



Promoting choice and value
for all gas and electricity customers

Ofgem work: recent developments

Microgeneration Forum
21 May 2007

Ofgem's views on microgeneration

- We are committed to playing our part in improving sustainability of the gas and electricity sectors
 - New annual Sustainable Development Report vehicle for measuring performance
- We recognise that microgeneration may have significant role to play

Potential benefits include:

- ➔ Direct reduction in CO₂ emissions for certain technologies
- ➔ Indirect reductions in CO₂ through lower transmission and distribution losses for all technologies
- ➔ Enhance security of supply – diversification
- ➔ Not just CO₂: visual amenity and other environmental costs of T&D

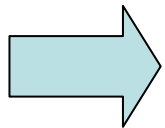
What have we been doing?

- Our *Microgeneration: next steps* document, published in October 2006 sets our work across a broad range of policy areas:
 - **Supply licence review**
 - **Network issues**
 - **Metering innovation**
 - **Export reward**
 - **Environmental programmes**
- **Supply licence review final proposals published this week**
- **Microgen work will benefit from our wider work on distributed generation**

Microgen Forum: opportunity to discuss work in these areas

Further Ofgem work

- March Budget Address
 - Chancellor announced that Ofgem would review whether suppliers are offering microgenerators a fair reward for energy exports
- Letter to Ofgem from Treasury
 - Asks us to ensure that the market for exported electricity is working effectively and to identify barriers



Draft Report expected towards the end of this year

**Political attention on export reward
to microgeneration**

Proposed scope of work

- Accessibility of supplier export reward offers
 - Where do you find out about these rewards?
 - How easy is it to compare the rewards?
 - Do you have to be an import customer to qualify?
- Do the offers reflect the value of micro generation outputs?
 - What are the key cost drivers of the offers?
 - Are these offers sustainable?
- Are there regulatory/market changes that can be made to increase the value of exports?
 - Network charging arrangements
 - Balancing and settlement arrangements
 - Arrangements for ROC/EEC/CCL

We will require data from suppliers and microgenerators

The industry is also making progress

- We will build on work conducted by ENSG on export reward
- MOD 213 proposes to allow import and export consumption to be recorded in single MPAN (decision in the autumn)

We are keen to hear your views on the arrangements that might be needed as more microgeneration comes on to the system



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