

The Government's Energy White Paper

"Our energy future - creating a low carbon economy"

The Energy White Paper, published on 24 February 2003, sets out the Government's overall goals for UK energy policy. This factsheet describes the specific White Paper proposals that affect Ofgem directly.

What are the Government's objectives for energy policy?

- to put the UK on a path to cut CO₂ emissions by some 60% by about 2050 with real progress by 2020
- to maintain the reliability of energy supplies
- to promote competitive markets in the UK and beyond, helping to raise the rate of sustainable economic growth and to improve our productivity
- to ensure that every home is adequately and affordably heated

What does the Energy White Paper mean for Ofgem?

Government has reaffirmed its commitment to liberalised and competitive markets continuing to be a cornerstone of energy policy. Independent economic regulation is a critical component of making these markets work in the best interests of consumers, as fully recognised by the White Paper.

In deciding how best to fulfil its energy policy objectives, the Government has proposed a number of further actions which either have a direct impact on the way Ofgem works or may have an effect on the companies we regulate.

These proposals have been discussed and developed in conjunction with us. We are committed to working with Government to meet the challenge of moving to a low carbon economy, and maintaining reliable supplies of gas and electricity at least cost to customers.

Set out overleaf is a brief description of these new proposals or areas where the Government has identified a need for further thinking and consultation.

Promoting a low carbon economy

- The Government will revise the guidance which it gives to Ofgem on social and environmental issues. To be effective, this guidance must help Ofgem by indicating clear priorities.
- Building on the successful Joint Energy Security of Supply Working Group (JESS), a new joint working group including DTI, DEFRA and Ofgem will be set up to look at relevant environmental issues.
- The Government will seek to strengthen the Industry Code Panels by ensuring that they include people with renewables and environmental expertise. (Many of the detailed rules for the electricity and gas markets are set in industry codes. Code Panels provide Ofgem with advice on proposals for modifications to these codes.)
- The Government will set up an energy services group including Ofgem and energy suppliers to consider how to create an effective market in energy services. It will report initial conclusions later this year.
- A government consultation will be carried out on expanding the Energy Efficiency Commitment to run from 2005 to 2008. The consultation may also consider expanding the scope of the scheme to include businesses that do not currently pay the Climate Change Levy.
- In 2005/06, the Government will review the Renewables Obligation. At that time, it will elaborate a strategy for renewables for the decade to 2020.

Delivering reliable gas and electricity supplies

- Ofgem will report retrospectively, on a six monthly basis, on the performance of the electricity and gas industries in delivering a secure supply. It will detail any issues which have given rise to security concerns and describe what if any actions had been taken or might be needed to address those issues in the future.
- The Government will undertake a consultation on the need for a special administrator regime for network operators in the event that the operator of a network becomes insolvent. Special administrator arrangements are a feature of other utility sectors. Given the critical role of networks in delivering secure supplies, Ofgem has been keen to see this introduced for sometime.

Increasing regulatory transparency

- As soon as reasonably practicable, Ofgem will carry out regulatory impact assessments on all new significant policies initiated by Ofgem. The assessments will cover security of supply and the environment. The Government has said that when parliamentary time becomes available it will incorporate this requirement into law.
- The Government will consider further how to strengthen the accountability and transparency of the industry code modification process, including whether it may be appropriate to provide an appeal against Ofgem decisions in relation to certain code modifications.

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