

# Energy Markets (Carbon Reduction and Warm Homes) Bill

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**B I L L**

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Promote sustainable energy and energy efficiency; to make further provision in respect of the regulation of the gas and electricity industries; to provide OFGEM with new environmental and social duties; to make further provision about the role of local authorities in meeting the United Kingdom’s carbon reduction and fuel poverty targets; and for connected purposes.

**B**E IT ENACTED by the Queen’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

**1 Sustainable energy plans**

- (1) Every local authority must annually prepare and publish a document (a “sustainable energy plan”), specifying the local authority’s contribution to combating climate change.
- (2) A sustainable energy plan must aim to meet or exceed any relevant targets set by the Secretary of State for the reduction of greenhouse gases and the alleviation of fuel poverty. 5
- (3) A sustainable energy plan must specify the local authority’s requirements relating to the matters set out in subsection (4) in respect of applications for planning permission. 10
- (4) The matters referred to in subsection (3) are—
  - (a) the generation of power or conversion of energy from renewable sources as part of the proposed development;
  - (b) the generation of low carbon power as part of the proposed development; 15
  - (c) the use of electrical and heat energy from a local distribution network outwith the proposed development; and
  - (d) an energy efficiency standard in all, part or parts of the proposed development that exceeds that required by any building regulations in force at the time of the application. 20
- (5) In this section—

“combating climate change” shall be construed in accordance with section 1 of the Climate Change and Sustainable Energy Act 2006 (c. 19);

“fuel poverty” shall be construed in accordance with the provisions of section 1 of the Warm Homes and Energy Conservation Act 2000 (c. 31);

“greenhouse gas” shall have the meaning given by section 26 of the Climate Change and Sustainable Energy Act 2006;

“local authority” means a county borough council, a district council, a metropolitan district council or a London Borough Council.

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## **2 Gas and Electricity Markets Authority: duty to encourage reductions in household energy consumption**

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(1) The 1989 Act is amended as follows.

(2) In subsection 5 of section 3A (the principal objective and general duties of the Secretary of State and the Authority) there is inserted –

“(bb) to promote the establishment of energy services companies delivering long-term, sustainable, secure and affordable heat and power; to encourage persons authorised by licences or exemptions to undertake measures to reduce household energy consumption; to promote local power generation and heat distribution; and”.

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(3) The 1986 Act is amended as follows.

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(4) In subsection 5 of section 4AA (the principal objective and general duties of the Secretary of State and the Authority) there is inserted –

“(bb) to promote the establishment of energy services companies delivering long-term, sustainable, secure and affordable heat and power; to encourage persons authorised by licences or exemptions to undertake measures to reduce household energy consumption; to promote local power generation and heat distribution;”.

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## **3 Citizen’s Electricity Entitlement**

(1) The Secretary of State shall determine an additional standard condition in relation to electricity supply licences for the purpose of defining an amount of electricity which shall be supplied at the supplier's lowest tariff (the “citizen's electricity entitlement”).

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(2) The Secretary of State shall publish the condition determined under subsection (1) in such manner as he considers appropriate.

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(3) A condition published in accordance with subsection (2) shall be a standard condition for the purposes of electricity supply licences, subject to any modification of the standard conditions for the purposes of licences of that type made under Part 1 of the 1989 Act after the determination under subsection (1).

(4) After section 8A(1B) of the 1989 Act, there is inserted –

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“(1C) Subject to subsection (2), each condition which by virtue of section 3 of the Energy Markets, Carbon Reduction and Warm Homes Act 2007 is a standard condition for the purposes of supply licences shall be incorporated by reference in each supply licence granted on or after the day on which section 3 of that Act comes into force”.

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#### **4 Citizen’s Gas Entitlement**

- (1) The Secretary of State shall determine an additional standard condition in relation to gas supply licences for the purpose of defining an amount of gas which shall be supplied at the supplier's lowest tariff (the “citizen's gas entitlement”). 5
- (2) The Secretary of State shall publish the condition determined under subsection (1) in such manner as he considers appropriate.
- (3) A condition published in accordance with subsection (2) shall be a standard condition for the purposes of gas supply licences, subject to any modification of the standard conditions for the purposes of licences of that type made under Part 1 of the 1986 Act after the determination under subsection (1). 10
- (4) After section 8(2) of the 1986 Act, there is inserted –  
“(2A) Subject to subsection (3), each condition which by virtue of section 4 of the Energy Markets, Carbon Reduction and Warm Homes Act 2007 is a standard condition for the purposes of supply licences shall be incorporated by reference in each supply licence granted on or after the day on which section 4 of that Act comes into force”. 15

#### **5 Buy-back of renewable energy**

- (1) The Secretary of State shall determine an additional standard condition in relation to electricity supply licences for the purpose of stipulating the minimum price at which a supplier must buy back electricity generated by renewable sources by its customers. 20
- (2) The Secretary of State shall publish the condition determined under subsection (1) in such manner as he considers appropriate.
- (3) A condition published in accordance with subsection (2) shall be a standard condition for the purposes of electricity supply licences, subject to any modification of the standard conditions for the purposes of licences of that type made under Part 1 of the 1989 Act after the determination under subsection (1). 25
- (4) After section 8A(1B) of the 1989 Act, there is inserted –  
“(1D) Subject to subsection (2), each condition which by virtue of section 5 of the Energy Markets, Carbon Reduction and Warm Homes Act 2007 is a standard condition for the purposes of supply licences shall be incorporated by reference in each supply licence granted on or after the day on which section 5 of that Act comes into force”. 30
- (5) In this section, “renewable sources of energy” means power and heat generated using the sources or technologies listed in section 26(2) of the Climate Change and Sustainable Energy Act 2006. 35

#### **6 Licensing of electricity supply: exemption for local distribution networks**

- (1) The 1989 Act is amended as follows.

(2) After section 5 (exemptions from prohibition) there is inserted –

**“5A Exemptions from prohibition: small suppliers**

- (1) Persons who distribute electrical power for the purpose of providing a supply to domestic consumers, or enabling a supply to be so provided with that electrical power, shall be exempt from the provisions of section 4(1) if their distribution system is a local distribution network. 5
- (2) In this section, “local distribution network” has the meaning given by section 7 of the Energy Markets, Carbon Reduction and Warm Homes Act 2007.”.

**7 Interpretation 10**

In this Act –

“energy services company” means –

- (a) a publicly owned company, or
- (b) a community interest company, within the meaning of section 26 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 (c. 27), 15
- (c) a public-private partnership company within the meaning of section 210 of the Greater London Authority Act 1999 (c 29), or
- (d) a private company within the meaning given in section 4 of the Companies Act 2006 (c. 46); 20

“local distribution network” is a person's electricity distribution system where the electricity is generated within a radius of 25 kilometres of its use;

“the 1986 Act” is the Gas Act 1986 (c. 44);

“the 1989 Act” is the Electricity Act 1989 (c. 29); 25

“relevant target” means a target relating to a local authority area.

**8 Expenses**

*There shall be paid out of money provided by Parliament –*

- (a) *any expenditure incurred by a Minister of the Crown by virtue of this Act, and*
- (b) *any increase attributable to this Act in the sums payable out of money so provided under any other enactment.* 30

**9 Short title, commencement and extent**

- (1) This Act may be cited as the Energy Markets, Carbon Reduction and Warm Homes Act 2007.
- (2) This Act, other than this section, shall come into force at the end of the period of 3 months beginning with the day on which this Act is passed. 35
- (3) This Act, except section 1, extends to England and Wales and Scotland.
- (4) Section 1 extends to England and Wales only.

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To promote sustainable energy and energy efficiency; to make further provision in respect of the regulation of the gas and electricity industries; to provide Ofgem with new environmental and social duties; to make further provision about the role of local authorities in meeting the United Kingdom's carbon reduction and fuel poverty targets; and for connected purposes.

*Ordered to be brought in by Alan Simpson,  
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Mr Dai Davies, Malcom Bruce, Dr Ian Gibson,  
Mrs Sharon Hodgson Dr Brian Iddon,  
Mrs Linda Riordan, Sir Robert Smith,  
Andrew Stunell and Mr Mike Weir.*

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*Ordered, by The House of Commons,  
to be Printed, 26th June 2007.*

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