



Energy and Climate Change Committee

Oral evidence: [Power disruption due to severe weather](#), HC 1020

Tuesday 8 April 2014

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Members present: Mr Tim Yeo (Chair); Dan Byles; Ian Lavery; Dr Phillip Lee; Mr Peter Lilley; Sir Robert Smith; Graham Stringer; Albert Owen; Christopher Pincher; John Robertson; Dr Alan Whitehead

Questions 204 - 285

Witnesses: **Rt Hon Edward Davey MP**, Secretary of State for Energy and Climate Change, and **Mark Prouse**, International Energy EU and Resilience, Head of Protective Security Policy and Risk, DECC, gave evidence.

Q204 Chair: Good afternoon. Thank you very much for coming in. We are aware that you have a plane to catch and, therefore, we have a time limit on this session.

Some of us were present at a reception in the House last night where you were the principal guest, Secretary of State. We were very interested to hear you say that you had had greater and more stringent scrutiny from some Japanese investors about UK energy policy than from anybody else, so I regret that our questioning in the past has been so innocuous that it has not caused you any intellectual exercise. We will try to do better on future occasions.

Mr Davey: Can I clarify that? I actually said compared with the city of London, not the city of Westminster.

Q205 Chair: Glad to have that distinction drawn.

I was also interested to hear you say that the capacity market is now finalised. Does that mean that the process of parliamentary consideration and “consultation” does not allow any further opportunity for any change?

Mr Davey: I think there is secondary legislation, of course, in terms of Government’s policy being finalised, which was announced in the Budget. We also have, of course, a State Aid process. You are right to pick me up on that. Subject to Parliamentary processes and the State Aid clearance, we would expect to run the first capacity market auction at the end of this year.

Q206 Chair: A number of us—certainly I and I think other colleagues—have had quite strong representations from people on the demand side response about the way in which their concerns are being taken into account. Anyway that is a problem.

Mr Davey: We would be very keen to hear that. The demand side response part of the capacity market is something that I am particularly keen to see work effectively, because I think there is a huge potential for the cost-effective delivery of capacity.

Q207 Chair: To get back to today’s subject, your Department’s review stated that, within the context of the conditions and difficulties experienced, the industry response to the Christmas power cuts is considered to have been strong. There were 200,000 customers without power for 12 hours and a significant number—I think about 60,000-odd—who were without power for over 24 hours. Do you think that was a strong response by the industry?

Mr Davey: In the context of the severe weather storms that we saw in this period, I think it was. One has to remember that these storms were affecting all parts of the United Kingdom. That is one of the reasons why it was quite unusual, and it was over the holiday period, so things were stretched. Despite that, 95.3% of the properties affected had their power supply restored within 24 hours. That is not to say that the people who did not—about 1.7% of properties affected were without power for more than 48 hours; about 16,000 properties—did not suffer severely, of course. From the review, and from living through it, one was conscious that some households had a very difficult time at a special time of the year. But one of the reasons why I think the review found what it did—not only do the figures speak for themselves—was there was a huge amount of work done by lots of people in the industry. With permission I would like to give credit to those people who worked during their holiday periods, sacrificing their time with their families, in very difficult circumstances, and indeed in some cases quite dangerous circumstances and the efforts of those workers should be recognised. One of the reasons we set up the review was that, despite some of the figures that we knew at the time, we wanted to learn the lessons to make sure we could improve. I would not want you to take from what I have said that we were complacent. Despite thinking there was some good work, there is always room for improvement and that is what we wanted to seek through the work of the review.

Q208 Chair: As we mentioned in our letter, the Committee would certainly want to emphasise that, although we had lots of criticism of the management, we recognised the great

efforts made by a very large number of staff in very difficult conditions. I would want to have that clearly on the record.

Nevertheless, I think it is putting it mildly to say there are some remaining concerns. There was a great disparity in the performance of different companies. Some appeared to have performed rather well; others clearly not. Part of that—but only part of it I think—can be explained by weather variations in different parts of the country. For example, UK Power Networks and SSE appear to have been particularly badly affected. Do you yet have any view about why that was the case? Was it the poor planning they had? Or poor contingency arrangements? Or can it all be attributed to the scale of the problem in their regions?

Mr Davey: I genuinely think it is quite a difficult judgment to make. I think it is clear from the analysis we have of what happened that the weather was more severe in their areas. That is clear. There were more households affected and so on. It is quite difficult to get a clear comparison on this, but some evidence suggests that some of the outages and some of the loss of supply were more complicated and therefore took longer to fix. Equally, I do not want you to think we are trying to let any individual company off. It is important that companies such as UKPN learn the lessons. Certainly from my meetings with them, and indeed the six chief executives of the distribution network operating companies, it appears that they are very keen to learn the lessons. For example, UKPN are determined to do whatever it takes. They are being investigated by Ofgem, who are particularly looking at UKPN and SSE. That independent review that Ofgem have kicked into place—I think Energy People are doing the review—will report at the beginning of July. The review that I instigated was not designed to look specifically at the details of one particular company, but was looking industry-wide. The work that Ofgem have kicked off will give us a bit more information, so by the time we get the report we could probably answer some of those questions with a bit more clarity.

Q209 Chair: Ofgem require another four months to look at these matters now.

Mr Davey: As the regulator checking the performance of the DNOs, Ofgem have instigated this review—as they should do—and we welcome that. The review that I instigated was to learn the immediate lessons in the immediate aftermath. The review that we concluded had a large number of recommendations for the industry and, indeed, one or two for my Department.

Q210 Chair: If Ofgem concludes that there were serious failures—for example, that one or more of the companies failed to meet the requirements of their licence—will that lead to a financial penalty being imposed on those companies?

Mr Davey: That will be up to the regulator. They have the powers. They issue the licences and they have to police them.

Q211 John Robertson: Secretary of State, I find your answer a bit poor. In Scotland, we have bad weather every year. We have had 100-mile-an-hour winds over the years on several occasions, and yet during the periods of bad weather we still seem to survive. Is there not a

case of best practice being involved here? There is something definitely wrong if an area of the country suffers worse than another area, and yet we know for a fact that we seem to handle the high winds, the trees coming down and the rain—it never stops raining in the west of Scotland, people tell me. Is it not the case that perhaps these companies are not looking at their fellow companies to see what they do during bad times? They did have a warning this time.

Mr Davey: Mr Robertson, if I may say so, your comments are spot on and of very high quality, so I will obviously be learning from you.

John Robertson: Thank you very much.

Mr Davey: But what the review concluded was that we did need to share best practice. One of a number of recommendations from our review suggested that the network operators needed to talk together; to hold workshops to share best practice; to share how they manage their resources and their contractors; and how they ensured over extended holiday periods they could deliver resilience. I think you are right, we need to ensure that we are leveraging up by sharing the lessons. It may be that Scottish DNOs have better experience and, therefore, can share that with their English, Welsh and Northern Irish colleagues.

Q212 John Robertson: So why do we need to wait so long for Ofgem?

Mr Davey: Ofgem is doing a separate exercise. Our exercise, which has these recommendations—26 findings, 24 of which are for the energy industry to take on collectively—addresses those issues. The recommendations on best practice that I talked about come from the review that I instigated.

Q213 Dr Whitehead: At the beginning of January, when you launched the review of the response to the Christmas bad weather, you said quite clearly, “Householders will in future be able to get help in power cuts by dialling an emergency 999-style number”. When the review was published, it was stated that that was one of two clear priority actions. But there is no end date on that, is there? There is a suggestion that the first phase might be introduced by the Energy Networks Association in spring 2015, but there is no end date on the whole process and we are certainly not clear what the first phase might consist of.

Mr Davey: You could argue there are three phases. The first phase, which is happening now, is where each DNO that has more than one licence area has separate numbers for people to ring in different licence areas. Working with Ofgem—and this came from a meeting that I hosted in DECC—it is going to work with the DNOs to enable their licences to allow there to be one number per operator. That is a first step, which is happening now.

The next interim step is to look at an 0800 number, which may well be available by the middle of next year. There is work going on now to bottom out the project plan to see if that is the right interim solution and how quickly it can be delivered.

In terms of the national three-digit number—which is what I would like to see, and working with the six network operator chief executives and the Energy Networks

Association, is what we all want to see and are all committed to it—work is under way to be clear on what that timetable might be. We want to do it as quickly as possible, as cost-effectively as possible, and we want to learn from other projects that have taken a long time. For example, the single non-emergency 111 number for the NHS took five years to deliver. I can tell this Committee that would be far, far too long for a single, national three digit-number in this sector and I would want to deliver it in less than half that time.

Q214 Dr Whitehead: But we still do not know what your timetable is, do we?

Mr Davey: I am getting a worked project plan from the ENA next month. They appointed a project manager to oversee this, and I think his first day in work was 26 March. So from the DECC review, to their appointing a project manager and then delivering a project plan to me, we are moving quite quickly. We want to get it as quickly as possible; of course we do. Equally we want to make sure that we are taking into account all the needs of customers, the different customers in different parts of the country. We want to learn the lessons from other projects that have gone for three-digit numbers that have taken considerably longer and cost an awful lot of money to deliver.

Q215 Dr Whitehead: I am trying to imagine precisely what barriers there are to introducing a three-digit number that people can then press and get through to somebody. What are the particular barriers that you think there are, which you say may therefore take a considerable amount of time to get right?

Mr Davey: Let me give you one or two of them that I was not aware of when we initially had this discussion. First of all, we need to get the permission of the regulator, Ofcom. Ofcom will have to do a consultation with the wider industry before it can allow such a number to go ahead. Clearly, I would like to see whether that process can be speeded up; I am told it takes at least six months. So that is part of the timetable. People are not going to invest in equipment, procurement and so on until they have the regulator's agreement. I plan to meet Ed Richards, the Chief Executive of Ofcom, to see how that process could work. It is a proper due process, and I am not trying to get round due process, of course. But that is part of the time scale that surprised me and no doubt may surprise you, Dr Whitehead.

There are also issues of EU procurement. So let's imagine we have a plan and we have the regulator's approval. We would then have to go out to procurement because of the budget involved, so that could also delay things. You can see that it is not just technical issues; it is not just putting project plans together. There is regulatory clearance and there are procurement rules, which add to the time.

I can assure this Committee that I and my officials, working with the ENA and working with the DNOs, want to truncate that as much as possible.

Q216 Dr Whitehead: But you are working one stage removed with them. Are you happy with their commitment to make this happen as quickly as possible?

Mr Davey: Yes. I have met them several times now, and my officials will be working with the industry working group that has been set up to monitor this throughout. But it is for the industry to make the investment decisions. It is their telephony systems. They just need the support that my Department and my officials will provide them and they need the regulatory clearance.

Q217 Dr Whitehead: One possible barrier—which in a way I am pleased to hear that you did not mention—is the transition from call waiting-times from a series of different numbers to a call waiting-time for one number. How will you be able to make that transition, in terms of a guarantee that there will not be a downside where you can call one number but you will not actually be able to get through very quickly? Are there minimum standards of investment, in operatives and lines and so on, which you are setting down in order to make this happen?

Mr Davey: That is exactly one of the questions that has been asked when we have sat down with the industry, because we want to make sure that the customer experience is better than the current customer experience. If they had to wait for hours on end in an emergency when the lights were off, that would not exactly be an improvement. So clearly, putting parameters on the project as you would expect, we want to make sure that the costs are minimised; the customer experience is improved; and that we can do this as quickly as possible. Those are the sorts of parameters we are working within. There is no reason why there should be extra delay. There are issues about technical capacities that I do not pretend to understand—the amount of wires and so on. There are also questions that will have to be decided about whether or not the calls are routed automatically, because the system recognises where the caller is calling from, or, if they are calling by mobile phone, it is able to recognise where that mobile phone is located and then to transfer the call automatically; or whether there is a voice conversation, where the person talks to a human being and then is routed by that human being. Clearly there are quite significant differences in those, in terms of costs, in terms of speed of implementation and in terms of customer experience. Those are the sorts of question that the project team and the project plan will have to bottom out.

Q218 Dr Whitehead: Are you implying they have not thought about this yet?

Mr Davey: Oh, yes, they have thought about that. That is why I know about it. I did not dream it up. They told me.

Q219 Dr Whitehead: I appreciate that you say you know about it, but you are suggesting that you know about it in terms of, “Here are some problems that we might have to address at some stage”, rather than problems that have already been overcome and we are ready to go.

Mr Davey: I explained earlier that we are looking to get their project plan for the full timetable for the delivery of the single national number next month. I would imagine when we get that there will be different options: if you do this, it will take this long; if you do that, it will take that long. They may even have cost figures. I am not sure—they are going to present the plan to me—but it would not be unusual for a project like this to have options.

Q220 Dr Whitehead: Who is paying for it?

Mr Davey: Ultimately in life the customer always pays for it, but the industry is going to be forking out initially and, hopefully, through competition and through efficiencies, it will not affect people's bills. That is one of the reasons why I have made it very clear that it has to be done in the most cost-effective way.

Q221 Dr Whitehead: They guarantee to pay for it, maintain it and pay the costs of maintaining it over a specified period of time, I guess.

Mr Davey: They have call centres at the moment. They have telephony systems at the moment. It is possible that ultimately this may result in efficiencies. It may be the efficiencies of the new system that might end up paying for it, let's see.

Q222 Chair: You mentioned just now a project plan. Will that be published?

Mr Davey: I am not sure if we have thought about that. It is their project plan—it is not something that the Department publishes—so you may want to ask them that question. If there is anything that is commercial in confidence, they may be reluctant. But I do not see why we could not, from first principles.

Q223 Dr Lee: Secretary of State, listening to the initial exchanges, do you sometimes think, “Do you know what, the complexity of all this is just not acceptable? Two and a half years to introduce a telephone number?” I think the general public would just giggle, really. The problem is that you have regional DNOs, most of which are not known about by the public and then you have these big six companies. We talk about competition delivering efficiencies and I think to myself, “How on earth can competition affect the distribution of electricity to my home? There is a distributor. Where is the competition for that distributor? I do not see it.” Do you not sometimes think that perhaps we might need to restructure this, fundamentally restructure this? I spoke in the Chamber last week about the mutualisation of distribution and retail. I can see no discernible further gain from the current system. I think there was gain initially when it was privatised, because there was a lot of state subsidy involved and inefficiency. Now I just think we have come up against a brick wall and we have ended up with a system that is not delivering what the customer needs and wants. Do you ever feel like that, or do you think this is a system worth defending and backing in the medium to longer term?

Mr Davey: Dr Lee, you have asked me two questions there. You have asked for my reaction to these time scales and you have asked me a broader question on the industry.

Dr Lee: Yes. But the time scales are related to the fact that the structure is as it is and I—

Mr Davey: Can I answer both questions?

Dr Lee: Yes, sure.

Mr Davey: On the time scale, am I frustrated that it is going to take longer than I had expected? You bet I am. I have explained some of the things that I did not expect initially: the Ofcom process and the EU procurement rules. They were things that I had not really thought we would have to add into the timetable. But we are trying to see if we can do it as quickly as possible, and I can give you an assurance that we will do that.

The link to the industry question: is it the industry's fault? I do not—

Q224 Dr Lee: No, I did not say the industry's fault. This is not a party political point, because all hands are on this. All hands are dirty. What we currently have does not make sense to me. If you mutualised all of this and the local people understood that their local provider of electricity and gas was a company that was mutualised, and in which they all had a share, they could take a longer term view about dealing with all of the nasty weather, like they get in Scotland, so they could invest in underground distribution in certain areas. They could have a different perspective on it. They would not have a problem with the telephone number, because everybody would know, "That is the company that delivers my electricity; it is a mutualised company". At the moment, we have a lot of different retail providers interacting with a DNO, which most of the public do not know exists, and does not seem to have any particular financial incentive to do much better than about 10% on capital return. I just wonder if you have a vision for something a bit better than this.

Mr Davey: You are asking me quite a profound question and I think the Committee is doing an inquiry into this. Is that right? I certainly welcome that, but I think it is worth putting it on the record—and this is not saying that there is no room for improvement—that since privatisation network costs have reduced massively. They have almost halved in fact, which is good. Between now and 2020, they are expected to remain broadly flat in real terms, while there is tens of billions of pounds of investment in the distribution and transmission networks. Despite that huge amount of investment, because of the efficiencies that have been forced through by the regulator, the average amount paid by each household is going to be broadly flat.

I think it is worth your Committee—and it is certainly worth Ofgem and my Department—looking to see if there are any more efficiencies that can be driven through. When the Committee looks at this, you will see some of the figures that we have looked at, which suggest that, because it has had quite a degree of stability, the industry has been performing relatively well.

You raised the issue of mutualisation. When I was in the Department for Business, Innovation and Skills, I proposed the mutualisation of a post office, which is now happening. So you will understand that, ideologically, I am someone who is quite happy with mutualisation as a policy option, but when you look at mutualisation as an ownership structure, it is less well suited to high-capital, capital-intensive industries. I would take some convincing that mutualisation was a model that was required here. I think private companies are able to raise capital on the markets, and the tens of billions that are required probably means that a private ownership model is better in this particular sector.

Chair: Let us go back to the issue about the cut-offs.

Q225 John Robertson: From what you said, Secretary of State, I think you have come to the conclusion that the DNOs could not handle the large number of calls that they received during the large-scale power cuts over Christmas. Would that be a fair assessment?

Mr Davey: I think some of them could not. The Chair earlier said that there were different performance levels, partly because they had different experiences. It was clear that some of them had problems communicating with their customers. In fact, one of the big issues I felt the review needed to tackle—and I think it has addressed that, whether it is through the single national number we have just been talking about or some other issues that, no doubt, we will come on to—was communications with customers. That was the biggest concern that I had.

It was very interesting that the major complaint of customers who had had their power supply cut off for over 48 hours was, “We weren’t being spoken to. We did not know when our power was going to be restored”. They understood that the distribution network operator was not responsible for the weather and was not responsible for the fault having been caused. Being reasonable people, if they had been told when the power was going to be restored, they could have planned their lives. It was that uncertainty that bugged a lot of people. The communications piece was a very important part of what went wrong and what we need to put right, whether it is through the call centres or through other things that, no doubt, we will come on to.

Q226 John Robertson: One of the other problems was the fact that, for people with mobile phones and telephones, as soon as the electricity went off, first, the phone powered down and would not work, and, secondly, the mobiles eventually ran out of battery. Some of the companies have an idea of putting in corded telephones but to have 200 phones with cords on them, in an area covering probably 1 million people, would not appear to be enough. Is there something else they should be doing in those terms? As you know, I particularly look at vulnerable people. Within the Committee we are looking at how to help vulnerable customers. These kinds of people are the ones that are the most disconnected from society at these kinds of times.

Mr Davey: You are absolutely right to focus on the vulnerable customers. As I understand it, from the meetings I had with the DNOs, they have databases of vulnerable customers. When the power goes off, they will particularly visit fragile, elderly people—but not exclusively the elderly—to make sure that they have food and they are getting drink. If necessary, they will offer them meals at local restaurants or hotels or will put them up overnight, as we saw.

The DNOs already have quite a well-developed system for reaching out to vulnerable customers. Whether or not that ought to include providing them with the sorts of telephone systems you are talking about, they all need to think that through. However, we did see people who would not be vulnerable having the problems you have identified. Often they would go to other houses or neighbouring villages that were not cut off to recharge their phones. While those problems were there, they were not insurmountable for everybody. Therefore, I think you are right to focus on the most vulnerable.

Q227 John Robertson: The one thing that has come across in our investigation into vulnerable customers is that there is no strict letter of the law of what a vulnerable customer is. Is it time that we had a definition of what a vulnerable person is, either through legislation or not, and should it be self-driven by the companies and perhaps the other interested parties? I say that because somebody who has a baby automatically becomes vulnerable for the length of time that it takes for a baby to grow up to a certain size and, therefore, does not need the same amount of looking after. They would overnight become a vulnerable person. People on dialysis machines, who feel they have to be connected with hospitals. There is an enormous amount of people. People who are diagnosed with terminal cancer. These are all vulnerable people, and we have not even touched the elderly yet. What are we going to do to make sure that these people are classified and known? The Data Protection Act stops the transfer of information in a lot of these cases.

Mr Davey: I think you touch on a very interesting issue because we have vulnerable people in this respect. We have vulnerable people, in terms of making sure people get the Warm Home Discount to help them with their fuel bills. There are a number of areas in energy policy where there are vulnerable people. You also showed the complexity of it, because there are some people who are temporarily vulnerable or who suddenly become vulnerable. With the best will in the world, you cannot expect the DNOs to be able to pick that up. The question is: how can we ensure the systems might enable that to happen? One of the things that we did through the review was to look at the issue of the customer numbers, the contact details that the DNOs have for the people living in their area.

Q228 John Robertson: Yes, but that is only a certain amount of information. Granted it is not their problem, but they do not have other information that would be helpful, and they cannot get it through no fault of their own.

Mr Davey: My point is that if the DNOs had the contact numbers—at the moment some of them do and some of them don't—they can proactively phone all those people living in an area where the power is out. They were not able to do that this time. I think it is worth exploring this little point because—

Q229 John Robertson: Let me give you an example, because we can go on with this all day. One little question that can solve a lot of problems in trying to identify vulnerable people is, “What is your date of birth?” None of these companies have the date of birth for every person that they serve electricity or gas to. I would suggest that that little question being answered might highlight who is over the age of 65 and who might possibly be vulnerable, and there is a lot of knock-on effects. What is the Government's position on this? It is all very well having a go at the companies. I want to know what the Government wants to do in these cases where a silly wee question like “How old are you? What is your date of birth?” that should be asked does not get asked, and yet a company will not be able to transfer the information. DWP would appear to be the biggest stopgap in the transfer of information. What do we do?

Mr Davey: First of all, I am not having a go at the companies because when we sat down with them, and talked about how they deal with their vulnerable customers, I was very impressed by how many of them proactively go out and try to find out who is vulnerable.

For absolute clarity, the point I was making is that if a DNO has all the contact numbers of the people in that area, and there is a street or an estate or a village where they know the power has gone out, if they have those numbers, they can proactively contact them quickly and ask the sorts of questions that you were talking about. They can say, “Are you ill? Are you able to get out yourself? Do you need any extra help?” So they can proactively do that.

This follows from a conversation I had with the chief executive of UKPN during the holiday period. I was asking him what they were doing to contact the customers in their area and he said they were ringing. I said, “Do you have all the details?” and he said, “No”. I said, “Why don’t you?”—sorry, I suppose this is a bit of an odd way of explaining this to the Committee—and he said they do not have access to the suppliers’ databases and he thought it was to do with competition and data protection.

I pushed at this particular point and, as it turns out of course, they cannot give access. They are currently—and I think Northern Powergrid is leading this on behalf of the DNO community—making what is called a dataflow change request to Gemserv, which is the industry body, so that they will be able to have access to all the customer numbers during a disruption in the future.

This is one specific change that is happening from the review, as a result of some of my questions to the chief executive of UKPN. That will enable the DNOs to be proactive in going out there and saying, “We expect your power to be restored in five hours, 10 hours or 24 hours”, whatever, giving them information proactively, and, Mr Robertson, picking up the people that you are talking about, if that had not already identified them previously. This proactive communication—

Q230 John Robertson: That was one of my questions. Are you confident that will happen?

Mr Davey: I am a lot more confident now because of this problem that I identified in my questioning. Interestingly, when I had all the DNO chief executives round the table, some of them said they already had databases but not all of them had databases. Some of them said that their databases were of varying quality. This was a genuine issue that came through from the work we did, and they are trying to put it right now.

Q231 John Robertson: If you were to sum up what should be done to help vulnerable people, what do you see as your priority in Government in leading these companies down the road of looking after vulnerable people?

Mr Davey: I think there is a twin-track approach. First of all, that they should maintain and improve their existing databases of the vulnerable people in their area, which many of them do very well at the moment and do a lot of good reach-out work. You may want to ask them about that, but they certainly showed that. Secondly, to enable them to proactively be able to phone people because that is the way they may pick up people who have suddenly become vulnerable.

For example, you mentioned people who had suddenly been diagnosed as being terminally ill. I think that is the very example. I was not totally convinced by your example of

someone who had just given birth. My wife gave birth to our daughter just over seven weeks ago, and I would not tell my wife that she is vulnerable.

Q232 John Robertson: Not everybody has your pay scale, of course. You have to remember that. There are a lot of people who are very vulnerable, who end up being at home and can't afford to keep their electricity going.

Mr Davey: I take that point.

John Robertson: These are the vulnerable people.

Mr Davey: I take that point. I thought you were saying that the person was vulnerable by dint of the fact that they had just given birth. You are right to say I am fortunate to have more money than most of my constituents.

Q233 Dr Lee: Secretary of State, it depends, postpartum, how vulnerable you are. If something has gone wrong—

Mr Davey: Sorry, I missed that.

Dr Lee: Post-delivery, it does depend whether you have a straightforward delivery.

Mr Davey: I will take that from a doctor.

Q234 Dr Lee: On a separate issue, I was asked to chair a meeting at which all the DNO representatives were out in my constituency about a month or so ago. It came up about vulnerable customers. Those of us who were not associated with DNOs were very surprised that they did not know which of their customers were housing medical kit at home that relied upon electricity supply. There are certain medical conditions where this kit is essential, and I was quite surprised at this. This meeting was a four-hour meeting that covered a lot of issues, and it came out of this meeting that we thought GPs could be asked, and indeed should be asked, to provide to the DNOs the list of patients on their books at their practice—it will not be a long list—who are technically vulnerable in that way. This is more of a statement than a question, just to highlight that the DNOs are not aware of vulnerable patients in the community. They have no idea which of their customers is vulnerable in these situations. I think there may be some communication between the Department of Health and your Department on this, and how you can bring about that information being available to DNOs. Clearly there are some patient confidentiality issues. Patients would have to sign off, or probably more likely a next of kin, a suitable adult, that sort of situation. It was quite striking how there was no joined-up data being shared on these issues of vulnerable customers. To support what John has just been saying, I think there is scope for improvement here and one way might be to bring in GPs and perhaps councils as well, because they tend to know where the social care vulnerable are based as well. That may be a way of joining them up and overcoming the data protection issues. It is not a question. It is just a statement of what came out of the meeting.

Mr Davey: Can I make an observation on that and not an answer?

Dr Lee: Yes.

Mr Davey: I think it is an interesting point and very valid. If you had the ENA and the different DNOs around the table, I wonder whether some of them have different practices and perhaps this is a question of sharing best practice. I am just saying that it may be that some DNOs are more effective in collecting the details of vulnerable customers.

Dr Lee: I stand to be corrected, but I do not think any DNOs at present, and we had representatives, had a best practice in this. They cited it as something they were aware of and that they wanted to improve.

Q235 Sir Robert Smith: I suppose what has come out of this is just how dependent people are now on electricity. A lot of the information devices require mains power supply. Is it worth reinforcing to people, who still afford a landline to the house and are not just relying on mobile, that for that extra investment in a corded phone you can maintain emergency communications in a power cut? Cordless phones do come with a warning that they will not work in a power cut, but it is quite a small warning. Is it worth reinforcing to people that, within your home, a corded handset is an important last line of communication?

Mr Davey: I am told that even corded phones can still not work with power supplies off. My technical expert, Mr Prouse, might want to comment on that.

Mark Prouse: There are a very small number of cordless phones that will still work without power. Most modern corded phones still draw power from the telephone line. If that does not have electricity, the corded phone still will not work. Although non-corded phones definitely will not work, most corded phones now would not work during a power disruption.

Q236 Sir Robert Smith: I am lucky. I have corded phones that will work. That means those phones should have a warning, too, if they are not compatible with an emergency. Is it worth discussion with Ofcom on the marketing of phones to make sure that people know where they stand in a power cut in terms of communication?

Mr Davey: We can take that away because I am sure that ENA, the DNOs, Ofgem and ourselves want to make that people are aware of how communications will work in these circumstances.

Q237 Sir Robert Smith: In a power cut in my area, although the supplier brought out mobile phone chargers, that proved to be not that useful because the mobile phone mast itself was without power supply, so again a back-up supply for the mobile network is important. Is it worth talking to Ofcom—when we do have this universal number—about whether, like the 999 number, it could bring in a roaming facility so that, if there was a mobile network still in operation in the area, people would be able to access that network for the emergency contact?

Mr Davey: I think these are all interesting questions. They did not come up in the review, perhaps because these problems were not experienced on this occasion. If, theoretically, they could be experienced in the future, we should be considering them. It may be that there needs to be battery packs at these telephone masts or at the local station. We are

working with the Department for Business, Innovation and Skills on telephone resilience. It is part of a lot of work we are doing on resilience anyway. This may well be something that will be resolved by the work that is underway.

Q238 Sir Robert Smith: Finally, it might be interesting to have Ofcom and Ofgem exchange views on the way customers are communicated with. Because one of the frustrations people in my constituency have is that, when there is a problem with the phone, they have to deal with their service provider. They are not allowed to talk to Openreach. Whereas in the electricity system you talk to the person who knows what is happening to the wires.

Mr Davey: I am sure there is best practice to be learned between the different industries. That must be the case.

Q239 Chair: Do you think that the financial payments that have been made by the companies to their customers, in the event of prolonged power cuts, work as an incentive on the DNOs to restore power quickly?

Mr Davey: They are not the only incentives that apply, as you will know. Certainly Ofgem uses a number of incentives to try to make sure security of supply is maintained. For example, there are incentives about maintenance and building in resilience to the overall system. You will be aware that Ofgem has issued a consultation on guaranteed standards. That proposes doubling the payments by the DNOs to energy consumers during severe weather if they face long power cuts.

Q240 Chair: The length of the cut that triggers the payments, in severe weather at the moment that has to be a 48-hours power cut before compensation becomes payable. It is shorter than that in normal weather. As I understand it, Ofgem is cutting the threshold in normal weather to 12 hours.

Mr Davey: Yes.

Q241 Chair: Do you think the threshold should be lowered for severe weather as well?

Mr Davey: Ofgem obviously could look at that. They may want to wait until they have conducted their independent review, which I mentioned earlier, to make sure that they have learned the lessons. But the fact that Ofgem is reviewing this whole area should show that they are not sitting back now. They are looking at payments. They are looking at these time periods. The fact that they are coming forward with proposals of double payments and increasing the cap for payments from £216 to £700, I think they are giving a very clear signal to the industry.

Q242 Chair: Do you think that the payments should be automatically made by the DNOs rather than customers having to seek them?

Mr Davey: As you know, we saw the DNOs making them automatic voluntarily. Ultimately it is an issue for Ofgem to decide whether it should be automatic and I am not sure that is one of the questions they have in their consultation.

Mark Prouse: It is not one of the questions they have in their consultation. What they are looking at is whether DNOs should automatically inform the customer that they are eligible, because there is not a customer relationship with the DNO. The DNO does not hold the financial bank details, so you cannot automatically pay. There is no one to pay. They have to send out a form and say, "Do you want it? How would you like to be paid?" As part of the Secretary of State's review, automatically informing the customer that they are eligible was identified for consideration.

Q243 Chair: The fact that they do not have a direct relationship would not stop it from being automatic though, would it?

Mr Davey: I suppose you could argue they could send out a cheque to their home in the post. I think what my colleague was saying was that because they do not have the bank details they could not do it through a transfer mechanism.

Q244 Sir Robert Smith: Could they not do it through a transfer to the service providers to put into their account?

Mr Davey: Certainly the systems to do that would need to be developed. It may be very easy to do.

Q245 Sir Robert Smith: I cannot see many people sitting at home thinking, "I have been in a power cut; I do not want my compensation".

Mark Prouse: Not many, but a significant number do write back and say, "We don't want the compensation". They recognise the work has been done in difficult conditions and refuse to take it or ask for it to be donated to charity.

Q246 Chair: Do you think that non-domestic customers should get bigger compensation rates than domestic customers, in the event that their business is undermined by a power cut?

Mr Davey: Different rules do apply. Again, I am sorry, Chair, I do not know whether Ofgem are consulting on that or whether it is just domestic.

Mark Prouse: We may have to get back to you on that one, I think.

Q247 Chair: Although it is clearly, in the first instance, for Ofgem to deal with this, they raise some quite important policy issues. If you are not satisfied with Ofgem's recommendations, you presumably could take powers yourself to address the issue of compensation.

Mr Davey: I am sure we could take powers. We have done on one or two other areas, but while Ofgem are actively involved in this, I think it would be inappropriate for me to try to

override them. They are engaged in the review, as I have described, and they are engaged in consultations to try to improve the compensation to people affected.

Q248 Graham Stringer: Towards the end of the middle of December, when the Met Office starting predicting severe storms, what did you do?

Mr Davey: What did we do in Government?

Graham Stringer: Yes.

Mr Davey: There is a set of procedures that have been around for a while for winter preparedness and for severe weather preparedness, where the different bodies that may be involved—whether it is the fire or the ambulance or in this case the energy industry—put into practice their preparedness plan.

Q249 Graham Stringer: That is the process, but what did you do? Did you check that those plans were in operation? What was your knowledge of how prepared the network operators were for this severe weather? Did you actively go and find out whether everybody was ready?

Mr Davey: I asked my officials about whether or not there was a winter preparedness plan and if that was in place, and I was told it was. Obviously, when the severity of the weather became clear, and when it was clear that it was affecting the whole of the United Kingdom, Cobra meetings for people in person—with officials and then with Ministers—were called.

Q250 Graham Stringer: You mentioned earlier you had the DNOs around the table. When did you do that?

Mr Davey: That was afterwards, because obviously—

Graham Stringer: Do you have a date?

Mr Davey: The first meeting was 8 January.

Q251 Graham Stringer: 8 January. Can you tell us what happened at that meeting?

Mr Davey: Yes. We discussed a whole set of issues. We discussed their preparedness. We discussed the problems they had in terms of resources, both at the contact centres and in terms of engineering resources. We discussed issues of communications, the sorts of things I have been talking about today. We discussed how we should learn the lessons and I think it was at that meeting I told them I was intending to instigate a review.

Q252 Graham Stringer: Were there any areas that you told them you were particularly concerned about, or any particular companies you said were not satisfactory on that occasion?

Mr Davey: I will make three comments on that. First of all, from the meeting and from the evidence that we had, it was clear that what was particularly different about what we saw over the period was the way it had affected the whole of the United Kingdom. Therefore, a lot of the mutual aid support that people had relied on previously was not able to kick in. So they were quite stretched. Given it was a holiday period as well, I think there was an issue of how the industry—in these types of events when mutual aid is not going to assist particular areas affected by severe weather events because it is over the whole country—managed in those cases. That was the first point.

The second point was communications. As I said earlier, I think that was a real issue. I have lost my thread; they were the two issues that came up that were my concern. You asked about individual companies. I had spoken to UKPN before that meeting and I had spoken to the chief executive. Clearly there were more concerns about people suffering from long outages in the UKPN area, so I had spoken to the chief executive. I forget exactly when. It was over the Christmas period.

Q253 Graham Stringer: Hindsight is a brilliant science. Is there anything you think you could have done better over that period?

Mr Davey: Yes. I spoke to ministerial colleagues afterwards when we were looking at the way we were working together, not just on these events but also on flooding events, what happened with the coastal flooding in early December and then going back to the St Jude storm in the autumn. There is a view among Ministers that we may need to have Cobra meetings earlier.

Q254 Graham Stringer: As soon as you get the weather forecasts, do you mean?

Mr Davey: Indeed, yes. There is a case for that. The reason why we have not in the past, in terms of weather, is that we have a winter preparedness plan. That is the way previous Governments have done it and that is the way we have done it. There have not tended to be these early Cobra meetings but, as a group of Ministers, we think that probably is the way to go.

Q255 Graham Stringer: When we had the DNOs in, we heard that basically we have an ageing network and, therefore, it is more difficult to make it resilient. What do you and the Government intend to do about that?

Mr Davey: There is a major amount of investment happening over the rest of this decade and, no doubt, afterwards. The Rio settlement between Ofgem and the DNOs—I think I am right in saying—is kicking in and we will see billions of pounds invested in the distribution networks over the rest of this decade.

Q256 Graham Stringer: Do you have precise figures?

Mr Davey: I don't have them.

Graham Stringer: You can send them to the Committee.

Mr Davey: We can absolutely send them.

Q257 Graham Stringer: That would be helpful. Lots of the damage to the network was done by falling trees. Do you think that more cable should be buried?

Mr Davey: Undergrounding is certainly something that people talked about. We have to remember that undergrounding is extraordinarily expensive compared with over-ground, and that would mean there would be a cost that would go on to people's bills. There is always a trade-off. We and National Grid and Ofgem get representations about undergrounding new lines as well as existing lines, and there is a process for making those sorts of decisions. Just because a line is over-ground, though, does not mean there are not things you can do and investment you can make to make them more resilient. Just because a line is underground does not mean there would not be faults. There is a cost issue, but there are other things that you can do for over-ground cables.

Q258 Graham Stringer: Are the costs of any storm—but these storms in particular—taken into account when the cost-benefit analysis is done? We have been told that the storms cost £39 million, which I think is a low figure. Is that taken into account when the cost benefit analysis is done?

Mr Davey: The way they decide what levels of resilience they are going to build into over-ground lines and so on, clearly they do think about what makes sense for them. They want to make investments that are going to reduce their overall costs. They want to make sure that things are not going to fall over, because it is expensive when they do. It is in their financial interest to make sure these things work and are well maintained. It is fair to say that, since privatisation, the record has improved over time. The one check we have on this, of course, is Ofgem. Ofgem does review the performance of DNOs in this regard, but there are incentives for DNOs to make the sorts of investments that will be required to improve resilience.

Q259 Graham Stringer: You have been very clear that you think the risk of flooding will increase in the future. You have made a number of statements about that. What do you think the DNOs and the Government should do to reduce that risk? Do you think they should re-look at the cost-benefit analysis of burying power cables? What other things can they do to reduce that risk?

Mr Davey: I want to praise the last Government in tackling this, because after the floods of—

Graham Stringer: Repentant sinners are always welcome.

Mr Davey: I am talking about a narrow area of policy, but after the 2007 floods there was a review done to look at resilience—not just in the electricity and gas industry but for many aspects of society—to make sure our lives are not disrupted unduly and we can repair damage as soon as possible. That review made—I can't remember how many—a huge number of recommendations, and for the energy industry it made a lot of recommendations about substations, for example, making sure they are better protected

against flooding. There has been quite a lot of investment since 2007 to make sure things are more resilient. Is there more to do? Undoubtedly. You may be interested to know that I am the Minister for flooding now for south London.

John Robertson: Flooding?

Mr Davey: Yes.

Dr Whitehead: The cause or the cure?

Mr Davey: No, for reviewing flooding. The Prime Minister—quite rightly, after the flooding—has asked a number of Ministers to take responsibility for particular geographical areas and to follow up on the lessons that have been learned. The relevance to your question, Mr Stringer, is that in that role I went to Croydon and looked at the Kenley Waterworks there, where there was a real danger that they might have flooded and the water to all the homes in that area might have been cut off. I was learning about how they coped during the flooding crisis and what resilience measures they think they need to take going forward. This is a continual process of learning, but I think we have done an awful lot. Adapting to future climate change, which I think is behind my concerns of the future frequency of flooding, is something that we are going to have to do a lot more on in the future.

Q260 Graham Stringer: Just a final question if I may. It is said that there are now 15 major substations that are vulnerable to a flood risk. Is that a number you recognise and, if it is, what are you doing about those 15 substations?

Mr Davey: I have not seen that number.

Chair: We are coming to the end. How many more minutes do we have now, roughly?

Mr Davey: Another 10 minutes probably.

Q261 Christopher Pincher: I will try not to take all of them. Secretary of State, you said earlier on that mutual aid between DNOs was challenged because of the around-Britain nature of the storms that we had at the end of last year and the start of this year. In that case, what specific incentives do you think Ofgem should use to encourage DNOs to be much more proactive and mutual in sharing their aid?

Mr Davey: From our review, I am not so sure whether it is Ofgem incentives, but I think the companies themselves will want to. We recommended that they look at this issue to review best practice on the contracting arrangements and their dependence on their contractors, and look at how they can rapidly get the adequate resources in during particular periods, and the mutual aid protocol is going to be reviewed. That is one of our recommendations. If appropriate, it should be updated to ensure it is adequately proactive. There are clear criteria on strategic prioritisation.

Q262 Christopher Pincher: Do you think it should be part of the preparedness planning before storms occur, rather than it be reactive once storms have occurred?

Mr Davey: First of all, individual companies have to learn best practice from others. That should happen now and be there for the future. The proposal to improve the mutual aid protocol will be a one-off that will be there for the future, too.

Q263 Christopher Pincher: You mentioned contractors. One of the pieces of evidence that we picked up on previously is the concern that some of the DNO contractors that were being used did not live near enough to the sites where storm damage took place and that they were not available over Christmas. Therefore, do you think it is appropriate—as UK Power Network has signalled—that those DNOs take on many more directly employed staff rather than make use of contractors or do you think they should simply tighten up the contractors with those contractors, that they be local and that they do not have a drink over Christmas and New Year?

Mr Davey: I am not going to tell individual companies how they should manage their staffing, but I think they should learn the lessons of those companies who manage most effectively. They need to ensure they can get the qualified resource into the right place at the right time during these severe weather events. Many of them do have a lot of full-time employees, but one of the things that I felt from the review was that their communications with their contractors ahead of time was not as good as it needed to be. Whether they have contractors or directly employed staff, they need to be communicating with them and building them into their plans.

Q264 Christopher Pincher: For your own part, you do not sense that there has been an overreliance on contractors?

Mr Davey: If the contractors are going to turn up when the telephone call is made, I do not think it matters whether the contractors are directly employed. It seems to me it is the responsibility of the DNOs to make sure that the resources will be there, however they are employed and whatever the relationship is.

Q265 Christopher Pincher: Certainly their senior resources made great play of being in the call centres and out and about during the storms. In fact, DECC's review states, "On escalation of the weather forecast, senior management and executives staffed the call centres". Was that before or after the storms hit? "On escalation of the weather forecast", what does that mean? Do you know? Has DECC made a statement?

Mr Davey: We looked at this process both in terms of what happened at the forecast and what happened during the escalation, but my understanding is that those senior managers were getting into those centres before the storms hit.

Q266 Christopher Pincher: I will not read it all to you because it is quite a long statement, but it does say, "On escalation of the weather forecast senior management and executives staffed Incident Control Centres". Operational managers deployed their teams of field engineers. Network Operators sent out "scouts". Logistics teams manned depots. Spinners were on site to talk to the media. Central and corporate staff were also there in the call centres. However, what it does not seem to say is that there was engagement with other

agencies—such as the police, the fire service or landowners—that you might need to engage with in order to get to the places where the lines have come down or whether the pylons have been damaged. What sort of engagement was there with those other agencies and do you think it has been sufficient?

Mr Davey: In the run up to the storms hitting obviously they did not know where the faults were going to occur and the engagement that has to happen is well before that, because if you are trying to build in resilience to your network, you have to invest in that maintenance—potentially invest in lopping trees that could fall on your power lines—well ahead of the heavy forecast. It is the bread and butter of the annual maintenance work. That sort of engagement should happen year round.

Q267 Christopher Pincher: From that statement, it does not suggest—and I am just asking you to clarify whether it did happen—that there was sufficient engagement with the other agencies that you need to open gates and clear roads on the way to where the powers lines have come down so that they can then take a holistic approach to the quick restoration of power.

Mr Davey: If we are talking about after the event, there are, as you will know, the Local Resilience Forums that bring all the agencies together, and they are designed to be set up for all types of crisis and emergencies. Part of the process is that the DNOs engage with the Local Resilience Forums. I think there is a question about shared information, whether that could be improved, and I think there was certainly some evidence that the flow of information back and forth with Local Resilience Forums was not as good as it could be.

Q268 Christopher Pincher: Given that you had senior management on the ground, in the call centres, talking to the media, in the depots, do you think that that made a qualitative improvement to the situation or do you think it was simply window dressing and it did not make a blind bit of difference?

Mr Davey: It is quite a difficult question to answer, but the fact that they were out there before the storms hit shows that they were getting prepared, as their winter preparedness plans would normally recommend that they do. That is the action they take. Trying to judge if they did not do something what would have happened is a very difficult judgment to make. I think it is good that they were there. Could their time have been better used to link in with Local Resilience Forums? Could those communications have been better? Almost certainly.

Q269 Christopher Pincher: If they had spent more time dealing with those forums and dealing with the police and the fire brigade rather than answering calls to the media, for example, that would have been beneficial?

Mr Davey: I think they can do both. They have people to speak to the media and they have people who can speak to the Local Resilience Forums. Let us be clear: in some areas those communications work well, but in others it did seem as if they were not working as well as they might. It is quite difficult to generalise across the whole of the country about all the

different DNOs and all the different local authorities. There were certainly some examples of very good practice.

Q270 Chair: Just, very briefly, two more points. First, on the reference to the Competition Markets Authority that was announced last week, you made a strong point at the time about the investment that was taking place now and I can well understand why, if you are investing in a low-carbon technology with the benefit of the new regime set in place—CFD, which gives you a 15-year effectively guaranteed price—then you would be confident about continued investment. Do you think there is some concern, however, in terms of gas-fired capacity? Would the potential investors in new gas capacity, which we also need, not think to themselves, “Aren’t we better off waiting for a couple of years now?”

Mr Davey: They will have their capacity market auction that we talked about at the beginning of this session. We run the first one at the end of this year and some may want to come forward. I guess our expectation in the first capacity market auction is that we will see plants that are currently mothballed or plants that would otherwise close being the main ones coming forward. There may be some new capacity, but I think our expectation is that the first auction will see existing plant coming forward. It may be not until the second capacity market auction at the back end of 2015 when we may need new plant to come forward to offer itself to be built. We may not, but let us see what happens in the first one. Of course, by then we will be at the end of the market investigation reference.

Q271 Dr Whitehead: I wanted to ask you about something else, but just briefly on the capacity auction, I think you said on the radio just recently you have had 14 indications of interest already.

Mr Davey: Not in the capacity market. Sorry if there was confusion there. I was referring to low-carbon investment. This is for the final investment decision enabling feed-in tariffs, contracts for difference as we would like to call them. I call them—

Q272 Dr Whitehead: You have not indicated at all that there has been interest already in people wishing to be at capacity auctions?

Mr Davey: Given that we do not have state aid clearance and we still have a parliamentary process to complete, I would be astonished if people have been coming forward.

Q273 Dr Whitehead: That was my puzzle, yes.

Mr Davey: Yes. Sorry. What I was talking about and what I said, I think it was on the *Today* programme, was that with the FIT enabling process, the go-early CFDs, we have had a huge amount of interest. In fact there are more projects coming forward than we are prepared to pay for. It is not that we have undersupply of investment in low-carbon; we have more than we need or more than we can pay for.

Q274 Dr Whitehead: I was going to ask you about the rules that essentially were smuggled in at the end of the Budget about venture capital trusts and enterprise investment schemes no

longer being permitted to invest in any companies that rely on state support for green energy. Did that get by you without you noticing?

Mr Davey: As for the words “smuggled in”, it was quite an open and transparent process that the Chancellor announced in our Budget, despite what people think. The Chancellor does not, as a rule, consult every Minister about every proposal in the Budget. It is his job to oversee these particular schemes. Clearly, we will see the final details in due course. My officials are working with Treasury officials about the implications for different technologies, for community energy and so on, and we will wait to see the final details.

Q275 Dr Whitehead: There is going to be no consultation on this? He is going to tell you and you are going to go and work it out?

Mr Davey: We are working with the Treasury on it.

Q276 Dr Whitehead: But there is not going to be any consultation on it?

Mr Davey: Sometimes, it is fair, they consult on tax changes but, by and large, the Chancellor announces the tax changes with the various press releases and then they appear in the Finance Bill. For my sins, in my first two Parliaments I sat on nine Finance Bill Standing Committees and most of the tax proposals that were put forward had not been consulted on.

Q277 Dr Whitehead: Your Department was not consulted?

Mr Davey: I would not expect to be consulted on every part of the Budget.

Q278 Chair: Not even on an aspect that might have an effect on investor confidence?

Mr Davey: We have a chance now, before the details are finalised, to work with Treasury officials on that.

Q279 Chair: I think the mere fact of this proposal being included in the Finance Bill, even if it were to be subsequently defeated, is bound to raise in investors’ minds the possibility of unconsulted changes. According to the BNP Paribas analysis of EU countries where political risk is a deterrent to investment, Britain has moved from being way down in 6th place to being top over the last six months. We are now regarded by that survey of investors as the country with the most political risk and this is exactly the kind of proposal that might explain why that change has taken place.

Mr Davey: I am very surprised to hear that survey. It is certainly not the story that I hear from investors. Indeed, wherever I go, investors look at the UK context now—not six months ago, but now—and they see what we have put in place with the Energy Act 2013, whether it is the contracts for difference regime and electricity market reform or capacity markets, and our overall approach to regulation, and they see a very stable regime and they

contrast it very favourably with other European nations and other nations around the world. I would need to see that survey, but it is certainly not what I hear from people.

Chair: Published in *European Utilities* on 21 March 2014. It is a quarterly survey conducted by BNP Paribas. You might like to get your officials to point it out to you, and then send it over to the Treasury as well.

Q280 Dr Whitehead: If I could just briefly pursue one of the particular issues relating to Budget and that is anaerobic digestion is still regarded as pretty much a relatively high-risk investment. Anaerobic digestion certainly was one particular technology that has taken quite a lot of support from venture capital trusts and enterprise investment schemes and, indeed, only three AD schemes are registered under RHI. So a long way to go and a lot of work to be done, and here they are suddenly finding in the Budget that venture capital trusts and enterprise investment schemes can no longer be applied to them because they are in receipt of some form of underwriting. Is that an outcome that you welcome?

Mr Davey: The Coalition is very keen on anaerobic digestion. We have an anaerobic digestion strategy that has seen an increase in deployment. We have about 130 operational plants and a healthy pipeline of projects. I do not know what the impact of these changes may be on investment, but we have certainly seen a lot of investment in the recent past and I expect a lot to continue.

Q281 Dr Whitehead: Do you think you could go away and have a look at what you think the impact might be?

Mr Davey: Of course we would listen to people in the sector. I am sure the Anaerobic Digestion & Biogas Association will be telling us their views, but one has to remember that it is right in Government to make sure that you are not overcompensating particular sectors, particular technologies or particular businesses. Governments of all hues have reviewed support for different sectors and, given these technologies get support from DECC in a number of ways, the question is: should they get double amounts of support?

Q282 Dr Whitehead: With respect, that was originally suggested for what were regarded as relatively low-risk investments and the Treasury said at that particular time that, where there was a relatively low-risk investment that was also getting public money, such trusts should not be engaged in their financing as well, but that is not the case with anaerobic digestion, is it? It is a high-risk investment.

Mr Davey: There is an interesting question about whether the technology involved in anaerobic digestion is still seen as high risk. Some people would see it as high risk, no doubt, because they may not have come across it before. Others who are more au fait with it will probably see it as less risky.

Q283 Dr Whitehead: What do you think?

Mr Davey: Both for people who are investing in it and banks who are providing the finance, perceptions of risk change and one hopes that, over time with new technologies,

they reduce. That is surely what we want. We want to see low-carbon technologies being invested in, in ever greater amounts, and as investors, developers and financiers understand these technologies, one assumes that their risk premium will reduce.

Q284 Dr Whitehead: Should you not be taking a view on it, though, from the Department since it is one of the flagships of low-carbon renewable investment that the Department is pushing?

Mr Davey: I don't think I could have been clearer. We want to see more anaerobic digestion roll-out. We are very supportive—

Q285 Dr Whitehead: Yes, I understand that, but what is your view as to whether that conforms to what the Treasury originally said about high-risk/low-risk investments? I would have thought that if your view is that it does not, you might, seeing as you have not yet had an opportunity to be consulted on this, go back to Treasury and say, "This is not a good idea. Perhaps we should do something about it".

Mr Davey: My officials are engaged in working with Treasury officials on these proposed changes. I can only re-emphasise the point that, for different technologies at different times of their development and deployment, their risk profile will change. This is not a static picture. It is a moving picture and no doubt those discussions will look at that analysis. Am I an expert on the perception of risk of financiers of investments in anaerobic digestion? I have to tell you, Dr Whitehead, I am not.

Dr Whitehead: No, nor am I.

Chair: Thank you very much for your time. I hope you catch your plane and are going somewhere very agreeable.

Mr Davey: I am going to Edinburgh. We are launching a paper on energy and the question of Scottish independence tomorrow.

Chair: What could be more agreeable than that? Thank you.