

Kevin Lane  
Bay 181  
Department of Trade and Industry  
1 Victoria Street  
London SW1H 0ET  
United Kingdom

Renewable Energy House  
1 Aztec Row, Berner's Road  
London, N1 0PW, UK

T 020 7689 1960  
F 020 7689 1969

Monday 1<sup>st</sup> September 2003

Dear Kevin,

**BWEA Response: Social and Environmental Guidance to the Gas and Electricity Markets Authority**

BWEA welcomes the opportunity to respond to this consultation as its members will play a central role in delivering the government's objectives for renewable energy. As such, we are concerned with ensuring that Ofgem is helping, within its powers, to secure these objectives, and also that it does not inadvertently frustrate them.

From experience, we are convinced of the necessity of all stakeholders and participants in the energy sector working within a framework of common aims and objectives. This is because successful delivery of renewable energy projects is a process which involves a wide range of sectors – from planning to electricity sales to public engagement – where a project can be frustrated by perverse actions in any one area of influence.

It is clear that the DTI's draft guidance to Ofgem has cross-sectoral coherence of aims and objectives as its central tenet, and we are fully supportive of it in that respect. In particular we very much welcome explicit statements which state the government's expectations of the Authority in "facilitating" renewable energy targets.

It is also apparent that Ofgem is already responding positively in a number of areas to the Government's environmental expectations of it. While we consider there remains room for improvement, BWEA's acknowledges and supports these recent developments.

For the remainder of this response, we make some observations on the context of the guidance, and the draft text itself, and make some suggestions for modifications.

Paragraph (b) of the introduction refers to the desire to avoid "*compromising the principle of arm's length regulation.*" We note that inclusion of environmental objectives as an explicit primary duty on the regulator should eliminate this concern altogether. Given the White



Paper's emphasis on the environmental imperative, and the crucial role that Ofgem plays in the implementation of renewable energy, BWEA believes that it would be wholly appropriate to implement this additional primary duty, and urges the government to give consideration to this.

Paragraph (f) refers to the need for regulatory certainty, but BWEA considers that the draft guidance does not go far enough in delivering this objective. By this, we mean that the guidance gives no indication of how Ofgem might use its powers in furthering renewable energy, nor does it provide any guarantees that Ofgem will heed the guidance. There remains too much scope for interpretation, and it is this which has contributed to regulatory uncertainty in the past.

BWEA would like to see an explicit expectation of the Authority that its economic regulation should seek to optimise the conditions for a power sector in which renewables make up a significant share of generation. This is in contrast to the present approach which in many ways seeks to optimise the status quo.

We note that customers' interests extend to ensuring a diverse, secure and environmentally friendly energy mix in to the future. Indeed, this is borne out by a recent survey of household bill payers, carried out by Ipsos and commissioned by BWEA. 74% of those questioned supported wind power and the government's ambitions to generate 20% of electricity from renewables by 2020 (6% were opposed to wind energy, and 20% neither supported nor opposed wind energy). All references to customers should adopt Ofgem's present interpretation, which is future as well as present customers.

In Paragraph 2.3, the draft text states that "*we expect industry to respond to the framework established by government and demonstrate they can achieve our goals at an acceptable cost.*" BWEA notes that in order to respond to this challenge, our members will in part expect Ofgem to implement a regime which does not impose unnecessary costs on renewables. Put another way, Ofgem should implement a framework which explicitly delivers Government objectives at the least cost to the consumer (as opposed to maintaining the status quo at the least cost – excluding externalities – to present consumers).

We consider the text would be strengthened if it contained some guidance on priorities for Ofgem, or, if it imparted more weight to Para (g) of the introduction, which encourages Ofgem to notify government of any conflicts between environmental objectives and its primary duties. Any conflict will usually be a product of Ofgem's interpretation.

Please feel free to contact me at any time if you have questions.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Glennie', with a stylized flourish at the end.

**James Glennie**  
**Head of Offshore**  
**British Wind Energy Association.**