

Chris Chapman
Head of Planning
Ofgem

e-mail: Chris.Chapman@ofgem.gov.uk



Unit 12 Riverside Park
Station Road
Wimborne
Dorset
BH21 1QU
Tel: 01202 886622
Fax: 01202 886609
Email: info@british-hydro.org

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Dear Mr Chapman,

I am responding on behalf of the British Hydropower Association to the invitation from your new Chairman to comment on Ofgem strategy for 2004-6.

The British Hydropower Association is the trade association for the UK hydropower industry. It represents about 120 companies with a wide range of interests: consulting engineers, manufacture, design, investment and operation as well as specialist service providers (e.g. legal firms). Hydropower generates about 40% of the UK's electricity from renewable sources.

We welcomed the additions to Ofgem's Corporate Strategy for 2003-2006 that were made after the publication of the Government's White Paper, "Our energy future: creating a low carbon economy":

- work with Government to move towards a low carbon economy, at least cost to customers – for example, by meeting the challenge of 'rewiring' Britain to cope with the anticipated growth of renewable generation
- introduce Regulatory Impact Assessments which will consider the benefits, impact and costs of all major new policies on those affected such as consumers and industry
- increase work in ensuring, and enhancing, security of gas and electricity supplies – this will include six monthly reports on how well industry has performed in delivering secure supplies, and detail the impact of any major Ofgem proposal on security of supply, and
- dedicate more resources on compliance and enforcement work to ensure competition continues to benefit all consumers, particularly the vulnerable.

We believe that these objectives remain valid. However, in meeting the challenges of moving towards a low carbon economy, we believe that Ofgem should take greater account of the needs of smaller generators and operators. . It is important that administrative burdens are commensurate to the benefits projects will bring.

- There are many small-scale hydropower project opportunities that could contribute to the target for renewable energy supply.
- They would help towards the Government's goals for security of supply.

- Hydropower and other renewable projects are important in providing a balanced generation portfolio.
- They play a role already in generating power at the local level and should play a valuable role in the development of distributed generation.

Yours sincerely,

Adrian Abbott
Business Strategy Manager