

Minutes of the Tenth Ofgem Environmental Advisory Group meeting

Date: Monday 6th March 2006

Time: 10.00– 12.00hrs

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

Mark Candlish, Slough Heat and Power

Juliet Davenport, Good Energy

John Roberts, United Utilities

Graham White, DTI

Philip Wright, Scottish Executive

Henry Derwent, Defra

Paul Ekins, Policy Studies Institute

Jeremy Nicholson, EIUG

Eoin Lees, Eoin Lees Energy

Russell Marsh, Green Alliance

John McElroy on behalf of Andy
Duff, RWE npower

Ofgem staff

Philip Davies

John Costyn

Sarah Samuel

Colin Sausman

Tricia Wiley

Apologies

Ian Marchant, SSE

1. Chairman's welcome and opening address

Sir John welcomed everyone to the meeting and presented apologies received. John Roberts was thanked for his contribution and Russell Marsh was welcomed to the group.

2. Minutes from previous meeting

No comments were received on the previous minutes.

3. Metering Innovation

Philip Davies outlined Ofgem's work on metering innovation.

In the following discussion, members raised a number of points including:

- Whether the benefits can be delivered through voluntary measures and are the current market arrangements suitable for delivering smart metering.
- The high up-front cost of smart meters and whether the gains to suppliers in terms of improved meter readings justify the costs
- The importance of linking various information sources eg, on bills; the climate change communication campaign; requirements under the Energy Saving Directive
- The links between metering innovation and the development of microgeneration.

- Whether improved metering may provide benefits in terms of load-shifting and peak-reduction

4. Transmission Price Control and the Environment

Colin Sausman provided an overview of the environmental considerations in the Transmission Price Control Review. This included the treatment of future generators reserving transmission capacity and how the queue is managed, and investment is prioritised. Other issues included visual impact of transmission networks.

In the following discussion members were interested in, whether strategic impact assessments were being considered, the fact that the direct environmental impact of transmission is much broader than landscape issues, emissions from equipment on the gas transmission network, and the how other environmental impacts will be treated in the price control.

One member was particularly concerned at the magnitude of the potential problems for renewable generators who want to get connected to the network. The discussion identified planning as a major risk factor and the difficulty of assessing availability of network capacity as a barrier.

5. Microgeneration

John Costyn provided an update on Ofgem's microgeneration work, following from the 2005 consultation on regulatory barriers. He gave a brief description of the current policy drivers, and the implications of DTI's Strategy and the Climate Change and Sustainable Energy Bill. Ofgem intends to publish a paper covering the issues to coincide with the publication of the DTI's strategy.

Graham White was invited to comment on progress of the strategy, he stated that the DTI are working with Ministers, and the strategy is due to be published before Easter. The DTI would welcome Ofgem's involvement and work on the technical barriers.

The following points were raised in discussion:

- The importance of identifying cost effective microgeneration, which will require more information from electricity distributors to reveal the places and times it has value for the network in reducing losses and optimising investment.
- The large variability in the rewards for exports, with generators receiving amounts ranging from nothing to the retail or wholesale price.
- The failure of awareness was raised as an essential issue, and was linked to informative metering which could possibly reinforce messages.
- The need to streamline the process of installing domestic microgeneration, and the benefits of delivering energy efficiency, microgeneration and metering as a package.
- The importance of suppliers and other businesses undertaking innovation in the offers made to microgenerators, in order to achieve a market-led solution, rather than one imposed by regulation.
- The questions surrounding Micro CHP as an effective carbon reducing mechanism and the difficulties of establishing new technologies.

6. DTI Energy Review Update

Graham White gave an oral update on the Energy Review clarifying that the review did not set out to challenge the four goals set out in the energy white paper, but in the light of recent changes, how to reach and deliver them. The review will consist of a number of themes and include workshops and seminars, a policy framework should be published before summer recess. The energy review will be linked to the Stern review and both reviews should be broadly aligned on common areas.

Sir John Mogg and Robin Bidwell outlined the work being carried out by the high level group which will inform the Commission on a range of energy issues including liberalisation, energy efficiency and the EU ETS.

Members were interested in both the progress of the Energy Review and developments in Europe. The discussion focussed upon security of supply issues, the need for low carbon options, network configuration issues, policy risk and EU liberalisation issues.

7. Any other business

Eoin Lees reported on the results of the Energy Efficiency Commitment 2002-05 (EEC1).

Robin Bidwell provided a summary of the work being conducted by the sub-committee on the environment, which are looking at Ofgem's sustainable development duties.

Items for the next meetings agenda may include progress on the Energy Review, developments in the EU and winter issues.

8. Dates of next meetings:

The dates for 2006 are to be confirmed