

Embargo: 14:00 hrs Tuesday 12 March 2002

NETA – ONE YEAR ON AND STILL NO CHANGE

It is now the first anniversary of the Government pronouncing - 4 weeks before NETA *Go Live* in March 2001 - that an outcome from NETA which damaged the prospects for CHP and renewables would not be acceptable.

Addressing the *NETA 2002 Conference* today, David Green, Director of the Combined Heat and Power Association, says:

“ We have had a year of crocodile tears and no practical action to stem the decline in the CHP industry.”

In his address David Green highlights:

- OFGEM's discovery of a 61% drop in output from CHP plant within the first three months of NETA;
- The exiting, in the last year, of all major players from the CHP market;
- The write down in the value of CHP 'assets' now taking place;
- Jobs lost in both the UK based manufacture of CHP as well as in installation and support services;
- CHP installations running way below the level need to achieve the Government's target to double CHP use by 2010.

David Green states:

“We have had a Ministerially ordered review of NETA by OFGEM, a DTI response to the review, a further OFGEM review and a soon to be published DTI response. Meanwhile, there is no sign of the Government's long awaited CHP Strategy from DEFRA which we hope will clearly set out the action Government will take to achieve its manifesto commitment to doubling CHP use by 2010.”

“Today we are setting out what needs to be done – and we urge the Government to act now and show it will deliver.”

The CHPA’s **NETA Action Plan**, which has already been submitted to the Government, calls for:

- Fair access for small generators and consolidators to all markets and revenue streams;
- Proportional transaction costs;
- A single cash-out price;
- Removal of the barrier to new market entry imposed by imbalance risk especially during plant commissioning;
- The end to conflict between industry codes, including restrictions on ‘self-balancing’ under the Grid Code that affect larger CHP plant;
- A change of the governance arrangements in the Balancing and Settlement Code to ensure that small and independent participants have an effective voice.

The CHPA believes such measures could put NETA on a path to achieving the encouragement for CHP and renewables that the Government set as an objective at the start of the market reform process.

ENDS

Notes to Editors:

1. David Green is addressing the *NETA 2002 Conference*.
2. The CHPA believes that to achieve the Government’s CHP target a range of measures over and beyond those related to NETA will be needed. These include:
 - Full exemption for CHP from the Climate Change Levy;
 - Using the Powers the Government has in the 2000 Utilities Act to create a CHP obligation;
 - Excluding CHP from the Renewables Obligation ‘supply base’;
 - Ensuring priority dispatch for CHP and renewables under the *vires* of the Electricity Directive;

- Developing flexible, competitive markets for the trading of small and sustainable generator benefits, including embedded benefits, LECs and ROCs;
- Strengthening of the Secretary of State's (still draft) statutory guidelines to OFGEM on social and environmental issues in relation to CHP and renewables.

For further information contact:

David Green or Graham Meeks on 020 7828 4077 (CHPA Office).