

We must invest in the future

BY STEVE HOLLIDAY
CEO National Grid,
Chairman, UK Business Council for Sustainable Energy

THIS IS AN EXTREMELY EXCITING, BUT CHALLENGING TIME FOR THE ENERGY SECTOR AND ENERGY POLICY IN THE UK.

Decisions being made now will have a fundamental impact on us all. We all use energy and we want this energy to be reliably supplied and affordable. But now we have an additional and equally important objective. We want our energy to be greener and minimise its impact on the environment for our future generations.

On top of that, a third of the UK's existing electricity generation needs replacing over the next 10 to 15 years. That's about 25 GW of generation.

Wind generation will be essential, and National Grid is committed to help make that happen, but there is no one technology that will, on its own, meet all the challenges we face. We need all types of generation to come forward.

The UK is currently in good shape, generation-wise, with a good mix of generation sources. About 35% of generation from gas. The same from coal, 18% nuclear and about 10% coming from renewables and other forms of generation. Diversity in generation is the key to security of supply in the future, as well as today.

So we must invest in the future. Investment in UK gas and electricity infrastructure between now and 2020 is likely to be at least £69 billion. And National Grid alone is investing £12 billion up to 2012.

There is also the issue of tackling climate change. We are all aware that climate change policy is a top of agenda item and it is absolutely right that we should all face up to this difficult challenge.

Policy makers must be open to look at ways in which utilities can be incentivised to reduce energy demand whilst still delivering a reliable supply. An example is changing the business model from being rewarded for selling more and more energy to incentivise business models around providing heating and lighting in the most efficient way.

Frameworks that have served us well over the last 20 years now need change to allow us to meet the needs of the future. We are working very closely with the Department for Business, Enterprise and Regulatory Reform and our regulator, Ofgem, to develop ways to better facilitate renewables getting onto the system. This work should pay dividends for new renewables.

It is worth adding that although some opponents of wind generation think its intermittent nature would make it impossible to balance supply and demand, I disagree. I am very proud of the passion, commitment and expertise of the people in National Grid, and I do not think there are any technically insurmountable barriers to us being able to keep the system balanced even if a significant amount of our power was coming from intermittent sources.

The challenges we face have just gotten greater. Last month it emerged that across the EU 20% of all the energy we use must come from renewable sources. Let's be clear. That's all energy – electricity, transport and heat.

It is proposed that the share of the burden that falls to the UK will be to have a 15% renewables target, and because it is not expected that heat and transport will be able to bear much of that burden within the timeframes, then the UK Government think renewables will need to make up around 40% of our generation mix. A rather eye-watering proposition to achieve by 2020. It is tough, but it is achievable. We all have to work together to make it happen.



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