Annex D
Major events in the Energy Industry

2008

Energy Bill
The Energy Bill was published in January 2008 in tandem with the Nuclear White Paper. The purpose of the Bill, alongside the Climate Change and Planning Bills, is to update and strengthen the legislative framework so that it is appropriate for today’s energy market and fit for the challenges to be faced on climate change and security of supply. Key elements of the bill are:

- Create a regulatory framework to enable private sector investment in Carbon Capture and Storage projects while also protecting the environment;
- Ensure adequate funding provision be made by potential developers of new nuclear power stations to pay the full costs of decommissioning and their full share of waste management costs.
- Strengthen and simplify the regulatory framework to give investors more clarity and certainty, reducing costs and risks for private sector investment in offshore gas supply projects such as offshore storage and liquefied natural gas infrastructure.
- Strengthen the Renewables Obligation (RO) to drive greater and more rapid development of renewables in the UK. Proposals include amending the RO to give more support to new and emerging technologies such as offshore wind, wave and tidal by banding the Obligation.
- Measures to be brought forward for offshore renewables decommissioning, ensuring that companies have adequate decommissioning funds so that both the tax payer and the offshore environment is protected.

Carbon Capture and Storage
The Government published, in June 2008, a consultation on the legislative framework for Carbon Capture and Storage (CCS), including carbon capture readiness. The consultation sets out the Government’s views on CCS as a ‘high potential’ carbon abatement technology and asks for views on what more can be done to promote, develop and deploy CCS in the UK, EU and globally.

Coal
Tower Colliery, the last deep mine in Wales, closed in January 2008, thirteen years after its workforce rescued it from the pit closure programme.

Electricity
The Government announced, in January 2008, its support for electricity generated from geopressure through the Renewables Obligation scheme, which provides companies using green energy sources with assistance in competing with fossil fuel generators.

Emissions Trading
The proposals announced by the European Commission in January 2008 for tackling climate change and delivering a low carbon economy in Europe put the EU Emissions Trading Scheme at the heart of EU climate policy, including establishing an EU wide central cap on emissions covered by the EU ETS to 2020 and beyond.
EU Energy Review
The European Commission's proposals for tackling climate change and delivering a low carbon economy in Europe were announced in January 2008. The proposals implement the decisions agreed by EU Heads of State and Government at the 2007 Spring European Council. For the UK, the Commission’s proposals include:

- a reduction of 16 per cent in UK greenhouse gas emissions from sectors not covered by the EU ETS by 2020 from 2005 levels;
- for 15 per cent of the energy consumed in the UK to come from renewable sources by 2020;
- for 10 per cent of road transport fuels to come from renewable sources, subject to them being produced in a sustainable way.

Fuel Poverty
A raft of new measures was agreed at a Fuel Poverty Summit hosted by OFGEM in May 2008 to help vulnerable consumers access the best available tariffs.

In April 2008, the six largest energy suppliers individually agreed to spend an extra £225m over three years to help those squeezed by rising fuel bills, which could lift 100,000 households out of fuel poverty.

Heat
In January 2008, following a commitment in the 2007 Energy White Paper, BERR along with Defra and DCLG published the Heat Call for Evidence. The Call for Evidence will play an important part in developing a strategy for heat given that half of all UK’s CO2 emissions arise from the use of heat.

Nuclear
In June 2008 the Secretary of State for Business, Enterprise and Regulatory Reform announced the creation of a Nuclear Development Forum to provide regular discussions between Government and industry, and an Office of Nuclear Development to provide a single focus within Government on the development of new nuclear.

The Government’s response to its nuclear consultation, in the form of a White Paper, was published alongside the Energy Bill in January 2008. Following the consultation, the Government has now decided that it is in the public interest to allow private sector energy companies to invest in new nuclear power stations. Building of new nuclear power stations is expected to commence in 2013-2014 with operation commencing in 2017-2020.

Oil and Gas
Brent crude oil prices topped $100 a barrel for the first time in March 2008, and rose as high as $141 a barrel in June 2008.

Industrial action by oil workers at the Grangemouth refinery in April 2008 led to the temporary closure of the Forties oil pipeline, which provides 30% of the UK’s daily oil output from the North Sea.

A record breaking 2,297 blocks or part blocks in UK waters were offered, in February 2008, for exploration in the 25th Offshore Oil and Gas Licensing Round.

Renewables
The Government published, in June 2008, a consultation on the UK Renewable Energy Strategy. The consultation puts forward a package of measures to drive up the use and deployment of renewable energy as part of the UK goal to tackle climate change and ensure security of supply and to enable the UK to meet its EU 2020 target.
The Crown Estate launched, in June 2008, its round 3 leasing programme for the delivery of up to 25 GW (gigawatts) of new offshore windfarm sites by 2020. The announcement was made at the BWEA (British Wind Energy Association) conference in central London.

The UK’s offshore renewable industry will benefit from measures, jointly announced by the Government and Ofgem in January 2008, to connect at least £2 billion of investment to the national grid. The investment will support the delivery of the necessary infrastructure to connect 8 gigawatts of planned offshore wind generation.

**Energy Policy**

The Planning Reform Bill was published in November 2007. The Bill will make the planning system quicker, more transparent and easier for the public to become involved in, and will reform the planning system for major infrastructure projects including climate change and energy security. At a local level, the Bill and other reforms published at the same time will allow people to install small-scale renewable power sources such as solar panels and wind turbines without planning permission if they do not affect their neighbours.

The Energy Markets Outlook report, published in October 2007, provides energy market information on security of supply, looking forward over a fifteen-year time span. The report is intended to help develop a shared understanding of the longer-term outlook for energy supply and demand, and to help understand emerging risks that could affect security of supply.

Machinery of Government changes announced in June 2007 resulted in Energy Policy being transferred from the former Department of Trade and Industry to the new Department for Business, Enterprise and Regulatory Reform.

**Energy White paper**

The 2007 Energy White Paper (EWP), ‘Meeting the Energy Challenge’ was published in May 2007. The paper reiterated the Government’s commitment to the four key energy policy goals. The EWP, in response to the twin challenges of climate change and security of supply announced a strategy to deliver energy security and accelerate the transition to a low carbon economy. The key elements of the strategy are:

- Establish an international framework to tackle climate change;
- Provide legally binding carbon targets for the whole UK economy, progressively reducing emissions;
- Make further progress in achieving fully competitive and transparent international markets;
- Encourage more energy saving through better information, incentives and regulations;
- Provide more support for low carbon technologies; and
- Ensure the right conditions for investment, including improvements to the planning system.

**Carbon Capture and Storage**

The launch of the competition to build one of the world’s first commercial-scale carbon capture and storage (CCS) plants was among the measures set out in a major speech on climate change given by the Prime Minister at a WWF event in November 2007.

The 2007 Energy White Paper provided further details of the competition to develop the UK’s first commercial-scale demonstration of a Carbon Capture and Storage (CCS) Plant. The CCS plant will be due to be operational early in the next decade. This competition was announced in the 2007 Budget.
Carbon Reduction Commitment
The 2007 Energy White Paper outlined plans to introduce a mandatory cap and trade scheme, a Carbon Reduction Commitment, which will apply to the largest non-energy intensive public and private sector organisations.

Climate Change
The Climate Change Bill was published in November 2007. The Bill sets out a framework that will put Britain on the path to become a low-carbon economy, with clear, legally binding targets to reduce carbon dioxide emissions by at least 60% by 2050, and 26 to 32% by 2020, against 1990 levels. As well as setting clear targets, the Bill provides a pathway to achieve those reductions through a system of five-year carbon budgets set fifteen years ahead.

The Government published the Energy Measures Report, Addressing Climate Change and Fuel Poverty – energy measures information for Local Government, in September 2007. The report sets out the steps that local authorities can take to: improve energy efficiency; increase the levels of microgeneration and low carbon technologies; reduce greenhouse gas emissions; and reduce the number of households living in fuel poverty.

In September 2007 the location of the Energy Technologies Institute (ETI), backed by up to £550m of Government investment announced by the Chancellor in the 2006 Budget, was announced. The ETI, based in Loughborough, will bring more focus, ambition and collaboration to the UK's energy, science and engineering drive. It will have a potential budget of over £1bn.

The Government’s blueprint for tackling climate change was published in March 2007. The draft bill, the first of its kind in any country, and accompanying strategy, set out a framework for moving the UK to a low-carbon economy.

Electricity
In May 2007 National Grid and TenneT Holding announced plans to construct a 260km, 1,000 MW electricity interconnector “BritNed” between the Netherlands and the UK. It is expected to be commissioned by late 2010.

Severe weather caused widespread damage to power lines in England and Wales, with supplies to over 1.2m customers being affected in January 2007. The Electricity industry performed well in restoring supply, with over 90% of interrupted supplies back on within 24 hours.

Emissions Trading
The Government published the National Allocation Plan (NAP) in March 2007; the plan includes a list of the allowances to be allocated to individual installations covered by the EU ETS for each year in the second phase.

EU Energy Review
The Council of the European Union at its Spring meeting in March 2007 called on Member States and EU institutions to pursue actions to develop a sustainable integrated European climate and energy policy. These include increasing security of supply; ensuring the competitiveness of European economies and the availability of affordable energy, and promoting environmental sustainability and combating climate change.

The European Commission published its Strategic Energy Review in January 2007, outlining proposals for the development of the internal energy market in the European Union. These include the greater unbundling of energy network businesses from other activities, more effective regulation and greater transparency.
Fuel Poverty

The Government published its UK Fuel Poverty Strategy Fifth Annual Progress Report in December 2007, reporting on the progress made since the last report, highlighting key areas for attention during the coming year, and setting out the fuel poverty figures for 2005. As part of the progress report, annexes were also produced on methodology, detailed analyses of the fuel poor, fuel poverty monitoring and company schemes and case studies.

Measures worth £2.3bn over three years to tackle fuel poverty and home energy efficiency, the Carbon Emissions Reduction Target (CERT), were laid in Parliament in December 2007. The Government also announced an £800m three year grant for the Warm Front Scheme, which could assist 400,000 of the poorest households in England.

The 2007 Energy White Paper outlined a range of new policies which will see a further 200,000 households being taken out of fuel poverty by 2010. These included: providing a benefit entitlement check to all households that require one; enabling the sharing of benefit information; putting in place a cross-Government communications campaign in time for next winter, and encouraging energy suppliers to do more.

Nuclear

In May 2007 alongside the Energy White Paper a consultation on the role of nuclear power in a low carbon UK economy was launched. The consultation seeks views on whether the private sector should be allowed to build new nuclear power stations.

In February 2007 the High Court in a judicial review decided that the consultation process on new nuclear power that preceded the Energy Review Report had not been adequate. The Government then decided that a new consultation on nuclear power was required.

Oil and Gas

In October 2007 the Langeled pipeline to Easington in Yorkshire from the Ormen Lange field in Norway, became connected directly to the British gas network.

The May 2007 Energy White Paper announced legislation to allow the storage of natural gas under the seabed and unloading of Liquefied Natural Gas at sea.

A milestone was reached in March 2007 when three new fields were approved, taking the total number of offshore oil and gas developments in the North Sea's 40 years history to 350.

The Excelerate project, a world first 'liquid gas' shipment on Teesside, with enough power in one 20,000 tonne shipment to fuel 60,000 homes began operation in February 2007.

The very large Buzzard field, one of the largest oil discoveries to be developed in British waters in more than a decade, started production in January 2007.

Renewables

Harnessing the vast potential of the UK's island status entered a new phase in December 2007 when the Government announced proposals to open up its seas to up to 33GW (gigawatts) of offshore wind energy.

A major expansion of energy from renewable sources was among the measures set out in a major speech on climate change given by the Prime Minister at a WWF event in November 2007. It was announced that tidal lagoons and barrages below one gigawatt capacity will receive extra support through the Renewables Obligation, potentially benefiting lagoons proposed for Rhyl, Swansea Bay and elsewhere.
A new report, Essential role of renewables generation in achieving zero carbon homes, published in November 2007, from the Renewables Advisory Board (RAB) which advises Government on renewable energy issues, provided the first in depth analysis of the role of on site energy generation in the delivery of the Government's policy of ensuring that all new homes are zero carbon from 2016. Amongst it findings is the conclusion that the policy could drive a market for onsite renewable worth £2.3 billion a year from 2016.

The May 2007 Energy White Paper announced legislation to band the Renewables Obligation to benefit offshore wind, wave, tidal and other emerging technologies.

The Government announced the development of the licensing regime for would be electricity transmission owners in the UK’s pioneering offshore wind energy sector in March 2007. After a joint consultation the DTI decided in agreement with Ofgem that Britain’s monopoly electricity transmission network owners will have the opportunity to compete against a wider range of transmission companies to build, own and maintain the links.

The opening of the Braes and Doune wind farm in February 2007 took the UK’s wind generation capacity above 2 GW, making the UK one of only 8 countries in the world to have achieved this level.

**Sustainable Energy Policy**

The Fourth Annual Report on progress towards the 2003 Energy White Paper goals was published in May 2007, reviewing progress made over the last 12 months. Published as a supplement to the Fourth Annual Report, UK Energy Sector Indicators was also published in May 2007.

**2006**

**Sustainable Energy Policy**

On 16th February 2006 the Government issued a consultation paper on carbon dioxide emissions projections for industrial sectors covered by the EU Emissions Trading Scheme. These projections are being used as an input to the development of the UK National Allocation Plan for Phase II of the scheme, informing the allocation of carbon dioxide allowances to installations in the 2008-12 period. The consultation closes on April 13th.

The Third Annual Report to the Energy White Paper was published in May 2006, reviewing progress made over the last 12 months towards the targets and strategy for energy policy until 2050. Published as a supplement to the Third Annual Report, Energy Sector Indicators 2006 was also published in May 2006.

**Energy Review**

The Energy Review Report “The Energy Challenge” detailing what needs to be done to stay on track to meeting the goals in the 2003 Energy White Paper was published in July 2006. The Report outlined proposals designed to reduce demand, secure a mix of clean, low-carbon sources, and streamline the planning process for energy projects.

The 12 week consultation period for the energy review ended on the 12 April 2006 with over 5,300 responses from individuals, businesses, academics and NGOs. A summary and analysis of the responses is available on the BERR website at: www.berr.gov.uk/files/file31631.pdf

**Climate Change**

The Office of Climate Change (OCC) was established in October 2006. It is a shared resource across Government established with the aim of ensuring that analysis and policy work is consistent and supports the overall climate change strategy.
The Stern Review of economics of climate change was published in October 2006 and confirmed that climate change is real and is a problem that can only be solved by collective international action. The Review demonstrated that urgent action is needed to mitigate the effects of climate change and that the costs of global action to mitigate the most dangerous effects of climate change are significant but manageable, as long as action is taken multilaterally.

An ambitious programme to tackle climate change domestically and to secure agreement on action to reduce global greenhouse gas emissions was published by the Government on 28 March 2006. The Programme is expected to reduce the UK’s emissions of greenhouse gases to 23-25 per cent below base year levels and reduce the UK’s carbon dioxide emissions to 15-18 per cent below 1990 levels by 2010.

Fuel Poverty
The Government published its UK Fuel Poverty Strategy Fourth Annual Report in June 2006, reporting on the progress made since the last year’s report, and setting out the fuel poverty figures for 2004. Also published were a series of annexes, setting out the detailed profile of the fuel poor, as well as outlining the many activities in which energy companies are involved to tackle fuel poverty and associated problems. In the report, we also responded to the recommendations made by The Fuel Poverty Advisory Group in its Third Annual Report, which was published in March 2006. The new Home Heat Helpline operated by the Energy Retail Association has been up and running since October 2005.

Emissions Trading
The UK’s National Allocation Plan (NAP) for the second phase of the EU Emissions Trading Scheme (2008-2012) was accepted without change by the European Commission in December 2006.

On 21st March 2006 the Government published 15 (independent produced) reports reviewing and revising methodologies for calculating the New Entrants’ benchmarks for sectors covered by Phase II of the EU – Emission Trading Scheme. The benchmarks will form the basis for the calculation of New Entrant allocations of carbon dioxide allowances to installations in the 2008-2012 period and will therefore form an important part of the development of the UK National Allocation Plan for Phase II of the EU – Emissions Trading Scheme.

The draft Phase II National Allocation Plan was published for consultation, alongside the Climate Change Programme Review, on 28 March. The number of CO2 allowances for Phase II will be set within a range representing a reduction of 3 to 8 MtC a year against projected business as usual emissions. The final decision on this should be made in June. The NAP also incorporate proposals on scope (some new sectors added in); allocation methodology; sector classification and new entrant policy.

Coal
British Gas owner Centrica announced in November 2006 that it wants to build the UK’s first clean coal power plant, which could supply electricity to a million homes. The company has reached agreement with developer Progressive Energy to develop a station on Teesside, combining clean coal and carbon capture technology. Gasification technology will produce synthetic gas from coal, and the resulting carbon emissions would then be captured and stored. The Teesside plant would be the first coal-fired station since Drax was built in 1974. Centrica said it would have the fewest emissions of any fossil fuel power station in Britain.

UK Coal’s Rossington colliery closed on 31 March 2006.
Oil and Gas
Market investment in new and enhanced UK gas infrastructure has continued with the completion of the Langeled pipeline in September 2006 and Balgzand-Bacton Line (BBL) pipeline in December 2006 allowing increased flows of Norwegian and Continental gas to the UK.

A milestone in the history of the UK’s offshore oil and gas industry was reached with the start of drilling on the 10,000th well in the seabed around the British Isles in October 2006.

The UK is expected to be a net importer of oil and oil products in 2006, returning to being a net exporter in 2007 as a result of the very large Buzzard field that is due to commence production in the fourth quarter of 2006.

Electricity
Centrica announced in June 2006 that it would construct an 885 MW CCGT power station at Langage, Plymouth which is expected to be operational by 2008.

Renewables
Following the Energy Review, a two part consultation document was published in October 2006. Part 1 consulted on proposals to introduce changes to the Renewables Obligation and Part 2 was a statutory consultation on a small limited number of changes to the Renewables Obligation which came into effect from April 2007.

DTI announced development consent approval to two offshore windfarms, both in the Thames Estuary, in December 2006. London Array, at 1,000 megawatts, will be the largest offshore windfarm in the world when completed, while Thanet will be 300 megawatts.

The Renewables Obligation Order 2006 has been laid before Parliament. It will come into force on 1 April 2006.

A recent Carbon Trust report has concluded that wave and tidal could in time provide up to a fifth of UK’s energy needs.

Winter Energy Supply
In July 2006, the Government established the Business Energy Forum to ensure that sound preparations were made for winter. This is a high level group, jointly chaired by BERR and CBI and bringing together Ofgem, National Grid, energy suppliers and users and other key players in the energy industry. BERR also created a dedicated page on its website, to provide information and signposting on winter energy supply issues.

The second annual report to Parliament on the security of gas and electricity supplies in Great Britain as required under section 172 of the Energy Act 2004 was published in July 2006.

Energy Review
On 29 November 2005 The Prime Minister and Secretary of State for Trade and Industry Alan Johnson announced that asked Energy Minister Malcolm Wicks to lead a review of UK energy policy. The main scope of the review will include aspects of both energy supply and demand and will focus on policy measures to help us deliver our objectives beyond 2010. The Review will aim to ensure the UK is on track to meet the goals of the 2003 Energy White Paper in the medium and long term.
Sustainable Energy Policy

Fuel Poverty
The Fuel Poverty Advisory Group published its Third Annual Report. Whilst welcoming progress made, as well as the enhancements to the Warm Front. Energy Ministers held a follow up event with the energy supply companies with a proposal to set up a new helpline; a central point of contact for fuel poverty referrals, developed by the energy companies. The new Home Heat Helpline operated by the Energy Retail Association was subsequently set up and started running in October 2005.

Emissions Trading
The EU Emissions trading scheme (ETS) commenced on 1 January. It is one of the policies being introduced across Europe to tackle emissions of carbon dioxide and other greenhouse gases and combat the serious threat of climate change. The first phase runs from 2005-2007 and the second phase will run from 2008-2012 to coincide with the first Kyoto Commitment Period. Further 5-year periods are expected subsequently.

The scheme works on a "Cap and Trade" basis. EU Member State governments are required to set an emission cap for all installations covered by the scheme. Each installation is then be allocated allowances for the particular commitment period in question. The number of allowances allocated to each installation for any given period, (the number of tradable allowances each installation will receive), will be set down in a document called the National Allocation Plan.

On 14 February the UK published revised provisional list of installation level allocations under the EU Emissions Trading Scheme, but on 12 April the European Commission formally rejected the British Government’s request to increase the number of allowances for use in the first phase by 20 million tonnes, but the UK has lodged an appeal. Distribution of the 736 million tonnes of CO₂ allowances by Defra to eligible installations in the UK began in April 2005.

Coal
Ellington colliery ceased production in January 2005.

The Live Fast Track Offer Scheme for respiratory disease claimants, which will see around 80,000 miners offered optional risk payments where initial medical tests show very low levels of lung disease, went live on 28 February.

The cut-off date for the majority of live Vibration White Finger Services claimants passed on 31 March 2005. However, there were some agreed exceptions to this date – live claimants had until 6 months from the General Damages medical to claim and beneficiaries have up to 31 January 2006 to make claims on behalf of claimants who died before 31 March 2005.

Oil and gas
February 2005 - BP's Clair field inaugurated. Clair was the largest undeveloped UKCS resource. BP and partners invested around £650 million in the project, which is expected to recover reserves of up to 300 million barrels of oil, with potential for a further 400 million barrels.
21 March 2005 - The UK and Netherlands Governments signed an interconnector treaty to allow the construction and operation of the BBL gas pipeline between Balgzand in the Netherlands to Bacton in the UK. This will provide a second direct link between the UK's gas transmission system and that of continental Europe. It is due to be operational from December 2006.

4 April 2005 – The UK and Norwegian Governments signed a new oil and gas co-operation treaty designed to remove the need for a separate treaty each time there is a new project involving cross-boundary development. In particular it will underpin the construction of the Norwegian Langeled gas pipeline (supplying up to 20 per cent of UK gas demand from Winter 2006/07) and will also cover the development of new trans-boundary fields and the use of host infrastructures for developments across the median line.


6 September 2005 - A record 152 oil and gas production licences were offered to 99 companies under the 23rd Oil and Gas Licensing Round, the highest number since licensing began in 1964. The results, a vote of confidence in the future of oil and gas exploration in the UK, herald the entry of 24 new firms to the North Sea. The licences, covering 264 blocks, are broken down as follows: 70 Traditional licence offers, 38 more than in 2004, 6 Frontier licence offers, 1 less than in 2004, 76 Promote licence offers, 18 more than 2004.

November 2005 - Malcolm Wicks announced that 24 of the 54 "Promote" Licences issued in the 21st Round (2003) would continue. Recognising £90 million exploration investment, Mr. Wicks said "These results prove the innovative drive of the firms involved and the success of the promote licence concept, without which this acreage would not have been touched. With clear work commitments it's a great vote of confidence in the future of the North Sea."

8 November – The UK import capacity of the Bacton – Zeebrugge Interconnector was increased from 8.5bcm/y to 16.5bcm/y. A second phase enhancement, due to be completed by December 2006, is progressing to schedule and will bring the UK import capacity of the system to 23.5 bcm/y.

11 December 2005 – An explosion, said to be the largest incident of its kind in peacetime Europe, destroyed a large section of the Buncefield Oil Depot in Hemel Hempstead. In total 20 petrol tanks were involved in the fire, each said to contain three million gallons of fuel.

21 December 2005 - First gas began flowing from BP's Rhum field, the UK's largest undeveloped gas discovery. BP said, with the combination of a high-pressure, high-temperature gas reservoir developed using a long-distance subsea tieback, that Rhum was a world first. With development costs of £350 million, Rhum is expected to recover reserves of around 800 billion cubic feet of gas, with daily production likely to peak at around 300 million cubic feet. The gas, to come ashore at St Fergus, is expected to meet 2% of UK demand in 2006.

2006 – The UK continued to be a net exporter of oil and oil products in volume terms, but because of the differential in prices of oil and the various oil products, the UK was a net importer in value terms for the first time since the early 1980’s.
2005 (continued) Electricity

On 1 April 2005, the British Electricity Trading and Transmission Arrangements (BETTA) took effect. BETTA has introduced a single wholesale electricity market across Britain by extending the England and Wales market arrangements to Scotland. This will push prices down for Scottish consumers, and will open up the market and increase competition. The legislation underpinning BETTA was delivered in the Energy Act 2004. Under BETTA, National Grid, who previously operated the transmission network in England and Wales, is now the System Operator for the whole GB network.

Coolkeeragh’s new gas-fired power station replaced the Londonderry coal fired power station in March 2005.

In May 2005, E.On UK announced that it had purchased the 392 MW Enfield Energy CCGT power station.

Nuclear

British Energy announced on 14 January that it had successfully completed the restructuring plan it announced in November 2002.

The Nuclear Decommissioning Authority was established on 1 April, following the transfer of assets and other property rights from BNFL and the signature of initial site Management and Operation contracts between NDA and BNFL/UKAEA.

Renewables

Malcolm Wicks announced at the British Wind Energy Annual Conference in Cardiff, that he was giving development consent to a 78 megawatts windfarm at Little Cheyne Court in Walland Marsh, Kent. The decision follows a public inquiry.

On 8 March 2005, the Energy Minister announced that the Government intended to exercise the power in section 185 of the Energy Act to adjust the level of transmission charges paid by renewable generators on the Scottish islands, and possibly the North of mainland Scotland, subject to consultation. A consultation will be launched in the summer of 2005.

The DTI has developed and will implement this year a “Wave and Tidal Stream Energy Demonstration Scheme” worth up to £42 million that will support the first larger-scale wave and tidal farms. This is funded under the £50 million ‘Marine Renewables Deployment Fund’ announced by the Secretary of State for Trade and Industry in August 2004.

The final conclusions and recommendations of the Eskdalemuir Working Group were accepted by the Ministry of Defence in full. Defence Estates removed all associated holding objections in place against the 1.6 GW of wind developments in the vicinity of the seismic array at Eskdalemuir.

2004 Sustainable Energy Policy

DTI published the first annual report on implementation of the Energy White Paper on 26 April as part of a series of documents, all of which contribute to creating a low-carbon economy. These included the Government's Energy Efficiency Implementation Plan (Defra), the Combined Heat and Power strategy (Defra), a consultation paper about biofuels (DFT), and a range of statistical indicators to monitor progress towards the goals of the White Paper (DTI).

Energy Act

The Energy Act 2004 received Royal Assent on 22 July 2004. It will promote “cleaner, greener power” and competitive and reliable energy supplies for now and generations to come. It implements a range of commitments made in the Energy White Paper.
For the first time, one public body (the new Nuclear Decommissioning Authority), which published its draft Annual Plan for public consultation on 10 December 2004 will have complete responsibility for the decommissioning and clean-up of the UK’s civil nuclear sites, and for the safe and effective management of our nuclear waste.

The Act also creates a single wholesale electricity market for Britain, the British Electricity Trading and Transmission Arrangements (“BETTA”). Provisions within the Act covering electricity and gas interconnectors implement a number of requirements in the EU's 2003 Gas and Electricity Directives and its Electricity Regulation.

**Fuel Poverty**
The Fuel Poverty Action Plan, which is a Government publication, was issued on 30 November 2004 and sets out how the Government intends to meet its first fuel poverty target for England – that of eradicating fuel poverty in vulnerable households.

**Emissions Trading**
On 27 October 2004, an announcement was made of the UK’s intention to amend the National Allocation Plan for Phase 1 of the EU Emissions Trading Scheme (2005-07) to a higher number of allowances. This reflects finalisation of emission projections showing higher forecast emissions. The new proposed allocation represented a greater reduction against projections than previously indicated.

On 11 November 2004, the final Updated Energy Projections (UEP) informing the National Allocation Plan (NAP) for EU Emissions Trading Scheme (EUETS) were published on the DTI website. This paper presented the results of further revisions to the carbon emission projections that have taken place since May 2004.

**Renewables**
On 2 August 2004, the Secretary of State announced the new £50m Marine Research Development Fund. This is another step towards promoting renewable energy and complements support already given for other emerging technologies including wind, solar and biomass.

On 4 November 2004, the final terms of reference for the 2005/06 review of the Renewables Obligation (RO) were published. In a separate exercise, a statutory consultation excise for proposed amendments to secure the Renewables Obligation was published on 8 September 2004.

**Climate Change**
On 8 December 2004 the consultation on the review of the UK Climate Change Programme was launched. The consultation highlights areas where the Government has identified opportunities further to reduce carbon emissions.

**Coal**

Period 2 of the Coal Investment Aid scheme closed on 1 June 2004. 13 applications were received requesting £94.7 million of aid.

The Department reached the key milestone of £1 billion in British Coal Vibration White Finger compensation being paid in week commencing 19 July 2004.

**Oil and gas**
US oil firm Apache announced plans to spend around £137 million in 2004 on various projects in the Forties field in the North Sea. This included drilling more than 20 wells to gain a "substantial" increase in production.
The 22nd Offshore and 12th Onshore Oil and Gas Licensing Rounds were announced on 4 March 2004. The 22nd Round made available the largest number of offshore blocks since the 2nd Round in 1965. As well as continuing to include options for “promote” licences and traditional licences, the Round offered a further new form of licence, the “frontier” licence, for blocks in the Atlantic Margin, West of the Shetland Islands.

On 6 July 2004, DTI approved the 300th North Sea field development, Total’s Glenelg field, with expected peak production of 30,000 barrels of oil equivalent a day.

On 28 July 2004, DTI approved the Saturn gas field development. Operator, ConocoPhillips, expected first gas in Q4 2005 at an initial rate of 74 million cubic feet a day, with a maximum daily rate of 169 million cubic feet in the following year. Produced gas will be transported via the Lincolnshire Offshore Gas Gathering System to the Theddlethorpe Terminal.

On 3 August 2004, production started from the Lundin-operated Broom field. Oil reserves were estimated to be 36 million barrels for the first phase, with further development opportunities in area currently being evaluated. Broom will also assist substantially in extending the Heather field life.

On 8 October 2004, the UK and Norwegian Governments agreed arrangements to allow the development of two new North Sea fields - Boa and Playfair.

The official launch of the ‘Goldeneye’ development took place on 11 November 2004. The £300m project, supported by co-venturers Shell, ExxonMobil, Paladin Resources and Centrica Energy, will provide around 3 per cent of the UK’s gas.

Electricity
On 1 September 2004, the British Electricity and Trading Arrangements (BETTA) went “Active”. This involved the Secretary of State using her powers in the Energy Act 2004 to change licence conditions so that trailing and testing of the new arrangements could begin, in preparation for BETTA going “Live” on 1 April 2005.

The findings of the investigation by DTI’s Engineering Inspectorate into the major power failures in London on 28 August 2003 and in Birmingham on 5 September 2003 were communicated to the respective electricity companies in January 2004. Inspectors worked closely with the companies to ensure their recommendations were taken forward.

Scottish Power purchased Damhead Creek power station in June 2004 and became the sole owner of the Shoreham Power station in September 2004. Centrica purchased Killingholme power station in June 2004. In July 2004 Scottish and Southern Energy acquired the Ferrybridge C and Fiddlers Ferry power stations formerly owned by American Electric Power. Carron Energy re-opened the Fifoots Point power station in August 2004 and changed the name of the power station back to Uskmouth.

Nuclear
The Secretary of State announced on 5 January 2004 that British Energy (BE) had completed the sale of its interest in its US joint venture, Amergen, in December 2003. All amounts outstanding under the Government's loan facility to BE have been paid off, but facility remained available to BE up to a maximum of £200 million.

At the end of February 2004 BNFL’s Chapelcross nuclear power station closed.
2003 Sustainable Energy Policy
The Sustainable Energy Policy Network (SEPN) website was launched in June 2003. SEPN represented a new way of working for government, ensuring the right communications and links are made across and beyond government to deliver the Energy White Paper.

Royal Assent for the Brian White Sustainable Energy Act was announced on Thursday 30 October 2003. The Act implements the DTI Energy White Paper commitment to provide statutory backing to regulatory impact assessments, including environmental impact assessments, undertaken by Ofgem for all significant new policies. It also provides the legal basis for accessing surplus funds from the Non-Fossil Fuels Obligation held by Ofgem.

Energy White Paper
On 24 February 2003 the Government published its Energy White Paper “Our energy future – creating a low carbon economy”. The White Paper set out a new energy policy, designed to deal with the three major challenges that confront the UK’s energy system: the challenge of climate change, the challenge of declining indigenous energy supplies, and the need to keep the UK’s energy infrastructure up to date with changing technologies and needs.

To address these challenges, the White Paper set four new goals for energy policy: to put the United Kingdom on a path to cut carbon dioxide emissions by some 60 per cent by about 2050, with real progress by 2020; to maintain the reliability of energy supplies; to promote competitive energy markets in the UK and beyond, helping to raise the rate of sustainable economic growth and improve UK productivity; and to ensure that every home is adequately and affordably heated.

For the first time, the environment was put at the heart of Government’s energy policy, causing energy efficiency and renewables to feature prominently in the White Paper, as the main ways of delivering carbon cuts.

Energy Markets
Proposals to complete the liberalisation of the electricity and gas markets across the EU were adopted on 15 June 2003. The DTI played a leading role in the Energy Council in ensuring the measures will produce a competitive and open market by 2007.

Fuel Poverty
On 4 March 2003, the Government published its first annual progress report on the UK Fuel poverty strategy. The Fuel Poverty Advisory Group also reported on this date for the first time.

Energy Efficiency
In the April 2003 Budget the Government noted that economic growth and social progress must be balanced with action to protect and improve the environment. One of the main areas in which the Government confirmed that it would be undertaking further consultation was on specific measures to encourage household energy efficiency, following on from an earlier consultation on the use of economic instruments to promote energy efficiency in the domestic sector.

Coal
Clipstone colliery closed in April 2003 and in June 2003 Betwys colliery announced closure. Output from the Selby complex began to decline prior to its proposed closure by June 2004.

Coal Investment Aid, with a budget of £60m was launched in June 2003. It is intended to create or safeguard jobs in socially and economically disadvantaged areas by encouraging coal producers to enter into commercially realistic projects that maintain access to coal reserves.
Oil and Gas

In February 2003, to encourage a wider range of bids for offshore oil and gas exploration licences, the DTI enhanced the licensing system to include a new “promote” licence in the 21st Offshore Licensing Round. This new type of licence, offered at a tenth of the price of a traditional licence for the first 2 years of its term, was aimed at attracting smaller newcomers wishing to find oil and gas.

On 31 July 2003 the Energy Minister announced the results of the 21st Offshore Round, offering 88 new North Sea licences. The licences went to 62 companies, 27 being new entrants to the area. The awards underlined the success of the new “promote” licences, mentioned above.

In October 2003, the Energy Minister met with his Norwegian counterpart to sign an agreement on key principles that will be incorporated in a new Framework Treaty covering future cross-border oil and gas co-operation between the two countries. The Agreement opened the way for the construction of a large gas pipeline (Langeled) from Norwegian offshore infrastructure capable of delivering up to 20 per cent of the UK’s current gas requirements from Winter 2006/7 and clarified the regulatory regime that would apply to a range to future cross-border projects.

In November, the Energy Minister gave approval to the giant Buzzard oil field. With an estimated 500 million barrels of oil to be recovered, and overall investment of £1.35 billion – the largest in the UK North Sea in the last decade, and equivalent to around a third of the industry total annual expenditure - Buzzard will make a significant contribution to the UK’s oil production and to the economy.

Power cuts

On 14 August, a large area of the North East USA, including New York, and of Eastern Canada suffered cascading power cuts. Some 60 million people were affected within a matter of minutes as the system operators lost control of the networks, causing an uncontrolled series of power cuts.

On 28 August a power failure occurred affecting large parts of South London and parts of Kent. National Grid Transco redirected supplies via another circuit but at this time a separate fault occurred causing loss of supply to 410,000 customers. Power was restored to all customers in the space of 40 minutes.

Following power failures in London and the West Midlands, The Energy Minister asked the Engineering Inspectorate (EI) to carry out a detailed investigation of these faults, including a review of power supply arrangements for London Underground and Network Rail. In parallel with this, the EI worked on a joint investigation with Ofgem into these incidents.

Electricity

In January 2003, Powergen announced the closure at the end of March of two already partly mothballed coal-fired power stations that it had acquired from TXU in October 2002, namely Drakelow and High Marnham. International power also re-instated 250 MW at Deeside for winter 2003/04, and RWE Innogy leased Fifoots Point power station from its administrators to operate over the winter.

In May 2003, Centrica completed the acquisition of Lakeland Power’s Roosecote Power Station (229 MW), which had suspended operations in November 2002. Centrica also purchased Barry Power station (250 MW) from AES in July. Scottish and Southern Energy bought the distribution network operator, Midland Electricity from Aquila Networks in July and also acquired 100 per cent of Medway power station (688 MW) in October.

Nuclear

At the end of March 2003 BNFL’s Calder Hall nuclear power station closed.
An agreement was signed in June 2003 allowing UK companies to start nuclear clean-up work to start in North West Russia.

During 2003 the Government and BNFL conducted a joint strategy review of the company. The review conclusions were announced in a written statement to the House of Commons on 11 December 2003. One of the key conclusions of the review was that a new BNFL parent company would be established in April 2005, the principal focus of which would be clean-up activities at UK sites. At the same time, a new group of subsidiary companies would be established which would have initial responsibility for managing clean-up and operations at BNFL’s UK sites under transitional arrangements to be agreed with the Nuclear Decommissioning Authority (NDA).

On 24 June 2003, the DTI published the draft Nuclear Sites and Radioactive Substances Bill. The draft Bill set out provisions to establish the Nuclear Decommissioning Authority (NDA), as foreshadowed in the July 2002 White Paper, Managing the Nuclear Legacy: A strategy for action.

Renewables

Two rounds of Offshore Licensing took place in 2003, which brought forwards a large number of proposals. Capital grants of £59 million were given to six of the first round offshore wind projects, with a total capacity of around 530 MW. The awards made in the second round, which covered 15 wind farm projects, will provide enough electricity for more than one in six households (4 million homes). The projects are in three strategic areas (Thames Estuary, Greater Wash and North West) with generation due to begin 2007-08. North Hoyle – the UK’s first major offshore windfarm – began generating electricity.

Climate Change levy

In the Chancellor’s 2002 Budget statement he strengthened the existing policy to support business energy efficiency by announcing proposals to:

- Freeze the climate change levy rates;
- Give complete exemption from the climate change levy to electricity generated by good quality combined heat and power (CHP) or from coalmine methane. Implementations of these exemptions are subject to EU state aids approval;
- Add heat pumps, radiant, warm air and solar heaters, energy-efficient refrigeration equipment and compressor equipment to the list of energy-saving technologies, which can benefit from enhanced capital allowances against tax. This provision is also to be extended to equipment for leasing.

Emissions Trading Scheme

The Government’s emissions trading scheme was launched on 2 April 2002. Thirty-four organisations successfully bid to join the scheme for permits in an auction for permits held on 11 –12 March 2002.

Energy Efficiency

The Energy Efficiency Commitment is an obligation (expressed as a total energy saving in TWh) placed by the Government on gas and electricity suppliers to encourage and assist their customers to make energy savings through measures such as cavity wall insulation, loft insulation, boiler replacement and energy saving light bulbs. Suppliers make a contribution to the cost of the measure at a level that will induce the customer to take it up.
The scheme, began on 1 April, and will run from 2002 to 2005. The overall target on all suppliers has been set at a level that is expected to lead to estimated ongoing annual energy savings for consumers of around £275 million by 2005, as well as annual reductions in carbon emissions of around 0.4 million tonnes by 2005. It is estimated that the scheme will cost energy suppliers around £3.60 per customer, per fuel, each year. The scheme focuses help on the fuel poor and companies will be required to seek at least 50 per cent of their target fuel savings from disadvantaged customers.

Fuel Poverty
The Fuel Poverty Advisory Group, which had been announced in the November 2001 UK Fuel Poverty Strategy, met for the first time in March 2002. The Group is an Advisory Non-Departmental Public Body sponsored by DEFRA/DTI. Its primary task is to report on the progress of delivery of the Government’s Fuel Poverty Strategy and to propose and implement improvements to regional or local mechanisms for its delivery.

The Group consist of a chairman and senior representatives from organisations such as the energy industry, charities and consumer bodies. These members would be representative ex officio members rather than individuals, who should be able to take a broad and impartial view.

In March 2002, the Department for Transport, Local Government and the Regions published revised guidance on the decent home standard and how social landlords can quantify the extent of non-decent housing within their stock to help them better deal with the problem. A decent home is one that meets the following criteria:

- is above the current statutory minimum standard for housing;
- is in a reasonable state of repair;
- has reasonably modern facilities and services;
- provides a reasonable degree of thermal comfort.

The Scottish Executive issued its draft Fuel Poverty Statement in March 2002, inviting comments on the way the Executive plans to tackle fuel poverty in Scotland.

Again in March, Ofgem published its second annual report on its Social Action Plan setting out progress towards Ofgem’s aim to ensure competition benefits all customers and to develop polices to help the fuel poor.

Coal
Longannet colliery owned by the Scottish Coal Company Ltd ceased operation and went into liquidation in March 2002. Price of Wales Colliery closed in August 2002.

Oil and Gas
PILOT “Progressing Partnership” Work Group was launched in March 2002. Within PILOT, the joint Government/Industry oil and gas task force, a new initiative for progressing partnership was born. Looking at common behavioural and supply chain barriers, the Group’s aim was to address issues inhibiting recovery of Britain’s oil and gas reserves. This led to a number of new initiatives, including getting “fallow” assets into the hands of those companies best placed to exploit them, and streamlining commercial agreements, to allow for swifter transfer of licence interests in offshore acreage. More information can be found at: www.og.berr.gov.uk or www.pilottaskforce.co.uk

Gas and Electricity
In October, TXU Europe agreed to sell its UK assets, including 5.3 million electricity and gas customers and 2.9GW of capacity to Powergen for £1.37 billion. The sale made Powergen the second largest supplier of retail energy behind Centrica.
Electricity
London Electricity acquired the distribution business of Eastern Electricity and the distribution and retail businesses of Seeboard.


Power stations mothballed during 2002 included: one unit at Deeside (International Power); one unit at Killingholme (Powergen); and two units at Grain (Powergen).

Nuclear Power: British Energy
Following a sudden deterioration in its financial situation, the private sector nuclear electricity generator, British Energy (BE) approached the Government in early September 2002 seeking immediate financial support and discussions about longer term restructuring. The company owns eight nuclear power stations and generates about 20 per cent of Britain's electricity. In accordance with the Government’s overriding priorities of nuclear safety and the security of electricity supplies, it provided short-term financial support to, and entered into discussions with, BE.

BE announced a proposed restructuring plan on 28 November, and the Government is taking financial responsibility for BE’s historic spent fuel liabilities, and underwriting new arrangements announced by the company to fund decommissioning and other nuclear liabilities.

Nuclear
Bradwell power station owned by BNFL Magnox ceased production after 40 years of service.

On 4 July 2002, the Government published proposals for radically altering existing arrangements for managing publicly-funded nuclear clean up in its White Paper, Managing the Nuclear Legacy: A strategy for action. The cornerstone of the new policy involved the establishment of a Nuclear Decommissioning Authority (NDA) to ensure the safe, secure, cost-effective and environmentally friendly decommissioning and clean up of the twenty nuclear sites currently operated by BNFL and UKAEA. To this end, it will develop a UK-wide strategy for dealing with the nuclear ‘legacy’. Public consultation on the White Paper ended on 14 October. Detailed provisions to establish the NDA were later published in the draft Nuclear Sites and Radioactive Substances Bill on 24 June 2003.

CHP
In the 2002 Budget it was announced that all CHP generated electricity would be exempt from the Climate Change Levy (CCL). This is a key measure that is likely to help set the sector on course to meet the Government’s target of at least 10,000MWe of CHP capacity by 2010. Previously, only CHP electricity used on site or sold direct to other users had qualified for CCL exemption. In addition leased assets became eligible for Enhanced Capital Allowances (ECAs).

In May 2002, Defra published for consultation the draft CHP Strategy that describes the full range of measures thought sufficient to for the Government’s target of at least 10,000 MWe of Good Quality CHP to be met by 2010. It included market incentives, guidance and information, financial assistance and legislative action to support growth of the CHP industry. The consultation ran between 15 May and 7 August. A summary document was published on the Defra website in November. The final Strategy will be published in 2003.
2002 (continued) Micro CHP
In the 2002 Budget it was announced that domestic micro CHP installed under the Warm Front Team will attract the reduced rate of VAT. Micro CHP is a new technology that we expect to make a significant contribution to domestic energy efficiency in the future. Reducing VAT on the cost of installation will help to give this new technology a useful kick-start.

Renewables
On 1 April 2002, the Government introduced an obligation on all licensed electricity suppliers that required them to supply a specified proportion of their electricity from eligible renewable sources. That proportion will rise in stages from 3 per cent in the 2002 year to 10 per cent by 2010.

During the year the first two offshore windfarms were approved and construction began at Scroby Sands and North Hoyle.

2001 Environment
The Government introduced the climate change levy in April 2001. The levy had been proposed in the 1999 Budget, and its design elaborated in subsequent announcements.

The levy applies to energy (coal, gas and electricity) supplied to business and the public sector. It does not apply to energy used in the domestic sector for motive power in transport or to produce another energy product. There are exemptions for electricity generated from renewable sources and energy from quality-assured Combined Heat and Power (CHP) plants.

Levy revenues are recycled to business through an accompanying cut in employers' National Insurance contributions and a package of energy support to business which will fund energy efficiency advice to business and investment in low carbon technologies research and development, to be managed under the new Carbon Trust; as well as a new scheme of enhanced capital allowances for businesses investing in energy saving technologies.

Energy intensive sectors, as defined under certain eligibility criteria, receive an 80 per cent levy discount in return for delivery of energy saving targets in negotiated agreements with the Government.

The Government worked closely with the business-led Emissions Trading Group to design a UK Emissions Trading Scheme and published a draft Framework in May 2001, providing guidance for business on how the scheme will work and how companies can join in. The Government had previously confirmed it would make £30 million (net of tax) available to encourage companies to bid into the scheme and take the risks associated with taking on a binding emissions cap.

Fuel Poverty
In February, the Government published its consultation draft of the UK Fuel Poverty Strategy. Following a period of consultation over the summer in 2001, the UK Fuel Poverty Strategy was then published in November of 2001. The document sets out the Government’s objectives, policies and targets for alleviating fuel poverty in the UK over the next 10 years.

The Government announced two new pilot schemes in the November 2002 Strategy. The Government intends to invite micro-CHP manufacturers to take part in a large-scale pilot to test the suitability of the technology for fuel poor households. In total up to 6,000 installations will be carried out over a 3-year period beginning in 2002. If successful, the intention is to offer this through HEES/WFT from 2005.
The Government also announced its intention to carry out a £5 million pilot to test a range of renewable energy and related technologies for use in homes that are off the mains gas network. Technologies for consideration include ground, air and water source heat pumps, solar water heating, biofuel heating, wind or hydroelectric generation. Individual pilots would examine the most appropriate renewable energy solutions for various property types, locations and occupant groups.

Following the publication of the draft Strategy in February 2001, a Group was set up to look at the feasibility of extending the gas network to ensure that wherever possible the gas network provides the widest viable coverage and fullest viable capacity. The Group reported to Ministers at the end of 2001, the reports key findings were:

- around 1.3 million of the 4.5 million British households in fuel poverty are without access to mains gas. Of 900,000 English households without gas, provision of gas central heating and, where practical, loft and cavity wall insulation could remove 600-700,000, including the great majority of the most vulnerable, from fuel poverty. Similar or greater impacts would be likely in Wales and Scotland;
- extension of the network may be particularly appropriate where certain conditions –size of community, density and clustering of housing and relatively close proximity to the existing network – coincide. Where connection to the network is inappropriate, similar results appear obtainable from insulation and central heating systems used in conjunction with other fuels, such as fuel oil, that can drive central heating radiators;
- in some cases, other measures may be enough to remove households from fuel poverty: electric storage heating and insulation would remove 300-400,000 from fuel poverty, while insulation measures alone would remove 200-300,000.

Coal
Quinquennial Review of the Coal Authority completed. RJB Mining became UK Coal in May.

In October 2001 Coalpower Ltd assumed ownership of Hatfield colliery, which had gone into liquidation in August.

Buzzard Oil Field Discovery
In June 2001 the then PanCanadian Petroleum Company announced it had made a major oil reservoir discovery in the Central North Sea called “Buzzard”. Initial estimates of recoverable oil were set at 200 to 300 million barrels. Later research indicated that the original reserves figure was understated by 100 million barrels of oil recoverable. The discovery confounded the view that there were no more large fields to be discovered in the North Sea.

Oil
In August 2001 production of gas and oil began at the Franklin field from a North Sea record depth of 5,500m (18,000 ft) sub sea and at record high temperature of 200 degrees Celsius. The Elgin-Franklin field complex became the world's largest offshore high-pressure high temperature producing centre.

Electricity
On 27 March the new electricity trading arrangements (NETA) replaced the electricity pool. NETA is a screen-based trading arrangement similar to that for general commodity trading – see Chapter 5, paragraph 5.3. A number of reports and consultations were carried out following the introduction of NETA - focussing in part on the impact of the balancing and settlement mechanism on small generators.

In October 2001, the formal separation of supply and distribution licences took place. From that date, no company could legally hold both licences. All former public electricity suppliers created new company structures to cater for this requirement. In addition several companies took the opportunity to focus on either supply or distribution by selling off the other business.
2001 (continued) By the end of the year, Innogy (the demerged domestic arm National Power) owned the former supply businesses of Midlands Electricity, Yorkshire Electricity and Northern Electric; TXU Europe owned the supply businesses of the former Eastern Electricity and Norweb; London Electricity owned the supply business of SWEB as well as that of London, and Scottish and Southern Electric owned the supply businesses of Scottish Hydro, Southern Electric and SWALEC. (Scottish Power continued to own Manweb as well as that of Scottish Power). In the field of distribution, Western Power Distribution (the renamed distribution business of SWEB) acquired the distribution business of SWALEC while Northern Electric purchased the distribution business of Yorkshire Electricity.


TXU Europe sold the Rugeley coal fired power station to International Power (July), the West Burton coal fired station to the London Power Company (December), and the Kings Lynn and Peterborough CCGT stations to Centrica (October).

Nuclear
On the 28 November 2001 the Secretary of State made a statement about the future management of public sector civil nuclear liabilities. She announced HMG’s intention to set up a Liabilities Management Authority (LMA) responsible for Government’s interest in the discharge of public sector civil nuclear liabilities. The establishment of the LMA, and the transfer of assets and liabilities from BNFL and UKAEA to it, will require primary legislation.

2000

Fuel Poverty
In the March 2000 Budget the Government announced a change in tax rules to facilitate BG Transco’s Affordable Warmth Programme, which uses an innovative application of lease finance, to encourage the installation of insulation and gas central heating. This programme aimed to install central heating in 850,000 local authority/registered social landlord homes and 150,000 pensioners private sector homes over the subsequent seven years.

After extensive consultation Ofgem, published its Social Action Plan in March 2000. It is a framework for action across a wide range of activities to ensure that the economic benefits of liberalisation is re spread fully among vulnerable and disadvantaged customers.

The new Home Energy Efficiency Scheme (HEES) was launched in June 2000 to provide a package of insulation and/or heating improvement measures for households in receipt of an income or disability benefit. The scheme will have a total budget of nearly £300 million in the first two years.

The Fuel Poverty Monitoring and Technical Group, which includes representatives from across Government as well as external organisations, was set up in June 2000. It is responsible for the development of a suite of indicators for monitoring progress on tackling fuel poverty.

The Warm Homes and Energy Conservation Act, introduced by David Amess with Government and cross party support, became law in November 2000. The Act requires the Secretary of State for England and the National Assembly for Wales ‘to publish and implement a strategy for reducing fuel poverty and set targets for its implementation’.

Utility Reform
Utilities Act 2000 enacted in June.
Gas
In October, BG plc de-merged into two separate listed companies, of which Lattice Group plc is the holding company for Transco and BG Group plc includes the international and gas storage businesses.

Electricity
In March National Power sold Eggborough power station to British Energy and Killingholme CCGT station to NRG. London Electricity purchased the Sutton Bridge CCGT station.

In April, the Secretary of State for Trade and Industry announced that he anticipated lifting the restrictions on the building of new gas-fired power stations, once new electricity arrangements were in place. This moratorium was lifted on 15 November.

In August, AES’ new coal fired station at Fifoots Point began to generate.

In September, PowerGen sold its Cottam power station to Edf.

Energy Efficiency
In July 1999, the Regulator announced his intention to raise the level of Energy Efficiency Standards of Performance (EESOP), which obliges electricity supply companies to improve energy efficiency amongst their domestic consumers, from £1.00 to £1.20 per customer with effect from April 2000. He also announced his intention to extend EESOP obligations to gas supply companies, also at a rate of £1.20 per customer.

The Utilities Act received royal assent and enabled future EESOP obligations to be set by the Government. The Government had previously indicated such an intention explaining that it was appropriate for the Government rather than the Regulator to decide social and environmental obligations that had significant financial cost. In March 2000, the Government published a consultation document, “Energy Efficiency Standards of Performance 2002-2005” seeking views on the format and level of a new EESOP, and in November, published its provisional conclusions and announced the re-naming of the obligation as the Energy Efficiency Commitment (EEC).

In November 1999, the Government launched its Good Quality CHP Standard and confirmed its target of achieving at least 10,000 MWe of CHP capacity by 2010: more than double current capacity. In December, the Government confirmed that electricity from CHP plants would be exempt from the Climate Change Levy where the electricity was used on site or sold direct to the consumers.

Coal
At the end of January 2000 Midlands Mining ceased to produce coal from its only remaining colliery, Annesley-Bentinck. It ceased to sell coal in June.

On 17 April 2000, the Secretary of State announced a coal subsidy scheme designed to assist UK coal producers through a difficult transitional period arising from adverse market conditions and the imminent relaxation of the stricter gas consents policy. The Government’s objective was to enable those elements of the industry with a viable future without aid to overcome short-term market problems. The subsidy scheme had to be approved by the European Commission, which was obtained in November 2000. Under the scheme, producers of qualifying coal are reimbursed for losses they incur on coal produced between April 2000 and July 2002, provided they can demonstrate long term viability and meet other conditions designed to avoid market distortions.

Oil
January 2000: establishment of PILOT, to take over the work of the Oil and Gas Industry Task Force and give effect to the Task Force’s recommendations.
September 2000: signature and publication of Memorandum of Understanding between Government, oil industry, hauliers, trade unions and police to ensure continued supply of fuel in the event of any further disruption by fuel protestors.

New and Renewable Energy
In February the Government published Conclusions in Response to the Public Consultation (“New and Renewable Energy: Prospects for the 21st Century”). The document summarised the Government's strategy to make progress to a target of 10% of UK electricity from renewables sources by 2010, subject to the cost to consumers being acceptable.

In May the European Commission adopted a proposal for a Directive on the promotion of electricity from renewable energy sources in the internal electricity market. The Directive itself is to be agreed during 2001.

Nuclear
In February, HSE published three reports into BNFL, covering
- The Storage of Liquid High Level Waste at Sellafield.
- Falsification of Data at the Mox Demonstration Facility.
- Team inspection of the Control and Supervision of Operations at Sellafield.

In March the Government announced that it considered that the earliest date possible for the introduction of any PPP into BNFL could not be before the latter part of 2002.

In April BNFL published its response to two of the HSE reports, with the third response to follow in the summer as agreed with HSE.

In May BNFL acquired the nuclear business of ABB. BNFL also announced a strategy for managing lifetimes of its Magnox stations. BNFL also closed its Hinkley Point Magnox station.

In June BNFL’s Wyfla station went offline for extended repairs and maintenance that was to last until August 2001.

On 1 September 2000, the UKAEA's Directorate of Civil Nuclear Security was transferred to the DTI as the Office for Civil Nuclear Security (OCNS), to regulate security within the civil nuclear industry. It will have operational and regulatory autonomy within DTI.

Environment
Royal Commission on Environmental Pollution report on climate change and energy
In June, the Royal Commission on Environmental Pollution published its major report "Energy - the changing climate". It referred to the need for much greater international action if concentrations of greenhouse gases were to be stabilised. It emphasised the need for a long term vision of how large scale reductions in greenhouse gas emissions, of the order of 60% of carbon dioxide emissions by 2050, might be achieved.

Climate Change Programme
The Government published in November its national Climate Change Programme. The Programme aimed to provide a strategic framework for the Government to deliver the UK's target under the Kyoto Protocol of reducing emissions of a basket of six greenhouse gases by 12.5% from 1990 levels in the period 2008-12; and also to move towards its own domestic policy goal of reducing carbon dioxide emissions by 20% from 1990 levels by 2010. The Programme drew together a wide range of existing and planned policies and measures, to engage all sectors of the economy and society in efforts to reduce greenhouse emissions. Many of these had implications for the energy sector.
Nuclear
The Government announced that it was looking to introduce a Public Private Partnership (PPP) into BNFL, subject to the company's overall progress towards achieving targets on safety, health, environmental and business performance as well as further work undertaken by the DTI and its advisers. The Government's working assumption was that PPP would involve BNFL as a whole. Existing legislation provided for the sale of up to 49 per cent of the company.

BNFL, in partnership with US engineering group Morris Knudsen, acquired the global nuclear business of the US company Westinghouse.

Following Government approval, BNFL commenced uranium commissioning of its Sellafield mixed oxide (MOX) fuel plant.

Electricity
Opening of supply market to full competition was completed in May. At the end of June, Ferrybridge and Fiddlers Ferry power stations were sold by PowerGen to Edison Mission Energy, and at the end of November National Power sold DRAX to AES.

The implementation date for the EU Electricity Liberalisation Directive was February 1999, which required an initial 25 per cent market opening to be implemented, with nearly all the Member States adhering to the timetable.

In October 1999, the Director General of Gas and Electricity supply (DGGES) published a report on Pool Prices. This concluded that the trading arrangements facilitated the exercise of market power. He proposed the introduction of a good market behaviour condition in the licences of the main generators.

New and Renewable Energy
In March 1999, a third Scottish Renewables Order (SRO) was made for 150 MW (DNC) of capacity.


Coal
In March 1999, the Government issued mineral planning guidance with respect to opencast mining.

In April 1999, the Department published its policy paper Energy Paper 67 on research and development into cleaner coal technologies.

In July 1999 Calverton Colliery closed.

In October 1999, the Government's Coal Field Task Force published a progress report relating to the problem of those communities affected by pit closures.

Utility Regulation
New name for the combined OFFER and Ofgas electricity and gas market regulator announced as Office of Gas and Electricity Markets - OFGEM.

In April, in its response to consultation, the Government confirmed its plans to establish independent consumer councils.

In July, the Government issued a discussion note on “The Government’s Provisional Conclusions on how Energy Efficiency Standards of Performance under the proposed legislation for utility regulation could work”.

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In November 1999, the Government announced a Utilities Reform Bill to provide a new framework for the regulation of the gas and electricity markets so as to provide a fair deal to consumers.

Fuel Poverty

The Electricity Association Fuel Poverty Task Force was set up in May 1999 to bring forward energy related proposals to help alleviate fuel poverty. The task force comprises representatives from both gas and electricity customers.

In November 1999, an Inter-Ministerial Group on Fuel Poverty was set up to take a strategic overview of the relevant policies and initiatives with a bearing on fuel poverty, and to develop and publish a UK Strategy setting out fuel poverty objectives, targets and the policies to deliver those objectives.

Gas

In June, BG announced its restructuring to separate Transco, the regulated pipeline company, from the rest of the business.

A consultation exercise into the Fundamental Review of Gas Safety was launched by the Health and Safety Executive.

In September 1999, the HSE issued a consultation document outlining the proposed amendments to “The Gas Safety (Management) Regulations (GS (M) R)”, with a closing date for December 1999.

Environment

In the March 1999 Budget, the Government announced its intention to introduce a climate change levy on the supply of energy to business, following up recommendations of the Marshall Report.

The Government also followed up Lord Marshall’s recommendations on emissions trading, by encouraging the launch of an industry-led project to design a pilot scheme for the UK.

Oil

16th February 1999, the key Brent crude oil benchmark price touched $9 per barrel, a record low level. However, by December 1999 the oil price had recovered to over $25 a barrel.

Production from the UKCS reached a record level of 137 million tonnes of oil.

Drilling at BP Amoco’s Wytch Farm onshore field achieved two world records - longest production well drilled and greatest horizontal drilling distance achieved.

Oil & Gas industry Task-Force report published in September 1999 set a vision for the UKCS in 2010, aimed at increasing investment in UKCS activity, increasing employment in directly linked and related industries, and prolonging UK self-sufficiency in oil and gas.

1998

Coal

The 5-year contracts with the electricity generators ended in March 1998.

Silverdale Colliery closed in December 1998.

Electricity

The final stage of opening electricity supply markets began in September and was completed in May 1999.
1998 (continued)

The Government published a White Paper (CM 4071) on energy sources for power
generation, and adopted a more restrictive policy towards consents for new power
stations, but with special provisions for CHP.

The Monopolies and Mergers Commission recommendation on revised transmission
and distribution price control on Northern Ireland Electricity, which was subject to
judicial review, was upheld by the Northern Ireland Court of Appeal.

Gas
Introduction of supply competition in Great Britain was completed in May 1998.

In April, the gas levy was reduced to zero.


In October, the UK - Belgium interconnector became operational, providing a path for
UK gas exports to markets in Europe as well as another route for imports of gas into
the UK.

Revision of Frigg Treaty with Norway was signed in August 1998.

New and Renewable Energy
The fifth Non-fossil fuel obligation (NFFO) Order was laid in September 1998 for 1,177
MW of capacity.

Oil
International agreement reached on decommissioning and disposal of offshore
structures.

New Regulations required Environmental Impact Assessments for offshore projects.

200 oil and gas fields in production in the UK.

Nuclear
In January, the Government transferred its shareholding in Magnox Electric to BNFL
as the first stage of a merger of the two companies. Full integration of the combined
business of the two companies was completed early in 2000.

The Health and Safety Executive and the Scottish Environment Protection Agency
completed a full audit of safety at UKAEA Dounreay.

The acceptance of a small consignment of uranium from Georgia for non-proliferation
reasons was subject to scrutiny by the Trade and Industry Committee, who approved
of the Government’s decision.

Utility Regulation
In March, following an inter-departmental review, the Government published a Green
Paper entitled ‘A fair deal for consumers’ on utility regulation aimed at ensuring that
consumers got a fair deal from regulation, and at making regulation more consistent,
transparent, and accountable. The Government’s conclusions, in the light of
consultation, were published in July, including confirmation that the regulators for gas
and electricity should be merged and that the Electricity Act 1989 should be amended
to require the distribution businesses of the PESs to be licensed separately from their
supply businesses. Detailed proposals on energy and the creation of independent
consumer councils were published in November.

In October, the Government published its consultation document on “Possible
Provisions for Energy Efficiency Standards of Performance in the New Framework of
Utility Regulation”.

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1998 (continued)  A new gas regulator was appointed in November 1998; he also took over as electricity regulator in January 1999.

1997

**Regulation**
In June, the Government announced a review of utility regulation, to cover in particular electricity, gas, telecommunications, and water. It was aimed at ensuring that consumers get a fair deal from regulation, and at making regulation more consistent, transparent and accountable.

**Electricity**
Revised Transmission Price control took affect from 1st April reducing prices further over four years.

In October, the Government announced a review of the electricity trading arrangements including the Electricity Pool. OFFER were asked to report by July 1998.

In December, the Government announced a review of fuel sources for power stations. A consultation paper was issued in June 1998.

The Regulator announced a proposed timetable starting in April 1998 for the rollout of the final stage of supply competition using customer postcodes. The Regulator subsequently modified the timetable and put in place arrangements for the extensive testing of the systems necessary to make competition work.

**Gas**
Following the increased expenditure on exploration and development of gas fields in the North Sea in the early 1990s, gas production increased to the point where the UK became a net exporter of gas for the first time.

By March competition in the domestic market was extended to include another 0.5 million households in Avon and Dorset and 1.1 million households in the South East of England, bringing the total to two million customers. Over 20 per cent of these households switched to a new supplier by the end of 1997.

In November 1997, as part of the next stage in the liberalisation of the gas industry, competition was extended to another 2.5 million domestic customers in Scotland and North East England.

**Nuclear**
On 1 April 1997, the Fossil Fuel Levy in England and Wales was reduced to 2.2 per cent (from 3.7 per cent in November 1996).

**New and Renewable Energy**
The fourth Non Fossil Fuel Obligation (NFFO-4) Renewables Order for England and Wales made for 873 MW Declared Net Capacity (DNC).

The second Scottish Renewables Order (SRO-1) was made for 112 MW of capacity.


**VAT**
On 1 September, VAT on domestic gas and electricity supplies was reduced to 5 per cent.
1997 (continued)

Windfall tax
In the July Budget, the Government announced that the privatised utilities would have to pay a one-off windfall tax on the excessive profits they had made, payable in two instalments - one in 1997 and the other in 1998. Altogether this was expected to raise £5.2 billion.

Winter Fuel Payments
Winter Fuel Payments were introduced in the winter of 1997 for Great Britain (a similar scheme existed in Northern Ireland). Everyone over the age of 60 received the payment, regardless of whether they are getting a state Pension or any other social security benefits.

Oil
November 1997 saw the start of production of oil from the Foinaven field. This was the first production from the British area of the Atlantic Margin known as the West of Shetland.

1996

Coal
In January the company Coal Investments ceased trading, closing four pits and selling two to Midlands Mining Ltd.

In May the National Audit Office published its report into the privatisation of British Coal’s mining activities.

Electricity
The revised Distribution Price control (further tightened as a result of the second review in 1995) took effect from 1st April.

In July 1996 Eastern Group leased a total of 6 GW of coal-fired electricity generation capacity from National Power (4 GW) and PowerGen (2 GW). As a result, the pool price cap was lifted.

Bids made by National Power and Powergen for Southern Electric and Midlands Electricity respectively in 1995, which would have allowed significant vertical integration between generation and supply in the industry, were prohibited by the President of the Board of Trade in April following an investigation by the Monopolies and Mergers Commission.

Gas
On 6 February in response to the separation of licensing for gas distribution and supply in the Gas Act 1995, British Gas Plc announced it was demerging into two companies, one responsible for the transmission of gas (BG Transco) and one for the supply of gas (Centrica).

On 1st April, the first stage of the introduction of competition in the domestic market began - around 540,000 customers in South West England were enabled to purchase their gas from a variety of suppliers. By the end of the year just under 20 per cent of households switched to a new supplier, whose prices were on average 10-20 per cent less than those charged by British Gas.
1996 (continued) Nuclear

The nuclear generating industry was formally restructured on 31 March 1996 in preparation for privatisation. A holding company, British Energy plc (BE) was created, together with two subsidiary companies - Nuclear Electric Ltd (now called British Energy Generation) which now operates the PWR and five AGR stations in England and Wales, and Scottish Nuclear Ltd (now called British Energy Generation UK), which operates two AGR stations in Scotland. In July 1996 British Energy, which operates the AGR/PWR nuclear electricity power stations in the UK was floated on the London Stock Exchange by the Government. Magnox stations remained in the public sector under the ownership of Magnox Electric plc. Magnox Electric and BNFL merged early in 2000.

Because of the privatisation of British Energy, on 1st November, the Fossil Fuel Levy in England and Wales was reduced from 10 per cent to 3.7 per cent (on 1st April 1997 it was reduced further to 2.2 per cent).

The premium element of prices payable in Scotland under the Nuclear Energy agreement ended in July 1996. A new Fossil Fuel Levy was introduced at a rate of 0.5 per cent to support renewable energy.

In September, AEA Technology, the commercial arm of the UK Atomic Energy Authority, was privatised.

Regulation

On 10th June, the Office for the Regulation of Electricity and Gas (OFREG) was formed to perform a similar role in Northern Ireland to that of OFFER and OFGAS in England and Wales. It was unique in that it was the only combined utility regulatory office in the UK.

1995 Coal

The Domestic Coal Consumers Council was abolished.

Electricity

In March, the Government’s ‘Special Share’ in each of the Regional Electricity Companies expired. The companies were then exposed to the full disciplines and opportunities of the market, including acquisitions and mergers. In 1995 there were four bids involving Regional Electricity Companies, followed by a further seven successful bids in 1996 and two more in the first half of 1997.

In March, the Government also floated its remaining 40 per cent share in National Power and PowerGen on the London Stock Exchange. It did, however, retain its ‘special share’ in these companies.

Following a review, the distribution price control was revised from 1st April.

The DGES decided to review again the Distribution Price Control following Northern Electric’s defence against a take-over bid from Trafalgar House.

The National Grid Company was floated on the London Stock Exchange in December. As a result, customers of the Regional Electricity Companies received a discount of £50 on their electricity bills in early 1996 as their share of the benefit from the sale. Before the company was floated, its Pumped Storage Business was transferred to a new company, First Hydro, which was then sold to a US generator, Mission Energy.

The Government still holds a special share in the National Grid Company which is not time limited.
1995 (continued)  

**Gas**

The Gas Act 1995 set out the Government’s plans for the liberalisation of all gas markets, including the domestic sector. The Government and the industry put into place the licensing framework and the administrative/computer framework required to support the forthcoming gas pilot trials.

By the end of 1995, there were 40 independent gas marketing companies selling gas to UK end-users. They had captured 80 per cent of the firm industrial and commercial market, and 70 per cent of the market for “interruptible” sales.

The development of a “gas bubble” (an excess of supply over demand) in 1995 and into 1996 led to a sharp fall in the spot price of gas from 0.7p/KWh to around 0.4p/KWh (10p per therm). The main beneficiaries of this were customers on short-term gas contracts.

**Oil**

Production from the UK sector of the North Sea and onshore sites reached a new record level of output at 130.3 million tonnes per annum.

**Nuclear**

In February, electricity generation began at Sizewell B, the UK’s only pressurised Water Reactor, whose construction had been completed the previous year.

In May, the Government published a White Paper on the prospects for nuclear power in the UK. It concluded that nuclear power should continue to contribute to the mix of fuels used in electricity generation, provided it maintained its current high standards of safety and environmental protection; that building new nuclear power stations was not commercially attractive; and that there was no justification for any government intervention to support the construction of new nuclear stations.

**Energy Conservation**

The Home Energy Efficiency Act 1995 (HECA) requires all UK local authorities, with housing responsibilities, to prepare an energy conservation report, identifying practicable and cost-effective measures to significantly improve the energy efficiency of all residential accommodation in their area; and to report on progress in implementing the measures.

1994

**Coal**

Coal Authority was brought into legal existence under Section 1 of the Coal Industry Act 1994 on 19th September.

The 31st October was the Coal Authority “Restructuring Date”. Ownership of Britain’s coal reserves was transferred to the Authority and it assumed its full range of functions including powers to license coal operations.

In December, British Coal Corporation's mining activities were sold to the private sector.

**Electricity**

In April, competition in the electricity market was extended to include all customers whose demand exceeded 100 kW.

From 1 April the revised (tightened) supply price control took effect.
1994 (continued) OFFER imposed the first Energy Efficiency Standards of Performance (EESOPs) on electricity companies, requiring them to promote and carry out energy efficiency measures for their customers. At the same time OFFER included within the price controls a charge of £1 per customer per year to pay for the measures. This first EESOP covered the period 1994-1998, but was subsequently extended, at the same level, until March 2000.

New and Renewable Energy
The third Non Fossil Fuel Obligation (NFFO-3) Renewables Order for England and Wales was made for 627 MW Declared Net Capacity (DNC).

The first Scottish Renewables Order (SRO-1) for Scotland was made for 76 MW Declared Net Capacity (DNC).

The first Northern Ireland NFFO (NI-NFFO-1) Renewables Order was made for 16 MW Declared Net Capacity (DNC).

VAT
In April, the Government introduced VAT on domestic fuel at a rate of 8 per cent.

1993
Coal
Coal Review White Paper, “The Prospects for Coal”, published on 23rd March. Main conclusions were:

- subsidy to be offered to bring extra tonnage down to world market prices,
- no pit to be closed without being offered to the private sector,
- no changes to the gas and nuclear sectors,
- increased investment in clean coal technology,
- regeneration package for mining areas increased to £200 million.

On 2nd December, the Coal Industry Bill was published. Its main features were:

- to enable privatisation,
- to establish the Coal Authority,
- to protect the rights of third parties,
- to safeguard pension and concessionary fuel entitlements
- to retain HSE and HM Mines Inspectorate as bodies responsible for mine safety & inspection.

Electricity
In June, Northern Ireland Electricity plc was floated on the London Stock Exchange.

Gas
The Monopolies and Mergers Commission published a report on competition in gas supply.

Oil
Unleaded petrol sales accounted for 50 per cent of the total UK market for motor spirits.
1992  Electricity
In March, generation in Northern Ireland was transferred from Northern Ireland Electricity to four independent generation companies. Northern Ireland Electricity plc became responsible for transmission and distribution and supply. A special share was retained in Northern Ireland Electricity.

Gas
Following the withdrawal of BG’s legal monopoly relating to the non-tariff or contract market for customers with demand greater than 25,000 therms per annum, British Gas was prompted in March by the Director General of Fair Trading to create the conditions whereby competing suppliers should be able to supply at least 60 per cent of the market for customers whose demand exceeded 25,000 therms. In August, the market sector open to competition was extended to include customers with an annual demand of between 2,500 and 25,000 therms. The agreement between British Gas and the Director General of Fair Trading was then redefined as 45 per cent of the market for demand greater than 2,500 therms per annum.

1991  Electricity
60 per cent of the shares in National Power and PowerGen were floated on the London Stock Exchange in March. The Government retained the remaining 40 per cent of shares. Scottish Power and Scottish Hydro Electric were floated in June. The Government retained ownership of Nuclear Electric. In England and Wales the long-term costs of generation from nuclear sources were funded from the proceeds of the “Fossil Fuel Levy” on supplies of certain electricity. In Scotland contracts were established with the Scottish PESs for the output of the Scottish nuclear generating stations.

New and Renewable Energy
The second Non Fossil Fuel Obligation (NFFO-2) Renewables Order for England and Wales was made for 457 MW Declared Net Capacity.

Oil
The Gulf War began in mid-January and ended in late February, following the occupation of Kuwait by Iraq in August 1990. This provoked worldwide concern about the availability of oil. The annual average price of crude oil rose sharply, and took two years to settle back to its pre-war level.

One hundred oil and gas fields were in production in the UK.

1990  Electricity
The new licensing regime for electricity companies was established along with the post of Director General of Electricity Supply (DGES) by the 1989 Electricity Act. The Act also gave powers to the Secretary of State for Trade and Industry to replace existing public electricity boards by Plc’s. The Office of Electricity Regulation (Ofer now merged with OFGAS to form OFGEM) set up in shadow form.

Provisions of the Act came into force in March. The Central Electricity Generating Board (CEGB) was split into four companies, National Power and PowerGen (fossil fuel generation), Nuclear Electric (nuclear generation) and the National Grid Company (NGC) (transmission). Twelve Regional Electricity Companies replaced the Area Electricity Boards. At the same time, the South of Scotland Electricity Board and North of Scotland Hydro-Electric Board was replaced by Scottish Power and Scottish Hydro-Electric (generation, transmission, supply and distribution) and Scottish Nuclear (nuclear generation). The ordinary shares in the National Grid were transferred to the 12 Regional Electricity Companies (RECs).

At vesting, (31 March) price controls, put in place by the Government, came into being for the transmission business of NGC and the supply and distribution businesses of the RECs. There was not a generation price control as this sector was open to competition from the start.
The 12 Regional Electricity Companies in England and Wales were floated on the London Stock Exchange in December. The Government retained a special share in each of the privatised companies, known as the ‘Special Share’, which prevented any other investor from buying more than 15 per cent of the shares for a period of five years.

At the same time the market for customers with demand exceeding 1 MW was opened up to competition.

During 1990 the Electricity Pool was established. This was a trading mechanism (now superseded), which called generators online to provide a “pool” of electricity for suppliers to purchase. Other than for a few very large contracts, there were no direct contracts between generators and suppliers/users.

**New and Renewable Energy**

The first Non Fossil Fuel Obligation (NFFO-1) Renewable Order for England and Wales made for 102 MW Declared Net Capacity (DNC).