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## OFGEM RESTRUCTURED TO MEET LOW CARBON CHALLENGE

- **Ofgem radically restructured so it can further increase its role in helping to meet Britain's targets to cut carbon emissions by 34 per cent by 2020**
- **New business unit, Ofgem E-Serve, set-up to respond to the rapid growth of climate change programmes and offshore transmission now worth £3.9 billion annually**
- **Sustainability and the creation of electricity networks capable of supporting renewable energy are the key themes of the reorganisation**
- **Europe focus more vital than ever given security of supplies issues**

Ofgem today (Tuesday) announced the creation of a new business unit, Ofgem E-Serve, as part of a major restructuring of the regulator to meet the challenge of helping to deliver a low carbon economy. Ofgem E-Serve will focus on administering environmental programmes and the delivery of sustainability projects like offshore wind, smart meters, the proposed carbon capture and storage levy, and feed-in tariffs.

While the changes will not dilute Ofgem's number one priority of protecting consumers, they will enable Ofgem to fulfil an increasing role in the delivery of the radical changes needed in the energy industry to meet Britain's emissions targets.

Ofgem E-Serve already runs £3.9 billion of Government environmental programmes and offshore transmission, up from £150 million in 2001, extremely efficiently. Ofgem's track record over the last five years, where it has saved £20 million by controlling its own costs, should provide confidence that these programmes will be kept under tight control.

A further vote of confidence in Ofgem E-Serve's ability to run environmental programmes has been made by the Department of Energy and Climate Change (DECC), which has given the organisation a key role in the introduction of smart meters to Britain's 26 million homes and in setting up feed-in tariffs for microgeneration. DECC is also proposing that Ofgem E-Serve is responsible for the carbon capture and storage levy.

The other business unit within the new Ofgem group, which acts as the industry regulator, will continue to be known as Ofgem. It has been restructured to give a much greater focus on sustainability and the need to ensure Britain's high-voltage networks can meet the challenge of connecting more renewable generation. Going forward more emphasis will also be placed on ensuring regional electricity networks play a more active role in tackling climate change, this has led to Ofgem creating a new local grids business unit.

Ofgem's Group Chief Executive Alistair Buchanan said: "Energy customers are concerned about climate change as well as the cost of energy. Ofgem has already demonstrated through its energy probe that we will root out any malpractice in the energy market. Now with the creation of Ofgem E-Serve and the restructuring of Ofgem we can play an even greater role in helping to deliver Britain's emission targets.

“By creating Ofgem E-Serve we are building on our reputation for delivering well-run environmental programmes at least cost to customers and are making sure we are ready for any further work the Government may wish to give us.”

## Notes to Editors

1. The key features of the restructuring of Ofgem are:

- **Recognising the importance of networks in fulfilling the low carbon agenda by creating two separate network divisions**

A **Transmission and Governance Division** to focus on the high-voltage national grid and the issues of connecting more renewable generation to this network and a **Local Grids and RPI-X@20 Division** to ensure more micro and renewable generation can connect to local smart grids. This division will also be responsible for the local grid companies' price controls and Ofgem's RPI-X@20 project to look at the future of network price controls.

- **A new Sustainability Division**

This division will bring together Environmental Social and Consumer Policy, along with enforcement giving a stronger voice to sustainable development and helping Ofgem meet its duties to promote sustainable development in the energy market.

- **Markets Division**

The Markets Division will continue with Ofgem's project Discovery, which is looking at the security of Britain's energy supply, and will police the energy markets to ensure they work fairly for consumers.

- **Europe**

Recognising the importance of Europe with the forthcoming implementation of the 3<sup>rd</sup> EU Energy Directive a separate European directorate has been formed.

- **Scotland, Wales and the regions**

Appointment of a new role of Director for Scotland, Wales and the regions to ensure the interests of stakeholders are fully understood.

### **Existing projects**

All the key teams for some of Ofgem's key projects Distribution Price Control, Discovery, and RPI-X@20 remain unchanged.

2. A full organisational chart is available for both Ofgem and Ofgem E-Serve on the Ofgem website at: [www.ofgem.gov.uk](http://www.ofgem.gov.uk) under About Us.

3. Some of the high profile Government schemes Ofgem E-Serve will run include:

- The Renewables Obligation
- Smart meters
- Offshore Electricity Transmission
- Carbon Emission Reduction Target
- Community Energy Saving Programme
- Feed in tariffs for microgeneration
- Heat incentive
- Proposed Carbon capture and storage levy
- Energy Demand Reduction Pilot
- Climate change levy exemption for Renewables
- Climate change levy exemption for CHP

Ofgem also runs the financial and accounting functions of Postcom.

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 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.

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