



The Pace of Change in Great Britain

AN UPDATE FROM IPA ENERGY + WATER ECONOMICS

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Publication of consultation document on UK Renewable Energy Strategy

Transmission Access Review - Final Report

Announcement that four bidders have "pre-qualified" in the Government's carbon capture and storage (CCS) demonstration competition and publication of a Consultation on the legislative framework for CCS, including carbon capture readiness

Consultation on impact assessment for CAP 131: User Commitment for New and Existing Generators

Consultation on Offshore Electricity Transmission - A Joint Ofgem/BERR Regulatory Policy Update

Consultation on Scottish Power's (SP) proposal for a longer term charging methodology

Consultation on Ofgem's proposals for improving the prospects of distributed energy.

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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 June 2008.

The newsletter aims to assist electricity market participants 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 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 Economics on 44 (0) 131 240 0840.

Headlines:

The key headline this month is the publication of the Government's Renewable Energy Strategy Consultation and accompanying and related documents.



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OFGEM PUBLICATIONS

Issue: Licence Modification Notices in respect of changes to Distribution Network Licences following the Distribution Network Licence Review

Titles:

Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 – amendment of DNO's Special Condition A1

Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 – amendment of PLC 42 in Central Networks licences

Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 - addition of Special Condition J to SHEPDL licence

Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 – amendment of PLC 24 in SHEPDL licence

Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 - Collective Licence Modification to introduce proposed licence conditions of the Distribution Licence Review

Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 - removal of BA conditions 2, 3 and 4 from IDNO licences

Published: 30 May
Response due: n/a
Effective: 1 June

Links:

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20A1.pdf>

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20CN.pdf>

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20SHEPD%201.pdf>

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20SHEPD%202.pdf>

<http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011A.pdf>

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=102&refer=Licensing/Work/Notices/ModNotice>

Ofgem has published a number formal modification notices changing distribution licences, and the reasons for them, to give effect to the conclusions of the review of distribution licences.

Issue: Ofgem Impact Assessment for CAP 131

Title: CAP 131 User Commitment for New and Existing Generators Impact Assessment

Published: 6 June
Response due: 18 July

Link:

http://www.ofgem.gov.uk/Licensing/ElecCodes/CUSC/las/Documents1/080606_CAP131_IA_final.pdf

Ofgem has issued a consultation on its Impact Assessment for CAP 131 which is currently with it for determination. CAP 131, and its alternatives, have been put forward to address issues surrounding the “GB Queue” and propose changes to the CUSC that would change the financial commitments and liabilities of generators seeking to connect to the system. The CAP and some alternatives also seek to charge generators that fail to give two years notice of their intention to reduce their entry capacity.

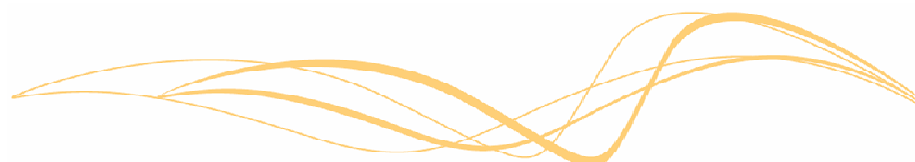
The IA states that Ofgem is currently minded to reject all the proposals and goes on to note that “*although all of the proposals would lower the barriers that new generators seeking to connect face, all of them appear to give existing generators preferential treatment without any clear justification for doing so.*”

The IA also states that the assessment has taken longer and been more difficult than expected because of the number of variants put forward (32) and states that Ofgem...

“think that CAP 131 provides a good example of the failure of the existing CUSC governance processes to come forward with proposals on this important issue.”

Issue/Title: Ofgem appoints new Director, Trading Arrangements

Published: 9 June



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Response due: n/a

Link:

<http://www.ofgem.gov.uk/Media/PressRel/Documents/1/Director%20Trading%20Arrangements.pdf>

Ian Marlee (previously head of the Regulation and Contract Services team at Network Rail Infrastructure Ltd) has been appointed as Ofgem's Director of Trading Arrangements.

Issue: National grid consultation on its forecast of security of supply for gas and electricity for 2008/9 and its review of last winter

**Title: Winter Consultation 2008/9
A review of winter 2007/8 & preliminary outlook for winter 2008/9**

Published: 10 June
Response due: 12 September

Link:

[http://www.ofgem.gov.uk/Markets/WhIMkts/CustandIndustry/winout2008/Documents1/Winter%20Outlook%20Consultation%20Report%20\(June\).pdf](http://www.ofgem.gov.uk/Markets/WhIMkts/CustandIndustry/winout2008/Documents1/Winter%20Outlook%20Consultation%20Report%20(June).pdf)

National Grid has published its initial view on the outlook for the coming winter for security of electricity and gas suppliers and seeks further information from market participants to help improve and refine its forecast. For electricity, National Grid anticipates (with provisos) that "demand should be able to be met in full even in a harsh winter (i.e. 1 in 20 demand)" and that "Demand should still be met in all but the most extreme of potential combinations of demand forecast error and generation unavailability."

Peak demand for last winter was 60.6 GW (which does not include exports to France or Northern Ireland) and occurred in the half-hour ending 17:30, Monday 17 December 2007. This was higher than the highest demand in the previous two years (58.1 GW and 60.0 GW for 2006/07 and 2005/06 respectively).

National Grid note that Ofgem plans to hold a seminar for industry parties in early September in London and that the final report will be issued in week beginning 29 September 2008.

Issue / Title: CERT 2008 – 2011 Technical

Guidance Manual

Published: 13 June
Response due: n/a

Link:

<http://www.ofgem.gov.uk/Sustainability/Environmnt/EnergyEff/CERT/Documents1/TM%20Guidance.pdf>

Ofgem has published its "CERT Technical manual" which sets out the technical standards/requirements that supplier schemes need to meet to qualify for meeting a supplier's CERT obligations.

Issue: Further detail on the regulatory regime for offshore transmission

Title: Offshore Electricity Transmission - A Joint Ofgem/BERR Regulatory Policy Update

Published: 13 June
Response due: 25 July (with a plea for material comments to be notified by 4 July)

Link:

<http://www.ofgem.gov.uk/Networks/Trans/Offshore/ConsultationDecisionsResponses/Documents1/Offshore%20Electricity%20Transmission%20-%20A%20Joint%20Ofgem%20BERR%20Regulatory%20Policy%20Update.pdf>

The annexes setting out the changes needed to various regulatory documents including the codes can be accessed at:

<http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?file=Offshore%20Electricity%20Transmission%20-%20A%20Joint%20Ofgem%20BERR%20Regulatory%20Policy%20Update.pdf&refer=Networks/Trans/Offshore/ConsultationDecisionsResponses>

This document provides further detail on the arrangements for the new regulatory regime for offshore electricity transmission; the document is described as "*the first consolidated consultation on the changes to the key industry documents that support this regime*".

The summary of the key proposals and areas for further consideration, from the document, is reproduced below.

"Design of the Regulatory Regime



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The key features of the proposed regulatory regime are:

- Licences will be issued on an open ended basis such that they will apply for not less than 20 years but may apply for longer. The licence can be revoked by the Authority at not less than 18 months notice and then only once the 19th year has been reached;
- The period of revenue stream will be 20 years with the Authority having the right to set a shorter period if the tender competition has been less than optimal;
- Should there be a demonstrable ongoing need for the assets beyond the 20 year revenue stream then the Authority will decide whether to extend the period or retender on a case by case basis;
- We are seeking further views on provisions for addressing unexpected and/or uncertain cost changes for transitional and enduring projects, including potential arrangements for provision of additional capacity;
- There will be penalty only incentives for availability/reliability and for delivery date. Targets and incentive rates may be set on a case by case basis. We are seeking views on the appropriate structure and level of performance incentives and the generator's role in defining this, and how much of an OFTO's revenue should be exposed to incentives;
- Generator affiliates will be allowed to bid for OFTO licences subject to appropriate ring-fencing and compliance with European Union requirements.

Tender Process including Transitional Arrangements

- There will be a number of pre-conditions which need to be satisfied before a tender process can commence in the enduring regime. We propose that these include the signing of a CUSC bilateral connection offer and the appropriate Crown Estate lease arrangements. We are seeking views on these and any other pre-conditions;
- There will be a four stage tender process;
- Generator affiliates will be able to participate in the tender process subject to business separation

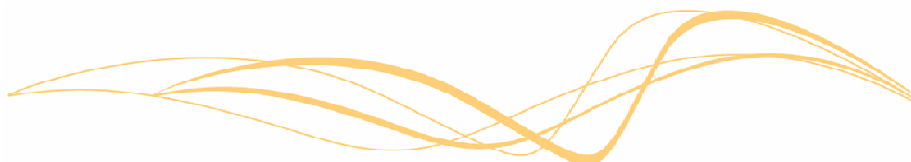
requirements. Safeguards will be put in place to ensure that generator affiliates have no undue advantage in the tender process;

- There will be no OFTO of Last Resort mechanism for the enduring regime;
- There will be annual tender windows which will be kept under review as we gain experience from the transitional tender exercise;
- offshore generators will continue to be responsible for gaining the necessary consents and leases for the offshore transmission assets, which would be transferred to the successful OFTO once identified and appointed. We would expect the generator to be remunerated for necessary and efficiently incurred costs;
- We are seeking views on responsibility for undertaking seabed surveys and how this would fit into the tender process;
- To be eligible for transitional arrangements full financial close (or equivalent) needs to have been achieved. Developers are invited to come forward with detailed proposals of their expected status for qualifying as a transitional project by the end of July 2008;
- To provide comfort on funding to developers of transitional schemes and, in some cases, to help them reach financial close the developer will be entitled to be paid the greater of 75 per cent of the ex-ante estimate of the Regulated Asset Value (RAV) or 100 per cent of the efficient ex-post RAV from the OFTO adopting the assets;
- There will be an OFTO of Last resort mechanism under the transitional arrangements. Only the developer will be appointed as the OFTO of Last Resort and would need to ensure sufficient business separation. The Authority reserves the right not to award a licence if it is not in the interests of consumers to do so.

Issue: Development of DNO long term charging methodologies

Title: Consultation on Scottish Power's (SP) proposal for a longer term charging methodology

Published: 17 June



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Response due: 29 July

Link:

<http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMods/Documents1/Consultation%208608.pdf>

Ofgem has published an open letter seeking views on proposals, from Scottish Power, to make substantive changes to the methodology (set out in the UoS Charging Methodology) which specifies how it will calculate Use of System (UoS) charges for LV (Low Voltage), HV (High Voltage) and EHV (Extra High Voltage) demand customers and generation customers in the SP and SP Manweb distribution areas.

Ofgem notes its initial assessment “is that this proposal represents a significant step forward in SP’s charging arrangements. In particular, it seeks to introduce:

- *More cost reflective generator charging arrangements which take account of generator costs and benefits;*
- *Revised EHV charging arrangements for demand and generation customers; and*
- *The allocation of certain costs to different customer groups prior to more generic scaling.”*

However, it also identifies some points of concern.

Issue: Ofgem’s proposals for improving the prospects of distributed energy.

Title: Distributed Energy - Further Proposals for More Flexible Market and Licensing Arrangements

Published: 18 June
Response due: 31 July

Link:

<http://www.ofgem.gov.uk/Sustainability/Environment/Policy/SmallerGens/DistEng/Documents1/DE%20June%20con%20doc%20-%20FINAL.pdf>

Following its consultation last year, Ofgem has now published its proposals for improving the prospects of decentralised energy (defined by Ofgem as renewable electricity connected to a distribution network and all forms of chp).

The document suggests minor reforms and refers to other on-going work that should assist DE (for example, the possibility of designating someone as able to raise BSC Modifications on behalf of DE and

potential changes to the cash-out arrangements) and proposes one major change.

The major change would be to allow licensed DE to be able to opt out of the requirement to comply with industry codes (as specified in Licence Condition 11.2) provided they meet certain Ofgem requirements which will include buying in the necessary services from third parties. Ofgem’s preferred approach for delivering this is for licensees to be able to seek a direction from Ofgem to relieve them of these obligations with the conditions they would need to meet to qualify for such a direction being specified in guidance that would be published by Ofgem.

Issue: Appointment to new post of Director of Regulatory Review

Title: Ofgem appoints new Director of Regulatory Review

Published: 18 June
Response due: n/a

Link:

<http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem%2022%20-%20180608.pdf>

Ofgem has announced the appointment of Hannah Nixon (Head of Regulatory Economics at the Office of Rail Regulation) as Director of Regulatory Review.

The release states that this is a new post designed to head up the review of the current regulatory regime, RPI-X.

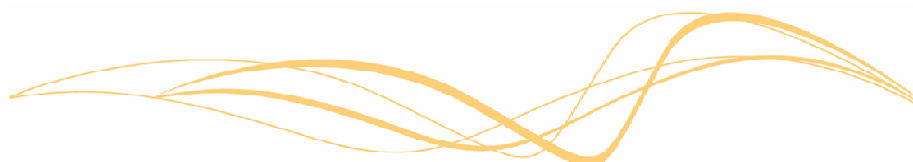
Issue/Title: New energy ombudsman appointed

Published: 19 June
Response due: n/a

Link:

<http://www.ofgem.gov.uk/Media/PressRel/Documents1/ofgem23-19062006.pdf>

Ofgem has announced the appointment of Ombudsman Supply Limited (tOSL) as the new independent ombudsman for gas and electricity customers. The press release states that the new ombudsman service will replace the voluntary scheme, put in place in 2006, with a statutory scheme that all energy companies, including network



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companies, must join. Coverage of the scheme will be extended to small businesses as well as domestic customers.

Issue: Proposed changes to the licence likely to be granted to ECG (Distribution) Ltd

Title: Notice Under Section 8A(3) Electricity Act 1989 - ECG (Distribution) Ltd

Published: 23 June
Response due: 1 August

Link:

[http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Notice%20Under%20Section%208A\(3\)%20Electricity%20Act%201989%20-%20ECG%20\(Distribution\)%20Ltd.pdf](http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Notice%20Under%20Section%208A(3)%20Electricity%20Act%201989%20-%20ECG%20(Distribution)%20Ltd.pdf)

Statutory notice consulting on the changes to the Standard Conditions of the Distribution Licence that the Authority proposes to make if it grants a Distribution Licence to RCG (Distribution) Ltd.

Issue / Title: Transmission Access Review – Final Report

Published: 26 June
Response due: n/a

Link: <http://www.berr.gov.uk/files/file46774.pdf>

The accompanying Ofgem PR can be found at: <http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem24%20-%2026062006.pdf>

See below under BERR and RES Consultation.

Issue/Title: Review of industry codes governance - scope of review

Published: 30 June
Response due: n/a

Link:

<http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/GovRevScope%20-%20MF%20Final%2030%20JUNE%202008.pdf>

Link to the Brattle/Simmons & Simmons report reference throughout the document:

<http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents1/20080612%20Codes%20governance%20review%20final%20draft.pdf>

Following its earlier consultation, and in the light of its concerns about the governance arrangements for industry Codes and Charging Methodologies, Ofgem has set out the scope of the governance review it intends to undertake which it describes as“a major programme of work on the codes and charging methodology governance arrangements” although Ofgem also note that it is ...“seeking to build on the existing codes arrangements rather than fundamentally changing the codes themselves”.

The document identifies 6 key workstrands which are described within the summary as follows.

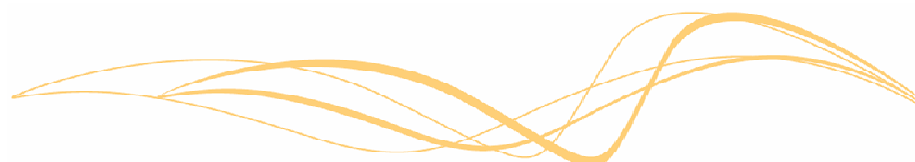
“Delivery of major policy reform and self governance. Ofgem will consult with industry participants on a framework under which Ofgem would manage major policy changes by initiating and leading high level policy reviews, where the conclusions of the review would be legally binding, for example, upon relevant code panels/industry participants to implement through modification proposals. In parallel we will also consult on proposals to enable Ofgem to step out of the codes decision making process on proposals that have low customer impacts. We consider that this workstrand could bring potential benefits to smaller players and new entrants in progressing pro-competitive reforms which would ultimately provide better regulation benefits by introducing industry self governance over certain modifications.

Any proposals governing the delivery of major policy reforms and self governance would be consulted on as a **package**.

Role of code administrators. Ofgem will consult on a range of options intended to improve the quality of analysis undertaken by code panels and administrators on code modifications. This has the potential to increase transparency with benefits to new entrants and smaller players. In addition, we will consult on measures to improve the efficiency and accountability of code administrators.

Initiatives to support smaller players. We also intend to explore, as part of our work on the role of code administrators, whether there are requirements we can place on code panels and administrators to consider the needs of smaller suppliers and generators.

Addressing complexity and fragmentation. Ofgem



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intends to convene a working group of code administrators to explore simplification and convergence of code modification processes and encourage best practice. Reduced complexity should benefit all parties and assist new entrants in participating in code processes and influencing policy outcomes where at present there are barriers to doing so.

Charging methodologies. *The charging methodologies developed by the networks have impacts upon both the operational and siting decisions of market players. Similarly the methodologies have significant distributional effects and impacts on carbon costs. Ofgem will consult on a range of options that could make the charging methodology change process more accessible to market participants.*

Code objectives. *Ofgem will consult on amending the industry's decision criteria on code modifications to take into account environmental impacts, building on Ofgem's guidance on the treatment of carbon costs under the existing code objectives."*

The indicative timetable, for the various workstreams, given in the document is:

- Charging methodology governance - Open letter consultation August 2008
- Environment and the code objectives - Open letter consultation September 2008
- Role of code administrators and smaller participant initiatives - Consultation Autumn 2008
- Major policy reviews and self governance - Consultation Autumn 2008
- Code administrators working group - Ofgem to convene working group August 2008

Issue: Guidance to industry and Code Panels on the treatment of carbon costs when assessing code changes/greenhouse gas emissions

Title: Environmental Issues and the code objectives - Final Clarification and Guidance

Published: 30 June
Response due: n/a

Link:
<http://www.ofgem.gov.uk/LICENSING/INDCODES/G>

[VERNANCE/Documents1/Open%20letter%20response-%20final%20version%20of%20letter%2030%20June.pdf](#)

Ofgem has published an open letter summarising responses to its consultation on its proposed advice and guidance on how carbon costs should be treated within the existing codes governance framework and setting out its conclusions. The guidance applies to the Balancing and Settlement Code, the Connection and Use of System Code, the Uniform Network Code, the Distribution Connection and Use of System Agreement, the System Operator Transmission Owner Code, the Uniform Network Code for Independent Gas Transporters, the Grid Code and the Distribution Code.

LICENCES

NOTICES OF ELECTRICITY LICENCES ISSUED IN JUNE

Company/Licence: **EDF Energy (West Burton Power) Limited / electricity generation licence**

Notice issued/licence granted: 2 June/22 May

Link:
<http://www.ofgem.gov.uk/Licensing/Work/Notices/Licences/Documents1/EDF%20Energy%20Website%20Notice.pdf>

GOVERNMENT AND OTHER BODIES

BERR

Issue/Title: Biomass power station to be built in Lincolnshire

Published: 16 June
Response due: n/a

Link: <http://www.wired-gov.net:80/wg/wg-wlabel-dti.nsf/wfArticle?ReadForm&unid=23E449351DC05C388025746A00373C91>

BERR has announced the grant of Section 36 consent for a 65 MW biomass power station near Stallingborough in North East Lincolnshire – to be built by Helius Energy plc.



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Issue: Assessment of potential for renewables from the Renewables Advisory Board

Title: RAB says UK's proposed renewable energy target is achievable

Published: 18 June
Response due: n/a

Link to PR: <http://www.wired-gov.net/wg/wg-wlabel-dti.nsf/wfArticle?ReadForm&unid=29F067FEACCE373E8025746C0033AEB9>

Link to RAB webpage: <http://www.renewables-advisory-board.org.uk/vBulletin/forumdisplay.php?f=9>

BERR has published a press release highlighting the RAB report (published some months ago) on the RAB's view on the potential for renewable energy within UK.

Issue: Government's strategy for meeting its EU commitment to meeting 15% of the UK's energy demand from renewable energy by 2020 (the RES Strategy)

Title: UK Renewable Energy Strategy: Consultation Document

Published: 26 June
Response due: 26 September

Link to RES page: <http://www.berr.gov.uk/consultations/page46797.html>

Link to TAR report:

Link to Ofgem guidance:

<http://www.berr.gov.uk/files/file46749.pdf>

Link to BERR press release:

<http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=371909&NewsAreaID=2>

Link to RAB press release:

<http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=371907&NewsAreaID=2>

For a full list of all accompanying documents see (including written ministerial statement): <http://www.berr.gov.uk/energy/sources/renewables/strategy/page43356.html>

The Government has published its consultation on its assessment of the potential for renewable energy within the UK and the measures that could be used to deliver the 15% target. The document concludes that if all the options in the document were "successfully

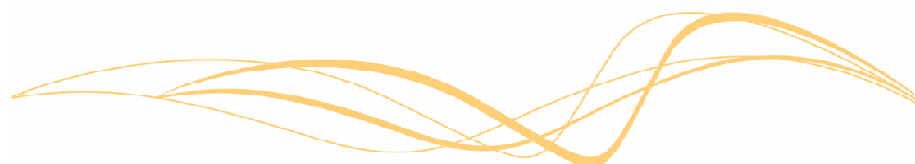
implemented" the target could be met but that this represents the top end of the range of possible outcomes. Whilst not being prescriptive, Government suggest that one scenario for the split of the renewable burden between heat, electricity and transport might be 14% renewable heat, 32% renewable electricity, and 10% renewable transport – although higher contributions from the heat and electricity sectors might be required if the transport contribution cannot be met because of sustainability concerns.

For electricity, some of the key measures that may affect the electricity market include changes to financial incentives (the RO), the proposed transmission access reforms, and changes to guidance to Ofgem on "sustainability".

The conclusions from the Transmission Access Review, also published on 26 June, are included in the RES strategy. A consultation on revising the Ofgem social and environmental guidance was also published on 26 June.

Financial Incentives:

- consideration is given to the introduction of a feed in tariff for centralised energy – but this is dismissed in favour of further changes to the RO;
- further RO reform to include:
 - extending the operation of the RO to 2035 or beyond but limiting the period for which ROCs can be claimed to, "for instance", 20 years;
 - increasing or removing the current cap of 20% (with further consideration of the appropriateness of the "headroom" approach);
 - possible further reform of the banding regime to give a greater degree of disaggregation (possibly even to the level of multiple bands for a single technology);
 - a request for views on further options for creating greater stability in the ROC price;
 - consideration of whether it is necessary to link the ROC price to wholesale prices so that total returns are protected;
- further changes are also mooted for renewable microgeneration including:
 - front loading ROCs under the RO; or
 - the introduction of a feed in tariff (which may also be front loaded); or
 - inclusion within the proposed heat mechanism or a microgeneration



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instrument.

Transmission Access Review conclusions:

- major changes to the codes are required if the renewable electricity generation needed to meet the target is to be connected;
- changes will be progressed via the normal governance route but progress will be reviewed at the end of 2008 and, if it is too slow, Government would consider other approaches including legislation;
- for an interim period, until enduring arrangements are introduced, a “connect and manage” approach would be adopted under which National Grid would physically connect generation as soon as possible rather than waiting for wider system reinforcements;
- the GB Security and Quality of Supply Standards (GBSQSS) should be reviewed for consistency with the access reforms and allow connection of more generation to a given network;
- planning of new infrastructure to be accelerated and “*appropriate incentives to deliver the new network to meet the EU 2020 renewable energy target*” delivered;
- a “*significant system study setting out the necessary grid network to meet the 2020 target*” is being initiated, which is to conclude by the end of 2008.

Separately, the RES consultation suggests that the cost of infrastructure investment (~15% on-shore and 85% off-shore investment) to support provision of 40% of electricity being provided by renewable energy sources would cost about £13 billion over the period to 2020. This includes £1 billion already approved and planned for but not yet constructed and £1 billion distribution network investment.

Ofgem Social and Environmental Strategy:

Government is consulting on revising the social and environmental guidance given to the regulator. The draft guidance includes a requirement for “*Ofgem to carry out its functions in relation to the regulatory arrangements for network access in the manner best calculated to support timely deployment of renewables, both on and offshore. Specifically in relation to grid access, the draft guidance calls on the regulator to do all it can to enable new generators to connect to the networks in a timeframe consistent with their development programme.*”

Issue: Government proposals to revise the social and environmental guidance given to the Authority

Title: Social And Environmental Guidance To The Gas And Electricity Markets Authority: Consultation Document

Published: 26 June
Response due: 26 September

Link: <http://www.berr.gov.uk/files/file46749.pdf>

As part of its package of measures to support the RES, Government is also consulting on changes to the statutory social and environmental guidance it gives to the industry’s regulator (see above).

Issue / Title: Transmission Access Review – Final Report

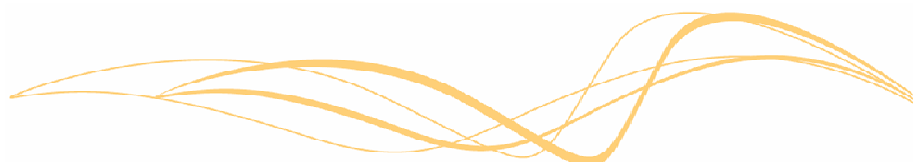
Published: 26 June
Response due: n/a

Link: <http://www.berr.gov.uk/files/file46774.pdf>

Ofgem/BERR have published the final report from the Transmission Access Review initiated under the Energy White Paper in 2007. The summary conclusions, as reported under the RES consultation, are included in that section.

The principles Ofgem/BERR conclude should be used to underpin the design of the enduring access regime are reproduced below.

- *“New generation projects should be offered firm connection dates, reasonably consistent with the development time of their project.*
- *Generators wanting long term financially firm access to the system need to make long term financial commitments.*
- *Transmission companies need to have appropriate incentives to respond to the long term demand for access signalled by generators. They need the freedom and incentives to invest ahead of full user commitment. They also require appropriate incentives to deliver new connections on time and to innovate so that they can deliver as much capacity as possible from existing assets.*



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- *Access rights need to be more clearly defined and all generators need to be offered choice about how they access the system. This choice will need to include long term fixed price access rights that guarantee long term access in return for a commitment to pay for capacity, and shorter term, more flexible access rights*
- *Transmission capacity should be 'shared', particularly as the amount of connected generating capacity increases in relation to transmission network capacity. This will lead to more efficient use of both existing and future capacity."*

The proposals for reform, being developed by industry under National Grid's leadership, are due to be presented to Ofgem in October.

Published: 26 June
Response due: 30 September

Link: <http://www.berr.gov.uk/files/file46838.doc>

BERR has published a statutory consultation on the Renewables Obligation Order 2009. The consultation seeks views on the detailed implementation of new measures under the RO in 2009 – primarily the implementation of the Government's banding proposals.

The detailed issues include:

- **Banding:**

- technology definitions;
- banding of microgeneration (including possible changes to some aspects of the original proposals in respect of micro hydro and micro landfill/sewage gas installations);
- the prospect of opening up the RO to wind or marine technologies outside UK and its territorial waters;
- the grandfathering arrangements and how they apply when banded entitlements are introduced, or change, in the future;
- the impact of pre banding announcement (11 July 2006) grants on banded ROC entitlements;
- the treatment of co-firing and good quality (renewable) CHP;
- setting the obligation under a Banded RO and determining suppliers' obligations

using a "headroom" (8% above expected ROCs) approach. Future obligations will specify the number of ROCs to be presented for each 100MWh of electricity supplied;

- the information sources to be used when assessing future ROC numbers to inform the headroom calculations;
 - the process to be used for setting bands and sources of advice (BERR suggest appointing independent consultants with RAB peer reviewing the work prior to advice being given to Ministers);
 - timescales for reviewing bands, and arrangements/criteria for triggering emergency reviews;
- **Ski Slope** (mitigating the risk of over-supply of ROCs) - it is suggested that this is likely to be unnecessary for 2009 given the prospect of the further RO reforms that will be needed to meet the EU 2020 target;
 - **Biomass and Waste:**
 - sustainability reporting requirements and enforcement arrangements;
 - determination of renewable content of fuels;
 - ROC entitlements when mixed fuels are used;
 - SRF (Solid Recovered Fuel) definition;
 - **Technical and Admin issues:**
 - new arrangements for funding Ofgem's administration cost from the buyout fund (or Government if there are insufficient funds);
 - changes to reduce the transaction costs associated with recycling of late payments;
 - simplification of the arrangements for generators providing energy over private networks (with a suggested limit of 200kW) to allow them to be included within the "permitted ways" and avoid the need for complex contractual arrangements they currently need to put in place to be eligible for ROCs; and
 - various simplifications for microgenerators including:
 - extension of the time window for obtaining the annual meter read to two months;
 - allowing agents to notify Ofgem



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- of the appointment of an agent (with the acknowledgement sent to generator and agent);
- allowing microgenerators to switch agents within an obligation period but with the full annual entitlement to ROCs being issued to the agent in place at the time ROC claim data is submitted; and
- introduction of a voluntary code of practice for agents.

Issue: Quarterly publication of energy statistics

Title: Energy statistics

Published: 26 June
Response due: n/a

Link:
<http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=371941&NewsAreaID=2>

Issue: Announcement that four bidders have “pre-qualified” in the Government's carbon capture and storage (CCS) demonstration competition and publication of a Consultation on the legislative framework for CCS, including carbon capture readiness

Title of PR: Next steps on carbon capture readiness and UK demonstration competition
Title of consultation: Towards carbon Capture and Storage

Published: 30 June
Response due: 22 September

Link to PR:
<http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=372398&NewsAreaID=2>

Link to consultation:
<http://www.berr.gov.uk/files/file46810.pdf>

Government has announced that four companies have “pre-qualified” for the Government's CCS competition to build one of the worlds first commercial scale CCS projects. The four successful bidders, selected from nine contenders, are: BP Alternative Energy International Limited; EON UK Plc; Peel Power Limited and Scottish Power Generation Limited.

The announcement was accompanied by the publication of a consultation document covering further steps the Government could take “*to prepare for and support the deployment of CCS technologies*”....and is “*largely based*” on the EC's proposals for a Directive on the Geological Storage of Carbon Dioxide published in January which, the consultation states, it is hoped can be adopted by next spring. It also invites views on the principle of ‘carbon capture readiness’ for combustion plants and the regulation of Carbon Dioxide storage.

DEFRA

Issue: Advice to consumers on the benefits delivered under green tariffs, beyond that delivered through meeting legal obligations

Title: Green tariffs: check what yours delivers

Published: 16 June
Response due: n/a

Link:
<http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=370733&NewsAreaID=2>

DEFRA has issued a press release announcing the actions DEFRA is taking to enable consumers to get information on the green benefits delivered under green tariffs offered by suppliers.

THE EUROPEAN UNION - ELECTRICITY INDUSTRY RELATED PRESS RELEASES (TITLES & LINKS ONLY)

Brussels, 5 June 2008
ENERGY COUNCIL

Link:
<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/361&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 18 June 2008
Climate change: Commission welcomes further progress towards meeting EU's Kyoto Protocol target

Link:
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/965&format=HTML&aged=0&language=E>



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[N&guiLanguage=en](#)

Brussels, 26 June 2008

Energy revolution kick-off meeting

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1015&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 27 June 2008

Ministerial Council of the Energy Community pushes further integration of electricity markets

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1051&format=HTML&aged=0&language=EN&guiLanguage=en>

Brussels, 27 June 2008

The Commission welcomes the agreement on the electricity link between France and Spain

Link:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/08/1054&format=HTML&aged=0&language=EN&guiLanguage=en>

The European Regulators Group for Electricity and Gas (EREG) Press releases (titles and links only)

25 June

European Energy Regulators welcome the European Parliament's Vision

Link: http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/PRESS_RELEASES/2008/PR-08-04_EP%20Plenary_Electricity%20and%20ACER_2008-06-25_Final.pdf

5 June

Making the Green Package proposals more effective

Link: http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/PRESS_RELEASES/2008/PR-08-03_GreenPackage_2008-06-05_Final.pdf

THE BSC AND CUSC

BSC – joiners and leavers in June

Joiners...

Essent Trading International S.A as a Non-Physical Trader & Interconnector User
Centrica Langage Ltd as a Generator.

Other BSC Business

Annual BSC Meeting – 10 July 2008 1pm

The meeting will be held on 10 July 2008, the same day as the July BSC Panel Meeting; to attend register by 8 July 2008.

Link to details:

<http://www.elexon.co.uk/AboutElexon/Events/EventDetails.aspx?eid=520>

Link to registration:

<http://www.elexon.co.uk/AboutElexon/Events/Registration.aspx>

BSC Panel Election timetable (copied from BSC website)

Link to site:

<http://www.elexon.co.uk/bscpanelandcommittees/bscpanelection/default.aspx>

Deadline to notify ELEXON of any changes to a Party's status	19 June
ELEXON to issue a letter to all Parties who are Trading Parties requesting nominations	20 June
Deadline for receipt of Candidate Nomination Forms	14 July
Issue voting papers	17 July
Deadline for receipt of completed voting forms	11 August
Announcement of election results	14 August

Defaulting Party

Date: 12 June

Link to circular:

http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01605.pdf

Link to attachment detailing resolutions:

http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01605A.pdf



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ELEXON has issued a circular with attachment setting out the resolutions passed by the Panel in respect of Team GE Limited which, the circular states, is in Default of the BSC for failure to pay sums that were due in May 2008. The circular also constitutes notice to the Authority and other Parties of its intention to expel the company from the BSC in accordance with the requirements of Section A5 of the BSC.

Increase in the Credit Assessment Price (CAP) to £78/MWh effective from 1 July 2008

Date: 2 June
Effective from: 1 July

Link:
http://www.elexon.co.uk/documents/circulars/Elexon_Circular/EL01600.pdf

ELEXON has announced that CAP will increase to **£78/MWh** on 1 July 2008.

New Modification Proposals

P 225 (Housekeeping Modification: Updating References to the Party Service Lines)

Raised on: 12 June
Raised by: BSC Panel

Link:
http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2008_-_141_-_Papers/141_06a_P225_Mod_Proposal_v1.0.pdf

The BSC Panel has proposed a housekeeping modification, on ELEXON's recommendation, to address a number of drafting deficiencies within the Code.

CUSC

CUSC Amendments – decisions

CAP 144 Emergency Instructions to emergency deenergise

Decision: APPROVE WGAA 1

Decision date: 13 June
Implementation date: 27 June

Panel recommendation: Preferred WGAA 1

Link to decision:
<http://www.ofgem.gov.uk/Licensing/ElecCodes/CUSC/Amend/Documents1/CAP144D.pdf>

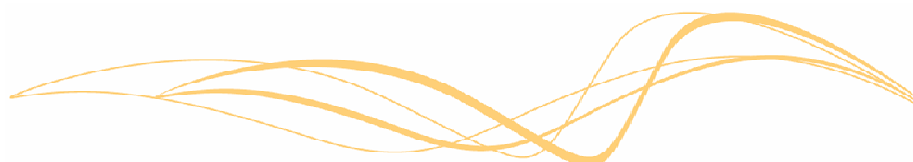
The change introduces new compensation arrangements for a generator that is exporting but is required to deenergise/disconnect from the Transmission System in an emergency in BM timescales. The compensation introduced by WGAA 1 is:

- SBP (System Buy Price) up to 'the wall' (the end of the BM window);
- then MIP (Market Index Price for 24 hours);
- then a daily rebate of TNUoS.

IPA Disclaimer

IPA Energy + Water Economics 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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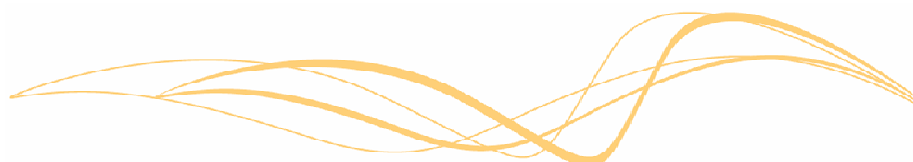


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SUMMARY OF JUNE 2008 CONSULTATIONS & NEW BSC AND CUSC MODS AND DECISIONS

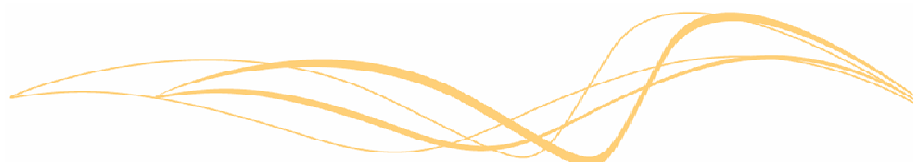
Please note that whilst considerable effort is made to keep this up to date some, possibly important, consultations and announcements will inevitably have been missed. Readers should also refer to the relevant documents to confirm response dates.

Carried forward from previous editions....		Issued	Response Due
Scot Exec	Title: Introduction of Banding to the Renewables Obligation (Scotland) Link: http://www.scotland.gov.uk/Topics/Business-Industry/Energy/19185/ROCons08BPR	11 April	4 July
BERR	Title: Consultation on the EU Commission's proposals to amend the EU ETS from 2013 Link: http://www.defra.gov.uk/corporate/consult/euets-2013amendments/index.htm	7 May	30 July
Ofgem	Title: Beaulieu-Denny Public Inquiry Income Adjusting Event Link: http://www.ofgem.gov.uk/Networks/Trans/ElecTransPolicy/TIRG/Documents/1/080527_BD%20PI%20IAE%20Consultation_FINAL.pdf	28 May	9 July
New in June (this does not include all the details of licence notices/modifications/ applications/revocations/licences granted or EU press releases or code issues)			
Ofgem	Titles: Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 – amendment of DNO's Special Condition A1 Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 – amendment of PLC 42 in Central Networks licences Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 - addition of Special Condition J to SHEPDL licence	30 May	Effective 1 June



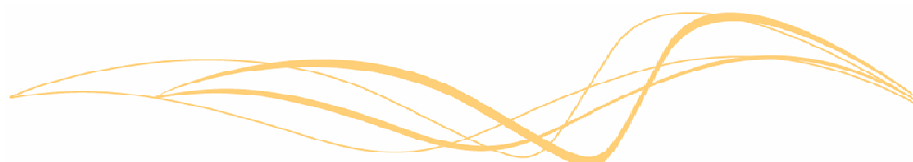
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	<p>Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 - addition of Special Condition J to SHEPDL licence</p> <p>Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 – amendment of PLC 24 in SHEPDL licence</p> <p>Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 - Collective Licence Modification to introduce proposed licence conditions of the Distribution Licence Review</p> <p>Modification and Notice Under Section 6(1)(C) and 49A of the Electricity Act 1989 - removal of BA conditions 2, 3 and 4 from IDNO licences</p> <p>Links: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20A1.pdf http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20CN.pdf http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20SHEPD%201.pdf http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011%20-%20SHEPD%202.pdf http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Modification%20-%20section%2011A.pdf http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=102&refer=Licensing/Work/Notices/ModNotice</p>		
Ofgem	<p>Title: CAP 131 User Commitment for New and Existing Generators Impact Assessment</p> <p>Link: http://www.ofgem.gov.uk/Licensing/ElecCodes/CUSC/Ias/Documents1/080606_CAP131_IA_final.pdf</p>	6 June	18 July
Ofgem	<p>Title: Ofgem appoints new Director, Trading Arrangements</p> <p>Link: http://www.ofgem.gov.uk/Media/PressRel/Documents1/Director%20Trading%20Arrangements.pdf</p>	9 June	n/a



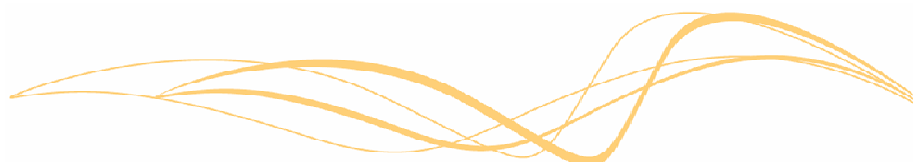
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Ofgem	<p>Title: Winter Consultation 2008/9 A review of winter 2007/8 & preliminary outlook for winter 2008/9</p> <p>Link: http://www.ofgem.gov.uk/Markets/WhlMkts/CustandIndustry/wi nout2008/Documents1/Winter%20Outlook%20Consultation%20Report%20(June).pdf</p>	10 June	12 Sept
Ofgem	<p>Title: CERT 2008 – 2011 Technical Guidance Manual</p> <p>Link: http://www.ofgem.gov.uk/Sustainability/Environmnt/EnergyEff/ CERT/Documents1/TM%20Guidance.pdf</p>	13 June	n/a
Ofgem/BERR	<p>Title: Offshore Electricity Transmission - A Joint Ofgem/BERR Regulatory Policy Update</p> <p>Link: http://www.ofgem.gov.uk/Networks/Trans/Offshore/ConsultationDecisionsResponses/Documents1/Offshore%20Electricity%20Transmission%20-%20A%20Joint%20Ofgem%20BERR%20Regulatory%20Policy%20Update.pdf</p>	13 June	25 July (with a plea for material comments to be notified by 4 July)
DEFRA	<p>Title: Green tariffs: check what yours delivers</p> <p>Link: http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=370733&NewsAreaID=2</p>	16 June	n/a
BERR	<p>Title: Biomass power station to be built in Lincolnshire</p> <p>Link: http://www.wired-gov.net:80/wg/wg-wlabel-dti.nsf/wfArticle?ReadForm&unid=23E449351DC05C388025746A00373C91</p>	16 June	n/a
Ofgem	<p>Title: Consultation on Scottish Power's (SP) proposal for a longer term charging methodology</p> <p>Link: http://www.ofgem.gov.uk/Networks/ElecDist/Policy/DistChrgMds/Documents1/Consultation%208608.pdf</p>	17 June	29 July
BERR	<p>RAB says UK's proposed renewable energy target is achievable</p> <p>Link to PR: http://www.wired-gov.net/wg/wg-wlabel-dti.nsf/wfArticle?ReadForm&unid=29F067FEACCE373E8025746C0033AEB9 Link to RAB webpage: http://www.renewables-advisory-board.org.uk/vBulletin/forumdisplay.php?f=9</p>	18 June	n/a



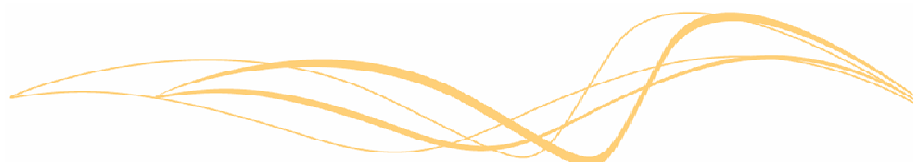
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Ofgem	<p>Title: Distributed Energy - Further Proposals for More Flexible Market and Licensing Arrangements</p> <p>Link: http://www.ofgem.gov.uk/Sustainability/Environment/Policy/SmallGens/DistEng/Documents1/DE%20June%20con%20doc%20-%20FINAL.pdf</p>	18 June	31 July
Ofgem	<p>Title: Ofgem appoints new Director of Regulatory Review</p> <p>Link: http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem%2022%20-%20180608.pdf</p>	18 June	n/a
Ofgem	<p>Title: New energy ombudsman appointed</p> <p>Link: http://www.ofgem.gov.uk/Media/PressRel/Documents1/ofgem23-19062006.pdf</p>	19 June	n/a
Ofgem	<p>Title: Notice Under Section 8A(3) Electricity Act 1989 - ECG (Distribution) Ltd</p> <p>Link: http://www.ofgem.gov.uk/Licensing/Work/Notices/ModNotice/Documents1/Notice%20Under%20Section%208A(3)%20Electricity%20Act%201989%20-%20ECG%20(Distribution)%20Ltd.pdf</p>	23 June	1 August
BERR	<p>UK Renewable Energy Strategy: Consultation Document</p> <p>Link to RES page: http://www.berr.gov.uk/consultations/page46797.html Link to TAR report: Link to Ofgem guidance: http://www.berr.gov.uk/files/file46749.pdf Link to BERR press release: http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=371909&NewsAreaID=2 Link to RAB press release: http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=371907&NewsAreaID=2 For a full list of all accompanying documents see (including written ministerial statement): http://www.berr.gov.uk/energy/sources/renewables/strategy/page43356.html</p>	26 June	26 September
Ofgem/BERR	<p>Title: Transmission Access Review – Final Report</p> <p>Link: http://www.berr.gov.uk/files/file46774.pdf The accompanying Ofgem PR can be found at: http://www.ofgem.gov.uk/Media/PressRel/Documents1/Ofgem24%20-%2026062006.pdf</p>	26 June	n/a



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BERR	<p>Social And Environmental Guidance To The Gas And Electricity Markets Authority: Consultation Document</p> <p>Link: http://www.berr.gov.uk/files/file46749.pdf</p>	26 June	26 September
BERR	<p>Title: Statutory Consultation on the Renewables Obligation Order 2009</p> <p>Link: http://www.berr.gov.uk/files/file46838.doc</p>	26 June	30 Sept
BERR	<p>Title: Energy statistics</p> <p>Link: http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=371941&NewsAreaID=2</p>	26 June	n/a
Ofgem	<p>Title: Review of industry codes governance - scope of review</p> <p>Link: http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents/1/GovRevScope%20-%20MF%20Final%2030%20JUNE%2008.pdf Link to the Brattle/Simmons & Simmons report reference throughout the document: http://www.ofgem.gov.uk/Licensing/IndCodes/CGR/Documents/1/20080612%20Codes%20governance%20review%20final%20draft.pdf</p>	30 June	n/a
BERR	<p>Title of PR: Next steps on carbon capture readiness and UK demonstration competition Title of consultation: Towards carbon Capture and Storage</p> <p>Link to PR: http://nds.coi.gov.uk/Content/Detail.asp?ReleaseID=372398&NewsAreaID=2 Link to consultation: http://www.berr.gov.uk/files/file46810.pdf</p>	30 June	22 Sept
Ofgem	<p>Environmental Issues and the code objectives - Final Clarification and Guidance</p> <p>Link: http://www.ofgem.gov.uk/LICENSING/INDCODES/GOVERNANCE/Documents1/Open%20letter%20response-%20final%20version%20of%20letter%2030%20June.pdf</p>	30 June	n/a



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New BSC Mods		On:	By:
P225	Housekeeping Modification: Updating References to the Party Service Lines Link: http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/BSC_Panel_Meetings_2008_-_141_-_Papers/141_06a_P225_Mod_Proposal_v1.0.pdf	12 June	BSC Panel
CAP decisions (approve)		Approved on:	Implement on:
CAP 144	Emergency Instructions to emergency deenergise Decision: APPROVE WGAA 1 Panel recommendation: Preferred WGAA 1 Link to decision: http://www.ofgem.gov.uk/Licensing/ElecCodes/CUSC/Amend/Documents1/CAP144D.pdf	13 June	27 June

