

The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER CONSULTING

Inside this issue...

- The Conservative Party has published its interim findings from its Energy Review, which focuses exclusively on the electricity sector
- Government has published its Energy Review, this covers heat and transport as well as electricity but the main focus is UK electricity supply
- Good Energy has raised a new modification which seeks to mitigate the impact of P194 by increasing the maximum volume of energy to be included in the calculation of the imbalance prices from 100 MWh to 500 MWh
- There have been seven nominations for the five Industry Panel Member posts in the next BSC Panel

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This newsletter provides a brief update of the key wholesale electricity market design changes currently being progressed within Great Britain, focusing on July 2006.

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

- The Conservative Party has published its interim findings from its Energy Review, which focuses exclusively on the electricity sector.

Headlines include: support for a “capacity mechanism”; consideration of the introduction of feed in tariffs for renewables; more and longer cap and trade schemes (delivering a long term price for carbon); amended planning procedures to allow for type and site approval for nuclear (but no special treatment); a review of Ofgem’s remit to ensure that “all renewable and decentralised technologies are given a fair chance”; and no intervention in the energy mix – but worries about over-reliance in gas mean that consideration will be given to a “diversity backstop” regime.

- Government has published its Energy Review, this covers heat and transport as well as electricity but the main focus is UK electricity supply. The headline electricity messages include:
 - continuing support for Renewables and a number of potentially material changes to the Renewables Obligation (including a new way of setting the target and “banding” to give different technologies different numbers of ROCs per MWh);
 - the importance of energy efficiency (across all sectors) and new mechanisms to deliver it;
 - the importance of the longer term development of the EU ETS;
 - warm words on decentralised energy/microgeneration and clean coal technologies; and
 - support for nuclear (this includes tangible measures to simplify planning and licensing but no explicit commercial incentives/protections).

The Review flags up the intention to consult separately on a number of the proposed measures; there is also to be a White Paper “around the turn of the year”.

- Good Energy has raised a new modification (to be progressed as an urgent Modification) which seeks to mitigate the impact of P194 by increasing the maximum volume of energy to be included in the calculation of the imbalance prices from 100MWh to 500MWh. The proposed change would take effect over winter 2006/7 allowing the Panel time to determine what the appropriate volume should be.
- There have been seven nominations for the five Industry Panel Member posts in the next BSC Panel (the deadline for nominations was 14 July). Voting papers have been issued and the deadline for submitting votes is 5pm on 9 August. The candidates are: Peter Bolitho; Nigel Cornwall; James Nixon; John Sykes; Malcolm Taylor; Graham Thomas; and Barbara Vest.



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Energy Review(s)

Issue: The Conservative's initial thoughts on electricity policy

Title: Interim Findings of the Conservative Party's Energy Review

Issued: 6 July

Response: no date is given but the paper invites comments, to be sent to: mail@energyreview.info

Link:

<http://www.conservatives.com/pdf/energyreview.pdf>

The conservatives issued their first policy paper on energy, under David Cameron, a few days ahead of the publication of the findings of the Energy Review. The paper only covers electricity but floats a number of proposals for this sector.

The twin strategic objectives are seen as being:

- *“reducing carbon emissions from the electricity supply industry, and*
- *guaranteeing affordable security of electricity supply.”*

The role of Government is seen as setting the framework for the industry and the role of industry is seen as delivering efficient outcomes under that framework. The paper stresses the importance of “level playing fields” and the need to “give green energy a chance”.

Proposals include:

- Conservative support for a “capacity mechanism” to deliver security of supply;
- no intervention in the energy mix – but worries about over-reliance in gas mean that consideration will be given to a “diversity backstop” regime;
- various measures to remove barriers for renewable and decentralised generation including consideration of the use of feed in tariffs (and review of the Renewables Obligation);

- a review of Ofgem’s remit to ensure that “all renewable and decentralised technologies are given a fair chance”;
- more and longer cap and trade schemes (delivering a long term price for carbon) and changing the Climate Change Levy into a Carbon Levy; and
- streamlined planning procedures for renewable and decentralised capacity and nuclear, including type and site approval for nuclear.

Issue: The outcome of the Government's Energy Review

Title: The Energy Challenge

Published: 11 July

Response due: consultation on the policy framework for new nuclear build by **31 October 2006**

Link to review: <http://www.dti.gov.uk/files/file31890.pdf>

Link to consultation on policy framework for nuclear build: <http://www.dti.gov.uk/files/file31931.pdf>

Link to the initial regulatory impact assessment of the policy framework:

<http://www.dti.gov.uk/files/file31906.pdf>

Link to: nuclear power generation cost benefit analysis:

<http://www.dti.gov.uk/files/file31938.pdf>

Link to Overview of modelling of the relative electricity generating costs of different technologies:

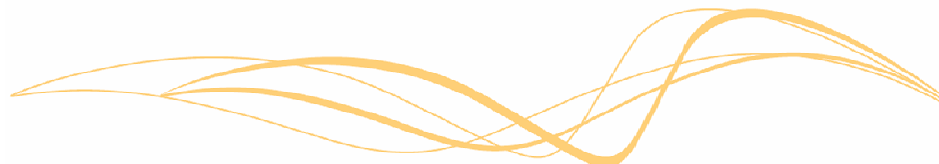
<http://www.dti.gov.uk/files/file31936.pdf>

Links to all the annexes and supporting information can be found at: <http://www.dti.gov.uk/energy/review/>

DTI has published the outcome of the Energy Review. This is a long document covering a range of proposals to tackle **energy** security and environmental issues; it includes measures to address gas supply, provision of heat and transport issues but the main focus is UK electricity supply (the TIC in its report on nuclear (link below under TIC) notes that this “has not been an Energy Review, but an Electricity Review”).

The headline messages include:

- continuing support for Renewables and a number of potentially material changes to the Renewables Obligation;



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- the importance of energy efficiency (across all sectors);
- warm words on decentralised energy/microgeneration and clean coal technologies; and
- support for nuclear (this includes tangible measures to simplify consents/planning but no explicit commercial incentives/protections).

The Review flags up the intention to consult separately on a number of the proposed measures; there is also to be a White Paper “around the turn of the year”. The review publication is not itself a consultation, although comments are requested on the proposed policy framework for new nuclear build.

Further detail is given below on the proposed changes to the RO (and transmission charges for intermittent generators); the Energy Efficiency Commitment; and the EU ETS (and a prospective new UK emissions trading scheme for players outside the EU ETS).

Transmission & Intermittent Generation

The review refers to work sponsored by the DTI that suggests that renewable generation capacity may require less investment in transmission than conventional generation and states that “a cost-reflective pricing system...would imply that transmission charges should be lowered for variable generating plant, such as wind”. DTI is to work with Ofgem and National Grid (and in consultation with industry) to look at the issue and determine whether changes to the “Security and Quality of Supply Standards for renewables as well as relevant investment and transmission charging methodologies” are required.

The RO

The review includes a number of major changes to the RO; most will need new primary legislation so are unlikely to come into effect before 2009/10. The key changes being considered (they are still subject to further consultation/legislation) are:

- **BANDING** for technologies with different ROC entitlements for different technologies. Protection will be provided for existing generators who will not be worse off when the changes are implemented (although this protection will not extend to co-firing);
- a new mechanism for setting a **TARGET** of up to

20% based on a “**fixed headroom**” mechanism that will limit volatility in the value of recycled buy out payments;

- protection against price collapse with a new mechanism to be developed to provide protection in the event the target is reached;
- removing indexation of the buyout price from 2015; and
- changes on co-firing (removing the cap for co-firing energy crops from 1 April 2007 and, subject to the introduction of banding to allow lower ROC allocation to other biomass fueled electricity, removing other co-firing restrictions).

The EEC

Government is to consult on widening the scope of measures to be used within EEC 3 (2008 – 11) in line with the provisions of the Climate Change and Sustainable Energy Act. More radical changes are foreshadowed for EEC 4 with suggestions of “moving to a supplier obligation based on tradable targets or caps on household energy demand or carbon emissions”.

The EU ETS & a new scheme to deliver energy efficiency in the large, non-energy intensive, commercial and public sector

The review refers to the decisions on the NAP for Phase 2 and looks forward to the Government’s longer term objectives for the EU ETS. These include:

- Greater clarity on when (& how) future caps will be set (better indication of carbon price);
- Simplifying & harmonising across the EU:
 - rule out grandfathering;
 - use of benchmarking as basis for allocation; and
 - more auctioning;
- Consideration of the inclusion of more GHGs; and
- thoughts on going global!

The review also contemplates a new UK Emissions Trading Scheme as a possible mechanism for reducing emissions from the large, non-energy intensive, commercial and public sector not covered by either the EU ETS or Climate Change Agreements, and will be launching a consultation on this (and other measures) later this year.

Issue: Publication of the third annual report on progress in implementing the 2003 Energy White



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paper

Title: **Creating a Low Carbon Economy: The Energy White Paper: Third Annual Report**

Issued: 26 July
Response due: n/a

Link: <http://www.dti.gov.uk/files/file32497.pdf>

DTI/DEFRA have published their annual report on progress against the 2003 White Paper objectives.

Ofgem Issues and Consultations

Issue/Title: **Domestic Retail Market Report - March 2006**

Issued: 5 July

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15610_DRMR_March_2006.pdf?wtfom=/ofgem/whats-new/archive.jsp

Ofgem has published a review of the domestic market and updated indicators of the state of competition in the domestic market.

The headline conclusion is that Ofgem considers that "competition remains effective and vigorous in all segments of the domestic energy market". Switching is reported to be at its highest level for over four years and the market shares of the ex-PES suppliers continue to fall.

Issue: **NGET's System Operator Schemes include reopeners that allow the scheme to be reopened and the calculation of the incentivised costs to be adjusted in the light of unanticipated events (Income Adjusting Events, IAEs). NGET is claiming two IAEs for 2005/6.**

Title: **NGET's External System Operator incentive scheme 2005/06: Submission of Notices under Special Condition AA5A Part 2(i), paragraph 11 of National Grid Electricity Transmission plc's Transmission Licence in respect of Scottish Constraints and CAP047**

Issued: 5 July (dated 30 June)

Link:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15623_Ofgem_300606.pdf?wtfom=/ofgem/whats-new/archive.jsp

Links to Attachments:

http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15624_1a.pdf?wtfom=/ofgem/whats-new/archive.jsp
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15625_1b.pdf?wtfom=/ofgem/whats-new/archive.jsp
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15626_1c.pdf?wtfom=/ofgem/whats-new/archive.jsp

NGET has written to Ofgem giving formal notice that it believes two Income Adjusting Events (events that allow the reopening of the GB SO incentive and resetting the target value) and requesting its determination. If approved, the IAEs would reduce the incentivised balancing costs (the costs compared to the incentive target) from £427.2m to £391.5m for 2005/6. The target is £377.5m. Details are given in the accompanying attachments.

Issue: **An open letter kicking off the process for setting National Grid's gas and electricity SO incentives for 2007/8 and seeking initial views**

Title: **National Grid Electricity Transmission and National Grid Gas System Operator Incentives 2007 – 08 – Invitation to submit views**

Issued: 5 July
Response: **4 August**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15627_Open_letter_on_NGET_historical_performance_v2.pdf?wtfom=/ofgem/whats-new/archive.jsp

Link to electricity annex (annex A):
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15628_NGET_SO_Annex_A.pdf?wtfom=/ofgem/whats-new/archive.jsp

Ofgem has issued an open letter seeking industry views on National Grid's gas and electricity system operator businesses as a precursor to developing initial proposals for the 2007/8 incentives (due for publication in "late September"). The letter is accompanied by a number of annexes that provide analysis of National Grid's costs and performance and the specific questions Ofgem is seeking views on.



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Issue/Title: Supply Licence Review - Initial Policy Proposals

Issued: 7 July
Response: **15 September**

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15653_Supply_Licence_Review.pdf?wtfrom=/ofgem/whats-new/archive.jsp

Ofgem has published its initial proposals on changes to the supply licence following its review – Ofgem estimate that the simplifications it is suggesting would cut the number of pages in the supply licence by ~50%.

Issue/Title: National Grid's Winter 2006/07 Consultation Document July 2006

Issued: 11 July
Response: 11 August

Links:
open letter:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15696_NGWinter2006_07.pdf?wtfrom=/ofgem/whats-new/archive.jsp

consultation update document:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15693_MainbodyJulyfinaldoc070706.pdf?wtfrom=/ofgem/whats-new/archive.jsp

annexes:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15692_July_Annex_AE_Final_07_07_06.pdf?wtfrom=/ofgem/whats-new/archive.jsp

annex F (questions):
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15691_Annex_F_Questions_final_070706.doc?wtfrom=/ofgem/whats-new/archive.jsp

Ofgem has published its second consultation on National Grid's winter 2006/07 outlook for gas and electricity together with National Grid's updated forecasts that take into account comments received on the May document. The cover letter indicates that no significant changes have been made to National Grid's electricity market assessment and that "forecast margins remain healthy even under severe weather conditions"but....."significant problems in the gas

market could spill over into the electricity market as some gas fired generation will be required during periods of peak electricity demand".

Issue: Ofgem update on issues associated with offshore transmission plus a link to a National Grid high level scoping document on potential Code changes to accommodate offshore transmission networks

Title: Offshore Electricity Transmission – Scoping Document Response

Issued: 25 July
Response due: The document is not a consultation but comments can be sent by 21 August

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15881_126_06.pdf?wtfrom=/ofgem/whats-new/archive.jsp

Ofgem has provided an update (via an open letter) on issues associated with price controls for offshore transmission and the responses to the April 2006 consultation. The 9 responses that were received are also included in the letter as an appendix.

In addition, there is an initial scoping document on the possible Code changes that will be needed to accommodate offshore transmission networks on the Grid Code section of National Grid's electricity information website (link: http://www.nationalgrid.com/NR/ronlyres/8A790780-92E4-489B-B092-34C236987CAB/7830/pp06_18offshore.pdf)

Issue/Title: Ofgem Annual Report 05/06

Issued: 26 July
Response due: n/a

Link:
http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15887_128_06.pdf?wtfrom=/ofgem/whats-new/archive.jsp

Ofgem has published its annual report for 2005/06. Judging by the pictures on the cover (an energy efficient light bulb and some wind turbines) being green was high on the agenda. The accompanying press release highlights the challenges for the coming year, the need for the drive for sustainable energy solutions



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to continue and the (welcome) news that Ofgem beat its self imposed (RPI-X) targets for 05/06.

Electricity Licences and Licence Modifications

Notice: Crowthorne Electricity Supply Limited – notice of application for a domestic electricity supply licence

Issued: 6 July

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15633_Crowthorne -
_esup_notice.pdf?wtfrom=/ofgem/work/index.jsp§i
on=/areasofwork/licensing/licensingapplicationnotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15633_Crowthorne_-_esup_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationnotices)

Ofgem has published an application for a supply licence from Crowthorne Electricity Supply Limited to supply domestic and non domestic electricity premises.

Issue: changes to definitions in the generation licence in light of new interconnector licences

Notice: Appendix 1 Statutory notice of changes required to generation licence standard conditions

Title: Notice under Section 11a (3) of the Electricity Act 1989

Issued: 13 July

Response due: 10 August

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15745_11906bound.pdf?wtfrom=/ofgem/whats-
new/archive.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15745_11906bound.pdf?wtfrom=/ofgem/whats-new/archive.jsp)

Ofgem has issued a statutory notice consulting on proposals to change “SLC” 1 (Definitions and interpretation) of electricity generation licences associated with the introduction of Interconnector licences.

Issue: Proposal to delete conditions in the distribution licence of the two Scottish DNOs that are obsolete following the introduction of BETTA and the ending of certain legacy arrangements.

Title: Notice under section 11 of the Electricity Act

1989

Issued: 14 July

Response due: 31 August

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15750_12106.pdf?wtfrom=/ofgem/whats-
new/archive.jsp](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15750_12106.pdf?wtfrom=/ofgem/whats-new/archive.jsp)

Ofgem have issued a statutory notice covering changes to the distribution licence of the two Scottish DNOs.

The proposed changes delete two special conditions (Special Condition H (Arrangements relating to supplies to premises within the licensee’s distribution services area) and Special Condition I (The Settlement Agreement for Scotland)) which are now obsolete following the introduction of BETTA and the ending of certain legacy arrangements.

Notice: Greater Gabbard Offshore Wind Limited - Notice of grant of generation licence

Issued: The licence was granted on 14 July

Response due: n/a

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15859_Website_Noticegeneration_licence.pdf?wtfrom
=/ofgem/work/index.jsp§ion=/areasofwork/licensin
g/licensingapplicationgrantednotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15859_Website_Noticegeneration_licence.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationgrantednotices)

Ofgem has granted a generation licence to Greater Gabbard offshore Winds Limited.

Notice: Caboodle Energy Limited – notice of application for an electricity supply licence

Issued: 21 July

Response due: n/a

Link:

[http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15873_Caboodle_notice.pdf?wtfrom=/ofgem/work/inde
x.jsp§ion=/areasofwork/licensing/licensingapplicati
onnotices](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15873_Caboodle_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationnotices)

Ofgem has published a notice of the application by Caboodle Energy Limited for a non-domestic supply licence.



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Issue/Title: proposal to modify Standard Licence Conditions C5 (“Use of system charging methodology”) and C6 (“Connection charging methodology”)

Issued: 25 July
Response due: **22 August**

Links
Open letter: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15888_127_06a.pdf?wtfrom=/ofgem/whats-new/archive.jsp
Formal consultation/notice: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15889_127_06aa.pdf?wtfrom=/ofgem/whats-new/archive.jsp

Ofgem has published an open letter and formal notice proposing modifications to the Standard Licence Conditions in the Transmission Licence regulating the use of system and connection charging methodologies. The proposed changes allow Ofgem a maximum of 3 months (as opposed to the current 28 days) to respond to a proposal, from the licensee, to change the methodologies where Ofgem consider that it needs to undertake and consult on an Impact Assessment in relation to the proposed change. The current default of 28 days remains where an IA is not considered necessary.

Issue/Title: The Electricity Network Company Limited - Notice of grant of electricity distribution licence

Dated: The licence was granted on 28 July
Response: n/a

Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15906_ENC_notice.pdf?wtfrom=/ofgem/work/index.jsp§ion=/areasofwork/licensing/licensingapplicationgrantednotices

DTI

Fuel Security Code Workshop - Postponed

Issued: 13 July

The proposed FSC workshop, due to take place on 19 July was cancelled; DTI have indicated that they plan

to reschedule it for early August.

DEFRA

Issue: Speech by David Milliband on the role/importance of decentralised energy

Title Power devolved is energy released - Miliband - Amended version

Issued: 4 July
Response due: n/a

Link: <http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=212058&NewsAreaID=2>

DEFRA has issued a press release on a speech given by David Milliband on the role/importance of decentralised energy.

Issue: Speech by David Milliband on personal carbon allowances

Title: Government to look at personal carbon allowances to combat rising domestic emissions

Issued: 19 July
Response due: n/a

Link: <http://www.gnn.gov.uk/Content/Detail.asp?ReleaseID=215412&NewsAreaID=2>

DEFRA has issued a press release on a speech that David Milliband gave which foreshadowed the possibility of personal carbon allowances.

Issue/Title: The Energy Efficiency Commitment April 2008 to March 2011: Initial consultation

Issued: 31 July 2006
Response due: **23 October 2006**

Link: <http://www.defra.gov.uk/corporate/consult/eec3/index.htm>

DEFRA has issued a consultation on changes to the Energy Efficiency Commitment, for Phase 3 (EEC3 2008 – 2011) in the light of the passage of the Climate Change and Sustainable Energy Act which received Royal Assent at the end of last month. This consultation will be followed by the mandatory statutory consultation (which will include precise proposals on what the Government intends to do and will be



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accompanied by draft legal text for the EEC Order and a draft regulatory impact assessment) in spring 2007.

The Environmental Audit Commission (EAC)

Issue/Title: New Inquiry: The Kyoto Protocol: Beyond 2012
COP12 and COP/MOP2, Nairobi 6-17 November 2006

Issued: 21 July

Response due: Written evidence should be provided by 25 September 2006

Link:

http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_21_07_06.cfm

The EAC has announced an inquiry into The Kyoto Protocol: Beyond 2012.

The specific issues on which the Committee indicates it would welcome views are reproduced below.

- “What is the likely outcome from the meetings in Nairobi in November? Will the Parties to the Protocol be able to maintain whatever momentum they possessed at Montreal in 2005?”
- What is the likely shape of an agreement post 2012 which will (presumably) include at least all those currently signed up to the Protocol? To what extent will the current stance of the United States of America and other countries not signed up to the Protocol influence the discussions concerning any post-2012 framework?
- What should be the position of the UK Government and of the EU in the discussions? Is the UK Government and the other governments of the EU in a good position to show leadership?”

Issue/Title: New Inquiry: The EU Emissions Trading Scheme: Lessons from Phase I

Issued: 25 July

Response due: written evidence is requested by 6 October 2006

Link:

http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_25_07_06c.cfm

The EAC has announced an inquiry into the lessons to be learnt from Phase 1 of the EU ETS.

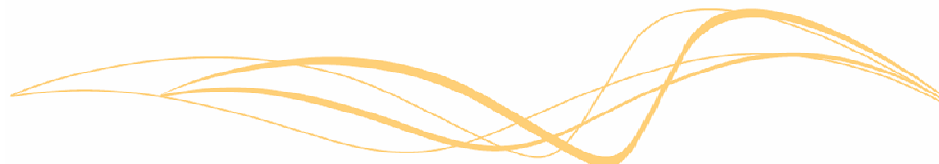
This press release indicates that the inquiry is designed to assess the prospects for the remainder of Phase I, and the lessons that should be applied to Phase II.

The specific issues on which the Committee indicates it would welcome views are reproduced below.

1. What are the key lessons to learn from Phase I of the Scheme?
2. How likely is it that UK firms would successfully reduce emissions by at least 7MtC by 2012, in line with the proposed Phase II NAP?
3. What have been the effects of the method chosen for allocating allowances in Phase I?
4. Has the Government identified the correct proportion of allowances to be auctioned in Phase II? Should these be drawn solely from the power sector's allocation? What will the effect of this auctioning be on industry and the price of carbon?
5. What have been the effects of Phase I so far on the competitiveness of (1) business in the UK, and (2) business across the EU?
6. What are the key issues for Phase II in terms of ensuring that emissions reductions from EU states are not cancelled out by the transferring of industry to developing economies?
7. How well are the EU ETS and the Clean Development Mechanism working together? What needs to be done to better integrate these markets? Is the CDM funding the right projects?
8. How should aviation be included within the ETS? What are the latest indications of when it will be included?
9. The Environment Secretary has said: “we will support the Commission in its efforts to enforce tough caps”. What exactly should the Government be doing to influence this?
10. How well integrated are the ETS and other EU climate change policies?
11. What work needs to be done now to help design a third phase of the EU ETS? How can the experience of the EU ETS be used to help the design of a post-2012 Kyoto mechanism?”

The EU ETS

Issue/Title: Consultation on the exclusion of



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certain small emitters in the EU Emissions Trading Scheme, Phase II

Issued: 17 July
Response due: 28 July 2006.

Links:

Accompanying notice:
<http://www.defra.gov.uk/corporate/consult/euets-smallemitters/letter.htm>

Consultation:
<http://www.defra.gov.uk/corporate/consult/euets-smallemitters/consultation.pdf>

DEFRA has issued a short duration (2 week) consultation on the exclusion of certain small emitters under the EU Emissions Trading Scheme under Phase II and is seeking views on two new policy measures.

The two measures under consideration (in the UK) are:

- introduction of voluntary a “de minimis” threshold (for units less than 3MWs although all units would be included if the aggregated units exceed 20MW); and
- in the light of guidance from the Commission, a less onerous interpretation of the rules covering production of ceramics products.

Trade and Industry Committee

Title: **New nuclear? Examining the issues**

Ordered to be printed: 4 July

Link:
<http://www.parliament.uk/documents/upload/Nuclear%20New%20Build%20FINAL.pdf>

Title: **Energy Statistics Publications - Digest of UK Statistics (Annual)**
Digest of United Kingdom Energy Statistics 2006

Issued: 28 July
Response due: n/a

Link:
<http://www.dti.gov.uk/energy/statistics/publications/dukes/page29812.html>

The DTI has published the Digest of UK Statistics

which includes a detailed view of energy production and use over the last five years.

NFPA

Issue: **Price for ROCs**
Title: **e-ROC Auction of Renewable Obligation Certificates**

Issued: 20 July 2006

The NFPA has indicated that the average ROC price (including co-fired ROCs), in the e-ROC Auction that took place on 20 July 2006, was £40.62 and the lowest price £40.55. Close to 228,000 ROCs were auctioned.

The European Union

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

DECISION No .../2006/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of laying down guidelines for trans-European energy networks and repealing Decision 96/391/EC and Decision No 1229/2003/EC

Issued: 17 July

Link:
<http://register.consilium.europa.eu/pdf/en/06/st03/st03612.en06.pdf>

TEN-E Guidelines specify a European-wide energy transmission network
Brussels, 24 July 2006

Link:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=MEMO/06/304&format=HTML&aged=0&language=en&guiLanguage=en>

Commissioner Piebalgs welcomes the adoption of new guidelines for the Trans-European Energy Networks
Brussels, 24 July 2006

Link:
<http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/06/1054&format=HTML&aged=0&language=en&guiLanguage=en>



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GB SO REPORTS AND CONSULTATIONS

The Statement of Use of System Charges Effective From 01 April 2006 (Issue 2 Revision 1)

Issued: July
Response due: n/a

Link
<http://www.nationalgrid.com/NR/ronlyres/6B9DE2E5-DD7E-4AB8-8D0B-5859FB8C90F6/7871/UoSCI2R1Final.pdf>

NGET has published a revised Use of System Charges which incorporates changes including Application Fees for Statement of Works in line with CAP 097 (CUSC Section 6.5.5).

THE BSC AND CUSC

The BSC

The next BSC Panel

There have been seven nominations for the five Industry Panel Member posts for the next BSC Panel (the deadline for nominations was 14 July). Voting papers have been issued and the deadline for submitting votes is **5pm on 9 August**. The candidates are: Peter Bolitho; Nigel Cornwall; James Nixon; John Sykes; Malcolm Taylor; Graham Thomas; and Barbara Vest.

Title: **BSC Auditor's Report for the year ended 31 March 2006**

Issued: July

Link:
http://www.elexon.co.uk/documents/Participating_in_the_Market/Market_Guidance_-_Audit_Documentation_and_Reports/BSC_Auditors_Report_and_SSM_vFINAL_.pdf

The Auditor's report for 2005/6 has been published. The report is unqualified and reports improvements in a number of areas – however a number of “issues of significance” in SVA Settlement Systems are identified

and the report states that “Although the level of error that we have identified is below the materiality threshold, the overall reported error has increased substantially from the prior year.”

Title: **Credit Assessment Price Consultation**

Issued: 25 July
Response due: 8 August 2006

Link:
http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01392.pdf

The ISG (the Imbalance Settlement Group) has issued a consultation on increasing the Credit Assessment Price (CAP) to £64.00/MWh, from its current level of £39.00/MWh (CAP is used in the calculation of the amount of credit a party has to provide under the BSC).

Joiners and leavers

Lehman Brothers Commodity Services signed up to the BSC on 26 July 2006 as a Non Physical Trader.

BSC Modification Proposals

New Modifications

- **P204** (Scaled Zonal Transmission Losses)

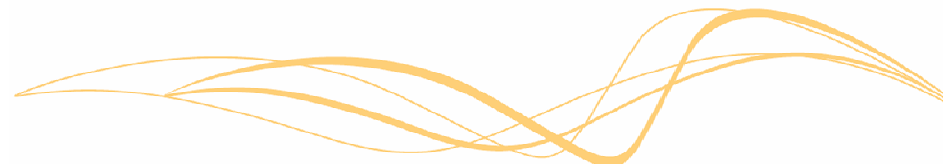
Raised by: British Energy Power & Energy Trading Ltd
On: 3 July

The Modification, like P198, proposes the introduction of a scheme to allocate variable (heating) element of transmission losses on a zonal basis via application of zonal Transmission Loss Factors (TLFs) that are calculated for each BSC Year on an ex-ante basis for each GSP Group using a Load Flow Model. However, unlike P198, P204 proposes that the allocation methodology would ensure that no zones are credited with reducing losses.

P205 (Increase in PAR level from 100MWh to 500MWh)

Raised by: Good Energy Ltd
On: 4 July

The Modification proposes increasing the PAR value from 100MWh to 500MWh (PAR is the size of the stack of bid/offers used when calculating the imbalance price under the new P194 methodology). The change would



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be effective over winter 2006/7 and would allow time for the Panel to assess the impact of P194 and determine an appropriate value for PAR.

The Authority has agreed that the Modification should be progressed as an Urgent Modification.

CUSC Amendment Proposals

Approved Amendments

- **CAP 120** (Connection Application Form - Alternative Connection Offers in England & Wales and Scotland).

Approved on: 6 July
Effective From: 20 July

The change will allow NGET to determine whether more than one connection application is being submitted by a potential connectee in order to determine whether it needs to invoke certain provisions intended to prevent the disclosure of confidential information.

- **CAP122** (Change to the definition of Intertrip Payment for Power Park Modules).

Approved on: 6 July
Effective From: 20 July

The CAP will change the entitlement to payment for intertrips for Power Park Modules to one payment per Power Park Module instead of one payment per Generating Unit.

IPA News

IPA recently published their view on the Energy Review 2006 – The Energy Challenge. If you haven't already received a copy, visit

www.ipaenergy.co.uk/publications.htm

where you can download the pdf version and find out how to subscribe to all our publications.

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SUMMARY OF JULY 2006 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
Scottish Exec	Title: Supporting wave and tidal energy in Scotland - a consultation on amending the Renewables Obligation (Scotland) Order – 2006 Link: http://www.scotland.gov.uk/Publications/2006/05/10153327/ConDocsHTML	12 May	3 August
DTI	Title: Guidance Relating to the Statutory Decommissioning Scheme for Offshore Renewable Energy Installations in the Energy Act 2004 Link: http://www.dti.gov.uk/consultations/page29978.html	9 June	1 Sept
Ofgem	Industry Codes Compliance Review Consultation Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15594_ICCR_Condoc_FINAL.pdf	30 June	1 Sept
Ofgem	Title: Metering Price Control Review Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15593_metering_price_control_con_doc_V7-final.pdf	30 June	11 August
New in July			
DTI	Title: New nuclear? Examining the issues Link: http://www.parliament.uk/documents/upload/Nuclear%20New%20Build%20FINAL.pdf	Ordered to be printed: 4 July	
Ofgem	Title: Domestic Retail Market Report - March 2006 Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15610_DRMR_March_2006.pdf?wtfrom=/ofgem/whats-new/archive.jsp	5 July	



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<p>NGET/ Ofgem</p>	<p>Title: NGET's External System Operator incentive scheme 2005/06: Submission of Notices under Special Condition AA5A Part 2(i), paragraph 11 of National Grid Electricity Transmission plc's Transmission Licence in respect of Scottish Constraints and CAP047</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15623_Ofgem_300606.pdf?wtfom=/ofgem/whats-new/archive.jsp</p> <p>Links to Attachments: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15624_1a.pdf?wtfom=/ofgem/whats-new/archive.jsp http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15625_1b.pdf?wtfom=/ofgem/whats-new/archive.jsp http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15626_1c.pdf?wtfom=/ofgem/whats-new/archive.jsp</p>	<p>5 July (dated 30 June)</p>	
<p>Ofgem</p>	<p>Title: National Grid Electricity Transmission and national Grid Has System Operator Incentives 2007 – 08 – Invitation to submit views</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15627_Open_letter_on_NGET_historical_performance_v2.pdf?wtfom=/ofgem/whats-new/archive.jsp</p> <p>Link to electricity annex (annex A): http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15628_NGET_SO_Annex_A.pdf?wtfom=/ofgem/whats-new/archive.jsp</p>	<p>5 July</p>	<p>4 August</p>
<p>Conservative Party</p>	<p>Title: Interim Findings of the Conservative Party's Energy Review</p> <p>Link: http://www.conservatives.com/pdf/energyreview.pdf</p>	<p>6 July</p>	<p>: no date is given but the paper invites comments, to be sent to: mail@energyreview.info</p>
<p>Ofgem</p>	<p>Title: Supply Licence Review - Initial Policy Proposals</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15653_Supply_Licence_Review.pdf?wtfom=/ofgem/whats-new/archive.jsp</p>	<p>7 July</p>	<p>15 Sept</p>



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DTI	<p>Title: The Energy Challenge</p> <p>Link to review: http://www.dti.gov.uk/files/file31890.pdf Link to consultation on policy framework for nuclear build: http://www.dti.gov.uk/files/file31931.pdf Link to the initial regulatory impact assessment of the policy framework: http://www.dti.gov.uk/files/file31906.pdf Link to: nuclear power generation cost benefit analysis: http://www.dti.gov.uk/files/file31938.pdf Link to <u>Overview of modelling of the relative electricity generating costs of different technologies</u>: http://www.dti.gov.uk/files/file31936.pdf</p> <p>Links to all the annexes and supporting information can be found at: http://www.dti.gov.uk/energy/review/</p>	11 July	consultation on the policy framework for new nuclear build by 31 October 2006
Ofgem	<p>Title: National Grid's Winter 2006/07 Consultation Document July 2006</p> <p>Links: open letter: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15696_NGWinter2006_07.pdf?wtfrom=/ofgem/whats-new/archive.jsp</p> <p>consultation update document: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15693_MainbodyJulyfinaldoc070706.pdf?wtfrom=/ofgem/whats-new/archive.jsp</p> <p>annexes: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15692_July_Annex_AE_Final_07_07_06.pdf?wtfrom=/ofgem/whats-new/archive.jsp</p> <p>annex F (questions): http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15691_Annex_F_Questions_final_070706.doc?wtfrom=/ofgem/whats-new/archive.jsp</p>	11 July	11 August
DEFRA	<p>Title: Consultation on the exclusion of certain small emitters in the EU Emissions Trading Scheme, Phase II</p> <p>Links: Accompanying notice: http://www.defra.gov.uk/corporate/consult/euets-smallemitters/letter.htm Consultation: http://www.defra.gov.uk/corporate/consult/euets-smallemitters/consultation.pdf</p>	17 July	28 July



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EAC	<p>Title: New Inquiry: The Kyoto Protocol: Beyond 2012 COP12 and COP/MOP2, Nairobi 6-17 November 2006</p> <p>Link: http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_21_07_06.cfm</p>	21 July	Written evidence to be provided by 25 September 2006
EAC	<p>Title: New Inquiry: The EU Emissions Trading Scheme: Lessons from Phase I</p> <p>Link: http://www.parliament.uk/parliamentary_committees/environmental_audit_committee/eac_25_07_06c.cfm</p>	25 July	Written evidence is requested by 6 October 2006
Ofgem	<p>Title: Offshore Electricity Transmission – Scoping Document Response</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15881_126_06.pdf?wtfrom=/ofgem/whats-new/archive.jsp</p> <p>Initial scoping document on the possible Code changes to accommodate offshore transmission networks link: http://www.nationalgrid.com/NR/rdonlyres/8A790780-92E4-489B-B092-34C236987CAB/7830/pp06_18offshore.pdf)</p>	25 July	The document is not a consultation but comments can be sent by 21 August
Ofgem	<p>Title: Ofgem Annual Report 05/06</p> <p>Link: http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/15887_128_06.pdf?wtfrom=/ofgem/whats-new/archive.jsp</p>	26 July	
DTI	<p>Title: Creating a Low Carbon Economy: The Energy White Paper: Third Annual Report</p> <p>Link: http://www.dti.gov.uk/files/file32497.pdf</p>	26 July	
DTI	<p>Title: Energy Statistics Publications - Digest of UK Statistics (Annual) Digest of United Kingdom Energy Statistics 2006</p> <p>Link: http://www.dti.gov.uk/energy/statistics/publications/dukes/page29812.html</p>	28 July	
NGET	<p>The Statement of Use of System Charges Effective From 01 April 2006 (Issue 2 Revision 1)</p> <p>Link http://www.nationalgrid.com/NR/rdonlyres/6B9DE2E5-DD7E-4AB8-8D0B-5859FB8C90F6/7871/UoSCI2R1Final.pdf</p>	July	
DEFRA	<p>Title: The Energy Efficiency Commitment April 2008 to March 2011: Initial consultation</p> <p>Link: http://www.defra.gov.uk/corporate/consult/eec3/index.htm</p>	31 July	23 October



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BSC Mods & Decisions July 2006.....			
New Mods			
P204	Scaled Zonal Transmission Losses	Raised on: 3 July	British Energy Power & Energy Trading Ltd
P205	Increase in PAR level from 100MWh to 500MWh	Raised on: 4 July	Raised by: Good Energy Ltd
CUSC Amendments & Decisions			
CAP decisions			
CAP 120	Connection Application Form - Alternative Connection Offers in England & Wales and Scotland	Approved: 6 July	Effective: 20 July
CAP 122	Change to the definition of Intertrip Payment for Power Park Modules	Approved: 6 July	Effective: 20 July

