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Ofgem responds to Government's energy challenge

- **Competition and independent regulation are the best way of delivering sustainable and secure energy supplies**
- **New forward-looking analysis promised**
- **EU ETS best tool to reduce carbon emissions, but carbon contracts could help Government meet domestic targets while future of EU ETS is resolved**
- **New initiatives recommended to tackle fuel poverty**

The combination of competitive markets and effective, independent network regulation remain the best way of meeting the energy challenges of the future, affirms energy regulator Ofgem in its response to the Government's Energy Review unveiled today (Monday).

Ofgem's response sets out proposals for improved forward-looking analysis to help inform future investment plans in both markets and networks - and provide more information to energy customers - particularly industry.

Ofgem Chairman, Sir John Mogg, said: "Markets, while not perfect, are the best way to secure affordable, sustainable and secure energy supplies for consumers. Our recommendations for forward-looking analysis chimes with our actions over last winter and in Europe to get greater market transparency to help industry make better investment decisions."

Acknowledging the growing influence of global and European developments on future energy supplies, Ofgem is ready to advise Government in any assessment of geopolitical and systemic risks to future energy supplies. Through work with other European regulators Ofgem will support efforts to increase competition in energy markets and carbon reduction. Ofgem also backs Government leadership in Europe to drive forward the liberalisation agenda.

Ofgem supports the EU Emissions Trading Scheme (EU ETS) as the best tool to tackle carbon emissions but suggests how a carbon contracts scheme could be used to help meet domestic carbon reduction targets while the future of the EU ETS is resolved. These could be funded by revenues from auctioning allowances under the EU ETS scheme. This revenue could also be used to help fund further measures to alleviate fuel poverty.

Restating Ofgem's commitment to sustainable development, Sir John added: "Ofgem's support of EU ETS, our work on smart metering, fuel poverty, action to facilitate renewables network connections and plans for a new annual sustainability report demonstrate our commitment to help reduce carbon, at least cost to consumers."

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The report acknowledges the impact on fuel poverty of the cost of investing in new and sustainable energy supplies and continuing high oil prices.

"Ofgem will continue to play its full part to help tackle fuel poverty, working in concert with Government and industry. We recommend a new drive to ensure that the £3 billion of measures committed to help vulnerable households is better targeted and taken up: a new 'find and fix' approach to tackling fuel poverty." said Sir John.

Ofgem's response identifies three key challenges for Government: clarity on nuclear licensing, planning and waste, further action on gas quality and a focus on incomes and housing, together with more centralised organisation of existing schemes, to help tackle fuel poverty.

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Notes to editors

1. For further information on Ofgem's Energy Review submission please find attached a factsheet "Our Energy Challenge – Ofgem's submission to the Government's Energy Review consultation". It can also be found on Ofgem's website at www.ofgem.gov.uk, alongside a factsheet, 'Investing to meet Britain's energy needs', which provides facts and figures on energy investment.
2. The £3 billion fuel poverty figure is an estimate in the Fuel Poverty Advisory Group Fourth Annual Report. It is based on expected expenditure of £3.05 billion in England until 2010 under Warm Front, the Energy Efficiency Commitment Priority Groups and Decent Homes. Additional expenditure will arise from schemes in Scotland and Wales, and energy suppliers' corporate social responsibility initiatives.
3. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. Ofgem's aim is to bring choice and value to all gas and electricity customers by promoting competition and regulating monopolies. The Authority's powers are provided for under the Gas Act 1986, the Electricity Act 1989 and the Utilities Act 2000.

For further press information contact:

Mark Wiltsher 020 7901 7006/Out of hours 07774 728971
Chris Lock 020 7901 7225 /Out of hours 07766 511 470
Julia Collings 020 7901 7217