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Welcome to the Informer, the weekly publication from SmartestEnergy designed to give you an overview of the UK energy industry.

Big may be beautiful but it is not enough...

SmartestEnergy has warned the Government that emerging plans for a green investment bank and the supporting market infrastructure are too focused on the large utilities.

The warning came in response to a high-profile report 'Unlocking Investment to Deliver Britain's Low-carbon Future' published on 29 June by the Green Investment Bank Commission, an independent advisory group tasked with identifying how the bank should operate and source appropriate capital. The Government committed to the formation of the bank in the recent emergency budget, and the report effectively provides a design template that will form the basis of consultation later this year.

In an opinion piece in the Telegraph on 30 June, SmartestEnergy vice president Jo Butlin welcomed the report and its "sense of urgency" about transforming the country's low-carbon landscape. She was pleased that it had correctly identified the scale of the challenge to attract some £550bn of investment over the period to 2020. This figure was much higher than other estimates currently being mooted and much more accurately reflected the scale of the challenge facing the economy.

But Butlin said the report failed to consider the need to reform the energy market. It was also too focussed on "utility-centric" solutions and paid no attention to the key role independent small and medium enterprises (SMEs) would need to play. The report also favoured larger utilities, who already dominated the renewables sector, and it

focussed on large, utility-scale financing activity. As a consequence the Commission's plan was, Butlin said, in danger of suffering the same failures as previous government initiatives to stimulate green markets—"thinking big is beautiful and handing over yet more public money to large multi-national utilities".

Butlin said it was "clear we cannot rely solely on th[e] dominant group to deliver." International investors were worried about the entrenched position of the incumbents and would look elsewhere if there were more attractive opportunities abroad. And such over-reliance could result in the Government missing its 15% renewable energy target by 2020.

In contrast smaller-scale projects "were faster to market and proven to deliver". In particular the industrial and commercial sector should be given the encouragement to invest in on-site renewable generation. There were "numerous" SME scale energy projects, which have already been approved, but which could not move forward due to lack of credit finance. The role of the Green Investment Bank should be "to bridge this gap and ensure that these projects are delivered and small-scale investors can overcome the financial barriers".

The key message here is that no single sector can tackle the immensity of the low-carbon challenge alone. If we are to decarbonise our energy supply, we must encourage decentralised ownership first.

Telegraph

the week in review...

Monday	Tuesday	Wednesday	Thursday	Friday
The Government says UK renewables suffered a setback last winter as power generated by clean sources dipped 7.5%.	The Government confirms the Infrastructure Planning Commission will be abolished in-line with the Coalition Agreement.	The Committee on Climate Change notes in its second annual report to Parliament an 8.6% dip in emissions in 2009.	A report by consultants KPMG says the UK has more "innovative infrastructure projects" than any other European country.	The Government's 'National Renewable Energy Action Plan for the UK' is published.

news and views from across the energy industry

SmartestEnergy increases wind portfolio

The company has signed an agreement with Swedish developer Vattenfall to purchase power generated from its Edinbane onshore wind farm on the Isle of Skye.

SmartestEnergy is already the UK's largest purchaser and supplier of electricity from the independent generation sector. Its latest power purchase contract, with Vattenfall, was announced on 30 June. It increased its portfolio to over 1,500MW, with the majority of sites generating renewable electricity. It now holds in excess of 40% of independent generation market share.

The agreement to purchase power from the 41.4MW Edinbane wind farm marks the second contract between the two companies, following an earlier agreement to purchase power from Vattenfall's 90MW Kentish Flats wind farm.

Edinbane was officially opened on 28 June and has been generating electricity since spring. It comprises 18 2.3MW turbines and has the capacity to power over

22,000 homes.

SmartestEnergy chief operating officer Robert Groves said: "Concerns over energy security and carbon emissions are increasing and home-grown renewable electricity can address both these issues. We are already directly responsible for over 13% of renewable electricity entering the grid in the UK, and we look forward to increasing this contribution with Edinbane and future projects."

Vattenfall Wind Power director and head of development in the UK David Hodkinson said: "SmartestEnergy was able to offer an attractive power purchase agreement, designed to suit our specific needs, and we look forward to our partnership together."

Another important milestone has been reached, only six months after the landmark 1,500MW goal was achieved.

No link

Government presses for tougher EU target

The energy and climate change secretary has again given his support to increasing the current 2020 EU carbon emissions target.

The possibility of a stronger EU carbon target was first broached by EU climate commissioner Connie Hedegaard in late April. In a paper prepared for her by the European Commission and issued in May, the implications of increasing the present target of 20% carbon reduction by 2020 from 1990 levels to 30% were set out. In the Coalition Agreement the Government said it would attempt to persuade other member states to support the proposed 10% rise. The EU Energy Council (of energy ministers) will formally discuss a proposal to increase the target in the Autumn.

Speaking at the Economist's 'UK Energy Summit' in London on 24 June, energy and climate change secretary Chris Huhne said a "stronger" EU carbon target would stimulate growth in low-carbon industries and boost economic growth in the UK. He said the economic crisis had made the increased target a financially viable option. He claimed that making the transition now would only cost an extra 0.1% of EU GDP over the original cost estimates to meet the current

target. He claimed the higher target would also push-up the price of carbon and "put the EU at the fore-front of the international race" to develop new low-carbon industries by incentivising R&D.

But the secretary of state noted that the UK had already made good progress in developing new low-carbon industries. He claimed that replacing the Infrastructure Planning Commission with a ministerial approval system for major planning applications would not slow-down decisions on projects.

Huhne also said the new "green deal" could go live as early as 2012. Electricity suppliers would foot the upfront costs for home and small business energy improvements under this model. The costs would then be paid back by customers from savings made on their energy bills. But he noted that the costs of decarbonising the electricity system would eventually mean "tomorrow's bills will undoubtedly be higher."

The Government continues to show determination in pushing for the 30% target despite the added costs it will bring.

Government

news and views from across the energy industry

Quarter of a million Rocs sold in latest e-Roc auction

The Non-Fossil Purchasing Agency (NFPA) held its latest e-Roc auction of Renewables Obligation Certificates (Rocs) on 24 June. The NFPA holds four auctions of Rocs for each compliance period (CP) of the Renewables Obligation scheme, which places an obligation on electricity suppliers to source an increasing proportion of their electricity from renewable sources. Rocs awarded for electricity generated in the period starting 1 April 2009 have now been offered in October 2009, and January, March and June 2010.

The June auction (CP8) sold 243,412 Rocs, which was on a level similar to the previous three auctions combined (251,912) and represented the highest quantity sold since 2006. It was the second largest

auction since the NFPA began Roc auctions eight years ago.

Rocs were sold at an average realised value of £49.16, with a lowest price of £48.00. The average price from this auction represented a decrease of £0.08 on the average price of £49.24/Roc realised in the 25 March auction. A total of 5,081 co-fired Rocs were also sold, down from 8,267 in the previous auction.

The next auction on 28 September will be the first chance to buy and sell for CP9 of the Renewables Obligation.

NFPA

Cambridge conference discusses who should deliver smart grids...

The 'Smart Grids and Cleanpower' conference sponsored by Cambridge Investment Research and telecommunications consultancy Analysys Mason on 24-25 June brought together experts in the field of smart grids. They discussed technology developments and customer priorities. Smart grids are seen as an integral part of future networks to ensure that intermittent generation of all scales can be fully utilised and customers can effectively participate in demand-side response initiatives, such as the introduction of peak pricing or time-of-use tariffs.

A number of presenters, including representatives from AlertMe and Moixa Technology, demonstrated prototype

real-time displays, which can be used by householders and businesses to not only track energy consumption but also to provide advice on actions that would ensure energy is used more efficiently.

To make sure that smart grids can be developed, presenters from Analysys Mason and Siemens suggested that current industry roles and responsibilities may have to change to guarantee they are delivered cost-effectively and that customers are fully consulted and engaged throughout the process. An Ofgem spokesman also highlighted the new incentives on electricity distributors to invest in low-carbon networks.

Cambridge Investment Research

...and demonstrates cutting-edge low-carbon technologies

The second day of the 'Smart Grids and Cleanpower' conference focussed on the development of new low-carbon generation technologies.

Chairman of InCrops Marie Francis explained that biomass opportunities existed that went beyond simply burning material to generate heat or power. An integrated "bio-refinery", similar to an oil refinery, could ensure that the full value could be extracted from biomass products, such as algae. The refining process could produce bio-oils for use in transport or power generation, and the resulting by-products used either to fertilise new biomass production or sold as animal feed or basic chemicals used in the food industry.

Alstom Power director Philip Sharman said the range of

carbon capture and storage (CCS) technologies were under development. But if the technology is to play a major role in reducing carbon emissions then large-scale projects needed to be on-stream by 2020 with a global roll-out well underway by 2025. A report by the International Energy Agency suggested that as many as 100 CCS projects may have to be deployed annually between 2020 and 2050 to meet climate change targets.

The final session concerned integration of smart grids and clean power with keynote remarks from former Shell chairman Lord Oxburgh.

Cambridge Investment Research

sector round-up



Companies could miss out on full benefits of CRC...

RWE npower has warned businesses and the public sector that failure to register for participation in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme could result in financial and “reputational” penalties. According to the latest figures from the Environment Agency, only 10% of companies that will be fully included in the scheme have registered. Head of business energy services Dave Lewis said: “The longer organisations take to track this, the more challenging the task will become.” All companies with an obligation to participate in the CRC Energy Efficiency Scheme must register with the scheme administrator no later than 30 September 2010.

RWE npower



...because it is “too confusing”

Commenting on the warning from RWE npower, the Renewable Energy Association (REA) said that many companies were confused by the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and did not fully understand its benefits. It also noted that those consuming their own renewable energy on-site would get no credit under the scheme and the associated carbon savings would not be reflected in the CRC league table. The REA said a simpler scheme that rewards both energy efficiency and the deployment of renewables in the commercial sector would be a much more suitable option.

No link



Wind farm owners paid to shut down

The UK’s transmission system owner National Grid has said that it will pay wind farms to not generate electricity during periods of high wind. National Grid said the payments, which are passed on to consumers by grid users, were essential in preventing a surge in supply of electricity from over-loading the network. A first successful test run took place on 30 May where Scottish Power was paid £13,000 for shutting down one wind farm for an hour and cutting the output of another. A National Grid spokesman said: “The trial demonstrates that wind can help balance supply and demand just like other generation types: this is potentially useful to us on warm but windy summer days when generation outstrips the low demand—and a higher proportion of generation is made up of wind and inflexible nuclear.”

Telegraph



Siemens to provide Lincs offshore wind farm link

Siemens has announced that it had been awarded a contract to implement the network connection for the 270MW Lincs offshore wind farm, near Skegness, Lincolnshire. In addition to supplying 75 3.6MW turbines to the farm, the company will also supply an offshore substation platform, equipped with two transformers, as well as 132kV and 33kV switchgear. The £101mn contract will allow power generated by the turbines to be transported onshore via a high-voltage cable. Construction is expected to begin this year with first generation planned for 2012.

Siemens



Sheringham Shoal on target

Norwegian energy company StatoilHydro announced late last month that the first foundations for its 315MW offshore wind farm off the North Norfolk coast had been installed. It said over the next nine months it would install the remaining foundations, and the Sheringham Shoal project remained “on target”, with commissioning expected to begin in August.

StatoilHydro

sector round-up



Scotland addresses community renewables schemes hurdle

Scottish environment secretary Richard Lochhead has announced that the Scottish Government will conduct a feasibility study on community-based renewables. The study is part of a programme to deliver the benefits of local ownership of energy to communities and businesses across the country. Lochhead said a common hurdle for landowners, farmers, local businesses and communities wishing to develop and own renewable energy projects was raising the start-up monies needed at the pre-planning stage. He said the feasibility study would assess the early stages of developments, and it would consider the possibility of creating a loan fund that would help stakeholders overcome any difficulties in obtaining finance.

Scottish Government



Renewables sector will “protect” UK energy needs

Energy and climate change secretary Chris Huhne has said that the recent gas supply row between Russia and Belarus highlighted the need for the UK to develop its renewables sector. The dispute erupted after Moscow took the decision to cut gas supplies to Europe and in retaliation Belarus threatened to siphon-off Russian gas supplies crossing its country. Commenting on the row Huhne said it was vital the UK was “better protected” from reduced levels of imported energy and, with North Sea gas supplies depleting, the Government must look at having its own sources of power. Huhne added the Government would work towards building its low-carbon energy policy and domestic energy security through new and diverse low-carbon resources.

Guardian



Shift in time will reduce emissions

Cambridge academic Elizabeth Garnsey has told Parliament that not turning back the clocks in October this year would help to reduce carbon emissions and help save lives. She claimed that keeping the British Summer Time in 2010 and resuming the routine from next March would save energy and cut around 450,000 tonnes of carbon every year. If daylight saving continued after October, energy demand in the UK would reduce by at least 0.3% every day.

Meanwhile Tory MP Rebecca Harris has introduced a Daylight Saving Bill into parliament. This is a Private Member’s Bill and it will have its second reading on 3 December. It will require the Government to conduct a cross-departmental analysis of the potential costs and benefits of advancing time by one hour for all, or part of, the year.

Guardian



Miliband seeks chemical reaction

The Royal Society of Chemistry (RSC) held its annual ‘Parliamentary Links Day’ on 22 June with ‘Science and the New Parliament’ as the theme. Speaking at the event shadow energy and climate change secretary Ed Miliband said science and technology needed to combine with politics to make an effective contribution towards “solving the challenge of climate change”. He also said the public is more likely to be influenced by scientists than politicians to help destroy the “myths” of climate change. He added politicians have a responsibility to respect scientists because they have an important role to play in shaping public policy.

RSC



Regional agencies fall victim to budget

The emergency budget on 22 June confirmed that regional development agencies (RDAs) will be phased-out and replaced by local enterprise partnerships (LEPs). There are a total of nine RDAs in the UK, which provide (among other things) investment and support for low-carbon projects in their respective regions. The Conservatives have long-opposed their existence. Chancellor George Osborne said the LEPs will empower local leadership and create jobs throughout the country. But a spokeswoman for RDA Yorkshire Forward said: “There’s a lot of uncertainty and [...] green projects may or may not be cut. We know that the green agenda is important to the Government, but we do not yet know how specific projects will be affected.”

Businessgreen

Come and see us

SmartestEnergy will be exhibiting at a number of events in 2010

The Energy Event 2010

National Motorcycle Museum, Birmingham

Wednesday 8th-Thursdays 9th September 2010

SmartestEnergy will once again be exhibiting at this year's Energy Event.

Come and visit us at The Energy Event on stand 236. To book a 1:1 meeting to discuss your energy purchasing requirements with our Key Account Managers at a time and date that suits you, please call Bea Groom on 020 7 195 1001 or email us on bea-groom@smartestenergy.com

For more information on our attendance at the energy event please [click here](#)

SmartestEnergy Scottish Conference 2010

Are you FIT for the Generation challenge?

The university of Edinburgh, John McIntyre Conference Centre

Thursday 30th September, 09:30 - 16:00

For more information and to book your place please [click here](#)

More Information

If you would like more information about generating renewable energy or SmartestEnergy products for renewable energy generation and business energy users, please call our sales team on 020 7448 0900 or 020 7195 1001 or visit our website at www.smartestenergy.com

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