provide the data and methodology used to the independent assessor and must have due regard to any representations from that independent assessor.
- (5) In this Act, “good value for money” means ensuring that any cost is limited to what is strictly necessary to achieve economically and efficiently low costs for consumers.

3 Requirements relating to financial assistance or subsidy for energy generation

- (1) Prior to incurring any expenditure, or providing any financial assistance, to an energy generation development, the Secretary of State must –
 - (a) carry out and publish a value for money assessment; and
 - (b) make a statement that the expenditure or financial assistance provides good value for money.
- (2) An assessment prepared pursuant to subsection (1)(a) must include the full electricity system cost including the costs of any electricity transmission or distribution network and system costs and anticipated curtailment payments which are associated with the relevant development.
- (3) Without prejudice to subsection (2), the assessment prepared pursuant to subsection (1)(a) must be in general accordance with the cost-benefit appraisal frameworks set out in HM Treasury’s Green Book and must not rely upon any unquantified benefit.
- (4) Before carrying out the assessment or making a statement under subsection (1), the Secretary of State must consult with the independent assessor and must have due regard to any representations from that independent assessor.
- (5) In this section, “good value for money” has the same meaning as section 2, and “financial assistance” includes giving guarantees or indemnities and any other kind of financial assistance (actual or contingent).

PART 2: NORTH SEA EXPLORATION LICENCES

4 Amendment of the Petroleum Act 1998

- (1) From the date this Act comes into force, the Secretary of State and the Oil and Gas Authority must, in determining an application for a licence under section 3 of the Petroleum Act 1998, apply the presumption under subsection (2) unless there are wholly exceptional circumstances.
- (2) The presumption is that a licence under section 3 of the Petroleum Act 1998 must be granted.
- (3) The Secretary of State must no later than 1 month from this Act coming into force—
 - (a) withdraw any non-statutory policy which prevents the grant of a licence under section 3 of the Petroleum Act 1998 and which is inconsistent with the presumption in subsection (2); and
 - (b) publish a policy which supports gas and oil exploration in the North Sea.
- (4) Notwithstanding any other provision of any other enactment, a court or tribunal must not consider any claim or complaint which relates to a determination to which this section relates because of an alleged conflict with the Climate Change Act 2008.
- (5) In any proceedings under this section or otherwise, as far as it is possible to do so, primary legislation and subordinate legislation must be read and given effect to in a way which is compatible with this Act and otherwise ensures the implementation of an activity which may be licensed under the Petroleum Act 1998.
- (6) In this section, “wholly exceptional circumstances” must be construed from the starting presumption that any adverse impacts are outweighed by the urgent need for the granting of new licences.

5 Interface between North Sea Maximisation Authority and the Climate Change Act 2008

- (1) From the coming into force of this Act, the Oil and Gas Authority (the “North Sea Transition Authority”) shall be known as the North Sea Maximisation Authority.
- (2) References to the Oil and Gas Authority in any statutory provision shall be substituted with the North Sea Maximisation Authority.
- (3) For a period of 5 years from the coming into force of this Act, the duty under section 1 of the Climate Change Act 2008 shall, for that period, be suspended and be construed so as not to apply to the Secretary of State and the North Sea Oil Maximisation Authority on matters relating to their functions under the Petroleum Act 1998.
- (4) For the purposes of section 1 subsection (2) of the Climate Change Act 2008, the definition of “1990 baseline” shall exclude emissions of carbon dioxide attributable to oil and gas exploration and extraction for a period of 5 years from the coming into force of this Act.

PART 3: TAX REBATES

6 Rebates for consumers from taxes

- (1) *The revenues and sums received under the Energy (Oil and Gas) Profits Levy Act 2022 must be used exclusively to provide direct financial rebates on domestic electricity and gas bills in accordance with a scheme established under subsection (2).*
- (2) *The Secretary of State must identify sums and revenues received from the use of the North Sea, and may thereafter direct that those sums and revenues are to be used exclusively to provide direct financial rebates on domestic electricity and gas bills in accordance with a scheme established under subsection (2).*
- (3) No later than 6 months from the date of this Act coming into force, the Secretary of State must establish a scheme by regulations to make provision for the administration of the rebate under subsection (1) and (2) and those regulations may require licensed energy suppliers to apply the rebates as direct credits against the bills of consumers.

7 Amendment of Energy (Oil and Gas) Profits Levy Act 2022

- (1) In the Energy (Oil and Gas) profits Levy Act 2022, after section 1 insert –

“1A. Rebate for Consumers

Revenue arising under this Act must be applied for the purpose of providing rebates on domestic electricity and gas bills for consumers in accordance with section 8 (2) of the Protection of Consumers (Energy) Act []”.

PART 4: REVIEW OF AND INVESTIGATION INTO CURTAILMENT

8 Obligation to cause a review into curtailment to be held

- (1) The Secretary of State must, within six months of the passing of this Act, cause a review to be held into electricity curtailment payments.
- (2) The review under subsection (1) must consider –
 - (a) the current and projected level of electricity curtailment payments;
 - (b) the expected increase in such payments over time;
 - (c) whether the existing market, regulatory or contractual arrangements create incentives in relation to different forms of electricity generation, transmission, or storage;
 - (d) any potential conflict of interest, or incentives to invest in particular technologies; and
 - (e) the impact of curtailment payments on consumer energy costs and public expenditure.
- (3) No person who has been employed by a renewable energy development company may be appointed to the review panel for the review to be held under subsection (1).
- (4) The Secretary of State must lay a copy of the review’s final report and recommendations before Parliament within 12 months of the review being established.

- (5) In this section "curtailment payments" means any balancing mechanism or constraint payments made by the National Grid Electricity System Operator to generators to reduce their output of electricity.

PART 5: DUTY OF SECRETARY OF STATE TO PUBLISH DEMAND FORECASTS AND GENERATION COST METRICS

9 Demand forecast and cost assessments

- (1) The Secretary of State must publish an annual report projecting national electricity demand over the next 5, 10, and 20 years.
- (2) The report must calculate the true and complete cost of each energy technology using the full electricity calculation metric.
- (3) In calculating the metric under subsection (2), the Secretary of State must separate and itemise all corporate carbon cost liabilities arising under –
- (a) the Greenhouse Gas Emissions Trading Scheme Order 2020
 - (b) Schedule 42 to the Finance Act 2013 (the Carbon Price Support).
- (4) In this Part, "full electricity calculation metric" is the anticipated electricity transmission and distribution network costs incurred by the consumer as a result of the relevant technology, and any anticipated curtailment costs and the generation asset cost.

PART 6: CLEAN POWER 2030 AND CONTRACTS FOR DIFFERENCE

10 Withdrawal of Clean Power 2030

- (1) The Secretary of State must, within 1 month of this Act coming into force, withdraw the policy known as "Clean Power 2030".
- (2) The Secretary of State must as soon as reasonably practicably lay before Parliament a statement confirming compliance with this section.
- (3) In this section "Clean Power 2030" means the Government's policy objective and associated measures relating to the achievement of a clean power electricity system by 2030.

11 Price cap on offshore wind Contracts for Difference

- (1) From the date of this Act coming into force, no contract for difference may be entered into in respect of offshore wind electricity generation where the strike price exceeds £80 per megawatt hour expressed in 2025 prices.
- (2) The Secretary of State may by regulations amend the strike price in subsection (1) by reference to changes in the Consumer Price Index.

12 Suspension pending Parliamentary approval

- (1) The Secretary of State must suspend the allocation or entry into contracts for difference for offshore wind electricity generation until –
- (a) an assessment prepared under subsection (2) has been certified under subsection (3); and
 - (b) the assessment has been approved by resolution of each House of Parliament.

- (2) Prior to proposing a contract for difference, the Secretary of State must prepare an assessment of—
 - (c) the full electricity calculation metric; and
 - (d) the reasons why the proposed contracts are considered to represent good value for money.
- (3) Before preparing an assessment pursuant to (2), the Secretary of State must provide the data and methodology proposed to be used to the independent assessor and before utilising that data and methodology must have due regard to any representations from that independent assessor.
- (4) Following the completion of the assessment under subsection (2), the independent assessor must certify that the assessment can be relied upon and provides a clear and compelling basis for concluding there is value for money and will contribute to reducing consumer bills.
- (5) In this section, “full electricity calculation metric” has the same meaning given in section 9.

13 Consequential amendment

- (1) Part 2, Chapter 2 of the Energy Act 2013 (Contracts for Difference) is amended as follows.
- (2) In section 10 (direction to offer contract), after subsection (1) insert—

“1A. No direction may be issued under subsection (1) in relation to offshore wind generation unless in compliance with [section 12] of the Protection of Consumers (Energy) Act []”.

- (3) In section 13 (allocation of Contracts for Difference), after subsection (1) insert—

“(4A) No allocation framework may be issued, and no allocation round may be commenced under this section, in relation to offshore wind generation unless in compliance with [section 12] of the Protection of Consumers (Energy) Act [].”

PART 7: AMENDMENT OF DUTIES OF THE INDEPENDENT SYSTEM OPERATOR AND PLANNER

14 Amendment of section 163 of the Energy Act 2023

- (1) Section 163 of the Energy Act 2023 (duty to promote particular objectives) is amended as follows.
- (2) For subsection (1) substitute—

“(1) The ISOP must carry out its functions in the manner it considers best calculated to minimise the cost of energy to consumers in Great Britain.”
- (3) For subsection (2) substitute—

“(2) In carrying out its functions under subsection (1) the ISOP must have regard to the need to maintain the security and reliability of electricity and gas supply.”
- (4) Omit subsections (3) to (5).

15 Amendment of section 4AA Gas Act 1986

- (1) Section 3AA of the Gas Act 1986 (The principal objective and general duties of the Secretary of State and the Authority) is amended as follows.
- (2) For subsection (1A) substitute –
 - “(1A) Those interests of existing and future consumers are their interests taken as a whole, including minimising the cost of energy to consumers in Great Britain”

16 Amendment of section 3A of the Electricity Act 1989

- (1) Amendment of section 3A of the Electricity Act 1989 (The principal objective and general duties of the Secretary of State and the Authority.) is amended as follows.
- (2) For subsection (1A) substitute
 - “(1A) Those interests of existing and future consumers are their interests taken as a whole, including minimising the cost of energy to consumers in Great Britain”

PART 8: AUCTIONS FOR GRID CONNECTIONS

17 Power to conduct electricity connection queue auctions

- (1) The Independent System Operator and Planner must by regulations establish and operate a scheme for the auction of priority position in the allocation of electricity grid connection queue positions.
- (2) All proceeds arising from auctions conducted pursuant to this section shall be applied for the benefit of consumers through credits or rebates on domestic electricity and gas bills in accordance with a scheme established under subsection (3).
- (3) No later than 6 months from the date of this Act coming into force, the Secretary of State must establish a scheme by regulations to make provision for the administration of the rebate under subsection (2) and those regulations may require licensed energy suppliers to apply the rebates as direct credits against the bills of consumers.
- (4) The Independent System Operator and Planner may exempt from an auction held under subsection (1) –
 - (a) critical infrastructure; and
 - (b) projects designated by the Secretary of State as necessary for security of supply or strategic national need.
- (5) In this section, “critical infrastructure” means facilities, premises, or services necessary for the maintenance of essential public services or national security.

PART 9: ZONAL PRICING

18 Assessment of zonal pricing

The Secretary of State must, within 6 months of this Act coming into force, provide an assessment of how a system of zonal pricing of electricity would affect the cost paid by commercial businesses and industry, and investment decisions including incentives for locating businesses in particular locations.

PART 10: MISCELLANEOUS AND FINAL PROVISIONS

Supplementary

19 Community payments

- (1) A decision granting planning permission under the Town and Country Planning Act 1990, development consent under the Planning Act 2008, or a licence under the Petroleum Act 1998 may include a condition or a requirement for the payment of money (“community payment”) to a person or persons in a prescribed proximity to the development (and, for these purposes, a community payment shall be lawful notwithstanding the provision of any other enactment).
- (2) The sum of a community payment under subsection (1) must be established, on a general basis by the Secretary of State by reference to its type and scale of development, and in a manner which does not affect the commercial viability of the development in question.
- (3) Where a permission, consent or licence includes the condition or requirement contained in subsection (1), it will be permissible for the decision-maker to take into account that condition in determining the relevant application.

20 Consequential provisions

- (1) A power, duty or requirement under this Act which is given to the Secretary of State must be construed as a reference, for the purposes of giving full effect to this Act, as a power, duty or requirement which is, with the Secretary of State’s consent, exercisable by the Independent System Operator and Planner (as defined in the Energy Act 2023), Office of Gas and Electricity Markets (as defined in the Utilities Act 2000), and the North Sea Maximisation Authority.
- (2) The Secretary of State may by regulations make provision that is consequential on this Act.
- (3) Regulations under this section may amend, repeal or revoke provision made by or under an Act passed –
 - (a) before this Act, or
 - (b) later in the same session of Parliament as this Act.

21 Regulations

- (1) A power to make regulations under any provision of this Act includes power to make –
 - (a) consequential, supplementary, incidental, transitional or saving provision;
 - (b) different provision for different purposes.
- (2) Regulations under this Act are to be made by statutory instrument.

22 Interpretation

(1) In this Act—

“independent assessor” means a suitable and impartial person who has sufficient experience in the particular matter;

“contract for difference” has the meaning given by Part 2 of the Energy Act 2013;

“the Independent System Operator and Planner” has the same meaning as in section 162 of the Energy Act 2023; and

“licensed electricity supplier” means the holder of a licence granted under section 6(1)(d) of the Electricity Act 1989;

“licensed gas supplier” means the holder of a licence granted under section 7A(1) of the Gas Act 1986;

23 Crown application

This Act binds the Crown.

24 Commencement

This Act comes into force on the day after the day on which it receives Royal Assent.

25 Extent

This Act extends to England and Wales, Scotland, and Northern Ireland.

26 Short title

This Act may be cited as the Protection of Consumers (Energy) Act [].

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