

**BERR**

Department for Business  
Enterprise & Regulatory Reform

# Government plans for Distributed Energy

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# Four goals for our energy policy:

- to put ourselves on a path to **cut the UK's carbon dioxide emissions** - the main contributor to global warming - by some 60% by about 2050 with real progress by 2020
- to maintain the **reliability of energy supplies**
- to promote **competitive markets** in the UK and beyond, helping to raise the rate of sustainable economic growth and to improve our productivity
- to ensure that every home is adequately and **affordably heated**

# Increasing focus on DE

- July 06 – Energy Review - *identifies need to look at barriers to DG*
- 2006/07 – DTI/Ofgem DG Review - *makes findings based on call for evidence*
- **May 07 Energy White Paper - sets out key policies**
- 2008/09 – Renewable Energy Strategy – *DE role in delivering 2020 targets*

# DE – current and developing policies

- Market pull from planning and building policy:
  - Climate Change PPS - published December 07
  - 2016 Zero carbon new homes policy
  - Sustainability for non-domestic buildings
- Funding & “business models” for energy efficiency etc., i.e. CERT, supplier obligation
- OCC Heat project (district heating, renewable heat, CHP ...) – Heat Call for Evidence January 08

# Market and licensing arrangements

- Committed to level the playing field for DE; a regulatory system fit-for-purpose to allow distributed solutions to compete fairly
- BERR/Ofgem consultation an important document; major move forward in our understanding
- Recognise it is argued that DE is by its very nature different, and may not fit into the wider arrangements
- Exemptions
- Concerns about competition and consumer choice

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## Renewable Energy Strategy

### - What are we seeking to achieve?

- To produce a strategy by Spring 2009 for meeting the UK's share of the EU 2020 renewable energy target.
- Need to do so in a manner that is:
  - Cost-effective
  - Coherent with wider energy policy & climate change goals
  - Makes sense for the long term

## RES - What is the process?

- Cross-government project
- Active engagement with stakeholders
- Headline timetable:
  - Formal consultation: Summer 08
  - Initial response: Autumn 08
  - Final strategy: Spring 09
- In addition:
  - EU negotiation
  - Ongoing work – Energy Bill, Planning Bill, TAR, RO reform....

# RES - What areas are we looking at?

- Energy efficiency
- Bulk electricity
- **Distributed electricity**
- Bio-energy
- **Heat**
- Transport
- Cross-cutting issues
- Strategic interactions

# Distributed electricity

- Costs & potential
- Financial incentives
- Regulatory incentives
  - New build & retro; domestic and non-domestic
- Addressing barriers – e.g.:
  - Information
  - Technical issues
  - Regulatory constraints

# Heat

- Options, costs, potential
- Financial support mechanisms
- Regulatory incentives
- Distribution mechanisms – grid, heat networks, renewable CHP, on-site
- Addressing barriers
- Regulation of heat market

# Take away messages

- DE will be an important part of our future energy mix, alongside centralised generation
- Number of policies to encourage take-up but more needs to be done
- DE brings new players into contact with energy system – need partnership and understanding
- Challenges for our energy system must be met by Government, the Regulator and Industry