

Factoring Sustainability into Ofgem's thinking

Sustainable Development Advisory
Group

2nd November 2011

Project context

- Ofgem regularly has to take account of environmental and security considerations in order to fully protect the interests of current and future consumers. There has been a common desire to look at how we carry this out.
- The Implications of Sustainability project set out to take this forward and explore the implications of sustainability for the tools of electricity and gas sector regulation.

Original questions

1. How, and to what extent should regulation support Government policy in delivering low carbon technologies?
2. How should we respond to situations where support for low carbon technologies results in additional costs? For example, how should we react if costs > benefits (inc. CO2 benefits)?
3. Under what circumstances should we fund investments which might be regarded as enabling, without any immediate and/or certain benefit?
4. To what extent do we want, as a matter of principle, to retain technology neutrality? To what extent should we encourage low carbon technologies?
5. If we focused our attention on our desired destination, would we reach for different levers and tools?
6. Does the long-term and policy-dependent nature of sustainability issues have implications for principles of market design?

Elements of the Strategic Systems Assessment

- Long horizon (discounting and depletion)
- Stress and security test
- Pathway and lock-in analysis
- Learning by doing and supply chain development
- Options values
- Diversity

Questions for SDAG

- Does Ofgem need a Strategic Systems Assessment?
- Should we include distributional and social impacts?
- To what extent are there trade-offs between the interests of current and future consumers – and is it Ofgem's job to balance these?

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

ofgem

Promoting choice and value
for all gas and electricity customers