

MEUC Meeting

EEF

8 December 2008

Hugh Conway
Electricity Group Chairman



Discussion



- 1. Legislation**
- 2. BERR Committee Report**
- 3. Edf / BE takeover**
- 4. Brussels delegation**

Three major pieces of legislation –

**Climate Change, Energy and Planning
Bills**

- all received Royal Assent on 26
November.**

BERR COMMITTEE REPORT



- **MEUC gave written and oral evidence to the committee**
- **Ofgem published its own investigation and gave further evidence to committee on 25th November**

BERR COMMITTEE REPORT



Some key points (I & C):

- **Lack of liquidity, increasing gas import dependency plus discrepancy between evidence of suppliers and consumers.**
- **Oil - gas price link and European market**

BERR COMMITTEE REPORT

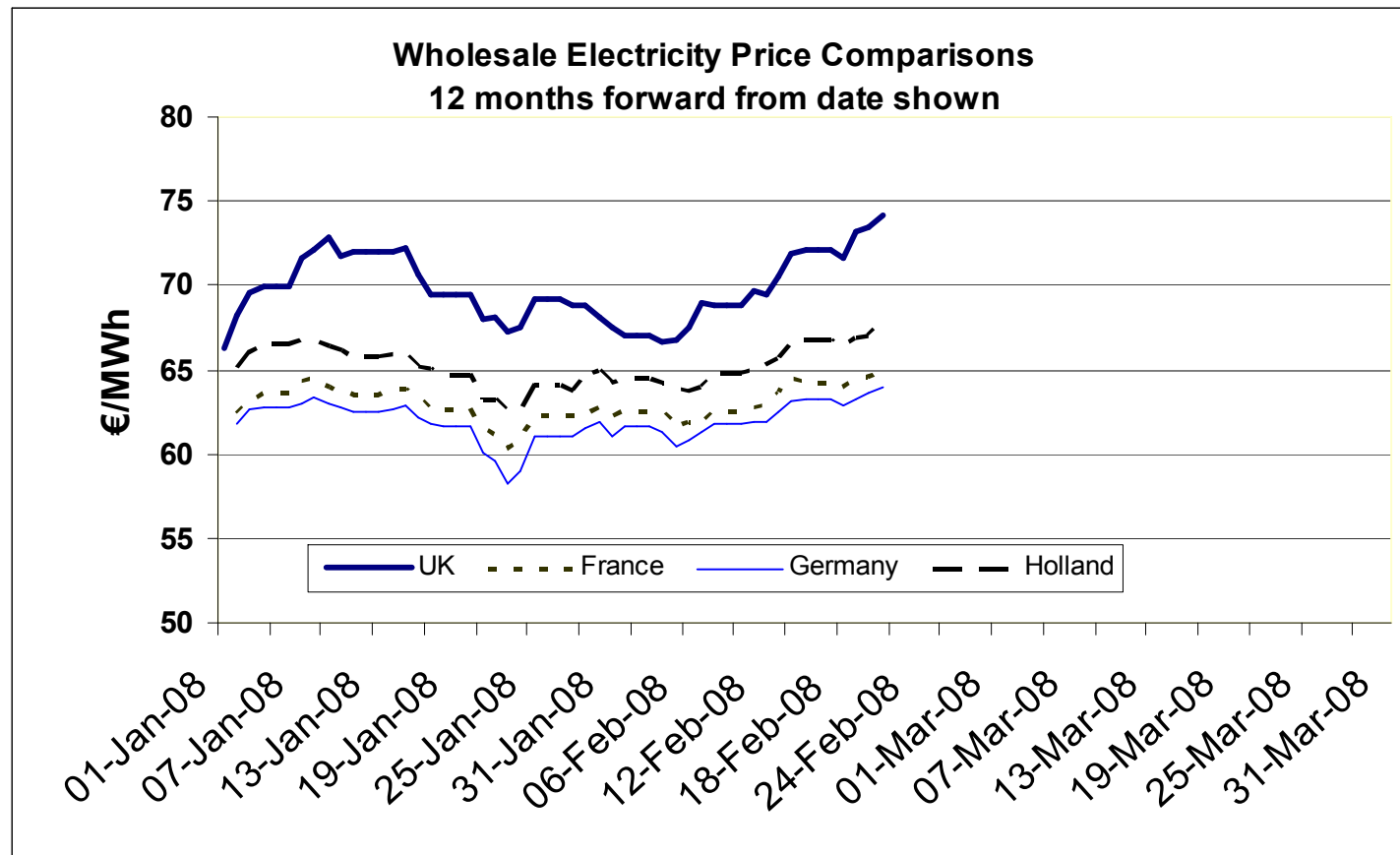


- **Wholesale electricity market concentration and investment in new capacity**

BERR COMMITTEE REPORT



- **MEUC evidence included:**



Source: Don McGarrigle

BERR COMMITTEE REPORT

- **Ofgem's evidence included statements that:**
 - *It will require supply companies to supply quarterly link between wholesale and retail prices*
 - *Plans to compel Big 6 to publish separate accounts for generation & supply*
 - *Hinted at further investigation into BE/Edf merger (EU Commission due to report 8th December)*

British Energy & Edf



- **MEUC meetings:**
 - *with BERR Shareholder executive in July followed by meeting with British Energy*
 - *with Edf on 2 December*

 - *MEUC responded to Consultation on takeover to both Ofgem and EU Commission*

Renewable Strategy Consultation



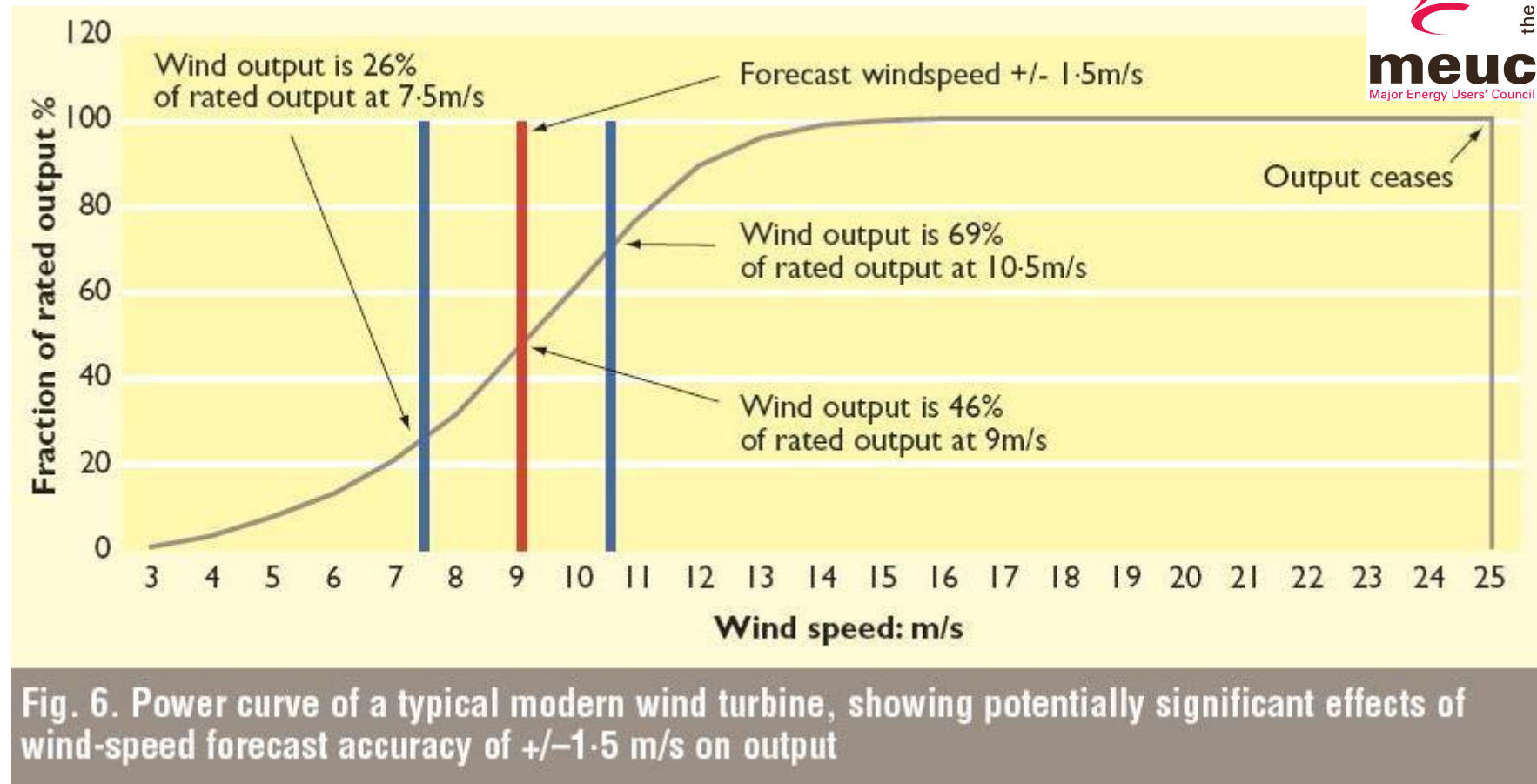
- **MEUC responded to BERR Consultation on Renewable Strategy**
- **New ministry of Energy and Environment just formed (Ed Milliband).**

Renewable Strategy Consultation



- **Government sticking to its targets – 2020 policy = 35% all electricity to be generated from renewables, i.e. mostly wind.**
- **Climate Change Act received Royal Assent now 80% carbon reduction requirement**

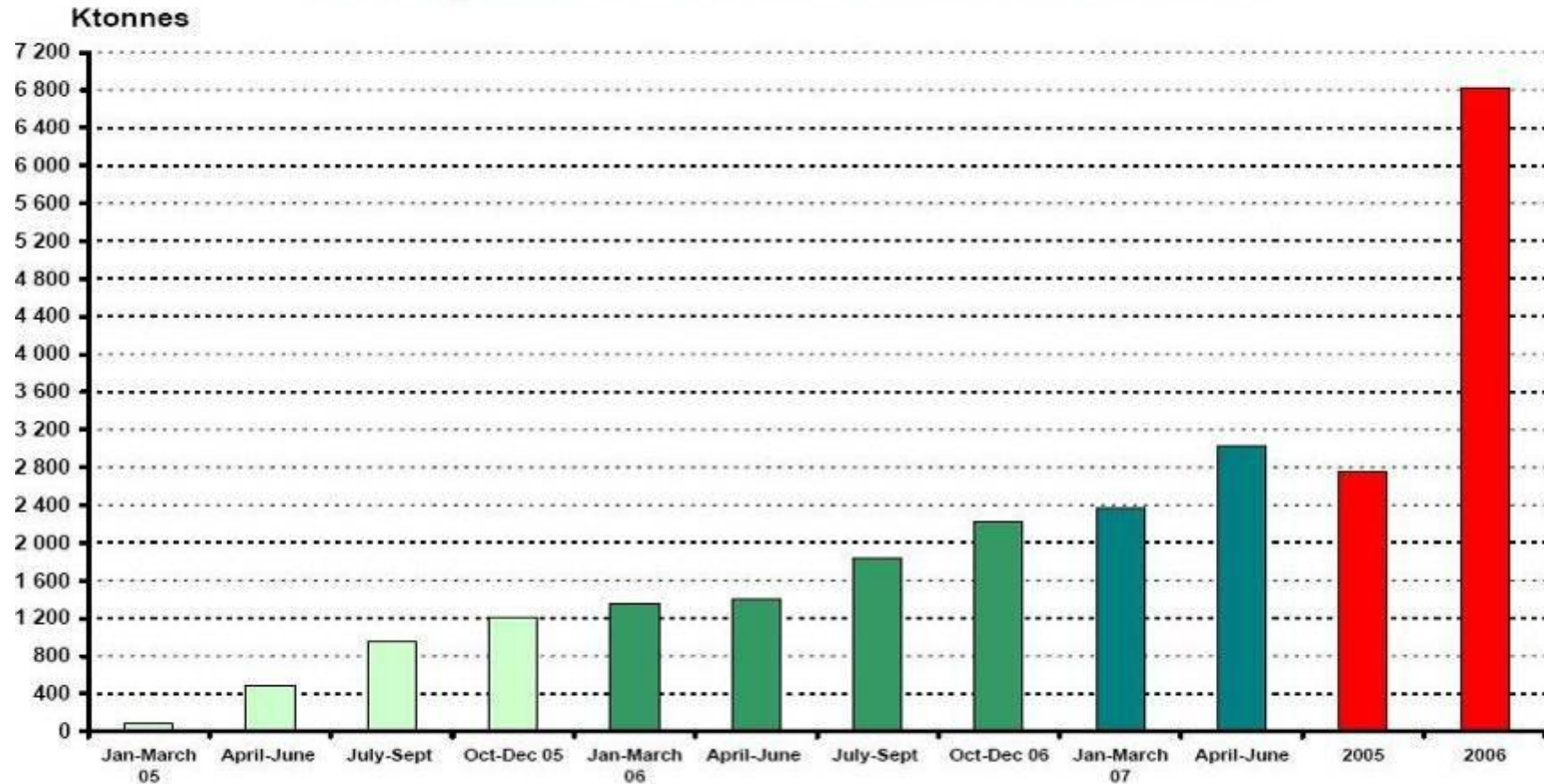
Windmill output - cube rule



Negative effect on international competitiveness



EU Imports from China 2005-June 2007



National Consumer Council



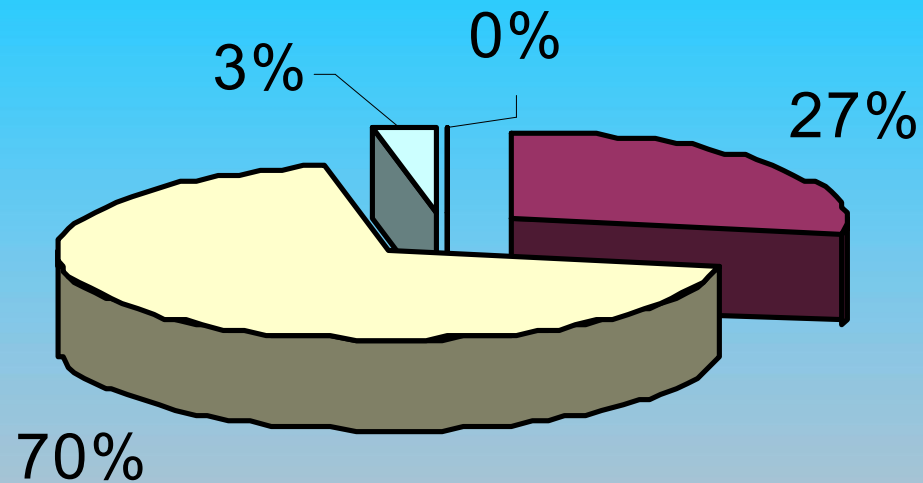
- **Consumer Focus commenced operations on 1st October**
- **Energywatch ceased to exist**
- **Seems likely intends only to work for smallest I & C players**

Delegation to Brussels



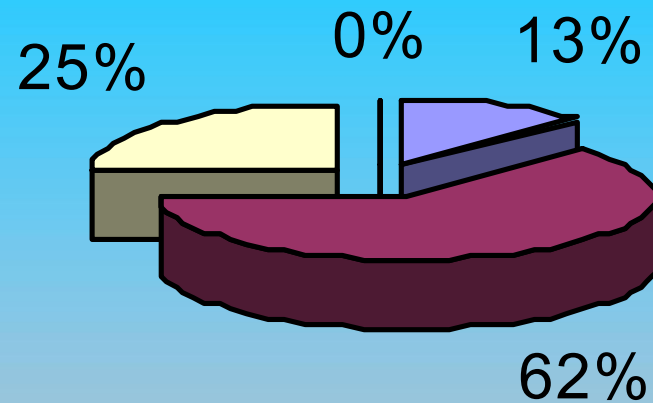
Broad consensus on concerns on EU environment policies on competitiveness, security of supply and even validity of “science” of global warming.

1.) Generation: In 2015 which generation technology will dominate European energy



■ Renewables ■ Nuclear ■ Gas ■ Coal with CCS

2.) Retail: Which retailer will dominate the European Energy market in 2015?



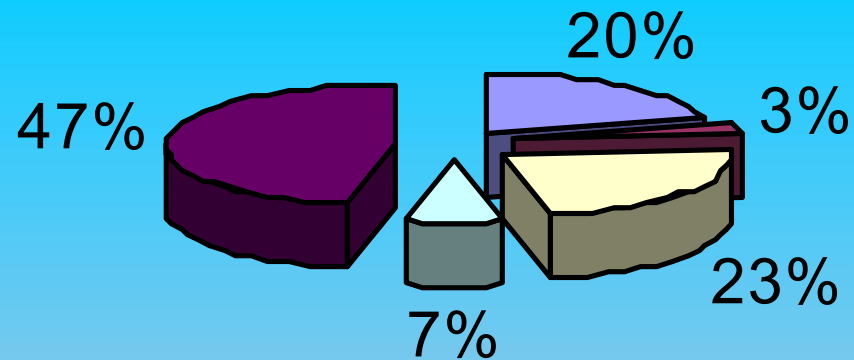
■ Municipal Escos

■ The big six

■ National champions

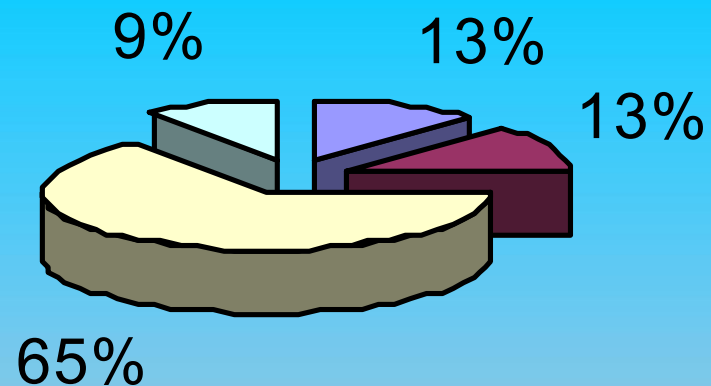
■ New entrants and consortia

6.) Energy Efficiency: Which energy efficiency initiative will deliver the most significant savings by 2015



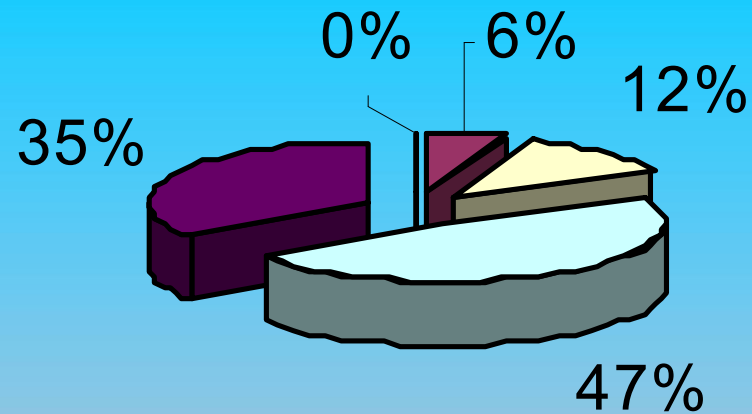
- Smart metering
- Smart grids
- Carbon taxes
- ETS
- Energy efficiency in Buildings

7.) Networks and infrastructure: Should priorities in 2015 be



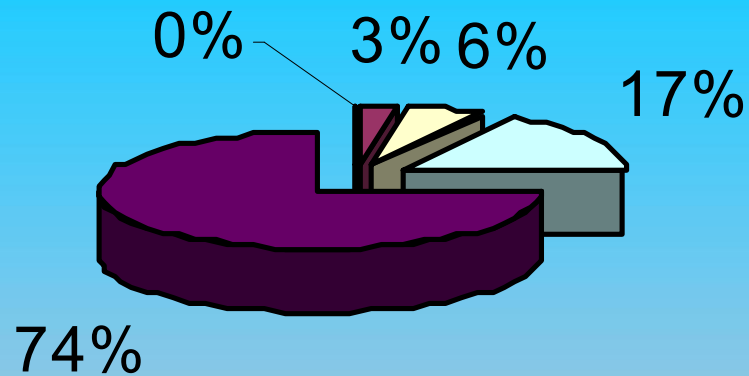
- Regional interconnectors and grid reinforcement
- National interconnectors
- Gas storage
- LNG Facilities

7.) I have confidence in Ofgem/Berr in ensuring the wholesale energy market is competitive



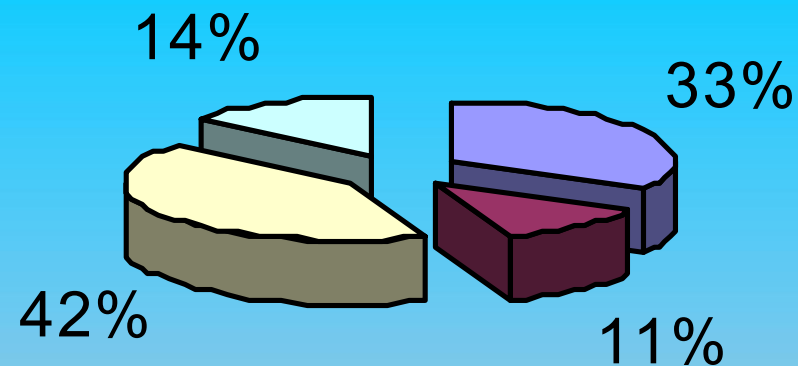
- Yes, strongly agree
- Yes
- Indifferent
- No
- No, strongly disagree

8.) I have confidence in the European Commission to ensure the wholesale energy market is competitive



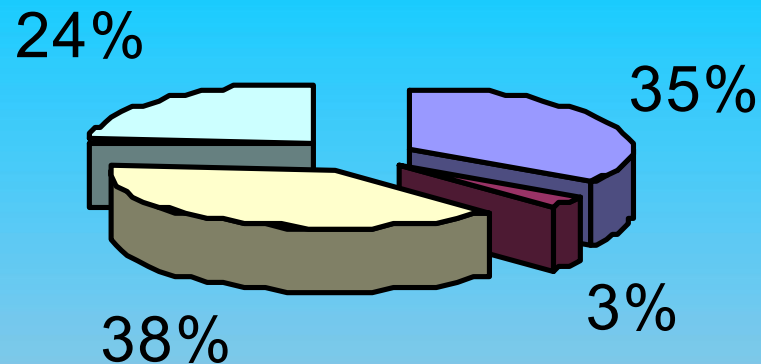
- Yes, strongly agree
- Indifferent
- No, strongly disagree
- Yes
- No

9.) Lower wholesale gas prices can best be achieved by



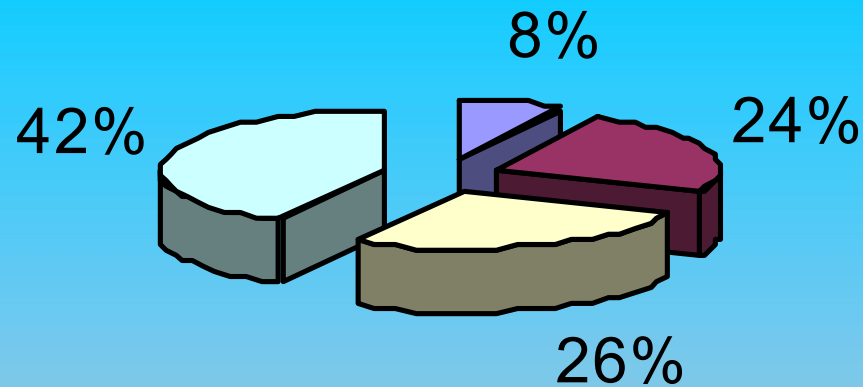
- More gas storage
- More exploration and production investment
- More trading liquidity in the wholesale market
- Less vertical integration

10.) Lower electricity prices to consumers can best be achieved by



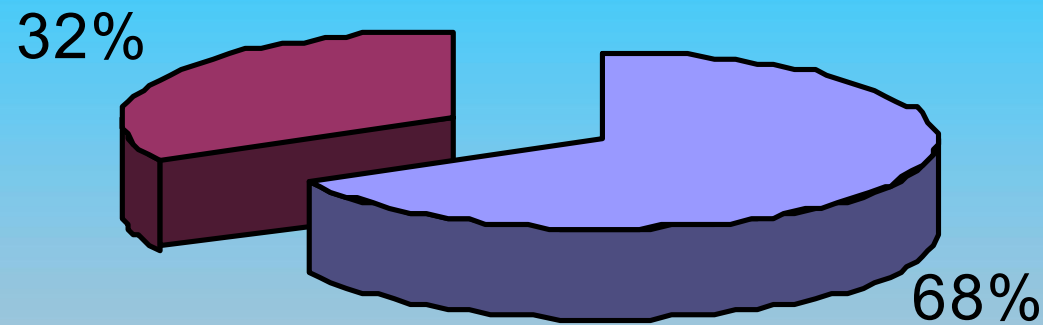
- A clearer and more pro-active pro-nuclear pol...
- A more favourable grid connection framework f...
- More trading liquidity in the wholesale power...
- Less vertical integration

11.) What is the greatest challenge facing European policy makers now



- Setting and meeting climate change targets
- Improving energy efficiency overall
- Improving the functioning of both forward who...
- Ensuring greater security of supply

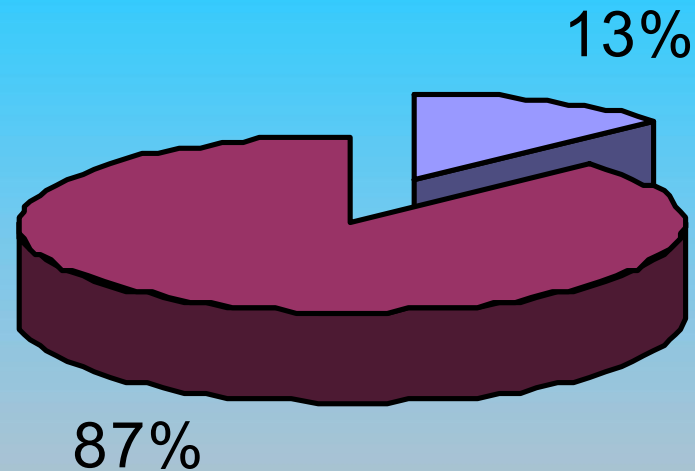
14.) In the UK, is there a risk in the short term that there will be insufficient electricity supply to meet demand ?



■ Yes ■ No

15.) Will any of the following reduce the risk of a “blackout” in the next 5 years.

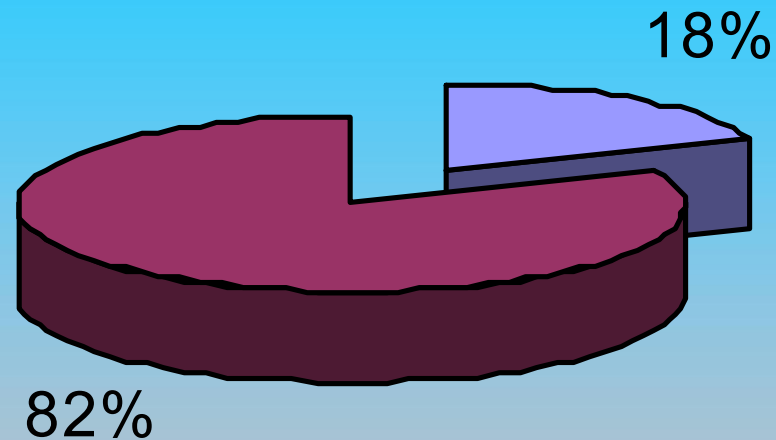
New investment in wind power



Yes No

16.) Will any of the following reduce the risk of a “blackout” in the next 5 years.

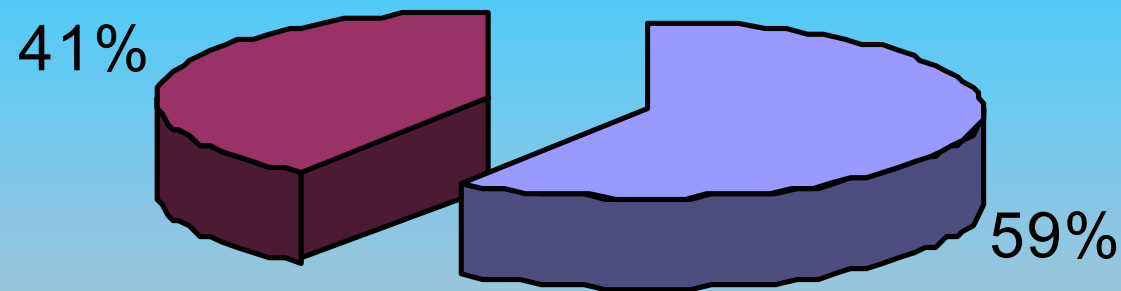
New investment in nuclear power



■ Yes ■ No

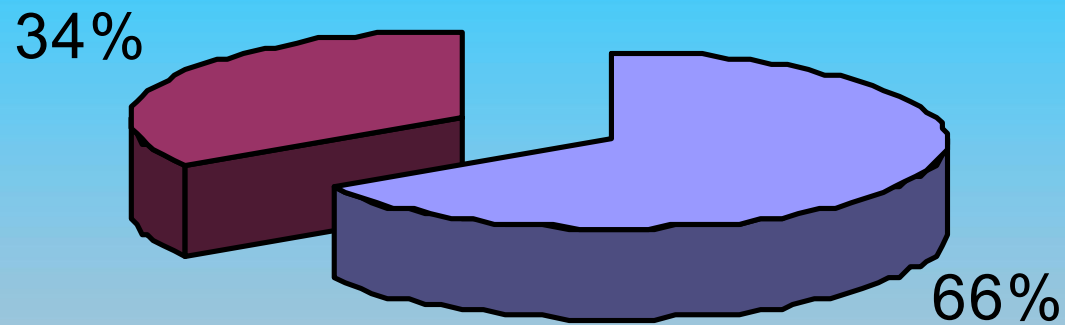
17.) Will any of the following reduce the risk of a “blackout” in the next 5 years.

Increases in energy efficiency



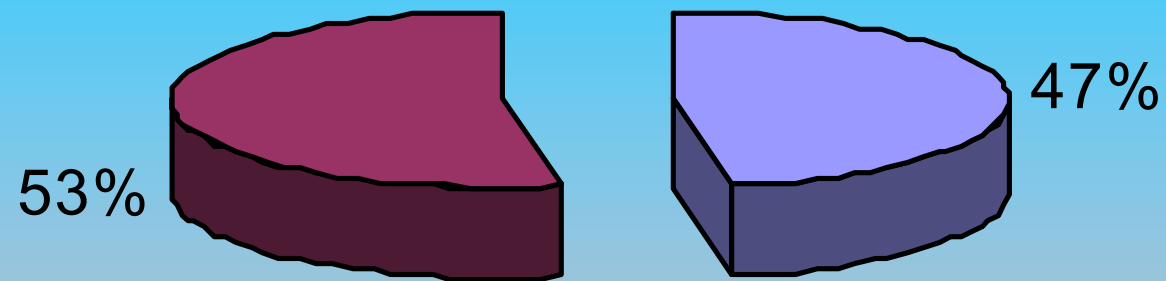
■ Yes ■ No

18.) Should restrictions on carbon generation be removed to improve short term security of supply



■ Yes ■ No

19.) Is our dependency on imported gas a serious threat to the EU's economic security



■ Yes ■ No



Thank you for listening

Your Questions?