

Embargoed until 00.00 19 September 2007

Environment watchdog proposes key changes to energy regulation

The Government's adviser on sustainable development, the Sustainable Development Commission, is today publishing its root-and-branch review of the country's energy regulator, Ofgem. The review proposes a fundamental change to the regulator's remit in order to meet the Government's objectives for tackling climate change.

Graham Meeks, Director of the Combined Heat and Power Association, today welcomed the publication of the review:

"It is difficult to see how the Government can move forward with its energy policy agenda for the 21st century when the scope for action by its regulator is dictated by the priorities of the 1990s.

"As we move into a phase of renewing our energy infrastructure we need to focus on the objectives of climate change and energy security and achieve much stronger alignment in our policies and institutions. Instead, the situation we face today is compromising the outlook for investment in low-carbon technologies, such as combined heat and power, and stands in the way of developing a competitive market in energy services.

"The review provides a compelling case to renew institutional arrangements and refresh our approach to energy markets. Heat, not gas, must be recognised as the service that consumers seek, and an appropriate regulatory framework introduced. Incentives and locational signals must consider the wider efficiency and carbon-saving benefits of a diverse range of technologies, rather than remain restricted to a narrow focus on the networks themselves. And crucially, any contradictions between Government policy and regulatory practice must be addressed.

"The Association welcomes this review and now looks forward to the Government acting to respond."

The review proposes:

- The establishment of a regulatory framework for heat.
- Amending electricity transmission charging arrangements to avoid impacting combined heat and power plants, or introducing additional support measures.
- Bringing energy and environment responsibilities together under one Secretary of State.
- Aligning the primary duties of Ofgem with the objectives of government energy and environment policy.

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Notes for Editors

1. Combined Heat and Power (CHP) or cogeneration is one of the key technologies identified by UK and European governments as playing a lead role in efforts to tackle climate change and enhance our energy security. By utilising the heat rejected from the process of power generation, CHP is able to deliver significant cuts in carbon emissions relative to conventional arrangements for the supply of heat, cooling and electricity. Today in the UK CHP is delivering around 5 million tonnes of carbon savings and meeting 7% of our electricity needs, with the potential to more than double this contribution with the right policies in place.
2. The Combined Heat and Power Association is one of the leading industry bodies active in the sustainable and clean energy sector. The Association is a representative body supported by member subscription. It has over 50 members active across a range of technologies and markets, from microCHP to major utility-scale energy plants serving industrial processes and city-wide district heating systems. Our aim is to support our members' interests through the development and maintenance of positive market conditions for CHP.
3. The Sustainable Development Commission is the Government's independent watchdog on sustainable development, reporting to the Prime Minister, the First Ministers of Scotland and Wales and the First Minister and Deputy First Minister of Northern Ireland. More information regarding the report and its in depth review of the gas and electricity markets regulator can be found at <http://www.sd-commission.org.uk/> .
4. Ofgem is the regulator of the electricity and gas markets in Great Britain. In practice its duties are executed by the Gas and Electricity Market Authority (GEMA). 'Ofgem' is commonly used as shorthand for GEMA. Currently its primary duty is to protect the interests of consumers, present and future, wherever appropriate, by promoting effective competition between persons engaged in, or in commercial activities connected with, the shipping, transportation or supply of gas conveyed through pipes and the generation, transmission, distribution or supply of electricity or the provisions or use of electricity interconnectors. Further details are available from <http://www.ofgem.gov.uk/> .