



The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER ECONOMICS

Inside...

- " Ofgem's scenarios for GB energy market development;
- " Implementation of supply market remedies arising from market probe;
- " First projects to be considered by Infrastructure Planning Commission named;
- " Consultation on price control pension principles;
- " RPI-X@20 review documents;
- " Guidance on offshore transmission network transitional tender; and
- " Transmission licence changes.

The Pace of Change in Great Britain

This monthly briefing paper from IPA Energy + Water Economics provides a brief update of the major consultations and announcements that impact on the development of the Great Britain wholesale electricity.

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If readers need further information on any of the issues raised in this newsletter, or would like advice on how these changes and other market developments might affect your company, please contact IPA Energy + Water Economics on +44 (0)131 240 0840 or via email at contact@ipaeconomics.com.

We are continually looking for ways to make this newsletter more useful for our readers, and would welcome comments and suggestions on any changes which might be helpful.

Disclaimer

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DEPARTMENT OF ENERGY AND CLIMATE CHANGE (DECC)

Title: *Statement – Ofgem's Project Discovery Report*
([link](#))

Published: 9 October
Response due: N/A

DECC commented as follows on the publication of Ofgem's *Project Discovery* report (see Ofgem section) which highlights a number of challenges in delivering secure and sustainable energy in the future:

"Ofgem is examining a range of hypothetical scenarios, it's prudent to do so, however unlikely they are. What's clear, and set out in our transition plan, is that there's no low cost high carbon future. It's critical we maximise the effect of our planning reforms, clean energy rewards and efficiency measures to shift us away from fossil fuels and into a low carbon mix.

"We're already seeing the benefit of putting extra incentives behind renewables, we have two new nuclear operators gearing up to invest because of our work to remove unnecessary hurdles and our proposed framework for clean coal is one of the most advanced.

"The public should be assured the UK energy system is resilient and will deliver for the long term. Ensuring consumers get the most competitive deal at the same time is a priority. We take a zero complacency approach, abuses in the market have been removed already this year, and we've proposed giving stronger powers to Ofgem to police abuses."

In the press release, Ed Milliband is also quoted as saying:

"The most important thing about Ofgem's report is that it emphasises the need to – as we are doing – get on with new nuclear power, new renewables, including wind which is unpopular with some people, and clean coal. And we are doing all of those things."

Title: *IPC Names Anticipated Initial Projects*
([link](#))

Published: 22 October
Response due: N/A

The Infrastructure Planning Commission has announced that it expects to receive applications for five major wind farms, two new nuclear power stations, a biomass power plant, and two grid connection projects.

An updated list of projects will be maintained on the IPC's [website](#), with the initial list available [here](#).

Title: *New Nuclear Power Could Supply Every Home in the UK*
([link](#))

Published: 28 October
Response due: N/A

DECC has announced that a consortium, comprising GDF SUEZ SA, Iberdrola SA, and Scottish and Southern Energy Plc, has secured an option to purchase land for the development of a new nuclear power station at Sellafield and has set out plans to build up to 3.6 GW of new nuclear with work expected to begin in 2015.



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OFGEM

Title: *Winter Outlook Report 2009/10*

[\(link\)](#)

Published: 1 October

Response due: N/A

Ofgem has published National Grid's final report on its assessment of the gas and electricity market for the coming winter.

For electricity, National Grid conclude that:

"... based on the information available for this final report, the surplus generation availability above expected electricity demand continues to be materially more comfortable than we have seen in recent years."

It also identifies the potential for further (wind and CCGT) generation depending on commissioning.

Title: *Ofgem Consumer First Panel – Research Findings from the Third Events*

[\(link\)](#)

Published: 2 October

Response due: N/A

Ofgem has published the findings from five workshops, held in June in a number of locations, which comprise the third round of Ofgem's "Consumer First Panel Events" exploring consumers' experience of the energy market.

One of the key findings was that:

"... consumers remain suspicious of industry profit making and are concerned that the more players involved in the supply chain, the more costs will befall the consumer."

Title: *Direct Debit Arrangements*

[\(link\)](#)

Published: 2 October

Response due: 30 October for objections

Ofgem has published its conclusions, and statutory consultation on new licence conditions, following its review of the Big Six's direct debit arrangements.

Issue: *Transmission Licence Changes*

[\(link\)](#)

Published: 5 October

Response due: N/A

Ofgem has published the statutory notice modifying Standard Licence Condition C16 of the Transmission Licence (Procurement and use of balancing services), which makes changes needed to support BSC modification P217A (Revised Tagging Process and Calculation of Cash Out Prices) which is to be implemented in November.

Title: *The Renewables Obligation Buy-Out Fund (2008-2009)*

[\(link\)](#)

Published: 5 October

Response due: N/A

Ofgem has published details of the RO Buy Out fund for 2008/09. The total UK obligation is recorded as 28,975,678 megawatt hours (MWh). For each ROC presented suppliers will receive £18.54 from the buy-out funds on 30 September 2009.

The note states that there was a shortfall of £7,196,101.08 in the three buy-out funds as not all suppliers fully complied with their obligations and that a large proportion of this shortfall is due to two suppliers (Bizz Energy Ltd and Electricity4Business Ltd) being in administration. It also notes that late payments for the Renewables Obligation (including interest) are expected to be redistributed in early November 2009.

Title: *Review of Protection for Vulnerable Customer from Disconnection*

[\(link\)](#)

Press Release: *Ofgem and Consumer Focus Work Together to Protect Vulnerable Customers*

[\(link\)](#)

Published: 8 October

Response due: 20 November

Ofgem is consulting on proposals to improve safeguards to protect vulnerable customers from disconnection, following a joint review with Consumer Focus which found much good practice but also room for improvement.



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Title: Project Discovery: Energy Market Scenarios

[\(link\)](#)

Press Release: Ofgem Publishes a Comprehensive Review of Britain's Energy Supplies

[\(link\)](#)

Published: 9 October
Response due: 20 November

As part of its "Project Discovery", established earlier this year to explore sustainable energy supplies over the next 10-15 years, Ofgem has issued a consultation on its scenario/stress test analysis which seeks to identify "... the scale of the challenge and risks facing the GB and wider European and global energy markets over the next two decades."

This is the first stage of three, with subsequent stages intended to assess whether and, if so, what improvements can be made to the current market arrangements to deliver secure and sustainable energy supplies.

Amongst the key messages from the analysis, Ofgem conclude that:

"... gas and electricity supplies can be maintained to customers provided the market participants respond adequately to market signals – but each scenario comes with real risks, potential price rises and varying carbon impacts. Britain's ability to meet its demand for gas and electricity is therefore poised to be tested over the next decade or so. Growing exposure to a volatile global gas market and ageing power plant nearing the end of its life, along with the need to tackle climate change, are the central challenges the country faces.

"High levels of investment are likely to be needed – up to £200 billion may be required by 2020. This would imply more than doubling the recent rate of investment.

"Consumer bills rise in all scenarios due to the levels of new investment required and increasing costs of carbon, and especially so if oil and gas spot prices spike sharply or continue their underlying rise since 2003/2."

The press release headlines include the warning that prices to customers could go up to fund the necessary investments.

Title: Arrangements for Responding in the Event that an Energy Network Company Experiences Deteriorating Financial Health

[\(link\)](#) [\(guidance note\)](#)

Published: 12 October
Response due: N/A

Ofgem has published its decision, and a first version of its guidance note, on what happens if an energy network company experiences financial difficulties.

Title: Gas and Electricity Licence Applications – Proposed Changes to the Application Regulations and Guidance Document

[\(link\)](#) [\(licence modifications\)](#) [\(draft guidance\)](#)

Published: 14 October
Response due: 11 November

Ofgem has issued a consultation on the changes it is proposing to make to the Gas and Electricity Application Regulations, and associated guidance document, in anticipation of the need to meet the requirements of the EU Services Directive when it becomes UK Law.

Title: Price Control Pension Principles – Third Consultation Document

[\(link\)](#)

Press Release: Ofgem Consults on Principles for Pension Price Controls

[\(link\)](#)

Published: 16 October
Response due: 13 November

Ofgem has issued a consultation on its proposed principles to govern the treatment of pension costs for all monopoly network operators under future price controls.



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Title: Security & Quality of Service Standard Amendment Request (GSR007)

[\(link\)](#)

Published: 21 October

Response due: N/A

Ofgem has published a letter that outlines the process and timetables it intends to follow in dealing with the request (from National Grid Electricity Transmission Ltd, SP Transmission Ltd and Scottish Hydro-Electric Transmission Ltd) to make changes to the National Electricity Transmission System Security Quality of Service Standard (NETS SQSS) and relevant transmission licence conditions to change the infeed loss limits. The proposed approach/timetable is as follows:

- November 2009: Charging implications consultation from NGET
 - January 2010: Ofgem publish impact assessment for consultation
 - April 2010: Ofgem publish decision and, if appropriate, give notice of a licence modification change proposal (28 day statutory consultation)
 - May 2010: Ofgem issue decision notice and, if appropriate, a direction to modify the licence
-

Title: Ofgem's Response to the Renewable Electricity Financial Incentive Consultation

[\(link\)](#)

Published: 21 October

Response due: N/A

Ofgem has published the response it has submitted to DECC's consultation on renewable electricity financial incentives which covers both amendments to the Renewables Obligation and the proposed new feed in tariff for small scale renewable electricity generation. Ofgem's key conclusions appear to be that:

- **RO:** The RO is getting too complex and it may be time to think about a different, simpler approach noting, *"Given the scale of the renewables challenges and the acknowledged high cost and increasing complexity of the RO there is a strong argument for the Government to take stock and re-consider the potential benefits of replacing the RO with a simple, more transparent scheme."*
- **FiT:** The FiT is a better approach for smaller renewable generators but it is (still) too complex and the same carbon savings could be delivered from this sector, at a lower cost, if Government focussed the support away from domestic scale installations.

Ofgem also raise concerns that Government has not addressed concerns about the impact of the cost on fuel poverty.

Title: Community Energy Saving Programme (CESP) Energy Company Contact Details

[\(link\)](#)

Published: 23 October

Response due: N/A

Ofgem has published the contact details of the companies involved in the Community Energy Savings Programme.



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Title: License Holders Obligated Under the Electricity and Gas (Community Energy Saving Programme) Order 2009

[\(link\)](#)

Published: 26 October
Response due: N/A

Ofgem has published an open letter that sets out which gas and electricity companies are subject to the CESP (Community Energy Saving Programme) provisions and required to take action to help families deliver specified carbon reductions.

Title: Guidance on Deemed Contract Relationship

[\(link\)](#)

Published: 26 October
Response due: N/A

Ofgem has published guidance on whether a “deemed contract relationship” is likely to exist between a customer and a gas and/or electricity supplier under the provisions of paragraph 8 of Schedule 2B to the Gas Act 1986 and/or paragraph 3 of schedule 6 to the Electricity Act 1989. Ofgem indicate that this generally occurs where a customer moves in to new premises and consumes gas and/or electricity without agreeing a contract with a supplier but can also arise in some circumstances where an existing contract comes to an end and the customer continues to consume gas and/or electricity.

Where such a contract exists, Ofgem may have the ability to investigate whether the supplier’s terms are unduly onerous.

Title: Agenda for Ofgem’s City Briefing on 4 November 2009

[\(link\)](#)

Published: 26 October
Response due: N/A

Title: Codes Governance Review Initial Proposals – Illustrative Licence Modification Drafting

[\(link\)](#)

Published: 27 October
Response due: 8 December

Ofgem has published draft “illustrative” licence modifications that would give effect to its initial proposals, published for consultation in the summer, following its Codes Governance Review. Ofgem note that it is still considering the responses to its consultations and that these illustrative licence modifications are intended to assist industry understand its initial proposals and do not represent a policy decision on those proposals. Ofgem state that the purpose of the consultation is to seek to:

“... ensure that, when a final decision is taken in relation to the Code Governance Review, we will have had the benefit of industry comments at an early stage on the associated licence modifications, which can be published alongside our final proposals, due early 2010.”

The illustrative drafting is set out in three annexes covering changes to give effect to the initial proposals in respect of:

- [Annex 1](#): Major Policy Reviews and Self Governance;
 - [Annex 2](#): Code Administrators and Small Participants/Consumer Initiatives; and
 - [Annex 3](#): Charging Methodologies.
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Title: *Approach and Timetable Options for the Next Transmission Price Control Review (TPCR5)*
[\(link\)](#)

Published: 28 October
Response due: 25 November

Ofgem has issued a consultation on its proposed approach to the transmission price control review (TPCR5) in order to incorporate the findings of the RPI-X@20 project given the timetable for that project. The paper suggests two broad options:

- **Option 1:** *Implement TPCR5 from 1 April 2012, incorporating the conclusions from RPI-X@20, as far as practicable.*
- **Option 2:** *Implement TPCR5 from 1 April 2013, whilst before that making limited changes to the existing price control regime (TPCR4) so that the regime can be extended for a further year (and 'adapted roll-over' of the current regime)."*

Ofgem note that its "provisional preference" is for option 2.

The next price control is due to come into effect when the current price control expires on 31 March 2012; work is due to state "imminently".

Title: *Consultation on NGET's Request for Grid Code and STC Derogations in Respect of Certain Offshore Transitional Projects*
[\(link\)](#)

Published: 29 October (dated 30 October)
Response due: 26 November

Ofgem is seeking views on National Grid's request for a derogation from some Grid Code and STC obligations in respect of some transitional offshore transmission projects.

Title: *Consultation on IDNO/DNO Boundary Equipment and Which Parties Should Fund this Equipment*
[\(link\)](#)

Published: 30 October
Response due: 11 December

Ofgem is consulting on the position it is likely to adopt if the issue of who should bear the cost of universal HH meters at DNO/IDNO boundaries is brought to it for decision.

Ofgem states that it is currently " *minded to conclude that universal boundary metering is discriminatory and disproportionate. We [Ofgem] conclude that more proportionate arrangements, able to facilitate competition, would be achieved if DNOs funded the equipment used to measure flows at the boundary themselves.*"

This reverses the decision it originally reached in 2005.



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OFGEM – ENERGY SUPPLY PROBE

Title: *Ofgem’s Market Probe Gives More Muscle to Consumers*

[\(link\)](#) [\(factsheet\)](#)

Published: 19 October

Response due: N/A

Ofgem has published a press release and a factsheet highlighting the measures that it has put in place to make it easier for energy customers to get a better deal.

Title: *Implementation of the Energy Supply Probe Retail Market Remedies*

[\(link\)](#) [\(supply direction\)](#) [\(generation direction\)](#)

Published: 19 October

Response due: N/A

Ofgem has published its decision, and statutory notices directing modifications to gas and electricity supply licences and electricity generation licences, to protect customers following its energy probe and subsequent consultations.

The implementation date has been pushed back from the dates consulted on, for a number of the measures.

Title: *Standards of Conduct for Suppliers in the Retail Market*

[\(link\)](#)

Published: 19 October

Response due: N/A

Ofgem has published an open letter that sets out the standards Ofgem expects energy suppliers to put into practice to accompany the new licence based measures:

- *“You must not sell a customer a product or service that he or she does not fully understand or that is inappropriate for their needs and circumstances;*
 - *You must not change anything material about a customer’s product or service without clearly explaining to him or her why;*
 - *You must not prevent a customer from switching product or supplier without good reason;*
 - *You must not offer products that are unnecessarily complex or confusing; and*
 - *You must make it easy for customers to contact you and act promptly and courteously to put things right when you make a mistake.”*
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OFGEM – OFFSHORE TRANSMISSION REGIME

Title: *Offshore Transmission – First Transitional Tender Information Memorandum*

[\(link\)](#)

Published: 1 October (dated September)

Response due: N/A

Ofgem has published the “Tender Information Memorandum”, produced by RBC Capital Markets. The memorandum provides generic background information and guidance on the qualification to tender (QTT) stage to be read in conjunction with the project-specific information memoranda (PSIM).

The memorandum notes that a full data room will be made available at the Invitation to Tender stage to those Qualifying Bidders that are shortlisted following the conclusion of the (current) qualification to tender QTT stage.

Title: *Offshore Transmission Banker Day*

[\(link\)](#)

Published: 5 October (held on 1 October)

Response due: N/A

Ofgem has published the presentation given at the “Offshore Transmission Bankers Day”, which includes an updated overview of the regime overview, an update on the tender process, and information on the process to asset transfer.

Title: *Offshore Transitional Tenders – First Round Transitional Projects Tender Guidance Note on Process to Asset Transfer*

[\(link\)](#)

Published: 14 October

Response due: N/A

Ofgem has provided guidance to Qualifying Applicants, and others, on how Ofgem envisages that assets will be transferred from wind farm project developers to future Offshore Transmission Owners under the transitional tender rounds.

Ofgem notes that the guidance note may change in the light of experience and feedback.

Title: *Generic OFTO Special Licence Conditions (version 0.3), Guidance Note and Licence Model*

[\(link\)](#) [\(special licence conditions\)](#)

[\(guidance note\)](#) [\(Excel model\)](#)

Published: 14 October

Response due: N/A

Ofgem has published a revised version of the draft generic Offshore Transmission Owner (OFTO) special licence condition, together with a set of guidance notes intended to help qualifying applicants and other interested parties understand this version of the draft generic special licence conditions plus a Microsoft Excel model to illustrate how the revenue formula of the draft special licence conditions will work (including a version of the performance incentive).

Title: *European Investment Bank Examining Over £300 Million of Funding to Help Connect Offshore Wind Farms*

[\(link\)](#)

Published: 30 October

Response due: N/A

Ofgem has announced that the EIB is considering provision of over £300 million of funding to investors in high voltage transmission links to offshore wind farms in Great Britain.



OFGEM – RPI-X@20 REVIEW

Title: Consumers, Stakeholders and Appeal Mechanisms in the Regulation of Energy Networks – A Contribution to Ofgem’s RPI-X@20 Project from John France, Regulation Director, CE Electric UK Funding Company
[\(link\)](#)

Published: 1 October
Response due: N/A

Ofgem has published a paper that considers one of the issues referred to Ofgem’s RPI-X@20 Consumers Working Group – whether the interests of stakeholders can be better incorporated into the regulatory process by giving certain categories of stakeholders’ rights of veto or appeal. The key conclusions are that:

- *“... conferring new rights of veto or appeal on classes of stakeholder that do not currently enjoy such rights would greatly diminish both the role of Ofgem and the salience of environmental considerations within the price control review process; and*
- *the interests of suppliers and customers are not aligned and there is no case for conferring rights of veto or appeal on suppliers.”*

Title: Regulating Energy Networks for the Future: RPI-X@20 – Delivering Outcomes: Consumer Engagement in the Regulatory Process
[\(link\)](#)

Published: 1 October
Response due: N/A

Ofgem has set out its “current thinking” on how to engage consumers within the regulatory process. Ofgem note that the details it will explore include:

“... determining appropriate ways to engage with consumers; identifying core issues that we should engage consumers on; and considering appropriate timing for engagement.”

Ofgem also note that it considers that:

“... there may be a greater role for consumers in decision-making in the future, particularly if the role of networks changes and they have more interaction with consumers, which allows them to better understand consumer needs and preferences.”

Title: Regulating Energy Networks for the Future: RPI-X@20 Working Paper – Delivering Desired Outcomes: Ensuring the Future Regulatory Framework is Adaptable
[\(link\)](#)

Published: 2 October
Response due: N/A

This is a further paper in Ofgem’s series of working papers exploring network regulation issues under the RPI-X@20. This one covers *“adaptability and the treatment of uncertainty in the context of the RPI-X regimes applied to energy networks.”*

Title: Regulating Energy Networks for the Future: RPI-X@20 – Delivering a Sustainable Energy Sector and Value for Money: Enhancing Competitive Pressures on Regulated Networks – Ofgem’s Current Thinking
[\(link\)](#)

Published: 6 October
Response due: N/A

This paper explores *“how high-level outcomes consistent with those set out in [Ofgem’s] first working paper might be delivered under future regulatory frameworks for the energy networks”* and in particular, *“the case for enhancing competitive pressures on regulated networks.”*

Title: Should Energy Consumers and Energy Network Users Have the Right to Appeal Ofgem Price Control Decisions? If So, What Form Should the Appeals Process Take?
[\(link\)](#)

Published: 7 October
Response due: N/A

Ofgem has published a consultant’s report which investigates the advantages and disadvantages for consumers and network users of introducing a right to appeal the substance of the regulatory settlement.



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Title: RPI-X@20: Technological Change in Electricity and Gas Networks – A Sample Survey of International Innovation Projects Final Report
([link](#))

Published: 9 October
Response due: N/A

Ofgem has published a consultant's report on the potential for technological innovation on the GB energy networks. The report's objective was to:

"... review the current international status of innovation on electricity and gas networks, to understand what has encouraged that innovation and how it will bring benefits to customers and wider stakeholders."

Title: RPI-X@20 Working Group Report on Innovation in Energy Networks
([link](#))

Published: 12 October
Response due: N/A

Ofgem has published a working group report that focussed on four key questions:

- What is innovation in the context of energy networks?
- Is more innovation in energy networks needed?
- How have the existing initiatives performed?
- Are there other models that could facilitate more innovation?

The overall conclusion is that *"... while significant innovation is required in each of the above four areas [Financial Affordability, Market / Regulatory Structure, Commercial Innovation; and Intellectual Capacity], the majority of the proposals put forward do not require fundamental changes to the regulatory framework; rather they represented a need for significant evolution of the current RPI-X regime."*

Title: RPI-X@20 Consumer Working Group Paper
([link](#))

Published: 12 October
Response due: N/A

Ofgem has published a paper from the Consumer Working Group that explores:

"... the current regulatory environment for consumers and the issues faced by the regime in engaging consumers and their representatives in the price control process."

However, the group does not make any recommendations noting that:

"... the issues raised within the paper require more detailed examination and debate than that available to working group members in order to explore in the required depth" and that, whilst there has been agreement in a number of areas ..."

"... it has not been possible to gain consensus across the working group on some fundamental points and this necessarily constrains the ability to reach agreed outcomes."

Title: Energy Services and ESCOs – Their Benefits and Implications for Regulation and the Consumer
([link](#))

Published: 13 October
Response due: N/A

Ofgem has published a paper, by Peter Boait from De Montfort University, which aims to identify changes to network regulation that would:

"... stimulate a wider market for energy services, in particular their provision to domestic and small business consumers ... with the associated benefits this is expected to bring in terms of:

- *"better value for money for the consumer through investment in energy efficiency and competitive pressure on conventional energy retail;*
- *more rapid adoption of new technologies such as heat pumps and micro CHP;*
- *accelerated network contributions towards a low carbon economy through the inherent incentives of the business model and wider exploitation of opportunities for renewable generation."*



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Title: RPI-X @20 Investment Working Group Report
([link](#))

Published: 14 October
Response due: N/A

Ofgem has published the report from the investment working group. The group record that it:

“... does not seek to recommend detailed solutions to the changing needs of the network investment framework, but does serve to record the inputs, issues and ideas of the participating members spanning transmission, distribution and retail companies.”

Title: Fundamental Flaws in the Current Cost Regulatory Capital Value Method of Utility Pricing
([link](#)) ([supporting email](#))

Published: 14 October
Response due: N/A

Ofgem has published “*a critique of the Regulatory Capital Value method of setting utility prices, as applied in Scotland for setting revenue caps for water, and by OFWAT in England and Wales*”, which has been submitted to its RPI-X@20 project on the basis that the comments are “... entirely applicable to the RPI – X method currently used by OFGEM, which is the subject of your [Ofgem’s] present RPI – X review” given the similarity between the two sectors.

The paper states that it demonstrates that:

“... there are two fundamental errors in the current cost version of the RCV approach: (this is illustrated with reference to the version of current cost RCV pricing currently applied in the water industry in the UK). First, when utility prices are set to cover current cost depreciation, and to earn a market interest rate of return on the current cost capital value of the industry, (as happens under current cost RCV pricing), then the very act of investing in capital assets yields a large cash surplus to the utility. Investment itself thus becomes a highly profitable activity – largely irrespective of whether or not the investment yields an adequate physical return: and the longer the asset life of the investment, the larger the cash surplus. This has major effects on utility behaviour, resulting in distortion of capital programmes, excessive dividend returns to equity holders, overcharging, and distortion of the gearing ratios of the companies.

The second fundamental flaw relates to mistaken handling of the concept of opportunity cost when a utility is a price maker. The concept of the opportunity cost of capital provides an important part of the rationale for the current cost RCV approach: and yet for a price maker, (like a typical utility), the burden of costs rests on the consumer, so opportunity cost decisions should be made at the level of the consumer, not at the level of the company running the utility. The RCV method therefore needs to be supplemented with appropriate reward and decision making mechanisms for consumers, so that they can exercise the required opportunity cost functions.”



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Title: Consumers' Right to Appeal Regulatory Decisions – Report to Centrica

[\(link\)](#)

Published: 15 October (dated 14 October)

Response due: N/A

Ofgem has published a report by a consultant for Centrica which investigates:

“... whether greater consumer involvement in Ofgem’s regulatory process is needed and, if so, what is the best approach to engaging with consumers, given the nature of the industries in which Ofgem operates.”

Title: Paper from the RPI-X @20 Finance Working Group

[\(link\)](#)

Published: 16 October

Response due: N/A

Ofgem has published a paper from the finance working group, which concludes that:

“The investment environment going forward is highly uncertain at a time when massive challenges are going to be posed to the Networks to meet the changing demands and binding targets of this new, more environmentally aware, world.”

Title: ENA’s Response to Ofgem’s Working Paper 3 – Regulating Energy Networks for the Future: RPI-X@20 – Delivering Desired Outcomes: Who Decides What Energy Networks of the Future Look Like?

[\(link\)](#)

Published: 15 October (date 1 September)

Response due: N/A

Ofgem has published the response from the Energy Networks Association to its working paper on Delivering desired outcomes: Who decides what energy networks of the future look like?

ENA suggests that, “Who decides what energy networks of the future will do” may possibly be a more accurate description of the substance of the paper.



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LICENCES

Electricity Licence Applications in October 2009

Company: DONG Walney (UK) Limited
Licence: Generation

Applied: 7 October
Published on: 13 October
([link](#))

Company: Eucalyptus Worldwide Limited
Licence: Supply (Domestic and Non-Domestic)

Applied: 14 October
Published on: 14 October
([link](#))

Company: Energy 2 Sell Limited
Licence: Supply (Domestic and Non-Domestic)

Applied: 30 September
Published on: 21 October
([link](#))

Company: NNB Generation Company Limited
Licence: Generation

Applied: 19 October
Published on: 21 October
([link](#))

Company: Horizon Trading LLC
Licence: Supply (Non Domestic)

Applied: 22 October
Published on: 30 October
([link](#))

Company: Energy COOP Limited
Licence: Supply (Extension to Include Domestic)

Applied: 21 October
Published on: 30 October
([link](#))

Electricity Licences Issued in October 2009

Company: Thorpe Marsh Power Limited
Licence: Generation

Published on: 26 October
Effective from: 20 October
([link](#))



GB SYSTEM OPERATOR (SO)

Title: *Proposed Changes to the BSAD Methodology Statements, and the Introduction of the SMAF Methodology Statement following Industry Consultation*

[\(link\)](#)

Published: 11 October

Proposed Implementation Date: 5 November
(provided Ofgem gives its decision by then)

National Grid has submitted its final report to Ofgem for approval proposing changes to the BSAD Methodology and the proposed new “SMAF Methodology”, both of which are required to support the implementation (on 5 November) of BSC modification P217A (Revised Tagging Process and Calculation of Cash Out Prices) to Ofgem for approval. The proposals incorporate a number of changes in response to comments received on its September consultation.

The report includes two options. One includes only those changes needed to support the approved modification, the other makes these changes and a number of further changes that National Grid considers necessary following its own review of the balancing services included in the imbalance price calculation.



DISTRIBUTION NETWORK OPERATORS (DNO)

Distribution Price Control 5

Title: *Electricity Distribution Price Control Review Initial Licence Drafting Consultation*
([link](#)) ([appendices](#))

Published: 20 October
Response due: 17 November

Ofgem is consulting on its initial views on the licence changes that will be needed to implement the next Electricity Distribution Price Control (to cover the period 2010-15). Some of the licence condition changes will apply to Independent Distribution Network Operators.

Ofgem notes that it is not, in this consultation, seeking views on the policy proposals and that there will be another consultation on the new/revised licence conditions once its Final Proposals have been published.

Title: *Further Update to the Cost Assessment*
([link](#))

Published: 28 October
Response due: N/A

Ofgem has published an open letter that provides an update on its cost assessment following further work to review/refine and update its work and take into account comments from DNOs.

Charging Methodology Decisions

Title: *Distribution Connection and Use of System Agreement (DCUSA) DCP045 – Connection Terms Change Notification*
([link](#))

Decision: **APPROVE (not vetoed)**
Published: 15 October
Effective from: 22 October

Ofgem has approved a modification to the DCUSA that changes the process by which customers are notified about amendments to the electricity distribution connection terms. In future, notices will be published in the national press and details placed on the Energy Network Association's website.

Title: *Electricity North West's (ENW) Electricity Distribution Use of System Charging Methodology: Interim IDNO Tariffs*
([link](#))

Decision: **APPROVE (not vetoed)**
Published: 28 October (dated 22 October)
Effective from: 1 April 2009



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BALANCING AND SETTLEMENT CODE (BSC)

Joiners

Total Global Steel Ltd

Party ID: TOTALLTD

Non-Physical Trader

NASDAQ OMX Stockholm AB

Party ID: N2EX

Non-Physical Trader and Energy Contract Volume

Notification Agent (ECVNA)

EDF Energy (West Burton Power) Ltd

Party ID: WBURTONB

Generator

Leavers

Carron Energy Limited

Party ID: CARRON

[\(link\)](#)

Title: **ELEXON Announces Appointment of New Chief Executive**

[\(link\)](#)

Published: 8 October

Response due: N/A

ELEXON has announced that Peter Haigh (of E.ON) will be taking over from Stuart Senior as Chief Executive on 4 November.

BSC Issues

Issue 38: **Potential Improvements to Credit Checking Rules to Support High Levels of Embedded Generation in North Scotland**

[\(link\)](#)

Raised by: BSC Panel

Raised on: 8 October

The BSC Panel has raised Issue 38 to see if a solution can be found to a defect in the method used by BSC credit checking processes to estimate how much energy suppliers have used. The BSC Panel paper proposing the issue be raised indicates that the defect only becomes material where the embedded generation within a GSP Group is nearly as large as the demand and that, in September, the North Scotland GSP Group came close to this for the first time.

Modification Proposals

P245 **Long Term Vacant Site Timescales**

[\(link\)](#)

Proposed by: E.ON

Proposed on: 23 October

The modification proposes a change to the time limits within which a supplier's NHHDC (Non Half Hourly Data Collector) must make two separate visits to a site and confirm it is not occupied in order for the supplier to be able to treat the site as "long term vacant".

The current time limits specified for the two visits are "not less than three months and not more than seven months apart"; the modification proposes changing these to "not less than 75 calendar days and not more than 215 calendar days apart."



CONNECTION AND USE OF SYSTEM CODE (CUSC)

New CUSC Amendment Proposals

CAP 178 Amendment to the Process for the Approval of CUSC Amendments Panel Meeting Minutes when a CUSC Amendments Panel Meeting has been Cancelled

[\(link\)](#)

Raised by: National Grid

The CAP proposes changes to the CUSC to introduce a new process for approving the minutes of a CUSC Panel meeting, when the subsequent meeting is cancelled, without necessarily waiting until the following meeting.



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EUROPEAN UNION (TITLES AND LINKS ONLY)

Title: *Investing in the Future: Commission Calls for Additional €50bn in Low Carbon Technologies*

[\(link\)](#)

Published: 7 October

Title: *The Commission and 22 World Leaders Explore Ways for the Viability of Carbon Capture and Storage*

[\(link\)](#)

Published: 13 October

Title: *Andris Piebalgs, Energy Commissioner – Renewable Energy: Developing a Green Energy Market (Speech at the EU-Mediterranean-Gulf Conference)*

[\(link\)](#)

Published: 9 October

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EUROPEAN REGULATORS GROUP FOR ELECTRICITY AND GAS (ERGEG) (TITLES AND LINKS ONLY)

Title: *Energy Regulators Go Global in Establishing the International Confederation of Energy Regulators (ICER)*

[\(link\)](#)

Published: 19 October (World Forum on Energy Regulation IV)

Title: *Energy Regulators Set Up a Global Confederation and Issue a Joint Statement on Climate Change*

[\(link\)](#)

Published: 21 October (World Forum on Energy Regulation IV)

Title: *World energy regulators commit to eight concrete actions to help meet the climate change challenge*

[\(link\)](#)

Published: 20 October (World Forum on Energy Regulation IV)

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SUMMARY OF CONSULTATIONS/PUBLICATIONS AND BSC/CUSC MODIFICATIONS AND DECISIONS

Please note that whilst considerable effort is made to keep this up to date some, possibly important, consultations and announcements will inevitably have been missed. Readers should also refer to the relevant documents to confirm response dates.

Consultations Carried Over from Previous Months

Issuer	Title	Date	Response Due
Ofgem	<i>Gas and Electricity Connections Industry Review 2007-08</i> (link)	20 Jul	13 Nov
GB SO	<i>Reactive Market Invitation to Tender</i> (link)	11 Sep	17:00 13 Nov
DECC	<i>Improving Grid Access</i> (link)	25 Aug	17 Nov
DECC	<i>Consultation on the Proposed Offshore Carbon Dioxide Storage Licensing Regime</i> (link)	25 Sep	30 Dec

New Consultations/Publications

Issuer	Title	Date	Response Due
Ofgem	<i>Winter Outlook Report 2009/10</i> (link)	1 Oct	N/A
Ofgem	<i>Offshore Transmission – First Transitional Tender Information Memorandum</i> (link)	1 Oct	N/A
Ofgem	<i>Consumers, Stakeholders and Appeal Mechanisms in the Regulation of Energy Networks – A Contribution to Ofgem’s RPI-X@20 Project from John France, Regulation Director, CE Electric UK Funding Company</i> (link)	1 Oct	N/A
Ofgem	<i>Regulating Energy Networks for the Future: RPI-X@20 – Delivering Outcomes: Consumer Engagement in the Regulatory Process</i> (link)	1 Oct	N/A
Ofgem	<i>Ofgem Consumer First Panel – Research Findings from the Third Events</i> (link)	2 Oct	N/A
Ofgem	<i>Direct Debit Arrangements</i> (link)	2 Oct	30 Oct for objections
Ofgem	<i>Regulating Energy Networks for the Future: RPI-X@20 Working Paper – Delivering Desired Outcomes: Ensuring the Future Regulatory Framework is Adaptable</i> (link)	2 Oct	N/A



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Issuer	Title	Date	Response Due
Ofgem	Transmission Licence Changes (link)	5 Oct	N/A
Ofgem	<i>The Renewables Obligation Buy-Out Fund (2008-2009)</i> (link)	5 Oct	N/A
Ofgem	<i>Offshore Transmission Banker Day</i> (link)	5 Oct	N/A
Ofgem	<i>Regulating Energy Networks for the Future: RPI-X@20 – Delivering a Sustainable Energy Sector and Value for Money: Enhancing Competitive Pressures on Regulated Networks – Ofgem’s Current Thinking</i> (link)	6 Oct	N/A
Ofgem	<i>Should Energy Consumers and Energy Network Users Have the Right to Appeal Ofgem Price Control Decisions? If So, What Form Should the Appeals Process Take?</i> (link)	7 Oct	N/A
Ofgem	<i>Review of Protection for Vulnerable Customer from Disconnection</i> (link) <i>Ofgem and Consumer Focus Work Together to Protect Vulnerable Customers</i> (link)	8 Oct	20 Nov
ELEXON	<i>ELEXON Announces Appointment of New Chief Executive</i> (link)	8 Oct	N/A
ELEXON	<i>Potential Improvements to Credit Checking Rules to Support High Levels of Embedded Generation in North Scotland</i> (link)	8 Oct	N/A
DECC	<i>Statement – Ofgem’s Project Discovery Report</i> (link)	9 Oct	N/A
Ofgem	<i>Project Discovery: Energy Market Scenarios</i> (link) <i>Ofgem Publishes a Comprehensive Review of Britain’s Energy Supplies</i> (link)	9 Oct	20 Nov
Ofgem	<i>RPI-X@20: Technological Change in Electricity and Gas Networks – A Sample Survey of International Innovation Projects Final Report</i> (link)	9 Oct	N/A
GB SO	<i>Proposed Changes to the BSAD Methodology Statements, and the Introduction of the SMAF Methodology Statement following Industry Consultation</i> (link)	11 Oct	5 Nov
Ofgem	<i>Arrangements for Responding in the Event That an Energy Network Company Experiences Deteriorating Financial Health</i> (link) (guidance note)	12 Oct	N/A



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Issuer	Title	Date	Response Due
Ofgem	RPI-X@20 Working Group Report on Innovation in Energy Networks (link)	12 Oct	N/A
Ofgem	RPI-X@20 Consumer Working Group Paper (link)	12 Oct	N/A
Ofgem	Energy Services and ESCOs – Their Benefits and Implications for Regulation and the Consumer (link)	13 Oct	N/A
Ofgem	Gas and Electricity Licence Applications – Proposed Changes to the Application Regulations and Guidance Document (link) (licence modifications) (draft guidance)	14 Oct	11 Nov
Ofgem	Offshore Transitional Tenders – First Round Transitional Projects Tender Guidance Note on Process to Asset Transfer (link)	14 Oct	N/A
Ofgem	Generic OFTO Special Licence Conditions (version 0.3), Guidance Note and Licence Model (link) (special licence conditions) (guidance note) (Excel model)	14 Oct	N/A
Ofgem	RPI-X @20 Investment Working Group Report (link)	14 Oct	N/A
Ofgem	Fundamental Flaws in the Current Cost Regulatory Capital Value Method of Utility Pricing (link) (supporting email)	14 Oct	N/A
Ofgem	Consumers’ Right to Appeal Regulatory Decisions – Report to Centrica (link)	15 Oct	N/A
Ofgem	ENA’s Response to Ofgem’s Working Paper 3 – Regulating Energy Networks for the Future: RPI-X@20 – Delivering Desired Outcomes: Who Decides What Energy Networks of the Future Look Like? (link)	15 Oct	N/A
Ofgem	Price Control Pension Principles – Third Consultation Document (link) Ofgem Consults on Principles for Pension Price Controls (link)	16 Oct	13 Nov
Ofgem	Paper from the RPI-X @20 Finance Working Group (link)	16 Oct	N/A
Ofgem	Ofgem’s Market Probe gives More Muscle to Consumers (link) (factsheet)	19 Oct	N/A
Ofgem	Implementation of the Energy Supply Probe Retail Market Remedies (link) (supply direction) (generation direction)	19 Oct	N/A



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Issuer	Title	Date	Response Due
Ofgem	Standards of Conduct for Suppliers in the Retail Market (link)	19 Oct	N/A
Ofgem	Electricity Distribution Price Control Review Initial Licence Drafting Consultation (link) (appendices)	20 Oct	17 Nov
Ofgem	Security & Quality of Service Standard Amendment Request (GSR007) (link)	21 Oct	N/A
Ofgem	Ofgem's Response to the Renewable Electricity Financial Incentive Consultation (link)	21 Oct	N/A
DECC	IPC Names Anticipated Initial Projects (link)	22 Oct	N/A
Ofgem	Community Energy Saving Programme (CESP) Energy Company Contact Details (link)	23 Oct	N/A
Ofgem	License Holders Obligated Under the Electricity and Gas (Community Energy Saving Programme) Order 2009 (link)	26 Oct	N/A
Ofgem	Guidance on Deemed Contract Relationship (link)	26 Oct	N/A
Ofgem	Agenda for Ofgem's City Briefing on 4 November 2009 (link)	26 Oct	N/A
Ofgem	Codes Governance Review Initial Proposals – Illustrative Licence Modification Drafting (link)	27 Oct	8 Dec
Ofgem	Approach and Timetable Options for the Next Transmission Price Control Review (TPCR5) (link)	28 Oct	25 Nov
Ofgem	Further Update to the Cost Assessment (link)	28 Oct	N/A
DECC	New Nuclear Power Could Supply Every Home in the UK (link)	28 Oct	N/A
Ofgem	Consultation on NGET's Request for Grid Code and STC Derogations in Respect of Certain Offshore Transitional Projects (link)	29 Oct	26 Nov
Ofgem	Consultation on IDNO/DNO Boundary Equipment and Which Parties Should Fund this Equipment (link)	30 Oct	11 Dec
Ofgem	European Investment Bank Examining Over £300 Million of Funding to Help Connect Offshore Wind Farms (link)	30 Oct	N/A



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New BSC Modifications

Number	Title	Raised By	Date
P245	<i>P245 Long Term Vacant Site Timescales</i> (link)	E.ON	23 Oct

New CUSC Amendment Proposals

Number	Title	Proposer	Date
CAP178	<i>Amendment to the Process for the Approval of CUSC Amendments Panel Meeting Minutes when a CUSC Amendments Panel Meeting has been Cancelled</i> (link)	National Grid	

