

FRIDAY 26 JUNE 2009

OFGEM PUSHES ON WITH SCRUTINY OF SECURITY IN GB ENERGY SUPPLY

Energy regulator Ofgem is pushing on with project Discovery - its investigation into whether or not future security of supply can be delivered by the existing market arrangements over the coming decade.

The issue needs the independent and impartial analysis that Ofgem is uniquely positioned to deliver. Ofgem's work and leadership will ensure the debate is not dominated by vested interests or driven solely by commercial priorities.

Britain's energy market has delivered secure supplies for some 20 years. But there have been changes in the energy sector in recent years, some of them quite profound, with still more testing challenges to come.

- GB has demanding new carbon targets - reductions of 80 per cent by 2050 and an urgent need to plug the generation gap as coal and oil plant comes off the system to meet 2015 European emissions limits.
- Britain's exposure to global gas markets is increasing. Dependence on imports could be as high as 80% by 2020. There are also nearer term risks from this increased dependence on volatile international gas markets, as we saw last winter in the Russia/Ukraine crisis.
- GB is experiencing a worldwide financial crisis which threatens investment and highlights the risk that existing market arrangements may not be sufficient to protect consumers' interests.
- The amount of investment needed to hit environmental targets leaves no room for delay in medium term expenditure: some £50 billion is needed by 2020 to meet environmental targets; 33GW of renewable generation from 3GW today.
- At the same time, the economic slow down has hit gas demand and prices, and has shrunk the price of permits in the EU Emissions Trading Scheme.
- On the supply side, there are concerns regarding whether investment in additional capacity and infrastructure in Russia and elsewhere will be sufficient and timely enough to meet the increasing demand for imports to the EU.

Ofgem has embarked on Project Discovery with an open mind and will be guided by consumers' interests and all other aspects of sustainable development.

In the **autumn** Ofgem will publish and invite views from all our stakeholders on a number of security of supply scenarios and the possible implications of these.

At the **turn of the year** Ofgem will produce a further report. This will set out possible policy options for debate and development, providing plenty of time to implement solutions should they be needed.

Our process, as with our approach to Project Discovery, will be fully open and there will be every opportunity for industry, consumers and other stakeholders to have their say.

-ends-

Notes to Editors

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 powers and duties are largely provided for in statute, principally the Gas Act 1986, the Electricity Act 1989, the Utilities Act 2000, the Competition Act 1998, the Enterprise Act 2002, the Energy Act 2004 as well as arising from directly effective European Community legislation.

For further press information contact:

Chris Lock 020 7901 7225 / 07766 511470

Alison Wright 0207 901 7217 / 07771 980297

Trevor Loveday 020 7901 7288 / 07887 652 252