

14 September 2007

Ref: PS/GM/CH

Charles Hargreaves
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Ofgem
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Dear Charles

Consultation response for the Carbon Emission Reduction Target: Supplier Guidance

The CHPA welcome the opportunity to respond to the Ofgem consultation on the Carbon Emission Reduction Target. The Association broadly welcomes the proposal to extend the programme's level of ambition to achieve a reduction of carbon emissions that equates to 1.1MtC, at the end of 2011. Whilst this level of reduction is by no doubt possible, it will however bring many complex challenges. The comments and suggestions made in the course of this response are an attempt to help the Government provide a practical framework for suppliers to achieve this goal and respond to the urgent need to reduce carbon emissions in this sector.

During the course of the DEFRA and Ofgem consultation periods the CHPA has committed time to examining the role of Micro-CHP, Community and District CHP and heating within the CERT framework and its possible role within its successor, the Supplier Obligation. Given the long life cycle of these assets and the length of investment horizons, it is imperative that Government sets a clear framework to enable suppliers to consider the use of local, low carbon generation techniques and for the necessary supply chain to expand and develop to meet the corresponding market demand. Through this coordinated approach it will be possible to secure the most cost-effective, long-term carbon savings for both across the scheme and for the Priority Group.

In now responding to this Ofgem consultation, the Association is re-presenting its response to the earlier DEFRA consultation, since this paper addresses directly a number of the aspects raised in Ofgem's paper.

In general the Association's response addresses three aspects of the proposals:

- CHP is omitted from the illustrative mix. This omission detracts from the significance of a range of CHP options – from microCHP to building- and district-heating systems – that could present realistic and cost-effective options to suppliers in meeting their commitments under CERT.
- The somewhat arbitrary approach adopted in respect of the priority group flexibility option, which similarly may discriminate against relevant CHP options.
- The proposed accreditation process.

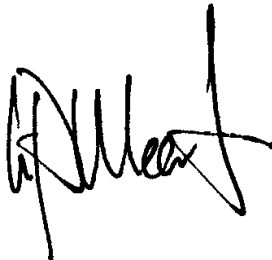
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Specifically, Question 7 of the Ofgem consultation addresses the issue of accreditation of installers and appliances. Attention is drawn to p.7 of the CHPA's response, and the section entitled "Burdensome accreditation and implementation process". The Association is aware that DEFRA and Ofgem consider that the treatment of microCHP under the CERT framework will be dependent upon the outcome of the Carbon Trust field trials and the BRE UKMCS process. Whilst these processes are important qualifying steps, they should not inhibit the deployment of Micro-CHP within the crucial 2008-2011 period. Members are concerned that the net impact of this combination of constraints will be to impose more rigorous approaches to accreditation of microCHP than will be required for other comparable and competing technologies. The Association would wish to see the establishment of appropriate and equitable arrangements that do not impose unnecessary discrimination and afford the technology the proper opportunities for rapid commercialisation and market deployment.

The CHPA response does not specifically address Question 6. However, it is highly probable that concerns over additionality in respect of the 'Merton Rule' type planning considerations are overstated in the light of potential revisions to Planning Policy Statement 1. The Association would urge Ofgem to keep this aspect of the CERT procedures under review.

The Association will be seeking to meet with DEFRA in order to address the concerns raised, and we would be pleased to involve colleagues from Ofgem in this process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Meeks', written in a cursive style.

Graham Meeks
Director

Cc: Emily Flatt

Enc: DEFRA: Consultation response for the Carbon Emission Reduction Target