



Making a positive difference
for energy consumers

To: All those with an interest in
the energy efficiency potential of
Great Britain's energy
infrastructure

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Dear Colleague

Assessing the energy efficiency potential of Great Britain's energy infrastructure

We are consulting on a draft report which assesses the energy efficiency potential of the gas and electricity infrastructure in Great Britain (GB). This is required under the Energy Efficiency Directive (EED), and we are interested in getting your views on this draft report.

The report is the product of our working groups. As well as assessing the energy efficiency potential of gas and electricity infrastructure, it also shows concrete measures for cost-effective improvements.

After our consultation, we will analyse responses and complete the assessment report with the assistance of the working groups. The final report will be delivered to the Secretary of State by 30 June 2015.

About the EED

The EED was agreed by Member States in 2012 and covers multiple aspects of the energy system from supply, transformation, transmission and distribution to consumption. The EED includes an obligation on Member States to set themselves a non-binding national energy efficiency target by 30 April 2013. It also aims to help achieve the European Union's 2020 target to reduce primary energy consumption by 20%, compared to a 2007 business-as-usual projection.

In June 2014, the UK implemented certain provisions of the EED, through The Energy Efficiency (Encouragement, Assessment and Information) Regulations 2014. Regulation 6 established an obligation on the Gas and Electricity Markets Authority (GEMA) to report to the Secretary of State on GB's energy network's energy efficiency potential, and the cost-effective measures that are already in place to improve it.

The Regulation 6 text

"Before or on 30th June 2015 the Gas and Electricity Markets Authority must deliver to the Secretary of State –

- (a) an assessment of the energy efficiency potentials of the gas and electricity infrastructure of Great Britain in particular regarding transmission, distribution, load management and interoperability, and connection to energy generating installations, including access possibilities for micro energy generators;*

(b) a list identifying concrete measures and investments for the introduction of cost-effective energy efficiency improvements in the network infrastructure, with a timetable for their introduction."

Our approach to fulfilling the assessment requirement

A key way to improve the energy efficiency of network infrastructure is to reduce wasted energy. In the gas sector, this waste is known as shrinkage and in the electricity sector as losses. As reducing losses and shrinkage is recognised as the best way to improve energy efficiency of networks, this assessment will focus on the potential for shrinkage and loss reduction.

Two working groups were set up in 2014: one for gas and one for electricity. We invited all of the network companies, the Department of Energy and Climate Change, National Energy Action, Energy UK, and academics with relevant expertise, to our working groups. Each group focused on their area of expertise. This report brings together the findings of these working groups so far, on assessing the current and future potential for reducing shrinkage and losses on GB's gas and electricity networks.

Both working groups have presented their findings in this report. We would like your views on the contents of this draft assessment report.

The structure of the draft report

This report has two sections: electricity and gas. Both have the same structure: a background on losses/shrinkage, a technical overview, and details of the regulatory approach. This is followed by an overview of GB's networks today, setting current losses/shrinkage volumes on GB's networks that we can assess against. Then the barriers, enablers and uncertainties are explained, along with factors that affect the potential of loss/shrinkage reduction, which must be considered.

The core of the report is the section that describes what current measures are being adopted by the network companies, covering distribution and transmission networks. It also shows timeframes for current measures in line with the current price control periods. This is followed by the potential measures section, describing what measures might reduce losses in future, but that are currently not feasible.

Issues to be resolved

The information and data contained within this draft report will not be finalised until after this consultation. After this consultation we will analyse all relevant evidence including the outputs of the working groups and the consultation responses before finalising the report and submitting the final version to the Secretary of State. We are looking for your help in considering if this evidence will be sufficient to meet the requirements of the Regulation 6 text.

In particular, the current losses reduction figures listed in the electricity section of the report are in total, less than those reported in DNOs' business plans. The decision to reduce the figures was made by the working group. However, we expect that, as a minimum, the final report will be consistent with information found in business plans.

In the potential measures section of the report, work is ongoing to include full details of why these measures are listed as potential measures and not current measures; how these measures could reduce losses and by how much; what is the barrier preventing them from becoming current measures; and an expectation of when this barrier will be overcome.

Questions

1. How well do you think this report assesses the energy potential of the gas and electricity infrastructure in GB? Please explain your answer with reference to the Regulation 6 text.
2. Do you think there is anything else that should be included in the assessment? Can you provide evidence of the benefits it would provide to consumers?

Please send any responses to Rhianne Ogilvie at rhianne.ogilvie@ofgem.gov.uk by 9 April 2015.

Yours sincerely,



Dora Guzeleva

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For and on behalf of the Authority