

## Ofgem's commitment to sustainable development

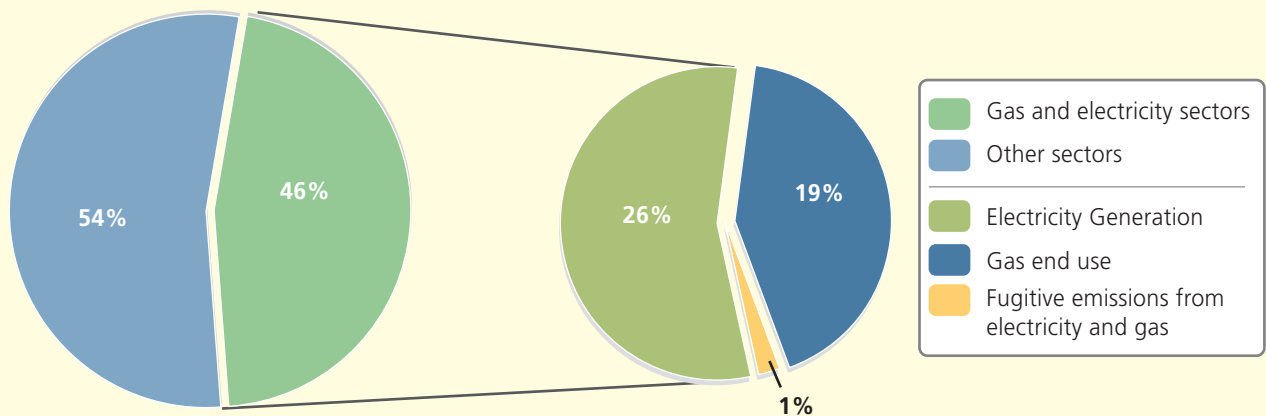
The gas and electricity sectors have a significant role to play in helping make the economy more sustainable. Energy regulator Ofgem is committed to using its powers and influence to help meet this challenge.

### How important are gas and electricity?

The gas and electricity sectors are key to sustainable development because of their:

- benefits to society.** The supply of energy is part of the essential fabric of life and is crucial to our economy. High energy prices can push vulnerable customers into fuel poverty.
- impact on the environment.** Nearly half of Britain's greenhouse gas emissions come from the gas and electricity sectors which also emit other pollutants.

**Figure 1: Proportion of greenhouse gas emissions from the gas and electricity sectors in 2004 broken down by source**

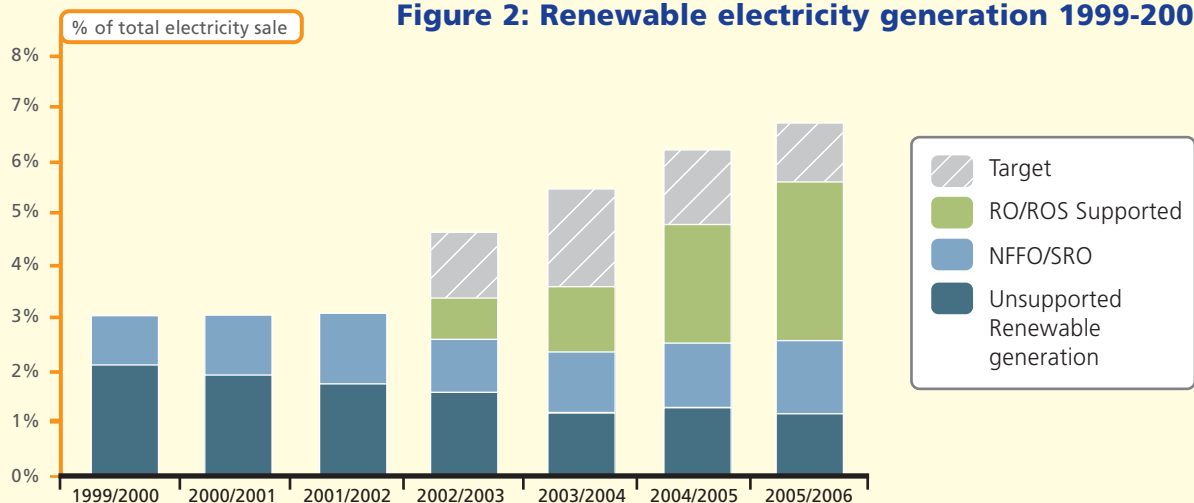


## Where does Ofgem come in?

Ofgem is committed to sustainable development and our economic, social and environmental duties put sustainability at the centre of our work. Our corporate strategy identifies social and environmental issues as key corporate themes.

Government and other agencies have the biggest role to play in sustainability. But we are committed to using our legal powers and independent voice to make a difference where we can.

**Figure 2: Renewable electricity generation 1999-2005**



## Managing the transition to a low carbon economy

Some 26 per cent of the UK's greenhouse gas emissions are caused by electricity generation. The European Union Emissions Trading Scheme (EU ETS) means that all big generators must now take account of the amount of carbon dioxide they emit.

The UK government has set a target to increase the generation of electricity from renewable sources to 10 per cent by 2010, with an aspiration to double that by 2020.

The growth in renewable generation has been much more rapid since the introduction of the Renewables Obligation (RO), which Ofgem administers.

Smaller scale, decentralised generation could also play a greater part in our energy mix, reducing losses which occur

when electricity is transmitted and therefore helping to avoid emissions.

Ofgem is working hard to ensure there are no significant regulatory barriers to the development of microgeneration. Issues that Ofgem are currently considering include:

- addressing any market rules that may cause difficulties for consumers wanting to benefit from microgeneration,
- considering any changes required to the way we regulate networks to enable the best use of microgeneration, and
- technical issues like meters which need to measure both the import and export of electricity from homes or businesses.

## Ensuring a secure and reliable gas and electricity supply

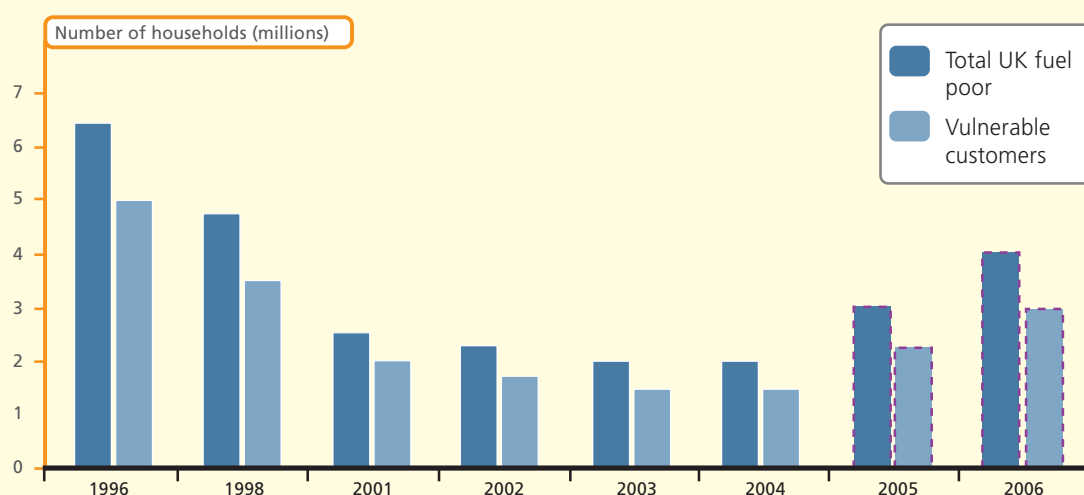
Delivering secure, affordable and sustainable energy requires efficient and timely investment in infrastructure – the pipes and wires which transport energy to our homes and businesses.

- Ofgem is proposing to approve investment of £4.5 billion in Britain's transmission networks, which will help renew the networks and connect new generation and gas supplies.
- This is in addition to £560 million of investment to upgrade the Scottish high-voltage transmission network to

meet the demand for renewable generation, subject to securing planning permission.

- Closer to customers, we have introduced incentives for local distribution companies to explore more innovative approaches to networks, including Registered Power Zones (RPZs). These encourage innovation in the connection of more localised generation to distribution networks.

**Figure 3:  
Estimated  
number of  
households  
living in fuel  
poverty  
1996-2006**



## Eradicating fuel poverty and protecting vulnerable customers

A household is considered to be in fuel poverty where it needs to spend more than 10 per cent of its income on energy to maintain an adequately warm home.

Fuel poverty is caused by a combination of factors including poor housing, low incomes and energy prices. Ofgem's main role is in prices, through promoting competition and regulating to keep costs down.

Rising prices are threatening the good progress that has been made to reduce fuel poverty since 1996. This winter's wholesale price increases could mean over 3 million vulnerable households in fuel poverty in the United Kingdom.

We think fuel poverty is best tackled by Government increasing household incomes and improving housing stock and that further action will be needed in these areas if targets are to be met.

Ofgem will continue to work on a number of fronts to help tackle fuel poverty and to protect vulnerable customers more generally:

- keeping pressure on prices,
- breaking down barriers to smarter metering,
- providing best practice on social initiatives,
- facilitating debate across government on the most effective schemes to tackle fuel poverty, and
- providing information to customers on how to save money on their bills.

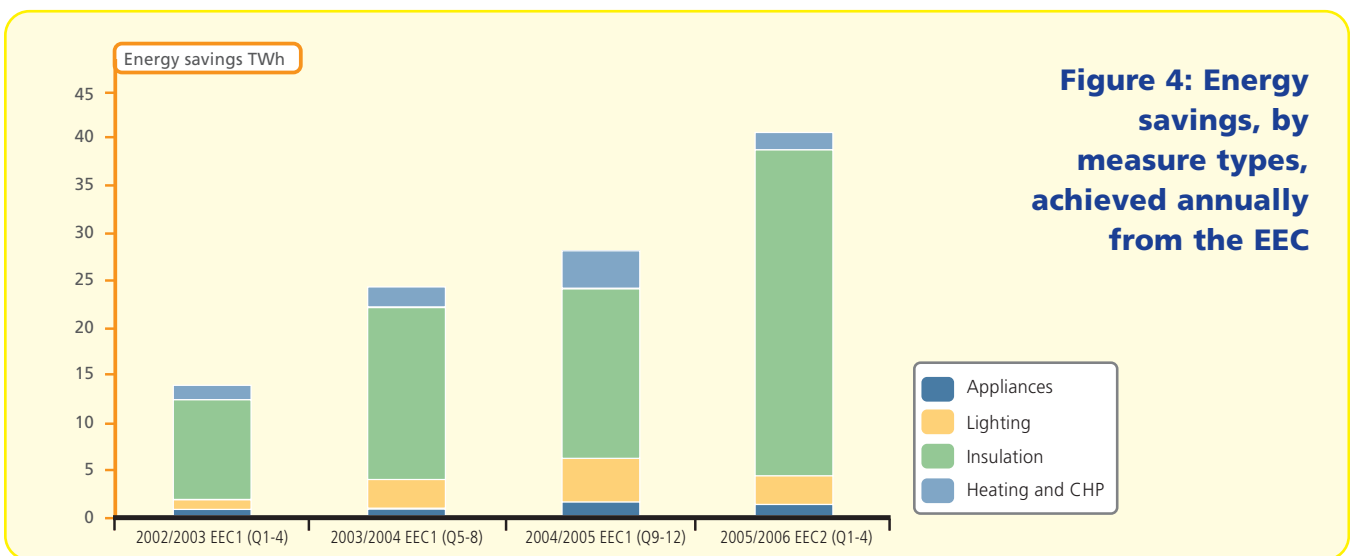
**ofgem**

## Promoting energy saving

Ofgem administers the Energy Efficiency Commitment (EEC) which is part of the government's Climate Change Programme. It places an obligation on electricity and gas suppliers to install measures in consumers' homes to improve energy efficiency.

Over the first phase of EEC, all suppliers achieved their targets and the measures installed achieved a saving of 86.8 TWh.

The EEC also contributes to meeting the government's target to eradicate fuel poverty, with 50 per cent of suppliers' energy savings having to come from a Priority Group i.e. those in receipt of income- or disability-related benefits.



## Unlocking the potential of innovative meters

Ofgem has launched a new initiative aimed at unlocking the potential of 'smart meters' for all gas and electricity customers.

Modern designs can display energy consumption as it is used. By making the information available immediately and easier to understand, this encourages customers to use energy more efficiently. Improved efficiency at the household level can help

to tackle fuel poverty as well as deliver environmental benefits through reduced emissions.

Ofgem's role is to break down regulatory barriers preventing suppliers from installing smart meters. Energy suppliers must now take up the challenge of delivering smarter metering solutions to their customers.

## The way Ofgem works

We monitor our own performance as well as that of the industries we regulate and have taken steps to ensure that we consider the social and environmental impacts of all our policies.

We must produce Impact Assessments (IAs), including an environmental appraisal, for significant policies that we propose. We have also convened an Environmental Advisory Group and a Social Action Strategy Review Group to advise us in setting priorities in our sustainable development agenda.

### For further information please contact:

Mark Wiltsher  
Chris Lock  
Julia Collings

020 7901 7006  
020 7901 7225  
020 7901 7217

email [mark.wiltsher@ofgem.gov.uk](mailto:mark.wiltsher@ofgem.gov.uk)  
email [chris.lock@ofgem.gov.uk](mailto:chris.lock@ofgem.gov.uk)  
email [julia.collings@ofgem.gov.uk](mailto:julia.collings@ofgem.gov.uk)