

2 April, 2008

Alistair Buchanan  
Chief Executive  
Ofgem  
9 Millbank  
London  
SW1P 3GE

Dear Mr. Buchanan

**Review of the regulatory regime for energy markets: Distributed energy (Ref: 295/07).**

As a result of the current debate on climate change, it is not surprising that we are seeing much greater interest in Community Energy generation schemes.

My recommendation is that Ofgem in its forthcoming review of the regulation of energy markets should be actively promoting the creation of a new not-for-profit energy distribution company, whose role would be to:-

1. act on a national basis as an aggregator/consolidator for all locally-based CHP schemes or renewable energy projects run by the public sector, local authorities, registered housing associations or social enterprises (ie its "members").
2. establish a Distribution network organisation so that it can sell back to its "members" surplus energy produced by other members on the network.

The purpose in establishing such an organisation is as follows:-

- to increase the rate of investment in CHP and renewable energy schemes
- to achieve a better balance between the export and import prices currently obtainable by CHP operators
- to create a new third sector force within the current marketplace which is currently dominated by 6 major private sector utility companies
- to ensure that any profits are returned to members or reflected in lower import prices
- to secure economies of scale and other efficiencies across the CHP sector.
- to reduce fuel poverty amongst tenants of social housing.

There are already over 1500 CHP Units in the UK and it is estimated that by 2010 over 10% of total electricity will come from CHP.

We are seeing a move by a growing number of local authorities, who are including the provision of CHP units as a condition of planning consent for larger residential housing estates, but there is a natural reluctance on the part of larger developers and registered social landlords to take on such commitments. The establishment of this new organisation would help overcome such reluctance.

As regulator, you will already be well aware of the barriers that work against the effective establishment of this type of organisation, and I hope that we can look to Ofgem making the necessary changes, (whether through changes to codes of practice, regulation or legislation) so that this new mechanism can be allowed to flourish in this marketplace, and make a real impact in lowering the UK's carbon emissions whilst at the same time reducing the energy costs to the public and social housing sectors and their customers.

Yours sincerely,

Roger Brocklehurst