

Minutes of the Eleventh Ofgem Environmental Advisory Group meeting

Date: Tuesday 20 June 2006

Time: 12.00 – 14.00 hrs

Place: 9 Millbank, London

Present

Chair

Sir John Mogg

Gas and Electricity Markets Authority Members

Steve Smith, MD Markets

Robin Bidwell

Members

Paul Jefferiss, RSPB

Andy Duff, RWE npower

Mark Candlish, Renewable Energy Systems

Juliet Davenport, Good Energy

Mark Horsley,

Ofgem staff

Graham White, DTI

Philip Davies

Jeremy Nicholson, EIUG

John Costyn

Eoin Lees, Eoin Lees Energy

Sarah Samuel

Russell Marsh, Green Alliance

David Halldearn

Paul Ekins, Policy Studies Institute

Tricia Wiley

Ian Marchant, SSE

Guest

Carl McCamish, Energy Review Team

Apologies

Philip Wright, Scottish Executive

1. Chairman's welcome and opening address

Sir John welcomed everyone to the meeting and presented apologies received, he welcomed Mark Horsley to the group.

2. Minutes from previous meeting

There were no further comments on the previous minutes.

3. Developments in the EU (Energy Green paper)

David Halldearn provided an overview of the issues in Europe and explained the implications of the Energy Green Paper. The Green Paper focuses on competition, sustainability and security in the light of liberalisation. One of the major issues is how networks and markets should be regulated as they become more integrated across the EU.

On the environment agenda the Green Paper concentrates on energy efficiency, the EU emissions trading scheme and renewables.

Members held a short discussion on this and the points raised included:

- Whether the Green Paper represented progress in the liberalisation of markets or evidence of a reaction against it
- The Emissions Trading Scheme and the issue of auctioning allowances
- The security of supply issue and the need for diversity in energy supply
- A European liberalised market model and the question of the right regulatory framework
- The future role of energy regulators and the engagement in the environmental and sustainability fields
- The role and potential of energy efficiency

4. Energy Review

Carl McCamish updated the group on the progress on the Energy Review, following six months of work and official engagement a paper will be published in July. He emphasised that politicians are interested in the whole overall package and the review will address all the goals of energy policy as set out in the Energy White Paper. He commented on the issues that are relevant to Ofgem, such as transmission pricing, the renewables obligation, the Energy Efficiency Commitment (EEC), and that the EU ETS will remain a core instrument.

The following points were raised in discussion:

- The potential of energy efficiency to deliver carbon savings as well as having security of supply benefits. Members also discussed the issue of reducing overall demand for energy, including future energy and carbon caps.
- The role and design of the EU ETS with members raising the issues of providing longevity to the scheme and securing certain carbon prices as important considerations
- A member raised the issue of the recent modification to the balancing and settlement code (P194) in relation to the impact it will have on incentivising renewable technologies, and questioned whether the review will be taking into account the feedback affects from such changes
- The balance between electricity and heat in the review was raised by one member, which was followed by discussion on the options and difficulties of creating policy mechanisms that promote low carbon heat generation technologies
- There was some discussion on fuel poverty and the impact of pricing mechanisms

5. Energy End-use and Efficiency and Energy Services Directive

Eoin Lees gave a presentation on the Energy End-use and Energy Services Directive, he summarised the purpose of the EU Directive, the changes from the original drafts, the coverage of the Directive, the features of the Directive and the potential areas of controversy for Ofgem.

The members were interested in the implications of the Directive and how it would have to be transposed into UK legislation. There was discussion on the issue of targets and actual effects of the directive. The group raised the issue of metering and the definition of a smart meter, with members discussing the importance of observing experience of installing smart metering internationally. Prior to any decision being taken a member observed it would be important to quantify the benefits and changes in behaviour from different types of meters.

6. Any other business

The issue of green supply tariffs was raised and specifically how schemes are audited and verified was discussed. The difficulty of identifying an independent body who could verify the complex range of green supply offerings was recognised. A member advised that Oxford University has been commissioned to research into this area and they will circulate the paper to the group. Ofgem is in the process of issuing new green supply guidelines.

A member was interested in obtaining a copy of the impact assessment carried out on P914. They were advised the modification report is available from the Elexon website.

7. Dates of next meeting:

Wednesday 25 October 2006 12.00– 14.00