

Good Energy Story

- Mission – to reduce impact of Climate Change
- 24,000 customers
- 350 renewable generators across UK
- Approach:
 - Renewable electricity supply company
 - Support individual/community generation
 - Educate and empower individuals
 - Transparency & honesty in all activities



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Good Energy Regulatory inputs

- Worked on the original RETA, NETA and BETTA working groups for renewables
- Sit on Environmental Advisory Group OFGEM, Renewable Advisory Board, BERR (JSD)
- Attend meetings related to microgeneration and green supply
- Submit Modifications to BSC to facilitate the trading of renewable generation

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2020 Renewable targets

- Renewables incentives introduced in the 1990's total electricity generated 1.4%
- New obligations in 2002 delivered 4.4% in 2006
- Expectations current policies are to deliver 13.5% by 2015
- New target is for 40-45% by 2020 electricity generated by renewable energy

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Governance versus Sustainability

Since the de-regulation of the electricity and gas industries, codes have been emplaced to ensure accuracy and economic market-driven success.

Ofgem was created to ensure efficient market operation and encouraging competition.

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Governance versus Sustainability

The Energy landscape is rapidly changing

- Climate Change
- Energy Security
- Low-Carbon Economy
- Increasing Wholesale costs

We believe is growing conflict between economic efficiency and Carbon efficiency.

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The Codes

The Codes that govern the industry emphasise economic efficiency.

Ofgem is an Economic regulator and manages the codes.

Sustainability a secondary responsibility, hence sustainability changes can only be made if they also improve the economic efficiency of the market.

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Trading Code– Balancing and Settlement Code (BSC)

Modifications:

Decided upon by a expert panel, accounting for:

- Economical impact
- Complexity
- Importance
- Urgency
- Facilitates BSC objectives
- No emphasis on sustainable development

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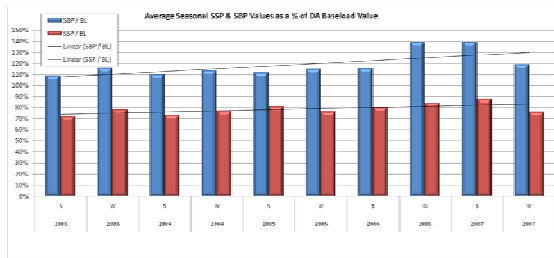
The Codes – BSc Modifications

- P194 – Improved Economic efficiency at the expense of renewable generators and smaller suppliers

Good Energy raised a subsequent change to counter act this, but had to find economic arguments rather than sustainable ones

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BSC Modifications

- P213 – facilitating microgeneration under a single MPAN - Rejected
 - P218 – facilitating microgeneration within the BSC - a Good Energy initiative, likely to be rejected
- Both Modifications viewed under Economic impact, importance and BSC applicability, NOT their contribution towards a sustainable future.

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The role of small and sustainable supply companies

- Bring innovation to the market
- Implement Change that large corporates cannot do due to the nature of institutional change
- Implement and change policy government cannot and provide demonstration best practice projects for new future policy

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Good Energy Solution

- All codes need a Sustainability Objective to judge changes by
- Changes for sustainability can then be made
- Changes for economic efficiency which are detrimental to sustainability can be challenged

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Ofgem's Role – governance and the future

- Change of mindset Ofgem should move from:

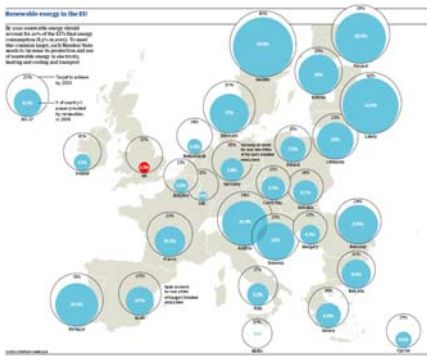
“promoting a low-cost system as sustainable as possible”

to

“making a sustainable energy system at the lowest possible cost”

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Conclusion

- Regulation of the energy markets are complex
- To support the shift to a more renewable world policy makers, regulators and new innovative market participants need to be part of the team to implement this.

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