

Environmental Action Plan

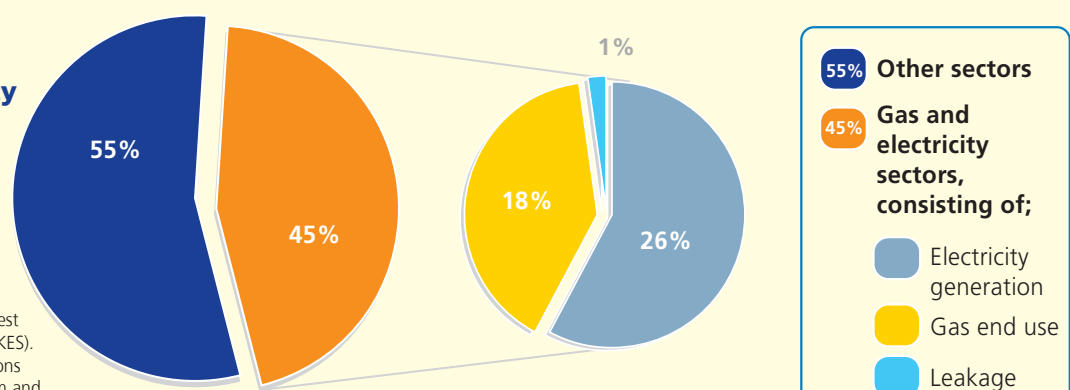
The Government's Energy White Paper last year set a new context for Ofgem's work on the environment. Central to this was the UK's commitment to achieving a low carbon economy.

The Environmental Action Plan was first published in 2001 and set out Ofgem's role and responsibilities in relation to the environment, within the context of its statutory duties. Ofgem's work on the environment falls into various different categories, and includes:

- work arising from its statutory duties to have regard to the environment in undertaking its duties
- monitoring and enforcing licence conditions, eg the obligations on suppliers to provide energy efficiency advice
- administering Government environmental programmes such as the Renewables Obligation and the Energy Efficiency Commitment
- work to improve its understanding of the environmental impacts of its policies, and
- advising other Government departments and regulators in their work.

Greenhouse gas emissions from gas and electricity sectors 2001

Source: National Atmospheric Emissions Inventory (NAEI), Digest of Environmental Statistics (DUKES). Leakage comprises CH₄ emissions from the gas distribution system and SF₆ from the electricity transmission and distribution systems



Key achievements from the past year

- Regulatory Impact Assessments, including environmental appraisals, were produced for important proposals.
- Active engagement took place in cross-Government working groups, advising on implementation of the EU emissions trading scheme and other Government environmental policies and programmes.
- Proposals were put forward to provide incentives to distribution companies to connect distributed generators, such as wind farms, as part of the next distribution price control.
- Arrangements were proposed to encourage distribution companies to invest in the development of new technologies and to integrate environmental policies into their future business strategies.
- Proposals were put forward to enable additional investment in the transmission system to facilitate the connection of additional renewable generation.

Key achievements from the past year (continued)

- Arrangements were put in place to overcome the difficulties faced by distributed generators caused by different definitions of transmission and distribution in England and Wales with those in Scotland.
- Research was carried out to assess the feasibility and effectiveness of providing consumption data to domestic consumers via their energy bills, and working with Department of Trade and Industry (DTI) and suppliers on implementing the EU Directive that requires suppliers to inform consumers of the fuel source of their supply.

The year ahead

Over the coming year, Ofgem will continue to encourage environmental improvements that secure benefits for present and future consumers. Specific initiatives include:

- finalising the new incentive framework for distributed generation as part of the 2005 distribution price control
- an incentive mechanism to ensure transmission investment for renewable generation
- further initiatives to improve customer awareness of the environmental consequences of their energy use
- evaluation of the major pilot project in which suppliers are permitted to offer domestic consumers energy service packages linked to longer term supply contracts
- further work to improve the environmental appraisals that inform Ofgem's policy decisions
- continuing to advise Ministers on the design and implementation of economic instruments to meet environmental objectives, and
- continuing work to administer environmental programmes as effectively and efficiently as possible.

Helping to meet Government green targets

Ofgem continues to administer a number of environmental programmes on behalf of the Government, including:

- the Renewables Obligation and Scottish Renewables Obligation
 - over 600 generating stations accredited to date
 - over 12 million Renewable Obligation Certificates issued to date
 - £90,519,054 recycled to suppliers who met their obligation (in 2002-2003)
- Climate Change Levy exemption for renewable generation and CHP
 - over 25 million Renewables Levy Exemption Certificates and 18 million CHP LECs issued to date
- The Energy Efficiency Commitment
 - approved 120 schemes and suppliers have achieved savings of 47 TWh out of a target of 62 TWh.

Ofgem's internal environmental management

- Ofgem passed an annual audit of its ISO 14001 accredited environmental management system.
- The CHP unit installed in Ofgem's headquarters produced some 1.3GWh of electricity and 2.0 GWh of heat over a period of 265 days.

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