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## **CLEARING A PATH FOR GROWTH IN SUSTAINABLE COMMUNITY ELECTRICITY GENERATION**

- **Ofgem and Government make it easier for local electricity generators to supply communities around them, so increasing energy efficiency**
- **Encouraging more local green generators to connect to public networks could help lower emissions and protect customers**
- **New planning regulations encourage development of more green electricity generation**

Energy regulator Ofgem and Government have launched final proposals to make it easier for community electricity generators to supply customers. While protecting consumer rights to switch supplier, the proposals will help local generators operate in the competitive market, thus giving their customers more choice.

Local electricity generation schemes, which are increasingly becoming part of new housing developments, can sell electricity to customers. However, they must sign up to a number of industry codes which can be costly, complex and time consuming. These rules are designed more for large scale power stations.

Ofgem is proposing to eliminate the need for local generators to comply with these rules by formalising arrangements whereby major electricity suppliers can take on the administrative side of this requirement.

Currently, to avoid the costs associated with operating on public networks, local generators build their own private ones. However, customers connected to them find it very difficult to switch supplier. The proposals will address this by retaining the rights of customers to switch supplier if they wish.

Ofgem Chief Executive Alistair Buchanan said: "We continually look for ways to improve the sustainability of the networks and local electricity generation can clearly help here. For example, it cuts losses of electricity as it is transmitted over long distances from large power stations. Clearing the way for more local, green electricity generators to operate on public networks could help Britain reduce carbon emissions and protect customers in the long-term by giving them more choice."

Energy Minister, Malcolm Wicks, said: "These proposals are a major milestone in meeting the Government's commitment to make locally generated electricity a realistic choice for future energy supply. These measures show that it is possible to adapt our electricity system so it is easier for communities and businesses to become energy producers, whilst maintaining protection and choice for consumers."

"Distributed or local energy production offers real opportunities for communities and businesses to play their part in tackling climate change, whilst increasing their own self-sufficiency."

"Government activity does not stop here. Later this month we will be consulting on how distributed energy can contribute further to our renewable energy targets."

Allan Jones, London Climate Change Agency Chief Executive, said: "The London Climate Change Agency believes that decentralised energy can make a substantial contribution to tackling climate change. We therefore welcome Ofgem and BERR's proposal to relieve decentralised energy providers from aspects of the electricity market not designed for locally produced energy and other proposed measures to encourage decentralised energy schemes."

Local electricity generation – or distributed energy – can take a variety of forms. For example, new planning regulations such as the Zero Carbon Homes initiative encourage new housing developments to include distributed energy schemes such as wind turbines, the output from which can be supplied to customers.

Industry needs to work with Ofgem to identify the types of services required in agreements offered to distributed generators to reduce the costs and complexity of operating within the market. Ofgem will work with the industry to develop these agreements and will then monitor how effective they are.

Ofgem expects the formal arrangements to be in place for late 2008. Ofgem will monitor progress. Other Ofgem initiatives to help distributed energy include proposed reforms to reduce the penalties levied on smaller suppliers if they generate less or more electricity than they contract to produce.

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#### **Notes to editors**

1. More than 12 gigawatts of distributed energy schemes are already installed in, for example, factories and schools and the popularity of in-house power generation is growing. New planning regulations such as the Government's Zero Carbon Homes initiative should add to the use of distributed energy.

2. The London Climate Change Agency was set up to help reduce carbon dioxide emissions from London. It is a commercial company wholly owned by the London Development Agency.

3. A fact sheet on distributed energy which includes case studies is available to download from the Ofgem website at this link:

**<http://www.ofgem.gov.uk/Sustainability/Environmnt/Policy/SmallrGens/DistEng/Documents1/DE%20Non-Specialist%20Summary%20-%20Final.pdf>**

4. Ofgem is the Office of the Gas and Electricity Markets, which supports the Gas and Electricity Markets Authority, the regulator of the gas and electricity industries in Great Britain. The Authority's functions are set out mainly in the Gas Act 1986, the Electricity Act 1989, the Competition Act 1998 and the Utilities Act 2000. In this note, the functions of the Authority under all the relevant Acts are, for simplicity, described as the functions of Ofgem.

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