

Thank you for the opportunity to comment upon the paper entitled:
Strengthening strategic and sustainability considerations in Ofgem decision making.

I work in the energy industry, but the comments offered are my own and not necessarily those of my employer.

Overall:

I welcome the tone and direction of the paper. The promotion of sustainability to its equal position through the 2008 Energy Act was necessary and timely. Although it is a surprise that it has taken this long to work through some of the internal processes at OFGEM; it is, however, still welcome.

Priority:

The consultation itself still remains slightly ambiguous in the importance it ascribes to sustainability. In the introduction the paper seems to re-state the original position and sustainability is referred to as an 'additional item'. (my emphasis below)

Ofgem's principal objective is to protect the interests of both existing and future consumers. The interests of gas and electricity consumers include their interests in the security of the supply of gas and electricity to them, and reduction of greenhouse gases. In addition Ofgem has a duty to contribute to the achievement of sustainable development.

This is regrettable and sets the wrong tone.

Within the document there is clarification of this equal status, however sustainability always is the last item of the list.

e.g.

1.8. In performing these duties, the Authority must have regard to:
the need to secure that, so far as it is economical to meet them, all reasonable demands in Great Britain for gas conveyed through pipes are met;
the need to secure that all reasonable demands for electricity are met;
the need to secure that licence holders are able to finance the activities which are the subject of obligations on them;
and the need to contribute to the achievement of sustainable development.

Since it has taken so long to recognise and promote this organisational value there remains a suspicion that sustainability remains of lower importance than the other items. This paper seeks to improve on the present position, but seems to lack conviction. In my personal experience of change management I have found that new values need to be stated above old ones and therefore I would strongly suggest that sustainability is afforded the equal status the Act demands. Leaving it last sends out poor signals to staff and stakeholders. It should be given prominence as the lead item.

Economics:

The paper usefully recognises the dangers of Business as Usual and the risks of 'locking in'. The need to challenge the status-quo is recognised and welcomed.

It is of some concern, however, that the value of economic activity seems to be missing. i.e The value added through useful work needs to be explicitly taken into account. The need for sustainable employment, which is particularly noticeable in marginal areas needs to be factored in to the philosophy.

Note 8 for example states:

To protect the interests of existing and future consumers where, taken as a whole, those interests include the reduction of greenhouse gases, security of supply and fulfilment of the general objectives of the Gas Directive and Electricity Directive.

It does not mention the value of the consumers of there being economically active jobs to do. This is particularly relevant in the context of the scale of energy conservation activity and grid reconfiguration required to move to a sustainable energy system.

In the same vein there is no recognition of the importance of seeking to decouple economic activity in the UK from carbon based fuels. Remaining dependent upon increasingly scarce resources is an economic mistake. In recent times The Committee on Climate Change found that 84% (£380 of the £455 increase since 2004) was due to rising gas prices. Sustainability related costs were only £75 (16%) in comparison. The absolutely clear imperative to decouple from this unsustainable fuel source needs to be more strongly factored into the 'Long Term' costs of section 2.4.

In conclusion; the document is belatedly welcomed, but feels rather unconvincing in several respects. OFGEM are encouraged to be bolder and seek to fully embrace the revised priorities imposed upon it by the 2008 Act.

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