



UCC newsletter

utility consumers consortium
www.ucceurope.com
december 2006

policy news

Stern report says it's cheaper to act now...

After considerable build-up, the 570 page report finally emerged at the end of October

As had been previewed, the report concludes that unchecked climate change could cost up to 20% of global economic output. Tackling it by stabilising emissions of carbon dioxide will cost less. Global carbon markets, technology transfer and changing behaviour through incentives should be the basis of a common, international approach for success.

It says emissions have already increased global temperatures by 0.5°C and there is more than a 75% chance of a rise of 2-3°C over the next 50 years. Such significant changes will have severe environmental consequences including lower crop

yields, flooding from rising sea levels and melting glaciers, widespread extinction of species and more extreme weather.

Stern argues that action to mitigate these need not be nearly so costly and markets for low-carbon technologies will be worth at least \$500bn, and perhaps much more, by 2050 if the world acts on the scale required.

The challenge is to broaden and deepen participation across all the relevant dimensions of action. It is necessary to agree internationally a common and clear perspective on the long-term goals for

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emissions stabilisation. Stern suggests three elements are necessary for that response to be successful:

- carbon pricing, through taxation, emissions trading or regulation, so that people are faced with the full social costs of their actions
- a policy to disseminate, at scale, low-carbon and high-efficiency products
- action to remove barriers to energy efficiency, and to inform, educate and persuade individuals about what they can do to respond to climate change.

...and triggers climate change bill in government response

On the same day the Stern report was released, environment secretary David Miliband announced that climate change legislation "will form a fundamental part of the UK's strategy to tackle climate change and address the issues raised by the Stern review." The legislation will comprise of the following elements:

- put the government's long-term goal to reduce CO₂ emissions by 60% by 2050 into statute – how the target is defined and set, progress measurement and reporting, are still being considered

- establish an independent body – the Carbon Committee – to work with the government to reduce emissions over time and across the economy
- create enabling powers to put in place new emissions reduction measures needed to achieve goals
- improve monitoring and reporting arrangements, including how the government reports to parliament.

Reports suggest Tony Blair, is to use Stern's recommendations to announce a "dramatic change" to his stance on

environment policy by calling for a new treaty to set binding targets for CO₂, wanting a framework that includes: a target for stabilising emissions; a global scheme to cap and trade emissions; a global investment fund for new low-carbon technologies; and action to stop deforestation. The agreement, to run post Kyoto protocol that expires in 2012, could include USA, China and India, who did not sign up to Kyoto. Blair is said to now believe that the US could also back proposals "early next year" for an international "cap and trade" carbon market.

sponsored feature



You'll never need to look at your meter again...

...with smartmeter automated meter reading for non-half hourly customers



No matter what size your organisation, energy use and production will undoubtedly have become a more regular topic of conversation

Unprecedented wholesale prices and price volatility, combined with growing regulatory pressures to address climate change have added a heavy burden to the bottom line for commercial energy users.

Whilst how an organisation purchases its energy is important, how it uses it is even more so. Effective energy efficiency, woven into the fabric of operations, delivers economic as well as environment benefits.

Where to start

The starting point of energy efficiency is understanding; understanding when, where and how energy is consumed. Half-hourly meter customers will be used to getting a regular picture of energy use, but until now this ability was the preserve of heavy user consumers. **npower smartmeter** utilises automated meter reading (AMR) technology to offer this insight to non-half hourly customers. The technology will be a breakthrough for those looking to improve energy management and reduce administration and asset maintenance costs. AMR meters can take readings automatically, up to

every half an hour, and data can be transferred as often as every day, depending on requirements. Having a more accurate understanding of consumption will almost eliminate the uncertainty generated by estimated billing and afford companies the means to analyse energy usage and bring down costs.

Financial control

The technology will also allow companies to have better financial control as more real-time accurate bills will mean costs can be better tracked and planned. In addition, environmental factors now being considered by most businesses requires a more detailed energy breakdown, similar to the level of information available to half hourly metered customers. **npower smartmeter** is able to provide this.

Having a better understanding of energy use can deliver efficiency results in its own right. However, many energy intensive companies are using this information to help take the next logical step and invest in intelligent energy management to help address economic, regulatory and environmental concerns.

npower energy solutions, part of npower business, has worked with a wide range of large industrial and commercial energy users, including Corus, Coors Brewers and Sainsbury's, to develop and implement energy management initiatives, that reduce costs and cut emissions.

Combining assessment and consultancy, utility asset ownership and operation and maintenance of infrastructure such as boiler plants, energy solutions has been able to deliver significant results in both energy and carbon management.

Future-proof your business

The future for energy prices looks far from certain and environmental issues look set to remain prime political objectives. What is beyond question is that gaining a greater understanding of energy use is integral to mitigating these economic, regulatory and social challenges.

for more information:

t: 0800 197 3935

e: smartmeterenquiries@npower.com

w: www.npower.com

electricity incentives point to more BSUoS charge increases

Ofgem is consulting on the mechanism to incentivise National Grid to control its system operator costs.

Costs are currently recovered from market participants through balancing services use of system (BSUoS) charges which have risen sharply over recent years to around £0.90/MWh in 2005-06.

In its consultation document of 2nd October, Ofgem presented National Grid's forecasts and arguments for setting the baseline for its 2007-08 system operator external incentive scheme for electricity. Overall the company anticipates the need for a 13% increase over the already very high costs

experienced during 2005-06. The table summarises its forecast by key components for the next two years and uses 2005-06 as a baseline.

National Grid's submission was compiled during July, when wholesale power prices were much higher, and recent experience has shown closely-related trends in balancing costs and power prices.

This relationship is an important aspect of the consultation as Ofgem is keen to solicit views on indexation mechanisms to address assumption drift and changed circumstances, including a "price risk band" around wholesale electricity prices that

would provide incentives on National Grid to manage risk, but which would also be sufficiently flexible to allow for material structural changes in wholesale markets.

Our impression is that Ofgem seems to be sceptical about the forecasts provided and

specifically comments that it believes there are opportunities for reductions in National Grid's ancillary services forecasts. But it does not, at this stage, propose an alternative target as it has done for the internal electricity incentive scheme or the gas incentive scheme.

National Grid's forecasts for external electricity incentive scheme

(£m)	2005 /2006	2006 /2007	2007 /2008	% Change from 2005
Balancing Mechanism	168	140	140	-16.7%
BSCC Ancillary Services	240	296	325	35.4%
BSCC Trades	47	47	47	0.0%
Constraints	82	72	72	-12.2%
Transmission Loss	-6			-100.0%

British Energy struggles with its AGR nuclear stations

After flagging some issues in mid September, the company told its shareholders on 16 October that only one of its nuclear power stations, Torness, was fully operational. Moreover it could not give a time for the return to service of Hinkley Point and Hunterston B, whilst Dungeness B will not return until next year. British Energy share price slumped by nearly a quarter and wholesale prices ticked up on supply concerns for the winter.

These problems combined with a cold winter would put energy supplies "at risk", according to Wood Mackenzie. Its study, 'A nuclear winter for the UK?' says that up to 6GW of nuclear capacity could be unavailable. Graham Tyler, a senior analyst at the company, said "It's the sheer size of nuclear stations that makes this an issue, if the government is serious about carbon abatement it should draw some conclusions about energy supply post 2010 and that decisions need to be made soon."

UCC meeting dates for 2007

UCC meeting dates have been set for 2007. Meetings are held at The Chamber of Shipping, Carthusian Court, 12 Carthusian Street, London EC1M 6EZ. They're FREE for UCC Members and £90 each for guests.

Wednesday 17th January

Wednesday 28th March

Thursday 21st June

Tuesday 4th September

Wednesday 12th December

UCC contact details:

PO Box 140, Ludlow SY8 9AP
t: 08452 701143
f: 01584 891628
e: enquiries@ucceurope.com
i: www.ucceurope.com



buyers and suppliers must work together more closely

Many UK businesses have been affected by increased energy prices - often reducing output, mothballing plant or considering moving production overseas. What can be done to prevent this happening further?

The drilling rig at E.ON's Holford Gas Storage facility in Cheshire

At E.ON we believe new technologies must go hand in hand with new behaviour – so we all have to learn to do more with less.

Managing risk effectively

In today's open energy buying market, large businesses need to address their internal management of risks and decisions need to be made quickly to respond to changes in the market. Buyers must consider commodity price risk, timeframe of purchase, product suitability, cashflow, impact of own business plans, and security of supply. So you will benefit from having close working relationships with your supplier to make sure that you are getting the right information to inform your decision making.

How is E.ON Energy helping its customers?

E.ON Energy offers tailored advice and a range of energy solutions. For example, using our **e-Data** information service, we were able to identify how one of our customers (with a large fluctuating load and the capacity to generate 6MW from combined heat and power) could best use the energy they had generated and when they should buy energy from us.

Another customer – a refrigeration warehouse business – reduced its energy costs by 8% by acting on our recommendation to undertake additional chilling of freezer contents at night, so less energy was needed during the day when rates are higher.

Other examples of ways in which E.ON Energy can help you manage energy more efficiently include our **Multi-Site Tracker** which offers flexible pricing for multi-site

Peter Haigh,
Director of
E.ON UK's
B2B
Business



“Suppliers and buyers working together more closely can ensure businesses have the right advice and products to manage their energy and minimise risk.”

customers with non-half hourly meters and **Sell-back** products – allowing you to manage risk by selling back energy that you would otherwise have used at times when demand is high.

What else is E.ON doing?

We are constantly looking at new technologies to help reduce energy consumption, for example the use of compressed air in manufacturing processes – most compressed air plants have scope for between 25% and 40% energy savings.

To help reduce volatility in wholesale gas prices – and so electricity prices – E.ON is investing £2.2bn in measures to make gas available to northern Europe and the UK. By increasing the flow of gas, it is hoped that the wholesale market will become less volatile and so there will be fewer peaks.

Initiatives include a £200m gas storage facility in Cheshire that we're currently

building, the upgrade to the Interconnector, our stakes in the North European Gas pipeline from Russia and in the BBL gas pipeline from the Netherlands to Bacton.

We are also looking to liquefied natural gas imports from around the world and new pipelines from Norway and from Northern Europe to the UK. To enable us to store more gas in the UK, we are proposing to build a new gas storage facility in East Yorkshire with the capacity to hold the amount of gas used by the whole of the UK on a cold winter's day!

Added value for customers

In an ever-increasing price-driven industry, it is important that we add value to our customers' contracts. We recently held Winter Planning forums for our largest energy customers in London and Manchester, which were also attended by industry regulator Ofgem. In addition, we have sent a free Winter Planning Management Pack to all our large customers which is also available online, at: www.eon-energy.com/winterplanning and contains key information on the different types of gas emergencies, advice on energy management and efficiency, and useful contact details.

These are just a few illustrations of the many practical ways in which E.ON Energy is working closely together with our customers to ensure that businesses have the right advice and products to manage energy intelligently, during this winter and beyond.

for more information:

t: 02476 180902

e: Christine.Murphy@eon-uk.com

w: www.eon-energy.com