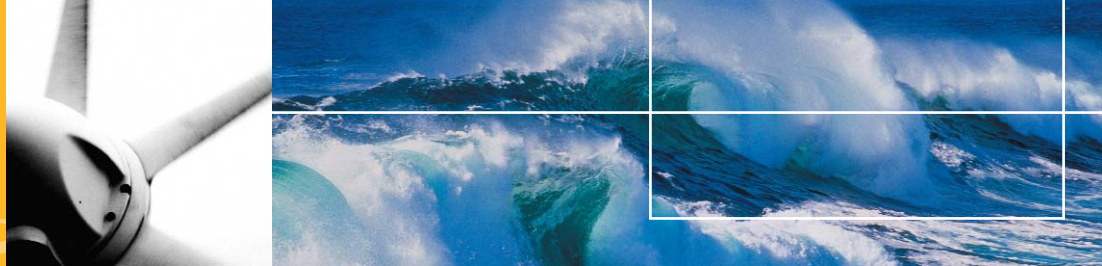


IPA MONTHLY BRIEFING PAPER  
MAY 2007



# The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER CONSULTING

Inside...

- Publication of the Energy White Paper
- Reform of the Renewables Obligation
- Review of Distributed Generation
- Consultation on the next phase of the Energy Efficiency Commitment EEC3
- UK Publishes second year EU ETS results
- Consultation on new planning guidance for S36 consent for generating stations above 50MW.

# The Pace of Change in Great Britain

This newsletter provides a brief update of the key wholesale electricity market design changes currently being progressed within Great Britain, focusing on April 2007.

The newsletter aims to assist electricity market participants who already have a good broad understanding of the GB electricity trading arrangements, and the key documents that underpin them, to keep track of the major consultations that affect the development of the wholesale electricity market. A number of other consultations/decisions that may be relevant are also noted.

This issue covers: Ofgem consultations; publications/announcements by a number of government and other bodies; the EU Emissions Trading Scheme; consultations and reports by National Grid (NGET), and new BSC and CUSC Modifications, decisions, and related matters. This edition also identifies press releases from the EU that may be relevant to the British electricity wholesale sector.

If readers need further information on any of the issues raised in this briefing note, or would like advice on how these changes and other market developments might affect their company, please contact IPA Energy + Water Consulting on 0131 240 0840.

## HEADLINES

- Publication of the Energy White Paper
- Reform of the Renewables Obligation
- Review of Distributed Generation
- Consultation on the next phase of the Energy Efficiency Commitment EEC3
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# The Pace of Change in Great Britain

## Ofgem Issues and Consultations

**Issue:** Licence modifications needed to accommodate design changes to network infrastructure to accommodate increased power flows from Scotland

**Title:** Notice under Section 11 (2) of the Electricity Act

Issued: 2 May  
Response due: 30 May

**Link:**  
[http://www.ofgem.gov.uk/Networks/Trans/PriceControls/TPCR4/LegalNotices/Documents1/Notice%20under%20Section%2011\(2\)%20of%20the%20Electricity%20Act%201989.PDF](http://www.ofgem.gov.uk/Networks/Trans/PriceControls/TPCR4/LegalNotices/Documents1/Notice%20under%20Section%2011(2)%20of%20the%20Electricity%20Act%201989.PDF)

Ofgem has issued a notice indicating that it is proposing to modify Scottish Power's transmission licence in response to an "output measures adjusting event" (where SP demonstrates that certain changes to the design specified when certain infrastructure projects were agreed are necessary). The changes will involve amendments to Schedule C (Supplementary Provisions to Special Condition J3 (Restriction of transmission charges: Transmission Investment for Renewable Generation)).

**Issue:** Adjustments relating to legacy metering costs within Central Networks and licences and WPD's South Wales network

**Titles:**  
Electricity Act 1989: Notice of determination of Adjustment Factor (AFt) under special condition F1 of the distribution licences of CN East and CN West

Electricity Act 1989: Notice of determination of Adjustment Factor (AFt) under special condition F1 of the distribution licence Western Power Distribution (South Wales) Plc

Issued: 2 May /24 May

**Link:**  
<http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Metering/Documents1/Notice%20under%20Special%20Condition%20F1%20CN%20East%20and%20West.PDF>

Link to WPD letter (for South Wales):  
<http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Metering/Documents1/WPD%20South%20Wales%20-%20Notice%20of%20determination%20of%20adjustment%20factor.pdf>

Following requests from Central Networks East Plc and Central Networks West plc, and Western Power Distribution in respect of South Wales, changes are to be made to an adjustment factor in the price control that relates to cost recovery for certain legacy metering systems.

**Issue:** Statutory Notice of Ofgem's intention to modify SLC 14 (relating to the compulsory acquisition of land) and SLC 15 (relating to other powers in relation to land) of the generation licence

**Title:** Notice of Modification of the Standard Conditions of Electricity generation Licences under Section 11A of the Electricity Act 1989

Issued: 3 May  
Response due: 31 May (relevant licence holders only for objections)

**Link:**  
<http://www.ofgem.gov.uk/Markets/WhlMkts/CompanDef/Documents1/Notice%20of%20consequential%20amendments.PDF>

Ofgem has published a formal notice of its intention to modify SLC 14 (relating to the compulsory acquisition of land) and SLC 15 (relating to other powers in relation to land) which Ofgem has previously consulted on. The proposed modifications also include changes to correct "typographical errors" in conditions D3 and D4; although it notes that the proposed modifications "do not change the substantive provisions of standard conditions D3 and D4".

**Issue:** Use of System charges for embedded distribution networks

**Title:** Consultation on use of system charges to new electricity distribution licensees: Western Power Distribution and Scottish Power proposals

Issued: 8 May  
Response due: 19 June

Link:



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<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents1/UoS%20charges%20WPD%20and%20SP.pdf>

Ofgem have published a consultation seeking views on SP's and WPD's proposals to make changes to their UoS charging methodology covering charges levied on other distribution licensees with networks that are embedded within the SP & Manweb and South West & South Wales networks.

**Issue: Ofgem's performance against its self imposed price control**

**Title: Ofgem on target to reduce costs by £12m over five years**

Issued: 10 May  
Response due: n/a

Link:  
<http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem19.pdf>

Ofgem has issued a press release announcing that, for the second year running, it has reduced costs by more than is required to meet its own self imposed 5 year price control with cost reductions of £5m over the first two years of the price control.

**Issue/Title: Ofgem appoints Director for Scotland**

Issued: 11 May  
Response due: n/a

Link:  
<http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem20.pdf>

Ofgem has issued a PR announcing that it has appointed Charles Gallacher as Director of Corporate Communications and Scotland.

**Issue: changes to YEDL's and Northern's UoS methodology**

**Title (YEDL & Northern): Decision in relation to modification proposal 0007/2007 to use the use of system charging methodology: revision to reflect the allocation of operating costs to the unmetered supplies customer group**

Issued: 15 May

Response due: n/a

Link (YEDL):  
<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents1/YEDL%20UMS%20decision%20letter.pdf>

Link to Northern:  
<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents1/NEDL%20UMS%20decision%20letter.pdf>

Ofgem has decided to allow a change to YEDL's and Northern's Use of System Methodologies to replace the fixed (per MPAN) charge for unmetered supplies with an increased unit (per kWh) charge.

**Issue: Call for first thoughts on general approach and key issues for the next review of the Distribution Network Operator Price Controls**

**Title: DPCR5 – Looking ahead**

Issued: 17 May  
Response due: 10 August

Link:  
<http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR5/Documents1/DPCR5%20consultation%20letter%20issued%20170507.pdf>

Ofgem has issued an open letter seeking thoughts on the general approach and key issues for the next DNO price control review (due to kick off in 2008); including whether any preparatory work needs to start this year.

**Issue: Ofgem press release on its role in meeting Government Energy/White Paper objectives**

**Title: Energy White Paper recognises Ofgem's Growing Role In Sustainable Development**

Issued: 23 May  
Response due: n/a

Link:  
<http://www.ofgem.gov.uk/Media/PressRel/Documents1/ofgem21.pdf>

Ofgem press release to accompany the Energy White Paper.

**Issue/Title: Review of the impact of the Energy Supply Ombudsman**



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Issued: 23 May  
Response due: 20 June (the review is to commence in July)

Link:  
<http://www.ofgem.gov.uk/Markets/RetMkts/Compet/Documents1/Open%20letter%20on%20scope%20of%20Ombudsman%20review%20230507.pdf>

Ofgem has published an open letter seeking views on its proposed review of the “Energy Supply Ombudsman” service established in response to Ofgem’s review of the super-complaint from energywatch on suppliers’ billing practices.

**Issue/Title: Review of the EU Emissions Trading Directive: Ofgem's response**

Issued: 30 May  
Response due: n/a

Link:  
[http://www.ofgem.gov.uk/Sustainability/Environment/Policy/Documents1/ETS%20Review%20response\\_web.pdf](http://www.ofgem.gov.uk/Sustainability/Environment/Policy/Documents1/ETS%20Review%20response_web.pdf)

Ofgem has published its response to the European Union’s consultation on the EU ETS – launched in November 2006.

The response notes Ofgem’s support for “broad-based economic instruments as the most cost effective way to encourage the reduction in greenhouse gas emissions (GHG)”, but also sets out four issues of concern to it.

- *“The five year phases and caps are not being set far enough in advance to provide long-term certainty and predictability - this is especially important in the energy sector which is likely to have a significant role to play in reducing emissions across the EU;*
- *The restricted coverage of the scheme may be preventing abatement from occurring at the lowest possible cost in industries that are currently excluded from the scheme;*
- *Greater harmonisation across Member States on key rules covering the setting of national allocation plans and rules governing closure and new entrants would likely result in a more robust and efficient scheme; and*
- *Allowances should be auctioned - particularly for electricity generators. The free allocation of allowances distorts incentives and has significant*

*distributional impacts. In the electricity sector gives rise to large transfers of money - running to billions of Euros each year from electricity customers to electricity generators.”*

## NOTICES OF ELECTRICITY LICENCES APPLIED FOR IN MAY

Company/Licence: **Energy COOP Ltd**/Non domestic electricity supply licence

Notice issued/licence applied for: 11 May/10 May

Link:  
<http://www.ofgem.gov.uk/Licensing/Work/Notices/AppNotices/Documents1/energy%20coop%20notice.pdf>

Company/Licence: **Energy 4 Sale Ltd**/Non domestic electricity supply licence

Notice issued/licence applied for: 11 May/10 May

Link:  
<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=139&refer=Licensing/Work/Notices/AppNotices>

## NOTICES OF ELECTRICITY LICENCES REVOKED

Company/Licence: **Star Energy Oil and Gas Limited** / electricity supply licence and reasons  
Revoked at request of licensee (letter dated 5 March).

Notice issued: 4 May  
Effective from: 4 June

Link:  
<http://www.ofgem.gov.uk/Licensing/Work/Notices/Revocation/Documents1/star%20energy%20elec%20sup%20revocation.pdf>

## GOVERNMENT AND OTHER BODIES

### DTI

**Issue: Consultation on new planning guidance for S36 consent for above 50MW stations**

**Title:** Guidance on the Consenting Process for Onshore Generating Stations above 50MW in England and Wales: An Energy Review consultation



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Issued: 11 May  
Response due: 3 August

Link:  
<http://www.dti.gov.uk/consultations/page39308.html>

DTI has published, and is seeking views on, draft planning guidance for on shore power projects above 50MWs that are seeking Section 36 consent in England and Wales (planning is devolved in Scotland).

**Issue: The publication of the long awaited Energy White Paper**

**Title: More Efficient, Low Carbon And Secure Energy -Darling publishes Energy White Paper/Meeting the Energy Challenge**

Issued: 23 May  
Response due: n/a

Link to PR:  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=286525&NewsAreaID=2>  
Link to White Paper:  
<http://www.gnn.gov.uk/environment/mediaDetail.asp?MediaDetailsID=203153&NewsAreaID=2&ClientID=201&LocaleID=2>

The Government has published the delayed Energy White Paper, together with a whole raft of other related and more detailed consultations and papers including; reform of the RO and nuclear power (see below) and the Carbon Reduction Target (see DEFRA publications below) and which was preceded by consultation on planning, aimed at improving the planning process (The Planning White paper 2007: Planning for a Sustainable Future) including planning for major energy infrastructure projects.

The key (electricity) headlines (most of which are a reaffirmation of the principles and proposals in earlier documents and consultations) include the following:

- reiteration of Government's support for the principle that "independently regulated, competitive energy markets, are the most cost-effective and efficient way of delivering our objectives";
- the need for International Frameworks to tackle climate change;
- the introduction of legally binding carbon targets for the UK to be implemented via the new Climate Change Bill;

- further liberalisation of EU markets;
- saving energy - across all sectors;

Some of the new (UK electricity) themes/ initiatives /decisions (or further details) include:

- a Carbon Reduction Commitment will be introduced for organisations consuming more than 6,000MWh/yr (the previous consultation on the Energy Performance Commitment, suggested a threshold of 3,000 MWh/yr). Such organisations will also be subject to the requirement to produce Energy Performance Certificates when premises are built, sold or rented;
- for the household sector there are a range of measures including:
  - new homes to be zero carbon by 2016 (this is now suggested to be 2016, or from a date to be fixed following consultation);
  - extended EEC (now called the carbon emissions reduction target (CERT));
  - the development of an on-line CO<sub>2</sub> calculator; and,
  - subject to trials, the roll out of smart meters and real time displays with these displays to be obligatory on new meters fitted after 2008; real time displays should also be available free, on request, between 2008 – 10;
- continued support for renewable and distributed energy, but with increased recognition of the importance of clean heat not just clean power;
- increased emphasis, compared to the previous White Paper, on the need for diversity of fuel source and, in particular, the need for cleaner large scale generation (renewable, nuclear and CCS) – specific UK measures to support this include:
  - the competition to develop a commercial scale demonstration CCS is to be launched in November 2007;
  - changes to the RO (see below);
  - the White Paper sets out Government's preliminary view that it is in the public interest to allow private companies to invest in nuclear and states that.....

*"We recognise that, as with all generation technologies, there are advantages and disadvantages with new nuclear power. But having reviewed the evidence and*



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*information available we believe that the advantages outweigh the disadvantages and that the disadvantages can be effectively managed”*

but the White Paper also emphasises that this is subject to consultation and the decision will be announced later this year;

- better planning arrangements (following the Planning White Paper) for implementation in 2009 subject to passage of legislation.

Government estimates that the measures set out in the White Paper will deliver annual savings of between 23 and 33 MtC in 2020 and that the upper end of this range would put UK (just) on track to meet some of its carbon goals.

**Issue: Energy White paper/associated consultations and information on Nuclear Power**

**Title: The future of nuclear power: the role of nuclear power in a low carbon UK economy**

Issued: 23 May  
Response due: 10 October

Link:  
<http://www.dti.gov.uk/consultations/page39704.html>

Government has published a raft of consultations/documents on nuclear issues to accompany the Energy White paper with a view to making a decision on nuclear “later in the year”. These (with links embedded) cover:

- [The future of nuclear power. The role of nuclear power in a low carbon UK economy: consultation document](#)
- [The future of nuclear power. The role of nuclear power in a low carbon UK economy: consultations on the proposed processes for justification and strategic siting assessment](#)
- [Siting new nuclear power stations: availability and options for Government](#)
- [Justification process for new nuclear power stations in the UK: a discussion of the basis for considering together different candidate reactor systems](#)
- [Potential waste volumes arising from new build](#)
- [Nuclear power generation cost benefit analysis](#)

**Issue: Energy White paper/ associated**

**consultation on proposed reforms to the Renewables Obligation**

**Title: Renewable Energy: Reform of the Renewables Obligation**

Issued: 23 May  
Response due: 6 September

Link:  
<http://www.dti.gov.uk/consultations/page39586.html>

The DTI has published a consultation which gives further detail on the Government’s planned reform of the Renewables Obligation, as set out in the White Paper, and seeks views on the detailed implementation of the changes that are being introduced.

The key elements of the changes are:

- **“banding of the RO”;**

The Obligation will be changed so that Suppliers are subject to an obligation to present a certain number of ROCs (Renewables Obligation Certificates) rather than to supply a specified proportion of renewable energy. Each renewable technology will be allocated to one of four specified bands which will determine the number of ROCs it will be awarded for each MWh of eligible electricity produced. Existing projects are to be protected against banding down through “grandfathering arrangements”, and prospective projects through long notification periods for future changes. Technologies that are subject to banding up will automatically move to the higher level when the changes are made, unless they are supported by a capital grant issued before 11 July 2006 (or they repay the grant).

The four bands are:

- the “Established Band” – awarded 0.25 ROCs/MWh (sewage gas; co-firing of non-energy crops (regular) biomass);
- the “Reference Band” – awarded 1.0 ROC/MWh (onshore wind, including micro-wind; hydro-electric; co-firing of energy crops; EfW with CHP; any new (to the RO) technology until such time as there is a banding review);
- the “Post-Demonstration Band” – awarded 1.5 ROCs/MWh (Offshore wind; dedicated regular biomass); and
- the “Emerging Technologies” – awarded



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2.0 ROCs/MWh (Wave; tidal stream; advanced conversion technologies (anaerobic digestion, gasification and pyrolysis); dedicated biomass burning energy crops (with or without CHP), dedicated regular biomass with CHP; solar photovoltaics; geothermal).

Overall, the Government intends to set the bands in a way that seeks to preserve a one to one relationship between the number of ROCs issued and the amount of renewable energy produced such that the number of ROCs arising from “banding up” (issuing more than one ROC per MWh) is roughly equal to the reduction in the number of ROCs issued as a result of “banding down” (issuing less than one ROC per MWh).

Bands will be reset over time; current expectations are that they will be re-set on 1 April 2013 and 1 April 2018 with an eighteen month lead time prior to implementation although there will also be provision for early reviews in “extreme circumstances”. It is suggested that independent advice on setting of band levels could be provided by the new Committee on Climate Change being proposed under the Climate Change Bill.

- **extension of the RO to a maximum of 20% on a fixed headroom basis;**

Government commits to increasing the level of the England and Wales target from its level of 15.4% of electricity generated in 2015/2016 up to 20% provided that there is sufficient growth in delivered renewable electricity to ensure that the target will be met less an expected “headroom”. The headroom is to be set at 6% of expected ROCs. Thus for each year the target would be the greater of the current target for that year or 106% of the number of ROCs that are expected to be issued in that year.

- **Retaining the link with RPI;**

Government has decided to retain the RPI indexation for the buy-out price.

- **Managing price crashes in an over-supplied market;**

DTI has acknowledged the potential problems of all the solutions suggested for managing a price crash

in an oversupplied market. In light of this is proposes to include powers within any RO reform legislation to allow it to deal with the issue but is establishing a working group to inform decisions on the choice of mechanism.

- **Removal of current caps on co-firing; and**

The current cap on co-firing will be removed at the point that banding is introduced. However, an emergency review of banding levels will be triggered if surrendered co-fired ROCs (excluding those from energy crops) amount to more than 10% of the total obligation.

- **Biomass reporting and deeming.**

Biomass users will be required to provide Ofgem with an annual report covering a range of metrics on fuel source and sustainability.

To simplify arrangements the DTI proposes to allow the proportion of electricity on which ROCs can be claimed from certain EfW technologies to be based on a “deemed” assessment of the fossil content of the fuel rather than requiring it to be measured or assessed via sampling. The consultation proposes setting the deemed level at 65% unless there is evidence that the biomass content is less than 35%.

The consultation notes that implementation is subject to the passage of the necessary legislation (which means that the earliest implementation date is 1 April 2009) and State Aid clearance.

The full range of documents accompanying the consultation (with links) is:

- [Renewable energy: reform of the renewables obligation;](#)
- [Impact of banding the renewables obligation: costs of electricity production;](#) and
- [Reform of the renewables obligation. What is the likely impact of changes?](#)

**Issue: Publication of DTI/Ofgem review of Distributed Generation**

**Title: Review of Distributed Generation**

Issued: 23 May  
Response due: n/a



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Link: <http://www.dti.gov.uk/files/file39025.pdf>

Ofgem/DTI have published their review of the issues and barriers facing distributed generation under the current market and licensing framework. The review reports on findings following the consultation issued last year. The summary of the main barriers that the review identifies are reproduced below.

- **“Cost** – Firstly, the true cost of carbon is not yet fully incorporated in electricity
- prices and this disadvantages lower carbon technologies. Secondly, DG technologies tend to have higher capital costs. Finally, the rewards for exporting excess electricity produced by distributed generators were seen as small and difficult to access.
- **Lack of reliable information** – there was a low awareness of DG options amongst potential users; grants and financial incentives such as Renewables Obligation Certificates (ROCs) were perceived as being hard to access, and the lack of an accreditation scheme for suppliers and installers put people off untried technologies.
- **Electricity industry issues** – due to the nature of the existing industry structure, it could be hard for small generators to connect to and operate in the centralised system. Network operators could do more to accommodate the connection of distributed generators. The cost to suppliers of rewarding small generators for exporting their excess electricity was a disincentive.
- **Regulatory barriers** – the difficulties of getting planning permission for DG technologies was raised, especially in the context of community developments and new housing, where the associated costs and delays acted as a disincentive.”

## Select Committee on Science and Technology

Issue/Title: NEW INQUIRY - Renewable Energy-Generation Technologies

Issued: 15 May  
Response due: 2 July

Link:  
[http://www.parliament.uk/parliamentary\\_committees/science\\_and\\_technology\\_committee/scitech150507.cfm](http://www.parliament.uk/parliamentary_committees/science_and_technology_committee/scitech150507.cfm)

The select committee has announced it is to hold an

inquiry into renewable energy generation Technologies and has invited evidence on:

- *“The current state of UK research and development in, and the deployment of, renewable energy-generation technologies including: offshore wind; photovoltaics; hydrogen and fuel cell technologies; wave; tidal; bioenergy; ground source heat pumps: and intelligent grid management and energy storage.*
- *The feasibility, costs, timescales and progress in commercialising renewable technologies as well as their reliability and associated carbon footprints.*
- *The UK Government’s role in funding research and development for renewable energy-generation technologies and providing incentives for technology transfer and industrial research and development.*
- *Other possible technologies for renewable energy-generation.”*

## DEFRA

Issue: Consultation on the next phase of the Energy Efficiency Commitment EEC3 (2008/2011) which, following the passing of the Climate Change and Sustainable Energy Act is now a carbon emissions reduction target (CERT)

Title: Carbon Emissions Reduction Target April 2008 to March 2011

Issued: 23 May  
Response due: 15 August

Link:  
<http://www.defra.gov.uk/corporate/consult/cert2008-11/index.htm>

DEFRA has published its consultation on the new target and structure of the arrangements for the third phase of the Energy Efficiency Commitment for 2008/11, previously referred to as EEC3 but which will become a carbon emissions reduction target - CERT - in April 2008.

The headline proposals include:

- a new target for suppliers of 42 million tonnes of carbon savings (over the lifetime of the



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installations) which is roughly double that of the EEC2 and which is expected to deliver carbon savings of around 1.1MtC per year by the end of the programme;

- a requirement that 40% of the savings should be implemented in low income homes - this compares with 50% in EEC2 but, with a doubling of the target, actually represents a substantial increase;
- extended scope which means that more energy efficiency, behavioural, and microgeneration measures will be eligible for inclusion in EEC3 than under EEC2;
- a new approach for innovation and flexibility that is intended to allow suppliers to trial new measures and to support market development for others; and
- an estimated cost to suppliers which, if passed on to consumers in full, would amount to "no more than" ~£97/customer over the three year period.

The consultation also covers transitional arrangements between EEC2 and EEC3/CERT and the prospect of evolving towards a trading scheme.

## Issue/Title: Government responds on better regulation and Stern

Issued: 24 May  
Response due: n/a

Link:  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=287005&NewsAreaID=2>

DEFRA has published a press release giving Government's response to the Better Regulation Commission's (BRC's) appraisal of the regulatory implications of the Stern Review. The response sets out the actions Government has taken, or will take towards implementing the six recommendations the BRC feel are required to ensure policy makers meet "the complex challenges of climate change" and a commitment to seven tests developed by the BRC for better climate change regulation.

## The European Union's Emissions Trading Scheme

Issue: Approval of further National Allocation Plans: Estonia; Italy

Titles:  
Emissions trading: Commission adopts decision

on Estonia's national allocation plan for 2008-2012

Emissions trading: Commission adopts decision on Italy's national allocation plan for 2008-2012

Issued: Estonia - 4 May; Italy – 15 May  
Response due: n/a

Link Estonia:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/613&format=HTML&aged=0&language=EN&guiLanguage=en>

Link Italy:  
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/667&format=HTML&aged=0&language=EN&guiLanguage=en>

The Commission accepted Estonia's and Italy's national plan. Both approvals are conditional, including a reduction in the total number of emission allowances proposed. The cleared annual allocation for Estonia is 12.7 million tonnes of CO<sub>2</sub> allowances, 47.8% less than Estonia had proposed. The cleared annual allocation for Italy is 195.8 million tonnes of CO<sub>2</sub> allowances, 6.3% less than Italy had proposed.

Issue: Publication of allowances issued and carbon emitted in 2006 by UK installations covered by the EU ETS

Title: UK publishes second year EU ETS results

Issued: 17 May  
Response due: n/a

Link to PR:  
<http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=285231&NewsAreaID=2>

The sector level allocations and outturn emissions for 2005 & 2006 can be found at:  
<http://www.defra.gov.uk/environment/climatechange/trading/eu/results/pdf/sectorsummary-results2006.pdf>

DEFRA has issued a press release on carbon dioxide emissions from UK installations covered by the EU ETS in 2006. Overall UK emissions were up by 3.6% (8.8MtCO<sub>2</sub>) on 2005 levels to a total of 251.1 MtCO<sub>2</sub>. Overall UK industries had to purchase 33.8 MtCO<sub>2</sub> to stay within the total UK allocation of 217.3MtCO<sub>2</sub>.

The figures show that all sectors (except the power sector) received allocations in excess of emissions.



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The power sector showed a shortfall of 45.9%.

The press release indicates that all installations surrendered sufficient allowances to match their emissions.

## The European Union - Electricity industry related press releases (titles & links)

Stavros DIMAS, Member of European Commission, responsible for environment (Speech at Carbon Expo Conference) Colgogne 2 May 2007

Improving Environmental quality through carbon trading

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/265&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 4 May 2007

Emissions trading: Commission adopts decision on Estonia's national allocation plan for 2008-2012

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/613&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 4 May 2007

Climate change: IPCC report confirms EU call for deep cuts in global greenhouse gas emissions

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/610&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 15 May 2007

Emissions trading: Commission adopts decision on Italy's national allocation plan for 2008-2012

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/667&format=HTML&aged=0&language=EN&guiLanguage=en>

Andris Piebalgs, Energy Commissioner (Speech at the VDEW Congress) Berlin, 24 May 2007

Towards a Single European Gas and Electricity

## Market

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/335&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 30 May 2007

Andris Piebalgs and Nancy Pelosi discuss the challenges of energy security and climate change

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/733&format=HTML&aged=0&language=EN&guiLanguage=en>

Andris Piebalgs, Energy Commissioner (Energy and Climate Change Ministerial Conference) Paris, 31 May 2007

"Energy in a Changing World"

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/349&format=HTML&aged=0&language=EN&guiLanguage=en>

## EREG (European Regulators Group for Electricity and Gas) PRs

2 May 2007

EU energy regulators recommend measures for an EU electricity grid

The headline Bullets from PR:

- "Building and authorisation processes for building new electricity lines need to be expedited – political support is needed to deliver necessary improvements
- EU-wide operating and security standards needed to operate a single EU grid
- EU obligations needed on network operators (TSOs) both collectively and individually
- EU regulators need to be empowered to oversee EU network bodies"

Link:

[http://www.erege.org/portal/page/portal/EREGE\\_HOME/EREGE\\_ADMIN/PR-07-06\\_CB\\_Framework\\_Network\\_Infrastructure\\_2007-04-30.doc](http://www.erege.org/portal/page/portal/EREGE_HOME/EREGE_ADMIN/PR-07-06_CB_Framework_Network_Infrastructure_2007-04-30.doc)

## THE BSC AND CUSC

BSC Issue



# The Pace of Change in Great Britain

## Issue 28 ('Further Considerations on Section P)

Raised by: BSC Panel  
Raised on: 10 May

Further to work undertaken on P210 ('Revisions to the Text in Section P related to Single Notifications of Energy Contract Volumes and Metered Volume Reallocations), the BSC Panel has raised a new "BSC Issue" requesting the standing modification group to consider whether a Modification to the Code is required to resolve issues associated with the Dual Notification arrangements identified by the P210 Mods Group and Trading Disputes Committee. Five aspects of the arrangements are highlighted but it is recognised that this work may identify other issues.

## BSC – joiners and leavers

**Mitsui & Co Energy Risk Management Ltd** withdrew from the BSC on 4 May and **Enron Direct Limited** withdrew on 31 May; **Vitol SA** joined in May as a "Non Physical Trader".

## BSC Miscellaneous

### Report: ELEXON's Customer Satisfaction Survey Results 2007

Link:

[http://www.elexon.co.uk/Documents/Publications/CustomerSatisfactionSurvey2007/CustomerSurvey07\\_IndustryReportv1.0.pdf](http://www.elexon.co.uk/Documents/Publications/CustomerSatisfactionSurvey2007/CustomerSurvey07_IndustryReportv1.0.pdf)

ELEXON has published the results of its 2007 customer satisfaction that shows improvements in all areas with the attribute of "overall professionalism" gaining the highest percentage score of 85% (up 16% from last year when it was also at the top of the league with a score of 69%) followed by Helpfulness (73%); and Genuinely Wanting to Talk (71%).

The lowest three scores were for Understanding Customers' Businesses (17%, 13% last year); Being Flexible (22%, 17% last year); and keeping costs down (30%, 23% last year).

The percentages refer to the percentage of people who gave an 8+ score (out of a possible 10).

## CUSC

## CUSC Amendment Proposals

### CUSC Decisions

- **CAP127 (Calculation and Securing of Value at Risk)**

Decision: APPROVE Alternative  
Panel Recommendation: Approve original

Date of decision: 17 May  
Implementation date: 1 June

The change will make changes to the way "value at risk" (VAR) is calculated for the purposes of determining suppliers' security cover and initial TNUoS payments.

- **CAP140 (Change to BSC Obligations)**

Decision: APPROVE  
Panel Recommendation: Approve alternative

Date of decision: 24 May  
Implementation date: 8 June

The change will mean that transmission and distribution connected licence exempt generating stations are subject to the same obligations under the CUSC in respect of the requirement to sign the BSC.

## DISCLAIMER

IPA Energy + Water Consulting cannot be held accountable for the accuracy of the information nor can IPA be held responsible for the consequences of any actions or decisions taken on the basis of the information published here. Parties must refer to the formal documents to confirm the official position.

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# The Pace of Change in Great Britain

## SUMMARY OF MAY 2007 CONSULTATIONS & NEW BSC AND CUSC MODS 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.

CARRIED FORWARD FROM LAST EDITION...		Issued	Response Due
DEFRA	<b>Title: Draft Climate Change Bill</b>  Link to consultation page for Bill: <a href="http://www.defra.gov.uk/corporate/consult/climatechange-bill/index.htm">http://www.defra.gov.uk/corporate/consult/climatechange-bill/index.htm</a> Link to press release: <a href="http://www.defra.gov.uk/news/2007/070313a.htm">http://www.defra.gov.uk/news/2007/070313a.htm</a>	13 March	12 June
DEFRA	<b>Title: Marine White Paper</b>  Link to press release: <a href="http://www.defra.gov.uk/news/2007/070315a.htm">http://www.defra.gov.uk/news/2007/070315a.htm</a>	15 March	8 June
DEFRA	<b>Title: Commission's proposal to include aviation in the EU Emissions Trading Scheme</b>  Link: <a href="http://www.dft.gov.uk/consultations/open/aviationemissionstrading/">http://www.dft.gov.uk/consultations/open/aviationemissionstrading/</a>	30 March	1 June
<b>New in May ...</b> (this does not include all the details of licence notices/modifications/ applications/revocations/licences granted or EU press releases or code issues)			
Ofgem	<b>Title: Notice under Section 11 (2) of the Electricity Act</b>  Link: <a href="http://www.ofgem.gov.uk/Networks/Trans/PriceControls/TPCR4/LegalNotices/Documents1/Notice%20under%20Section%2011(2)%20of%20the%20Electricity%20Act%201989.PDF">http://www.ofgem.gov.uk/Networks/Trans/PriceControls/TPCR4/LegalNotices/Documents1/Notice%20under%20Section%2011(2)%20of%20the%20Electricity%20Act%201989.PDF</a>	2 May	30 May



## The Pace of Change in Great Britain

Ofgem	<p><b>Electricity Act 1989: Notice of determination of Adjustment Factor (AF<sub>i</sub>) under special condition F1 of the distribution licences of CN East and CN West</b></p> <p><b>Electricity Act 1989: Notice of determination of Adjustment Factor (AF<sub>i</sub>) under special condition F1 of the distribution licence Western Power Distribution (South Wales) Plc</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Metering/Documents1/Notice%20under%20Special%20Condition%20F1%20CN%20East%20and%20West.PDF">http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Metering/Documents1/Notice%20under%20Special%20Condition%20F1%20CN%20East%20and%20West.PDF</a></p> <p>Link to WPD letter (for South Wales):  <a href="http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Metering/Documents1/WPD%20South%20Wales%20-%20Notice%20of%20determination%20of%20adjustment%20factor.pdf">http://www.ofgem.gov.uk/Markets/RetMkts/Metrng/Metering/Documents1/WPD%20South%20Wales%20-%20Notice%20of%20determination%20of%20adjustment%20factor.pdf</a></p>	2/24 May	n/a
Ofgem	<p><b>Title: Notice of Modification of the Standard Conditions of Electricity generation Licences under Section 11A of the Electricity Act 1989</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/Markets/WhlMkts/CompandEff/Documents1/Notice%20of%20consequential%20amendments.PDF">http://www.ofgem.gov.uk/Markets/WhlMkts/CompandEff/Documents1/Notice%20of%20consequential%20amendments.PDF</a></p>	3 May	31 May
EU	<p><b>Titles:</b></p> <p><b>Emissions trading: Commission adopts decision on Estonia's national allocation plan for 2008-2012</b></p> <p><b>Emissions trading: Commission adopts decision on Italy's national allocation plan for 2008-2012</b></p> <p>Link Estonia:  <a href="http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/613&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en">http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/613&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en</a></p> <p>Link Italy:  <a href="http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/667&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en">http://europa.eu/rapid/pressReleasesAction.do?reference=IP/07/667&amp;format=HTML&amp;aged=0&amp;language=EN&amp;guiLanguage=en</a></p>	4 & 15 May	n/a
Ofgem	<p><b>Title: Consultation on use of system charges to new electricity distribution licensees: Western Power Distribution and Scottish Power proposals</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents1/UoS%20charges%20WPD%20and%20SP.pdf">http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents1/UoS%20charges%20WPD%20and%20SP.pdf</a></p>	8 May	19 June



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<b>Ofgem</b>	<p><b>itle: Ofgem on target to reduce costs by £12m over five years</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/Media/PressRel/Documents/1/Ofgem19.pdf">http://www.ofgem.gov.uk/Media/PressRel/Documents/1/Ofgem19.pdf</a></p>	10 May	n/a
<b>DTI</b>	<p><b>Title: Guidance on the Consenting Process for Onshore Generating Stations above 50MW in England and Wales: An Energy Review consultation</b></p> <p>Link:  <a href="http://www.dti.gov.uk/consultations/page39308.html">http://www.dti.gov.uk/consultations/page39308.html</a></p>	11 May	<b>3 August</b>
<b>Ofgem</b>	<p><b>Title: Ofgem appoints Director for Scotland</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/Media/PressRel/Documents/1/Ofgem20.pdf">http://www.ofgem.gov.uk/Media/PressRel/Documents/1/Ofgem20.pdf</a></p>	11 May	n/a
<b>Select Committee on Science and Technology</b>	<p><b>Title: NEW INQUIRY - Renewable Energy-Generation Technologies</b></p> <p>Link:  <a href="http://www.parliament.uk/parliamentary_committees/science_and_technology_committee/scitech150507.cfm">http://www.parliament.uk/parliamentary_committees/science_and_technology_committee/scitech150507.cfm</a></p>	15 May	<b>2 July</b>
<b>Ofgem</b>	<p><b>Title (YEDL &amp; Northern): Decision in relation to modification proposal 0007/2007 to use the use of system charging methodology: revision to reflect the allocation of operating costs to the unmetered supplies customer group</b></p> <p>Link (YEDL):  <a href="http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents/1/YEDL%20UMS%20decision%20letter.pdf">http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents/1/YEDL%20UMS%20decision%20letter.pdf</a>            Link to Northern:  <a href="http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents/1/NEDL%20UMS%20decision%20letter.pdf">http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents/1/NEDL%20UMS%20decision%20letter.pdf</a></p>	15 May	n/a
<b>DEFRA</b>	<p><b>Title: UK publishes second year EU ETS results</b></p> <p>Link to PR:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=285231&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=285231&amp;NewsAreaID=2</a></p> <p>The sector level allocations and outturn emissions for 2005 &amp; 2006 can be found at:  <a href="http://www.defra.gov.uk/environment/climatechange/trading/eu/results/pdf/sectorsummary-results2006.pdf">http://www.defra.gov.uk/environment/climatechange/trading/eu/results/pdf/sectorsummary-results2006.pdf</a></p>	17 May	n/a



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Ofgem	<p><b>Title: DPCR5 – Looking ahead</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR5/Documents1/DPCR5%20consultation%20letter%20issued%20170507.pdf">http://www.ofgem.gov.uk/Networks/ElecDist/PriceCtrls/DPCR5/Documents1/DPCR5%20consultation%20letter%20issued%20170507.pdf</a></p>	17 May	10 August
Ofgem	<p><b>Title: Review of the impact of the Energy Supply Ombudsman</b></p> <p>Link:  <a href="http://www.ofgem.gov.uk/Markets/RetMkts/Compet/Documents1/Open%20letter%20on%20scope%20of%20Ombudsman%20review%20230507.pdf">http://www.ofgem.gov.uk/Markets/RetMkts/Compet/Documents1/Open%20letter%20on%20scope%20of%20Ombudsman%20review%20230507.pdf</a></p>	23 May	20 June
DTI	<p><b>Title: More Efficient, Low Carbon And Secure Energy -Darling publishes Energy White Paper/Meeting the Energy Challenge</b></p> <p>Link to PR:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=286525&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=286525&amp;NewsAreaID=2</a>            Link to White Paper:  <a href="http://www.gnn.gov.uk/environment/mediaDetail.asp?MediaDetailsID=203153&amp;NewsAreaID=2&amp;ClientID=201&amp;LocaleID=2">http://www.gnn.gov.uk/environment/mediaDetail.asp?MediaDetailsID=203153&amp;NewsAreaID=2&amp;ClientID=201&amp;LocaleID=2</a></p>	23 May	n/a
DTI	<p><b>Title: The future of nuclear power: the role of nuclear power in a low carbon UK economy</b></p> <p>Link:  <a href="http://www.dti.gov.uk/consultations/page39704.html">http://www.dti.gov.uk/consultations/page39704.html</a></p>	23 May	10 October
DTI	<p><b>Title: Renewable Energy: Reform of the Renewables Obligation</b></p> <p>Link:  <a href="http://www.dti.gov.uk/consultations/page39586.html">http://www.dti.gov.uk/consultations/page39586.html</a></p>	23 May	6 September
DTI/Ofgem	<p><b>Title: Review of Distributed Generation</b></p> <p>Link: <a href="http://www.dti.gov.uk/files/file39025.pdf">http://www.dti.gov.uk/files/file39025.pdf</a></p>	23 May	n/a
DEFRA	<p><b>Title: Carbon Emissions Reduction Target April 2008 to March 2011</b></p> <p>Link:  <a href="http://www.defra.gov.uk/corporate/consult/cert2008-11/index.htm">http://www.defra.gov.uk/corporate/consult/cert2008-11/index.htm</a></p>	23 May	15 August
DEFRA	<p><b>Title: Government responds on better regulation and Stern</b></p> <p>Link:  <a href="http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=287005&amp;NewsAreaID=2">http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=287005&amp;NewsAreaID=2</a></p>	24 May	n/a



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<b>Ofgem</b>	<b>Title: Review of the EU Emissions Trading Directive: Ofgem's response</b>  Link: <a href="http://www.ofgem.gov.uk/Sustainability/Environment/Policy/Documents1/ETS%20Review%20response_web.pdf">http://www.ofgem.gov.uk/Sustainability/Environment/Policy/Documents1/ETS%20Review%20response_web.pdf</a>	30 May	n/a
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<b>CUSC Decisions</b>			
		Decision date	Implementation date
<b>CAP127</b>	<b>Calculation and Securing of Value at Risk</b>  Decision: APPROVE Alternative Panel Recommendation: Approve original	17 May	1 June
<b>CAP140</b>	<b>Change to BSC Obligations</b>  Decision: APPROVE Panel Recommendation: Approve alternative	24 May	8 June

