

Minutes of 18th Ofgem Environmental Advisory Group meeting

This is a record of Ofgem's Environmental Advisory Group meeting, held 22 October 2008.	From Date and time of Meeting Location	Siobhan Carty 22 October 2008, 10.00-12.00 Millbank
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1. Present

Chair

Lord Mogg

EAG members

Mark Candlish
Juliet Davenport
Andy Duff
Paul Jefferiss
Philip Jones
Eoin Lees
Ian Marchant
Jeremy Nicholson
Andrew Wright
Philip Wright

Ofgem staff

Siobhán Carty
Stuart Cook
Martin Crouch
Graham Knowles
Anna Kulvahy
Erik Sleutjes

2. Apologies

Robin Bidwell (GEMA)
Paul McIntyre (DECC)
Paul Ekins (KCL)
Jeremy Nicholson (EIUG)

3. Minutes from the previous meeting

3.1. The minutes were confirmed as circulated, subject to the observation that, with respect to the presentation on the role of networks in the environment, there was a recognition of the role DNOs, rather than just the consumer, can play in demand-management. It was stated that it is realistic that this can be reflected in DPCR5.

4. Ofgem's response to Government's Renewable Energy Strategy consultation – Graham Knowles

4.1. Graham Knowles (ES&E) outlined our response to the Government's Renewable Energy Strategy consultation, which we published on 3 October. The main issues highlighted were the heat sector, which can be a cost-effective sector for delivering a share

of Renewable Energy, investment in the renewable energy sector, how we manage change in the industry (such as grid access and the increased intermittency of electricity), and the administration of support schemes based on our experience in these areas.

4.2. It was noted that renewable heat subsidies would mean additional costs to gas customers and that our approach to fuel poverty must be balanced and not focused solely on gas customers, but also take account of oil, for example.

4.3. It was suggested that Ofgem needs to look at all three sectors overall (heat, electricity and transport) in terms of policy consistency.

4.4. Our suggestion for improving the Renewables Obligation (RO), by inversely linking the subsidy to wholesale prices to provide more predictability of the overall price, was discussed. Similarities to feed-in tariffs were noted, both of this proposal and other changes already announced for the RO.

4.5. With respect to the electrical storage potential of electric cars, it was suggested that we need to address this issue now, rather than consider it a post 2020-issue. Lord Mogg agreed to pursue an invite to a Cabinet conference on electric cars and to consider taking this issue up with car manufacturers. Ian Marchant offered to provide a presentation on this issue for the next meeting.

4.6. With respect to Ofgem administering support schemes, Lord Mogg outlined how this was an important issue with regard to resources, exposures and decision-making. There was a discussion about whether we were the right organisation to carry out this job, and whether there may be a perceived conflict of interest. Lord Mogg invited further views on this to be provided to Ofgem.

5. Update on the Long Term Electricity Networks Scenario (LENS) project – Stuart Cook

5.1. Stuart Cook (Transmission) discussed the LENS project which involves setting-out long-term scenarios of how networks may look by 2050 in order to identify drivers for change and how to use these to consider how the network should develop.

5.2. This project was welcomed by a number of participants, and recognised as an important contribution.

5.3. With respect to the level of consumer participation we may expect by 2050, it was stated that more Government involvement is necessary to encourage this and there should be more debate with industry on this matter. It was suggested that active consumer engagement was needed for the ESCO scenario.

5.4. It was suggested that this LENS project should be utilised going forward and form the basis to get increased participation with industry and government on the long-term view of networks.

6. Update on the Green Supply Guidelines – Martin Crouch

6.1. Martin Crouch (Es&E) gave an update to the group on the Green Supply Guidelines. He discussed the key elements of the July proposals, that of additionality and the avoidance of 'slicing and dicing' and outlined the next steps in the project, that of bilateral meeting (rather than group discussions) to seek a way forward.

6.2. Lord Mogg stated that any system should be credible, simple, better than what we have, and not be misleading.

6.3. It was questioned whether the current proposals would include the I&C sector. Martin stated Defra's proposals on carbon reporting addressed the key issue for this sector. The issue of suppliers using and trading LECs was raised, and it was stated that this was a big problem in I&C. Andrew Wright discussed how the I&C sector is a very different market compared with the domestic market and that, given this, different solutions are necessary which are being pursued separately.

6.4. It was suggested that the rating system assigned to tariffs should resemble the energy efficiency labels currently on domestic white goods.

7. Update on Ofgem's Sustainable Development Report – Anna Kulvahy

7.1. Anna Kulhavy (ES&E) updated the group on our Sustainable Development Report, due to be published in November. She discussed some key energy statistics (such as carbon emissions in gas and electricity and the fuels used in generation), promotion of energy savings and how we can promote improved environmental performance.

7.2. Regarding statistics on fuel poverty, it was stated that it was important to include the Scottish figures on this.

7.3. With respect to the decrease in sulphur and nitrogen dioxide emissions that has been witnessed in the industry since 1990, it was noted that we expect to see further decreases since the introduction of LCPD. It was questioned why the energy industry has managed to do this but has had little or no impact on carbon emissions.

8. AOB

8.1. With respect to the roll-out of smart meters, it was stated that the role of the consumer has been underplayed and that more involvement with DNOs is necessary (in order to get the meters into peoples' homes etc.)

9. Date of next meeting

9.1. The next meeting is scheduled for 17 February 2009, 10am.