

Minutes of 24th Ofgem Environmental Advisory Group meeting

This is a record of Ofgem's Environmental Advisory Group meeting, held 7 October 2010.	From Date and time of Meeting Location	Tom Handysides 7 October 2010, 10.00-12.00 Millbank
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1. Present

Chair

Lord Mogg

Gas and Electricity Markets Authority Members

Sarah Harrison, Senior Partner, Sustainable Development

EAG members

Jeremy Nicholson (Energy Intensive Users Group)
David Sigsworth (Scottish Environmental Protection Agency)
Colin Imrie (Scottish Government)
Ian Marchant (Scottish and Southern Energy)
Paul Ekins (University College London)
Phil Jones (CE Electric UK)
Mark Candlish (Renewable Energy Association)

Ofgem staff

Sarah Samuel
Tom Handysides
Graham Knowles
Vincenzo Petterson

2. Apologies

Juliet Davenport (Good Energy)
Eoin Lees (Eoin Lees Energy)
Jonathan Brearley (Department of Energy and Climate Change)
Ed Mitchell (Environment Agency)
Paul Jefferiss (BP)
Tamsin Cooper (Green Alliance)

3. Minutes from the previous meeting

3.1. The minutes were confirmed as circulated.

4. Ofgem's Project TransmiT

4.1. Min Zhu (Head of Electricity Transmission) presented Ofgem's new project, TransmiT, which is looking at the way charges for use of the national transmission system are apportioned to system users. The first part of this project is a call for evidence which runs from 22 September to 17 November 2010. This project is aiming to tackle a range of new challenges, including new electricity generation technologies and changing patterns of energy consumption. In particular, typically renewable technologies locate in remote parts of the country to take advantage of wind, tidal and marine resources, as well as rivers.

4.2. A number of points were raised in discussion:

- Ofgem's open approach was welcomed by members, who valued the opportunity to help to shape the project.
- A member commented that the views of large system users are usually heard more than small generators and end users, who tend to lack the resources to engage properly with consultations. Ofgem reassured the group that the new RIIO model for network regulation will do things differently, and will feature improved stakeholder engagement. Ofgem is seeking views on this call for evidence from all stakeholders, including the energy industry, consumers, academics, environmental and social organisations and the Government. We will use responses to prioritise areas that require action.
- A number of comments were made about interconnectors, the pipes and wires which transport gas and electricity between countries. Ofgem explained that interconnectors are regulated differently to other networks, and that the scope of Project TransmiT was limited to preventing distortions between interconnectors and the networks that Ofgem regulates.
- One of the central questions to transmission charging is whether or not they should include a locational element, which would influence the decisions of generators or consumers about where they should locate. This can lead to high charges for generators when they connect in remote locations to take advantage of renewable sources of power such as wind and marine energy. Members suggested that the review should look at existing cost-reflective charging arrangements, and establish whether they represent a barrier to the development of renewable and low carbon generation.

5. Securing a low carbon transition in Scotland

5.1. David Sigsworth and Colin Imrie presented Scotland's approach to decarbonisation to the group. Scotland has a target of reducing carbon dioxide emissions by 42% between 1990 and 2020, and has abundant renewable energy resources such as wind and marine.

5.2. A number of points were raised in discussion:

- Scotland has a target that 80 percent of its electricity consumption should come from renewables by 2020. Members thought that this needed to be more tightly defined given that some renewable energy will go to elsewhere in the UK and beyond. Alternatives such as a generation target could still be benchmarked against Scottish energy consumption.
- A significant part of Scotland's low carbon transition will be to change the way that Scotland heats its homes and buildings. In Scotland, 67 percent of households are off the gas grid, using more expensive and carbon-intensive oil, LPG and electric heating. Members suggested that district heat networks – perhaps regulated by Ofgem – could be part of the solution. However, improvements in the thermal efficiency of buildings could make it imprudent to invest in heat networks by reducing the amount of heat required for each site.
- The group expressed a range of views about charging network consumers on a locational basis. Some thought that charges should be allocated to those that placed a cost or benefit on the network, whilst others thought that the carbon intensity of generators should be a factor in the charges they face.
- It was noted that emerging industries such as offshore wind could learn from the experience of the established oil and gas industries, and that a summit to help to share this knowledge is due to take place soon.

- Members were enthusiastic about some of the community projects that are helping to decarbonise energy use from the ground up, particularly in island communities. However, this enthusiasm was tempered by comments that the community spirit binding these successful projects together may be difficult to replicate across GB as a whole.
- It was noted that considerable scope existed for demand response, whereby consumers can adjust how much and when they consume energy. This could be a cost-effective and sustainable alternative to investing in expensive new generation. However a member commented that neither households nor businesses would welcome efforts to ration energy usage. Price signals could help to push consumers to avoid energy use at peak times. However, this could lead to unintended consequences such as vulnerable and fuel poor consumers suffering from poor health due to the cold when switching off to save money.

6. AOB

6.1. The Chairman asked for comments on the future of this group. Members provided comments, and the Chairman would welcome any comments from members that were not present at the meeting.

7. Date of next meeting

7.1. The next meeting is scheduled for 10 February 2010, 10.00 – 12.00.