



# UCC newsletter

utility consumers consortium  
www.ucceurope.com  
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## policy news

# Backtrack on 20% CO<sub>2</sub> reduction target

## The Climate Change Programme Review backtracks on 20% CO<sub>2</sub> reduction target and commits to real increases for Climate Change Levy

The Climate Change Programme Review (CCPR), published on Tuesday 28 March, outlines a range of new and existing policies. Environment secretary, Margaret Beckett said the government was not giving up on meeting the 20% reduction goal for CO<sub>2</sub> emissions in 2010 on 1990 levels, but said this could only be achieved with co-operation from all sides. However, the bottom line is that the revamped programme is expected to deliver no more than a cut of 15-18% from 1990 levels.

### Tougher measures

The CCPR outlines a range of tougher regulatory measures, including year on year increases in the Climate Change Levy (CCL) and better home insulation. It also encourages individuals to cut their carbon emissions and pushes for a greater take-up of household energy efficiency schemes. Other measures announced include: tighter limits for industry in Phase 2 of the EU Emissions Trading Scheme (EU ETS), encouraging the uptake of biofuels in petrol, an £80mn fund over the next three years for micro-generation and tighter building regulations. The programme also commits the government to reporting annually on progress to reduce greenhouse gas emissions from next year. The review was delayed by more than a

year because of disagreement between Defra (which wanted larger emission cuts), and DTI, which wanted smaller cuts to avoid damaging competitiveness. Its much awaited publication has done little to dampen criticism of the government and it also rejected a number of measures proposed for Combined Heat and Power (CHP), while confirming two modest changes.

Firstly good quality CHP (GQCHP) will be equitably considered in the second phase of the EU ETS and be considered within its own sector. A Defra commissioned study last year found that CHP was being disadvantaged under the EU ETS, as allowance levels were based on their host sector (e.g. refineries) and failed to take into account the significant carbon savings achieved. The sector is now to be considered on a stand alone basis. The government is to consult on proposals to create a separate sector for existing GQCHP, a ring-fenced new entrant reserve for new GQCHP, proposals for incumbent GQCHP to receive allocations based on historic emissions and also on proposals for new entrant CHP to receive favourable allocation arrangements relative to non-CHP through the new entrant reserve.

Secondly, ROC eligibility will be extended to include waste plants that use GQCHP.

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This change had already been announced as part of the outcome of the renewables review. An Ilex study last September concluded that this would lead to additional take-up of CHP in waste plants but given the limitations on suitable sites the amount was uncertain. It was predicted that this sector could contribute 2-4% of the Renewables Obligation by 2010, depending on the rate of growth, rising to 3-5% by 2020.

### Study announced

The government also announced that it will also shortly undertake a study into the licensing and exemption arrangements facing small-scale CHP and renewables operations and into the cost and benefits of these. ■

# Leaders want new European energy policy but no new European energy regulator

EU leaders meeting at the spring European council in Brussels on 23-24 March urged member states to join forces to address mounting energy challenges and preserve Europe's growth and environmental sustainability. Building on the energy green paper put forward by the European Commission in early March "A European strategy for sustainable, competitive and secure energy", the council decided to base the new energy policy for Europe (EPE) on three objectives: security of supply, competitiveness and environmental sustainability.

All in all the policy is intended to provide the framework for investment in common

gas and electricity grids that, together with new power plants, could cost €1000bn (£690bn) between now and 2030.

## Key actions announced

The council identified key actions to develop the objectives of the EPE, which include: the development of a common external policy approach, the intensified diversification of sources, and the further development of the EU internal market. EU leaders were particularly concerned about promoting environmental sustainability and called for an "ambitious and realistic" action plan on energy efficiency aimed at saving 20% of energy by 2020. A 'road map for

A target of 15% renewable energy and 8% market share for biofuels in the energy mix by 2015.

renewable energies' was also put forward, which centred on two main targets of reaching 15% of renewables and an 8% market share for biofuels in the energy mix by 2015, with "maximum support" to be put into biofuels research. The council welcomed the commission's intention to present a regular strategic energy review, starting in 2007, and asked it to develop an 'interconnection plan' for better-integrated energy networks. The council also urged the commission to strengthen the EU-Russia dialogue with regard to the ratification of the Energy Charter and the conclusion of the Transit Protocol during Russia's G8 presidency. But leaders rejected EU energy commissioner Andris Piebalg's proposal for a single European energy regulator to police the market. ■

# Budget drive on energy and the environment

## Chancellor Gordon Brown's tenth budget on Wednesday 22 March contained more on energy and environment than the last nine put together

- (despite growing calls for its abolition), an increase in the Climate Change Levy, in line with inflation, from 1 April 2007, representing the first ever increase in its absolute level since its introduction in 2001;
- a suite of measures to improve household energy efficiency, including changes to the energy efficiency commitment;
- trialling the use of 'smart' energy meters with £5mn earmarked for pilot studies;
- the development of a new National Institute of Energy Technologies, in partnership with the private sector (that is funded by it), to better leverage substantial public sector funding of energy research;
- significant further support to the tune of £50mn for the development of alternative energy sources under the Low Carbon Buildings Programme, essentially to stimulate micro-generation technologies;
- the launch of a consultation document on the barriers to large-scale commercial deployment in the UK of carbon capture and storage. ■

## news in brief

### British Nuclear Group sale approved

The trade and industry minister Alan Johnson confirmed the privatisation of British Nuclear Group through a competitive sale process. He said the process will coincide with the letting by the Nuclear Decommissioning Authority (NDA) of a new 5-year contract for Sellafield and is in line with the NDA's strategy to develop a competitive market in decommissioning and bring in private sector expertise to improve performance.

### Government's science chief seeks nuclear power increase

Sir David King, the government's chief scientific adviser, believes 40% of the UK's electricity should come from nuclear generation. Interviewed in the FT on Monday 27 March, King said that in an "optimal scenario" Britain's "base-load" capacity would come from nuclear with 10-20% from renewable sources and the remainder from gas and clean coal stations.

# sme update

**Market news roundup and utility information from an sme perspective compiled by Tony Bignell, director, UCC**

## Contract Termination

Some suppliers are proving difficult with terminations. One in particular, it seems, only accepts notices sent by recorded delivery. Avoid penalty prices and ensure your termination is both timely and received.

## Winter Gas Prices

**Next year's winter gas prices have reached record highs. Whilst shortfalls are forecast, panic is unnecessary as the spike in prices is largely due to a shutdown of the Rough Storage facility and prices are expected to fall back although still in a rising marketplace.**

## UK Gas charges up £10bn

Users of gas in Britain will pay an extra £10 billion this year because energy markets in Europe are not fully liberalised. The figure, which is half the total gas supply bill for the UK, has been calculated by Global Insight, the energy consultancy, in a report for Centrica, the gas and electricity provider. (See story, page 4.)

## Supplier Demise

**Ofgem have withdrawn Utility Link's supply license, there have now been five suppliers that have failed this winter. This is largely due to massive increases in wholesale energy prices. Utility Link have provided on behalf of Greenwich Energy and Telecom Plus. Others that have failed this winter are Eledor, Team Group, Reephram and Utilita. The number of suppliers in the UK are diminishing rapidly and are now at a level below that which existed prior to deregulation. This increases difficulties associated with contract pricing and competition generally.**

## The half-empty Interconnector

Manufacturers fear that energy prices are being forced up due to Britain's BG, German energy giant E.ON and Russian monopoly Gazprom, among others, controlling a pipeline importing gas from Europe. UK's energy users are demanding that the partners in the Interconnector pipeline, hand over its spare capacity to National Grid. Whilst we have had

record gas prices in Britain, much higher than those in Europe, the pipeline has only been operating at half capacity on critical occasions this winter. The Energy minister, Malcolm Wicks, has called for an investigation.

## Fixed Price – Fixed Term

**Guaranteed fixed prices are becoming a rarity. Fixed term is becoming commonplace and consequently sometimes misleading. The industry is now awash with TPI's (Third Party Intermediaries) who sell on behalf of a supplier direct to the end user. Unfortunately many customers have had a need to complain to Energywatch about unsavoury sales tactics that are occurring. It is all-too-easy to disguise a fixed term contract, only for the customer to find after a few months that it is actually a fixed term but variable price. Energywatch is actively working with the industry to seek a resolution to this growing concern.**

## Budget for Price Rises

Utilities are no longer an insignificant portion of the SME annual financial budget. Prices for both gas and electricity have risen in excess of 100% and are expected to rise even further. A further 100% is likely. Whereas in the past utilities just formed part of the everyday ancillary costs of running the business they now form a major part of those costs. They should be included in the forward financial considerations and projected in order that sale and end prices reflect the utility costs which have in the past been considered as incidental.

## £1,000 home energy bills

**Residential customers will pay 15% more for their gas because soaring wholesale prices have prompted one of the country's big suppliers, EDF Energy, to increase its charges. Customers with EDF Energy, London Energy, Seaboard and SWEB, said electricity bills would rise by 4.7 per cent and gas by 14.7 per cent. The price rises follow Scottish Power's announcement of rises of 8 per cent for electricity and 15 per cent for gas. British Gas, the country's biggest energy supplier with 11 million**

**customers have announced increases amounting to around 22%. Energywatch warned that these increases meant an average energy bill for gas and electricity of £1,000 a year could become the norm. The message is clear for residential and SME customers, prepare for rising costs and take every opportunity to be energy efficient.**

## UCC 2006 meeting dates

### 5 July

Energy Meeting  
Chamber of Shipping,  
London

### 27 September

Energy Meeting  
Location to be decided

### 28 November

Energy Meeting  
Chamber of Shipping,  
London

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## regulation news

# Ofgem: problem solving not a full review

## After 4 months, Ofgem decides there are issues in non-domestic retail markets

Consultation on the state of competition in the non-domestic gas and electricity sectors received a high level of responses. The Big Six all emphasised the robust state of competition in this sector. But respondents outside the Big Six expressed concern at declining liquidity in the wholesale market and the impact this has upon competition in the non-domestic retail market. A number of issues were raised about competition in the small site and public sectors centring

around perceived reduced levels of competition, customer transfer and metering problems, poor market information and excessive complexity, lack of customer expertise and the conduct of some brokers. For its own part, Ofgem recognises that customers are "facing genuine difficulties..." But it does not believe the case is yet made for a retail market review. Instead, it is better for it as an initial step to facilitate its improved understanding and market participation. ■

## National Grid seeks help understanding impact of first ever gas balancing alert

The gas balancing alert (GBA) mechanism was established at the start of the winter to provide a mechanism for National Grid as gas system operator to seek extra assistance from market participants at times of acute system stress. Such assistance might be extra gas supplies or demand reductions from major users. The first GBA was called on Monday 13 March when National Grid (NG) set its gas demand forecast in the wake of a cold snap following the outage at the Rough storage facility. Following the GBA, National Grid is continuing to analyse the effect the alert had on the demand-side response and is looking for support to collate operational and commercial information from the day.

## Ofgem sets out its views on winter 2005-06 gas market

Ofgem's 'Winter 2005-06 experience to date' factsheet says that there have been "testing conditions" in the gas market this winter and looks in detail at how the energy market has risen to the challenges of the closure of Rough and "erratic" interconnector flows. Ofgem believes there are several "quick wins for next winter." The regulator says it also intends to approve a change to UK rules, allowing more information on the offshore industry to be published.

## market news

# Economic risks from high energy prices

## Chancellor Gordon Brown accused EU countries of increasing costs to British consumers by £10bn a year as a result of non-liberalised gas markets

Gordon Brown claimed that the EU must now "reject protectionism" and move towards a more open energy market. He also said that a process should be set up in Europe so that sectors which fail to liberalise and open up to competition are subject to investigations and new enforcement mechanisms.

Mervyn King, governor of the Bank of England, believes energy prices present a major risk to the outlook for growth and inflation as past increases in oil and gas prices may have eroded the supply capacity of the economy and altered the balance between demand and supply.

Furthermore, the latest round of domestic price increases effective from March, are

likely to push inflation over the 2% target in the short term. Commenting further on wider market aspects, King noted that "it is true that there is the inter-connector with Belgium through which it had been hoped that gas would flow into the UK when prices were higher here than on the Continent, but I am not sure whether it was entirely reasonable to expect that."

### Real hope

"The real hope for the future is the new gas pipeline from Norway. Norway has always been a source of comfort to the UK in the supply of raw materials and I suspect it will come to our rescue again, but there is some disagreement among the experts as to when that pipeline will be open." ■

## FSB warns businesses facing sharp increases in energy bills

The Federation of Small Businesses (FSB) has issued a warning that UK companies are facing sharp increases in their energy bills this year and expressed particular concern about price rises in Northern Ireland.

Andy Willox, northeast chairman of the FSB, said that businesses everywhere had had a tough year, with rises in the cost of gas and water as well as fluctuating petrol prices. The federation has recently launched a campaign with Energywatch to get a fairer deal for businesses.

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Gordon Parsons, Managing Director, npower business

# Energy efficiency becomes a business priority

**If you want to reduce energy costs and address consumption, you need to make your business more energy efficient. Gordon Parsons, Managing Director, npower business, looks at the options available to small and larger energy users and how even the simplest steps can deliver substantial returns.**

Gaining a greater understanding of energy use has never been more important. Unprecedented wholesale energy prices and ongoing price volatility, as well as pressure to tackle environmental issues are causing energy to rise up the agendas of UK businesses.

One of the most effective ways to improve energy efficiency is to communicate the benefits to all staff. A little education on the financial and environmental benefits can make a real difference to overall energy consumption. Simple measures such as turning lights off at the end of the day, or setting the thermostat one degree lower than normal, could save companies as much as 20 % on annual energy bills.

For organisations that have a number of business processes, or

buildings that are multi-tenanted, having additional meters is worth considering. This allows a more precise means of measuring processes such as air conditioning, lighting and energy performance of individual machinery or processes.

Feeding this data into the latest web-based systems such as npower business' Half Hourly Online service, affords highly accurate and timely monitoring of energy use, meaning they can spot usage anomalies more effectively. Over time, consumption can be compared against historical trends to verify faults and help to identify the most appropriate action to take.

While having a better understanding of energy use can deliver results in its own right, many heavier energy users are taking the next step and looking to more sophisticated energy

management to help address economic 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 solutions, to 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.

With no short term solution in sight to stabilise wholesale energy costs and tackling climate change remaining a core political objective, making energy efficiency a business priority can help deliver commercial advantage from apparent adversity. ■



## new energy efficiency website launched

npower business has teamed up with UCC to produce a new website to help companies better understand energy use. It also shows how to develop energy policies and audit your energy consumption.

website:  
[www.npower-business-energy-efficiency.com](http://www.npower-business-energy-efficiency.com)



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# Energy management solutions: greater efficiency, lower costs

**A big challenge facing Energy Managers is how to improve energy efficiency while reducing costs and meeting environmental commitments**

As the energy market continues to change and prices rise, the pressure is on Energy Managers and Buyers to get the best value energy for individual sites and entire portfolios. Many organisations are unaware of technologies available that can help them improve efficiency and save money. Our latest energy management solutions were developed with Energy Managers in mind, when they told us of problems they faced, including:

- rising energy prices
- estimated and inaccurate bills
- lack of visibility of energy consumption and costs
- uncompetitive tariffs being offered
- problems in scheduling meter-reading visits, site access and security.

If these challenges sound familiar, you're not alone. We work with businesses across all sectors, who have achieved significant cost savings through improved energy management. The smarter our solutions become, the more opportunities they have to focus on energy usage down to a very specific level. For instance, with sub-metering we can show when lighting or air conditioning is running unnecessarily overnight. But if such activity wasn't visible, how would you know?

In the past, detailed energy usage reporting was only available for locations classed as 'half hourly' – sites with over 100Kw of usage. However, most small to medium sized premises are non half hourly. Recent developments, including automated meter read solutions, mean non half hourly sites can also gain the advantages of faster and more accurate reporting of their energy usage.

By installing intelligent metering in premises, we automatically collect

readings while keeping sites registered in the non half hourly market. Energy Managers receive accurate data for forecasts and budgeting. It also means no more estimates, no more overpayments, no more lengthy disputes and it removes the need for a meter reader to visit – Energy Managers don't have to pay for this, or cover the overhead of escorting a meter reader onsite. Some of our clients even found their electricity supplier reduced their bills by up to £75 annually, simply by removing the need for visits.

Independent research by The Carbon Trust confirms that intelligent metering, when combined with an energy management programme, can save a business up to 20 percent on its energy costs. And it's not expensive either – the price of intelligent metering has fallen by 50 percent in recent years to around 17p a day.

## **It pays to take a closer look...**

IMServ is the UK's leading provider of energy management solutions, with an approach based on sophisticated measurement hardware, seamless data collection and fast online provision of management information – for electricity, gas and water. It's also 100 percent independent of energy and utility companies. We've always led the industry, and are now the UK's biggest and most experienced independent data collector. Each year, IMServ collects 100 billion units of energy demand data: 30 percent of annual demand, valued at £3 billion.

## **A 'window' on energy consumption and costs**

A smart online system called Energy DataVision lies at the heart of IMServ solutions – it gives Energy Managers the business visibility they need for more

informed procurement, to reduce expenditure, focus on environmental targets and achieve best value. It's a one-stop-shop, with all data provided in a single location through a secure web-based system. Using high quality independent data, Energy DataVision is easy to access and easy to use; business users are empowered through 'multidimensional viewing', which means they can 'slice and dice' data for different reports and business requirements. Importantly, users can also easily export data to other systems, including spreadsheets and ERP, for activities like financial control and billing verification.

## **Bespoke energy management solutions**

IMServ's goal is to help Energy Managers and other key personnel to meet and exceed their professional targets – in the face of a volatile energy market, rising costs, scrutiny from the board, and environmental commitments. This is why we also provide fully tailored solutions to meet your specific requirements. We're able to do this based on our breadth of industry knowledge, innovative technology and proven business processes. No other provider can make such a claim and then deliver against it. ■

