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OFGEM PUBLISHES ITS FIRST SUSTAINABLE DEVELOPMENT REPORT

- **Ofgem publishes its first sustainable development report and invites feedback from stakeholders**
- **Ofgem continues to influence sustainable development in energy, but Government and other agencies have the biggest role to play**
- **The regulator proposes further investment to help connect more renewables and develop energy networks**
- **All agencies involved in tackling fuel poverty must work together to target support to customers struggling to pay bills**

Energy regulator Ofgem has today (Wednesday) kick-started a debate on its first annual report on sustainable development in the energy sector. The importance of sustainability was highlighted in the findings of Sir Nicholas Stern unveiled this week in which he emphasised the urgent need for action to stabilise the climate.

Social and environmental issues form a major part of Ofgem's work and our report shows the progress of initiatives to tackle climate change objectives. These include increasing electricity generation from renewables and improving household energy efficiency.

Ofgem Chairman, Sir John Mogg, said: "The Government and other agencies have the biggest role to play in sustainable development for the energy sector but we will continue to use our independent voice to make a difference.

"Our report provides some simple measures to judge how sustainable the energy sector is and how successful our contribution has been. Stakeholders are now asked to suggest what additional actions the regulator, the Government and other organisations should take to protect the interests of energy consumers both now, and in the future."

The report shows that much remains to be done, particularly in the area of fuel poverty. The first phase of the Energy Efficiency Commitment, administered by Ofgem, resulted in six million low-income households benefiting from energy saving devices which help cut fuel bills. But further progress is threatened by rising energy prices which means around 4 million UK customers will struggle to pay bills this winter. It is therefore crucial that Ofgem continues to work with suppliers, the Government and other agencies to identify these customers and target support to them.

The report also shows that the Renewables Obligation, also administered by Ofgem, has accelerated the growth of green electricity generation. Through its review of energy transmission price controls, Ofgem is also proposing to approve investment of £4.5 billion in Britain's transmission networks, which will further assist the development of renewables and help ensure sustainable and secure gas and electricity supplies for all present and future customers.

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Notes to editors:

1. Ofgem has invited stakeholders to give their views on the report and Ofgem's sustainable development activity at an event to be held at its Millbank offices on November 1. The event will be chaired by Sir John Mogg and a key speaker will be Tim Yeo MP, Chairman of the Environmental Audit Committee.

2. Ofgem has the responsibility for administering the Government's Renewables Obligation, which started in April 2002. The obligation requires electricity suppliers to source a certain and growing proportion of their total sales in Great Britain from electricity generated from renewable sources. This proportion started at three per cent in 2002 – 2003 and stood at 4.9 per cent in 2004/05. The Obligation continues until 2027, when electricity suppliers will have to ensure 15.4 per cent of their electricity is from renewables. The Renewables Obligation has led to the growth of renewables meaning that in 2006, around 5.5 percent of electricity comes from green sources compared with 3 percent when the scheme began in 2002/2003.

3. Ofgem administers the Energy Efficiency Commitment (EEC) on behalf of the Department for Environment, Food and Rural Affairs (Defra). Under the programme electricity and gas suppliers are required to achieve targets for the promotion of improvements in domestic energy efficiency. The EEC contributes to the Climate Change Programme by curbing greenhouse gas emissions. In providing particular help to low-income consumers, it is expected that the EEC will also contribute to the alleviation of fuel poverty. The first phase of the EEC programme ran from March 2002 to April 2005, when suppliers were set a target of saving 62 TWh (terawatt hours). The second phase runs from April 2005 to March 2008 and the overall target has been set at 130 TWh.

4. Ofgem is reviewing the price controls for the four electricity and gas transmission companies which own Britain's high-voltage national networks and the national gas transportation pipelines. Following consultation on today's proposals Ofgem will publish its final proposals in November 2006. The finalised controls will then take effect from 1 April 2007 and run to 31 March 2112.

5. 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. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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