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For immediate release

OFGEM REPORT OBSCURES THE TRUE PROBLEMS OF NETA

One year after Government told OFGEM that a decline in the use of CHP “was not politically acceptable”, OFGEM has today published its report on “Consolidation”, its longstanding attempt to limit the damage caused to the achievement of the Government’s CHP target.

Its findings have met with a sceptical response from the Combined Heat and Power industry.

David Green, Director of the Combined Heat and Power Association (CHPA) comments:

“It is frankly incredible if OFGEM believe that a few minor tweaks at the margin will overturn the enormous damage of NETA – a 60% fall in the output of CHP with revenues down by £140 million.

“The report contains no analysis to support OFGEM’s speculation that consolidation will help smaller generators, and no suggestion of the scale of the benefit. Without this evidence, OFGEM are making hollow claims.”

The CHP and renewables industries represented in the working group have stressed that the real barriers to consolidation are the enormous risks that NETA’s artificial settlement arrangements have introduced, and the weak commercial position of small generators. The report, however, provides no clues as to how these fundamental difficulties will be addressed.

Since the introduction of NETA, all the major commercial developers of CHP plant have either exited the market, or placed their plans for new projects on hold. David Green concluded:

“NETA was introduced to tackle yesterday’s problems in the electricity industry, with scant regard for the sustainable generation technologies of tomorrow. Crucially, NETA’s architects appear to have ignored the requirement set out by the Government, that NETA should encourage CHP and renewables.

“The result is that the costs of delivering sustainable energy have been artificially inflated, limiting customer choice and crippling a fledgling industry. Until the fundamental problems of the Balancing Mechanism are resolved, CHP must be removed from the risks of NETA.”

ENDS

Notes to Editors:

1. When the Government initiated the process of electricity market reform, the Government said they had:

"...asked [the Director General] to look particularly carefully at a number of benefits I want to be sure that the new trading arrangements will provide when they come into operation [including] encouragement for Combined Heat and Power and renewables generators."

DTI Press Release, 8 October 1998

1. The Government has a manifesto commitment to double UK use of CHP to 10 GWe by 2010.
2. CHP is the simultaneous generation of electricity and useful heat in a combined, highly efficient process.

In contrast to a conventional generating plant, most of the waste heat resulting from the electricity generation process is captured and used beneficially. As a consequence, the thermal efficiency performance of a CHP scheme is significantly higher than a conventional generating plant.

The efficiency of CHP secures significant environmental benefits and contributes to the sustainability of power generation from fossil fuels as well as other renewable energy sources.

CHP units vary in size from units for individual homes, schemes for local communities, to major industrial and other applications.

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