

Minutes of the Fifteenth Ofgem Environmental Advisory Group Meeting

Date: Thursday 11 October 2007

Time: 14.00 – 15.30 hrs

Place: 9 Millbank, London

Present

Chair

Sir John Mogg

Gas and Electricity Markets Authority Members

Steve Smith, MD Markets

Robin Bidwell

Members

Mark Candlish, Renewable Energy Systems

Juliet Davenport, Good Energy

Neil Feinson, BERR (for Claire Durkin)

Tricia Henton, Environment Agency

Paul Jefferiss, BP

Phil Jones, CE Electric

Eoin Lees, Eoin Lees Energy

Ian Marchant, SSE

Russell Marsh, Green Alliance

Jeremy Nicholson, EIUG

Dan Osgood, Defra

Ofgem staff

Sonia Brown

Clair Hogg

Apologies

Henry Derwent, Defra

Andy Duff, RWE npower

Claire Durkin, BERR

Philip Wright, Scottish Executive

Paul Ekins, Policy Studies Institute

1. Chairman's welcome and opening address

Sir John welcomed everyone to the meeting and presented apologies received.

2. Minutes from previous meeting

The Minutes were confirmed as circulated.

3. Update on the Climate Change Bill and the role of the Committee on Climate Change

Dan Osgood delivered a presentation outlining the process for developing the Climate Change Bill. The draft Bill was published on 13 March 2007 for pre-legislative scrutiny and public consultation. The pre-legislative scrutiny process recommended 125 changes to 45 clauses. Defra received 17,000 responses to the public consultation process, of which 15,000 were campaign responses. The analysis of the responses had been extremely time intensive and Defra were to publish the Government's response to the parliamentary scrutiny and public consultation within the next month.

The Government was currently in the process of setting up a "shadow" version of the proposed the Committee on Climate Change, prior to the passing of the Bill. The recruitment of members for the shadow Committee recently closed and a significant number of applications had been received. The Government was hoping to make appointments to the shadow Committee by the end of 2007 and an interim Chief Executive, David Kennedy, had been seconded from BERR. The Government was planning to recruit additional staff to support the work of the shadow Committee.

There had been a great amount of interest in the public consultation on the draft Bill on whether the Government's targets for 2050 were strong enough. One of the first tasks of the new shadow Committee would be to investigate whether the 60% target should be strengthened. The report from the shadow Committee will also examine the implications of including other greenhouse gases and emissions from international aviation and shipping, in the 2050 target.

4. Green Supply: Ofgem Update

- Sonia Brown updated the group on the work Ofgem is taking forward in respect of the green supply guidelines. Sonia thanked the companies in attendance who had helped Ofgem progress its proposals through attending the consultation workshops and in their written responses. 34 written responses had been received as well as 35 proforma responses from a Friends' of the Earth campaign. Ofgem's proposals had significantly changed, and as result a second consultation document "Cutting the green customer confusion" was being published to develop guidelines for renewable and low carbon tariffs.

The following points were raised in discussions:

- The need for a third party certification scheme to verify suppliers claims with respect to renewable and low carbon tariffs was discussed. The current remit of the Advertising Standards Authority (ASA) for verifying claims in this area was insufficient and their level of expertise limited. As a result, suppliers had been able to circumvent scrutiny and in some cases the ASA had delivered "irrelevant" findings.
- In this regard the group discussed the role of the British Standards Institute (BSI) in developing a certification specification to verify suppliers claims. It was noted that while the BSI route was considered to be the best option, significant costs were associated with developing a standard. It was agreed that there was a need for a formalised process to verify suppliers claims to ensure that consumers trusted the results.
- The group were advised that while that Ofgem were proposing that industry would have six months to develop a certification process to verify suppliers claims, suppliers signed up to the guidelines would also be required to improve the transparency of information provided to customers before the certification scheme was in place.
- The group also questioned the role of the guidelines and certification scheme in verifying the claims of business customers regarding their purchases of "green" energy from suppliers. It was suggested that the certification scheme could potentially "cascade" down through the market, though the remit of Ofgem's guidelines was to provide certainty to customers signing up to renewable or low carbon tariffs. Through self regulating guidelines the industry could develop and consider how the guidelines and the accompanying certification scheme could evolve over time to encompass a growing market.

- An update on the role of the Energy Saving Trust in the second consultation process was requested. Ofgem advised that having listened to the feedback provided through the consultation process and in written responses, it was clear that stakeholders had a preference for the certification scheme operator to be selected through a fair and competitive process. It was very important that a level playing field for tendering the certification scheme existed. As a result, the Energy Savings Trust would only be involved in the second consultation process as a stakeholder.
- The group discussed Ofgem's proposals for low carbon guidelines with respect to the rating of tariffs and its linkages to the fuel mixture disclosure requirements.
- In terms of the timing of the second consultation process, Ofgem would consult for six weeks. During this time consumer deliberative forums would be run with customers to test Ofgem's proposals for renewable and low carbon guidelines. Ofgem was aiming to publish a final version of these guidelines early in 2008.

5. Ofgem's 2007 Sustainable Development Report

Steve Smith led a discussion on Ofgem's 2007 Sustainable Development Report which is to be published in October 2007. He highlighted that the Sustainable Development Report demonstrated Ofgem's commitment to sustainability and outlined its work to achieve this objective.

In discussions the following points were made:

- The Group discussed the current lack of policy support for "heat", and it was noted that over the next year heat would become more significant on the policy agenda. It was noted that heat required policy incentives that were proportionate to the role that heat could play in reducing emissions from the electricity and gas sector. This would require data capture of heat's role in emissions from the electricity and gas sectors.
- There were similar issues with distributed generation, although policy discussions were more developed on this issue. There was a need to establish whether these forms of generation were being appropriately incentivised to ensure their role in meeting carbon emission targets were proportionate to the costs incurred by rolling out initiatives.

6. EU legislation to meet 2020 Targets: 2020 Scenarios

Sonia Brown provided an overview of the analysis SKM had prepared for Ofgem on potential outcomes for the electricity industry for 2020 given four different scenarios. The group discussed the assumptions that formed the basis of analysis and noted where these scenarios may be affected by differing assumptions.

Action: Ofgem agreed to email the scenario analysis to group members in advance of the 2020 Carbon Challenge seminar to be held on 29th November.

7. Any other business

The group discussed agenda items for the next meeting. It was agreed that the EU legislation and what this means for the GB market would be the focus of the next meeting

Phil Jones also noted that he would be interested in being updated on any outcomes with respect to Distribution.

Action: Ofgem agreed to email presentations to group members.

8. Dates for next meeting

The date agreed for the next meeting, to be held in the Boardroom at Ofgem's Millbank offices, is:

Wednesday 20 February 2007 10.30am – 12.00 noon

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