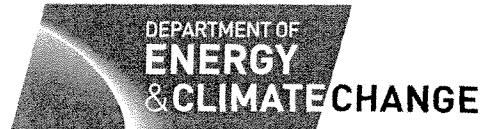


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The Rt Hon Ed Miliband MP

Secretary of State
Department of Energy
and Climate Change

Mr Mohammad Sarwar MP, Chairman
Scottish Affairs Committee
Committee Office,
7 Millbank,
London
SW1P 3JA

31 October 2009

Dear Mohammad,

Economy, Energy and Tourism Committee's Report on Determining and Delivering on Scotland's energy future

Thank you for your letter of 20 October requesting a response to two issues raised by the EETC report: the effectiveness of the Carbon Emissions Reduction Target (CERT) programme, and proposals on charging and access regimes for transmission networks, in Scotland.

Let me first say that CERT has been extremely successful, delivering insulation to more than a million households in its first year, building on the 5 million insulated since 2002. There is also evidence that UK household energy demand is being reduced as a result; domestic gas sales fell three years running 2004 – 2007, with energy efficiency programmes thought to be responsible for around half this reduction.

The significant challenge of addressing energy efficiency in solid wall properties or in remote areas, is well known, and is not specific to CERT. These challenges do not only affect Scotland – London has a very high proportion of solid wall properties, and delivery of measures (through CERT and other programmes) is also curtailed by high access costs, which is a similar situation to that described by the committee taking place in Scotland.

Government have increased CERT by 20% in 2009 and announced a new 21 month CERT phase from April 2011. In combination, these should drive suppliers to invest further in insulating homes including those areas that to date have been less cost effective for them to target (such as in remote areas, and those properties which are 'harder to treat').

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There is no mechanism under the current legislation to direct where CERT activity takes place, but it is worth noting that the Scottish Government has agreed a voluntary reporting arrangement with energy suppliers for insulation measures installed in Scotland which will help inform where activity is being undertaken. I also note that the Scottish Government announced in July this year a £15 million fund to be administered by the Energy Saving Trust to facilitate treatment of homes in ten remote Council areas, and my department have been speaking to Ofgem to ensure that this initiative progresses quickly and works effectively with CERT.

Regarding the transmission charging regime, the Government does not agree that locational transmission charges are discouraging renewable developments in Scotland. There is a long queue of projects waiting for connection.

We do recognise, however, that uncertainty around current grid access arrangements is acting as a barrier to the connection of renewable and other low carbon generation in Scotland and elsewhere in GB. That is why I announced on 15 July that I would be exercising powers taken in the Energy Act 2008 to see the grid access reform process started by industry through to a successful conclusion. We are currently consulting on options for enduring access reform, with the intention of introducing the necessary changes by June 2010.

Yes a,



ED MILIBAND