

## Consultation Response

16 February 2016

### **EUA response to the Consultation on ensuring regulation encourages innovation**

This response is from the Energy and Utilities Alliance (EUA) a not for profit trade association that provides a leading industry voice to help shape the future policy direction within the energy and utilities sector. Our association comprises 5 divisions: Utility Networks, the Heating and Hotwater Industry Council, the Hot Water Association, the Manufacturers Association of Radiators and Convector and the Industrial & Commercial Energy Association (ICOM).

EUA believes that the current regulatory regime is working to the best interests of the energy industry in the UK.

For the energy networks the RIIO mechanism has been very successful at stimulating innovation and it will lead to reduced transmission and transportation costs.

In the heating industry the regulation to require condensing boilers has been extremely successful at reducing energy consumed for heating homes.

Tied to these the smart meter regulations should enable further bill savings for families.

EUA therefore believes that the UK is moving in the right direction and the industry does not believe there is an urgent need for additional regulation. We would caution government against using regulation as the key mechanism for driving innovation. Whilst RIIO has been very successful, it has not been prescriptive in the type of innovation it wants to see, this has been left to the Energy Networks to develop as best fits their system. This flexibility has been vital.

## Consultation Response

16 February 2016

Technology and innovation often operates at an unpredictable pace. Therefore regulation can 'lock in' technologies that may not be suitable in the future. For example regulation to create an 'all electric future' may have seemed appropriate in 2010, however recent developments in green gas have changed the decarbonisation of energy discussion. An all-electric future would now close an energy vector, which would not be a desirable outcome.

Use of regulation often has a number of outcomes that may not have been envisaged at the time. For every piece of regulation that has been successful, such as the high boiler efficiency regulation, there have been negative examples such as the private rented homes regulations that referenced a now no longer available Green Deal.

Tied to regulation are incentives. Innovation can often be stimulated by effective incentives. The feed in tariff successfully drove solar PV innovation that has seen prices for panels fall rapidly and installations are now a commonplace occurrence.

Incentives in other areas have not been as successful. The RHI has not driven the innovation that was expected in 2009 and has not embraced new technologies as they emerge. This stems from a new reluctance to use incentive schemes as mechanisms to drive innovation. Instead they are increasingly being used as box ticking exercises, such as to meet the arbitrary renewables energy targets for 2020. This is disappointing as it is actually preventing the development of the technologies we will need to meet our 2050 targets.

EUA believes that the current balance of regulation is sufficient and that a mix of incentives and light touch regulation will provide the stimuli needed to reduce energy consumption and carbon. However DECC need to ensure that it engages with industry for any new scheme. Regulation will only work if it is done with full dialogue with industry, to ensure there are no

## Consultation Response

16 February 2016

unintended side effects, that it doesn't lead to higher prices for consumers and that it actually delivers the savings or innovation envisaged.

### Contact Details:

Isaac Occhipinti

EUA

Camden House

Warwick Rd

Kenilworth

CV8 1TH

[Isaac@eua.org.uk](mailto:Isaac@eua.org.uk)

Tel: 01926 513742 - 07896482167