30 August 2023

Dear Sir

LETTER OF COMMENT: COMMITTEE FOR THE ENVIRONMENT & INFRASTRUCTURE
ELECTRICITY STRATEGY FOR GUERNSEY - P.2023/55

The Policy & Resources Committee has now had the opportunity to consider the final published version of the Policy Letter Electricity Strategy for Guernsey, and makes the following observations ahead of the scheduled States debate on 6 September 2023:

The need for a strategic direction (Proposition 1)

The Policy & Resource Committee supports the requirement for a strategic direction to inform the Island’s future investment in its electricity supply, and the objective of an affordable solution enabling opportunities to enhance Guernsey’s energy resilience.

However the Policy & Resources Committee emphasises two over-arching points:

- Agreement of a pathway sets the direction for the next phase of work. It does not bind the States at this stage to any component of that work, for example in relation to the proposed investment in the development of a direct interconnector to France; and
- At this stage the States is being asked to agree a strategy that is not fully costed. At this stage it is not clear where the funding will come from, other than that whatever approach is taken (a) the consumer will be expected to bear the brunt of the costs, and (b) the taxpayer will be expected to bear the risk of any borrowing. The Policy & Resources Committee believes that the States should bear this in mind when debating the Policy Letter.

Investigating closer collaboration with Jersey

The Policy & Resources Committee is of the view that greater energy resilience must be explored in closer collaboration with the Government of Jersey. The Policy Letter and the
work undertaken by Siemens and PwC clearly set out the challenges for smaller jurisdictions in the current global environment, and the Policy & Resources Committee’s view is that the challenges will be more readily met by a much more collaborative approach on infrastructure and delivery.

With that in mind the Policy & Resources Committee will be laying an Amendment asking the States Assembly to direct the Policy & Resources Committee to undertake a review of how Guernsey Electricity Limited and Jersey Electricity Limited might work together more collaboratively, and what the benefits and challenges would be in potentially establishing a single, consolidated Channel Islands electricity delivery model.

It is the Policy & Resources Committee’s view that this may lead to greater resilience in the longer-term, better outcomes for customers, and on that basis it should be thoroughly explored during this political term.

Stand-by charge

In respect of shorter-term challenges set out in section 10, paragraph 10.8 of the Policy Letter states that the “stand-by charge, in its current form, should be revised for renewable energy installations.” In paragraph 11.2 (bullet point 4) the point is reiterated.

The Policy & Resources Committee’s view is that the stand-by charge should be suspended for renewable energy installations from 1 January 2024 for a period of three years, with review during 2026 on whether this has been useful in removing the barriers to which the Policy Letter refers. The Policy & Resources Committee suggests that the Committee for the Environment & Infrastructure may wish to amend its Policy Letter in this respect, fast-tracking the consultation and decision-making that would be required to do this; and if it does decide to do so, the Policy & Resources Committee would be supportive.

The proposed pathway (Proposition 2)

The Policy & Resources Committee notes the confirmation in Proposition 2 that should the States Assembly agree the recommended strategic pathway then more detailed work will subsequently be undertaken, including on financial implications and funding options. The Policy & Resources Committee reiterates the point that at this stage that the States must exercise caution in its approach to a Policy Letter that does not at this stage have a clear funding plan attached to it, and which subject to the Funding and Investment Plan debate in October the States may not be able to afford in its current form.

Market review and regulation (Proposition 3)

The Policy & Resources Committee is disappointed that the work undertaken in respect of the market framework has not been undertaken more collaboratively with the Government of Jersey, in order to develop a Channel Islands approach and a more competitive and sustainable market in the long-term. It is hoped that this can be rectified by the Policy & Resources Committee and the Committee for Economic Development should the States agree Proposition 3.
Installation of solar PV arrays (Proposition 4)

The Policy & Resources Committee would be pleased to be consulted by the Committee for the Environment & Infrastructure in relation to any potential incentives to support the installation of solar PV arrays. In respect of Proposition 2(c) in relation to setting solar PV targets, the Policy & Resources Committee is supportive in principle of targets if those targets can be supported by the supply chain in Guernsey, including Guernsey Electricity Limited’s supply chain and capacity. The Policy & Resources Committee would therefore encourage consultation with stakeholders to ensure that these are targets can reasonably be met.

Establishment of the Renewable Energy Commission (Proposition 5)

The Policy & Resources Committee supports the establishment of the Renewable Energy Commission, and primarily of a model that is arm’s length from government as much as possible, other than being bound by the long-term objectives agreed by the States.

Additional comments

Energy policy objectives (section 4)

The Policy & Resources Committee agrees in principle with the priorities set out in paragraph 4.1.2. of the Policy Letter. However greater energy independence should be considered from a Channel Islands community perspective, not solely from a Guernsey perspective. For reasons set out above, the Policy & Resources Committee believes that a collaborative Channel Islands approach is more likely to be able to meet that objective.

Attract offshore wind developers (Siemens Report, section 5.2.1.)

The electricity strategy as set out in the Policy Letter is focused on Guernsey meeting its domestic requirements, including the approach to offshore wind. The Policy & Resources Committee’s work on exploring the potential arrangements for leasing areas of the seabed to potential offshore wind partners is progressing, but it does not cut across or undermine in any way the electricity strategy as set out in the Policy Letter.

The process that is currently being followed is aligned with the steps set out in section 5.2.1. of the report by Siemens which is appended to the Policy Letter. The Policy & Resources Committee is therefore of the view that as part of the seabed leasing work it continues to undertake what are effectively Actions E and F, and in turn as part of that work it encourages potential partners to bring forward proposals in relation to Action B for the States to consider, and that in effect it is therefore undertaking the first phase of Actions B and D. In due course the Policy & Resources Committee will provide an update to the States on this work, at which stage consideration can be given to how Actions A, C and G can best be undertaken. The Committee intends to provide an update to the States before the end of this year, and aims to be in a position to have a finalised arrangement on seabed leasing in place before the end of this political term.
The Committee’s conclusion therefore is that initiative 5.2.1. in the Siemens report to attract offshore wind developers continues to be taken forward by the Policy & Resources Committee given its mandate in relation to seabed leasing, and the ongoing discussions with the Law Officers’ Chambers and the Crown Estates.

The Policy & Resources Committee trusts that this feedback is useful for States Members ahead of the States debate.

Yours faithfully

[Signature]
Deputy Peter Ferbrache
President