



UCC

newsletter

utility consumers consortium
www.ucceurope.com
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policy news

Large business commitment to carbon reduction set

Defra has decided that a carbon reduction commitment (CRC) should be launched from 2010

Defra made its decision after consulting, as part of the energy review process, on the most cost-effective measures to achieve "major" emissions reductions from larger non-energy intensive businesses. Whilst exact details need to be refined, the CRC will be a compulsory emissions trading scheme for organisations with annual electricity use through mandatory half hourly meters of over 6GWh – at current market prices, the minimum level of spend that could be eligible is £300,000.

Organisations from both public and private sectors will be liable, with the focus on those emissions not under the scope of either the climate change agreement (CCA) or EU emissions trading regimes. Firms with more than 25% of their energy use emissions in CCAs would be completely exempt.

Key features of the scheme

- A "light touch" approach to administration compared to the EU Emissions Trading Scheme, with self-certification supported by independent risk-based auditing rather than verification;
- After an introductory period (when they will be sold at fixed prices), allowances will be auctioned to participants who will be able to determine their own emissions targets within the overall scheme cap; and
- A "broadly revenue neutral" impact on the exchequer as revenue will be recycled to participants by means of an annual payment proportional to average emissions since the start of the scheme, with a bonus or penalty depending on a league table of participants.

Much work remains to be done on scheme fundamentals as well as details. These are subject to further consultation and will include the choice of auction and revenue recycling mechanisms as well as how the scheme will be administered and audited.

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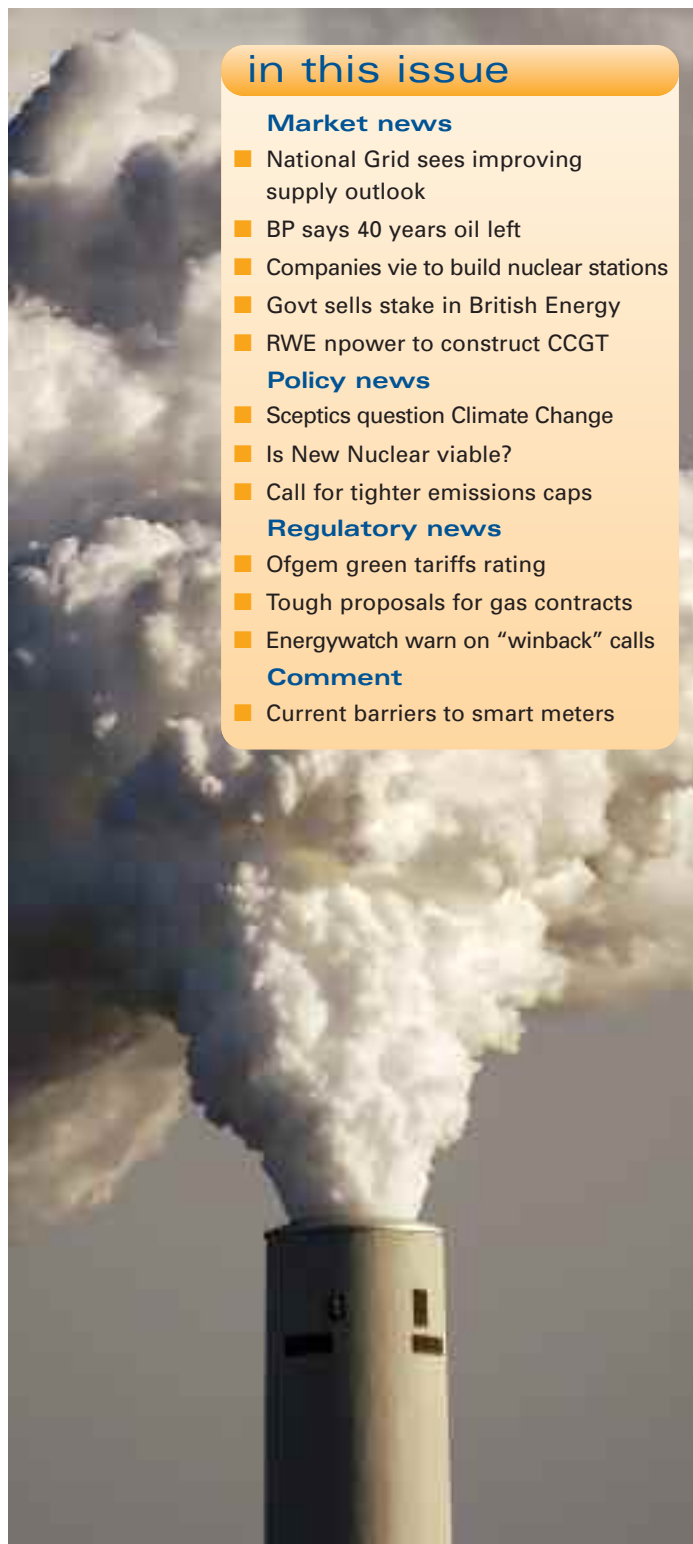
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Sustainability is now on the agenda for the world's companies, governments and individuals – and it isn't going away.

Sustainability now on the agenda

6.5 billion tonnes of CO₂ a year are emitted globally and people's actions in one part of the world are having a direct impact on those in another. Around a third of CO₂ in the UK comes from businesses, including E.ON and our business customers.

What is E.ON doing to help B2B customers?

It's estimated that businesses can save themselves around 20% with a series of low or no-cost measures, the equivalent in many cases of a 5% increase in sales.

And we're helping customers to put yourselves in control. Our range of eData web-based tools enables you to monitor consumption levels and analyse your usage. We also help to interpret consumption data in relation to your business type, giving advice on energy related technical issues, and assisting with planning the resolution of energy related problems.

eData Control provides energy consumption data straight to you via the web. It can include alerts to changes in regular energy patterns, so that you can review your energy usage and make adjustments if necessary.

Our commitment to the environment

E.ON UK is committed to reducing the carbon intensity of our power generation by 10% by 2012, having already reduced it by 20% since 1990.

We aim to spend £1bn in the next five years on renewable generation projects, including wind and tidal power. All of this investment will bring benefits to our customers too, as demand for renewable energy soars and of course for the environment.



Building on the information available in Control, **eData Bureau** provides advice from our energy experts who can help you gain maximum value from the data available. Our energy experts offer bespoke **Energy Surveys**, visiting premises, monitoring of specific areas and development of an individual **Energy Action Plan**.

We gave Vauxhall Holiday Park a detailed **Energy Survey** and recommended installing individual meters in each of its 438 holiday homes to reduce the likelihood of guests leaving lights, heating and TVs on while they were out. Our advice also reduced the supply requirements so that additional capacity is available for future growth, without the need for significant expenditure on infrastructure upgrades.

In the first three months of 2007, E.ON's advice had already saved the holiday park £45,000 on its energy costs.

Sustainable Energy Solutions

We understand that businesses are still searching to become better informed about energy management so they can take action that meets their specific needs.

This is why we have created a new single solutions service for customers, **Sustainable Energy Solutions (SES)**, bringing together our international research, demonstration projects and technology and energy management expertise. The key benefits of SES for our business customers include:

- Reduced carbon output and impact on the environment
- Visible low carbon commitment
- Greater independence from wholesale market price conditions
- Lower annual electricity and heating costs.

As a customer, this means access to: customer advice and education; solutions

design and tailoring, planning and grant support, product selection and enhancement, installation, project management and training, post installation support and benefits realisation, and additional support services.

This new business includes a range of microgeneration technologies, able to generate heat and electricity locally from a low-carbon source. Currently, this includes micro wind turbines, solar photovoltaic, solar thermal energy, biomass boilers, and ground source heat pumps – we've already installed over 600 of these, making us the UK's leading supplier.

We're a framework supplier under Phase 2 of the Low Carbon Buildings Programme (LCBP). Through the scheme public sector organisations and charitable bodies can apply for funding of up to 35% of the cost of microgeneration technologies from the Department of Business, Enterprise and Regulatory Reform LCBP*, when purchased through us.

*Grant fund available for micro wind, ground source heat pumps and biomass boilers.

Ellen MacArthur's challenge

Ellen MacArthur has teamed up with E.ON's B2B division to learn more about sustainability and share this with all of our customers. The key focus of the partnership is for Ellen to learn more about the problems that the business community faces, in particular energy efficiency for small and medium-sized businesses, and help to communicate some of the practical solutions to all our customers.

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 To follow Ellen on her journey to learn more about sustainability, visit www.eonenergy.com/ellen

Sceptics question value of climate change agreement

Leaders of the G8 nations, at their summit on 7 June, agreed to seek "substantial cuts" in emissions by the end of 2009, but George Bush refused to commit to a firm emissions reduction target until developing nations like China and India make similar pledges.

German Chancellor and summit host Angela Merkel said the G8 would negotiate within a UN-framework to seek a replacement for the Kyoto Protocol by the end of 2009. No mandatory target was set for the cuts, but Merkel's preference for a 50% emissions cut by 2050 was included in the agreed statement. After pressure from both Merkel and Tony Blair, President Bush committed the US to a United Nations-led process to tackle global warming, but he made clear that his support was conditional on China and India signing up to any worldwide deal. European Commission President Jose Manuel Barroso praised Bush's "flexibility" and called the agreement a "roadmap" for combating global warming. But French President Nicolas Sarkozy was less enthusiastic, telling reporters: "If you want me to say that we could have done better then, yes. I want to speak frankly".

Is new nuclear viable?

Analysts at Pöyry Energy Consulting (PEC) believe the white paper contains too little positive action on new nuclear build and there's a risk none will be built.

As a result, it expects the "vast majority" of new build generation capacity up to 2020 will be gas-fired combined cycle power stations. PEC cites four important factors for this position:

- The white paper uses a forecast carbon price of €36/tonne of CO₂ in its analysis of the economics of new nuclear. But this is a much higher price than at present and will be politically difficult to deliver in the future as it means significantly higher electricity prices for consumers;
- The lead time for new nuclear build is long; the white paper assumes 13 years for the first new stations and 10 years for subsequent plants. This means the UK is unlikely to see a new nuclear plant generating electricity before 2021 at the earliest;
- To fill the gap up to 2021 by which time some 20GW might be needed, fossil fuel plant will be developed. This is expected to be predominantly CCGTs with some new coal plant; and
- With 20GW of new fossil fuel plant the need for nuclear may be largely pre-empted. A low or conceivably zero rate of demand growth would similarly pre-empt the need for new nuclear.

Darling calls for tighter emissions caps

Speaking to the Trade and Industry Select Committee (Tisc) on 21 June during its inquiry into the energy white paper Alistair Darling, the trade and industry minister, said that "a credible third phase for post 2012 emission trading was essential." He told the committee that emission caps would need to be "tighter still" and added that he wanted to see "more auctioning" of allowances rather than free allocations.

Ofgem proposes rating for green tariffs

The rating scheme is intending to issue revised guidelines in September and Ofgem says it hopes a rating system will end the "considerable confusion" amongst consumers about such tariffs. The scheme will be voluntary, and tariffs would be given a rating of 1-5 stars based on environmental performance.

Tough initial proposals for gas distribution price controls

Although its analysis is not yet complete in some areas, Ofgem has tabled initial proposals for the next five years for gas distribution which the City thinks are tough.

The new controls will be the first full five-year control to apply since National Grid Gas sold four of its eight gas distribution networks nearly two years ago. Key points of the proposals include:

- A reduction in the allowed cost of capital to 4.2% post-tax real, compared with the 4.4% awarded to transmission last year against a background of higher interest rates;
- A "challenging target" for companies to reduce their operating expenditure by 3.3% annually in real terms from forecast actual levels in 2006-07;
- Cutting back companies' investment proposals by around 14% on average, although overall capex and repx allowances are around 30% higher than in the current price control period;
- Increased allowances by around one third for investment and replacement of iron gas mains in response to Health and Safety Executive requirements replacing all within 30 metres of homes and premises over a 30-year period;
- Strengthening customer service obligations through, for example, specifying targets for calls about gas leaks and attending them in licence conditions and reducing the time allowed to complete reinstatement after a GDN has finished work on a connection or repaired a pipe from ten days to five; and
- Putting incentives in place to extend the gas network to fuel poor communities.

Ofgem believes the net effect of its proposals is to increase distribution charges to the average domestic customer "by less than £1 per year in real terms." They will now be negotiated with the companies over the summer with an updated set expected in late September. Final proposals should be published in December.

Energywatch warns small business over "win back" calls

Energywatch has called on Ofgem to increase protection and representation of rights to small businesses. This follows complaints about the consequences of some businesses accepting a last minute renewal offer from British Gas Business after already agreeing terms to switch to a new supplier. In such cases the new supplier could seek to charge a penalty.

UCC 2007 meeting dates

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.

- Tuesday 4th September
- Wednesday 12th December

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comment

Current barriers to smart meters

UCC welcomes the conclusion in the recent Energy White Paper setting a deadline of five years for the use of smart meters in all but the smallest businesses.

Many multi-site businesses already use more sophisticated meters beyond the mandatory requirements. They may be driven by an environmental agenda, the possibility for saving energy by spotting unusual site consumption, drawing comparisons between sites or because they can avoid the need for estimated bills.

These customers report good returns from the exercise despite the fact that, on many meters (particularly for gas), the essential pulses are not available or not functioning. So meter replacement is often necessary.

To achieve wider experience of the different technologies and processes and to avoid the customary last minute rush in 5 years, UCC has long argued that a further barrier needs to be removed urgently. This is the fact that accurate consumption readings

from smart meters, are not used in Settlement for smaller customers.

So, a 75kW electricity customer may have winter peak consumption during mid-morning rather than early evening, when prices are highest. But his supplier will be billed more expensively on the basis of the industry-wide profile, which shows an early evening peak. Equally, a non-daily-metered customer may consume extra gas at weekends but this will not be reflected in his supplier's Settlement accounts.

We all need greater energy efficiency – not just lower energy usage but also shifts in consumption to less costly or more economically efficient periods. For smaller customers, Settlement systems fail to encourage efficiency. Industry and Ofgem please note.

UCC services information



Consultancy and specialist services for the business energy user

For large, multi-sited and SME customers – UCC provides fast, efficient and friendly solutions in a wide variety of gas, electricity and water services.

Procurement

Bill validation

Energy efficiency surveys

Site surveys

Supplier negotiation

A.M.R. solutions

Call 08452 701143

Email enquiries@ucceurope.com

Customer references willingly provided

National Grid sees improving supply outlook

Gas and electricity supplies should be adequate next winter in normal demand and supply circumstances, according to National Grid (NG)

Despite an improvement in the gas outlook compared to last winter and healthy forecast electricity margins, the regulator warned customers and industry against complacency, as uncertainties remain. These include how cold it will be and how much gas will be available from Europe.

Supply capacity downgraded

Overall, National Grid's view of potential winter 2007-08 gas supply – in capacity terms – has been downgraded by 2% to 528mcm/day since March. This reflects a small upgrade in UK continental shelf supplies offset by a downgrade in the contribution from LNG due to a delay in the expected commissioning date of South Hook to 2008. Overall it suggests import availability will be lower through December due to uncertainties over the release of volumes from store on the continent, which may be required later in

the winter. It also said the potential requirement for gas demand response is much lower than the expectations for each of the last three winters, but it is expected to feature for both industry and power generators in cold winters and low supply conditions.

NG believes the outlook for the electricity market in 2007-08 appears more certain than for gas. "Provided the electricity market continues to make plant available in response to the appropriate price signals, demand should be able to be met in full – even under severe conditions." It noted last winter's shift from coal to gas generation in response to low spot gas prices, which reversed the trend seen during winter 2005-06. It says that, based on current forward fuel prices, coal-fired generation is likely to be preferred to gas-fired in winter 2007-08.

Peak margin of 22%

After adjusting for the variable effects of wind capacity, it's estimated that a maximum 74.8GW of generating capacity could be available to meet expected average cold spell peak demand of 61.5GW – a margin of 22%.

Interactions with the gas market should be manageable: "Under average weather conditions [of the type seen in winter 2002-03] there would be scope for the electricity sector to reduce gas demand and provide a material level of demand-side response for the gas sector."

Projecting ahead

In to the medium term, National Grid's 2007 Seven-Year Statement on its electricity transmission system for 2007 projects lower demand growth and a widening of generation margins.

BP says world still has 40 years of oil

Annual statistical review of world energy claimed there are still enough proven reserves based on current consumption rates.

BP also reported world energy demand growth slowing in 2006 at 2.4%, which is down from 3.2% in 2005 but still just above the 10-year average. Continued high energy prices led to slower consumption growth amongst the main energy importers, notably the US where primary energy consumption fell by 1% in 2006 compared with 2005. Oil, gas and coal usage were down while nuclear and hydro-electricity were up very slightly.

Companies vie to build nuclear stations

Six companies have signed letters of support with Areva as possible users of its European pressurised reactor design in the UK.

The Financial Times claims the companies include: Suez; EDF; E.ON; RWE; Iberdrola; and British Energy. A further large European utility, which has nuclear experience and is not in the UK market, was also rumoured to be interested ahead of the June deadline for companies to submit reactor designs for pre-licensing. The Nuclear Installations Inspectorate is expected to decide on which designs have been given pre-licensing approval by next spring, and it will then issue a full licence by the end of 2010.

Government sells stake in British Energy after profits increase

The Government has reduced its stake in the nuclear generator from 64% to 36%, after the company reported a 49% increase in operating profits for the year ending 31 March 2007. The financial results were driven by higher achieved electricity prices as output was "disappointing" due to production issues.

Average realised prices were £44.20/MWh, up 38% on the previous year. In contrast output for 2006-07 was 58.4TWh (nuclear 51.2TWh, coal 7.2TWh) down from 68.4TWh in 2005/06 as a result of boiler issues at Hinkley Point B and Hunterston B and repairs to cast iron pipework at Hartlepool. Underlying operating costs were £27.1/MWh compared to £22.8MWh. And underlying nuclear fuel costs were £5.9/MWh, excluding accounting effects compared to £5.7/MWh last year.

RWE npower to construct CCGT

RWE npower is to construct a 1,650MW CCGT at Staythorpe at a cost of £600mn. Construction is expected to begin later this year and the first of the four units should be operational by 2010. The company said Staythorpe was an "ideal" site as it has Section 36 consent, a gas pipeline, and other infrastructure already in place. The power station will be located on a brownfield site which was previously home to two coal stations.



Your electricity network needs you

There has never been a better time for businesses to profit from excess generation capacity or flexibility in their energy usage. Gaz de France ESS explains why...

National Grid is actively looking for more participants in its demand-side load management services, which help it to maintain consistent supplies to customers at times of strain on the electricity network.

Short-Term Operating Reserve (STOR) is a new service contracted by National Grid, which enables businesses to provide active generation or demand reduction capacity. Introduced on 1 April 2007, STOR has evolved from a number of National Grid services, including Standing Reserve and Demand Turndown. When a need is identified, National Grid will call on participating companies to reduce their load by the contracted amount or start up standby generation to ease pressure on the network.

More participants needed

The service currently provides around 2,500MW of responsive load to National Grid from businesses around the country. However, National Grid is still looking for more participants. The need for greater demand-side assistance has been driven partly by the recent increase in levels of 'intermittent generation' on the network, in particular wind and tidal energy sources. The unpredictable nature of these energy sources means that it is harder for

National Grid to forecast the balance of supply and demand, and so the need for back-up from demand-side balancing mechanisms such as STOR has increased.

Leading supporter

Gaz de France ESS has long been established as the leading supporter of demand-side participants in the industry, particularly through the provision of Reserve services to National Grid. Currently, the Special Markets team at Gaz de France ESS manages STOR contracts amounting to 225MW of response – just under ten per cent of the STOR market – on behalf of customers.

Outsourcing optimises income

By placing the management of their STOR contracts with Gaz de France ESS, businesses can avoid the complexities of operating these contracts. The service offered by Gaz de France ESS includes:

- Tender price guidance, documentation preparation and tender submission
- Ongoing management of the commercial interface with National Grid
- All day-to-day scheme administration
- Payment validation and dispute resolution
- Management and performance information and advice.

Outsourcing these functions to Gaz de France ESS enables STOR participants to optimise the income they earn from underutilised assets. It means that resources do not have to be diverted from core business activities to ensure compliance with National Grid's strict requirements.

Profit from flexibility

Dan Jerwood, Special Markets Account Manager at Gaz de France ESS, says:

"Whatever the size of your on-site generator or the degree of flexibility you have to reduce energy consumption, we are always happy to discuss the demand-management options that may be available to you. Businesses may well be surprised at the potential financial benefits they can achieve by taking part in services such as STOR."

for more information:

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