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For Immediate Release

DTI Officials 'throw the match' as Ministers' Calls for Action Go Unheeded

The CHPA has today welcomed Brian Wilson's recognition of the negative impact NETA is having on CHP.

"Ministers have made clear their concern about the impact of NETA on CHP and renewables. Yet once again OFGEM have resisted the need for change and DTI officials appear powerless to act.

"The first three months of NETA caused a dramatic drop in the output of CHP. All the major players in the CHP sector have stopped development of any new CHP schemes. UK carbon emissions are now rising. Faced by these challenges, after a year's consultation, today's response is woefully inadequate and in some cases may actually make matters worse.

"How many more jobs in the CHP industry will have to be lost, and how far will carbon emissions need to rise before OFGEM takes the action it knows it will need to take to deliver the encouragement for CHP and renewables that Ministers asked for four years ago?"

comments David Green, Director of the Combined Heat and Power Association.

Reviewing the DTI's proposals the Association highlights that:

The DTI says they are *"working with Ofgem to look at the unbundling of so-called embedded benefits."*

Reality: The DTI/OFGEM working party dealing with embedded generation does **not** focus on NETA related issues, and is, in any event, working on a timescale focused on the 2005 distribution price review.

The DTI says it is *"addressing some of the administrative burdens of smaller generators."*

Reality: NETA was explicitly designed to focus on the market position of major generators. The small generator voice was marginalised by OFGEM in the design of NETA. Even if advice is now provided, this will not compensate for a fundamentally hostile market.

The DTI says it is “allowing smaller generators to notify their predicted output closer to 'real time'.”

Reality: This does not address the fundamental problem of highly volatile prices caused by the Balancing Mechanism. Initial market feedback suggests what is now proposed may actually **aggravate** the impact of NETA on smaller players.

The DTI says it is “asking Ofgem to assess specifically the issue of ensuring imbalance prices are genuinely cost reflective.”

Reality: The majority of respondents to the Government's consultation paper thought the current system was not cost-reflective. The PIU Review of Energy Policy has already called into question the lack of cost reflectivity in NETA, and urged the Government to bring in legislation. Given how wedded OFGEM are to the market they have created, it is unlikely OFGEM will be willing to drive forward change.

ENDS

NOTES TO EDITORS

1. In October 1998, the Government called upon the Energy Regulator to deliver reform of the energy market which would provide: *"encouragement for Combined Heat and Power and renewables generators."*

Source: DTI Press ReleaseP/98/769 8 October 1998

2. **NO FUTURE? GREEN GENERATORS UNDER NETA**

The Combined Heat & Power Association (CHPA) will be holding an event in relation to the publication of this report - speakers will include representatives from the DTI and OFGEM. This free half-day seminar is to be held on Monday 15 April from 2 - 5pm at the offices of law firm Hammond Suddards Edge. For further information contact Syed Ahmed at the CHPA on 020 7828 4077.

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