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## Concerns about the Retail Electricity Market Arrangements (REMA) Consultation

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TO:

Rt Hon Claire Coutinho MP, Amanda Solloway MP

Copied to:

Rt Hon Ed Miliband MP, Alan Whitehead MP

Wera Hobhouse MP

Dave Doogan MP

Ben Lake MP

By email  
26 April 2024

Dear Secretary of State,

The End Fuel Poverty Coalition has previously supported the reform of the Retail Electricity Market Arrangements (REMA) and welcomed the Government's commitment to this process.

There can be no doubt that reform of these markets must harness the benefits of net zero, reduce risks of price volatility and deliver a secure supply to consumers.

However, this important piece of reform has seemingly rejected changes to the marginal pricing arrangements and proposals such as a Green Power Pool without due regard for vulnerable customers and without conducting assessments of the policy options on households with protected characteristics.

Members of the End Fuel Poverty Coalition attended a meeting on 19 March with your officials which was billed as an opportunity to discuss "Challenge 1: Passing through the value of a renewables-based system to consumers".

At this meeting none of the questions raised by consumer groups were taken. We followed up by email to secure answers as these would help us to respond to the consultation.

Despite repeated attempts to secure answers to these issues, your officials indicated to us in emails (on 28 March, 10 April and 23 April) that they would not be prepared to answer questions by email.

Therefore, we are now formally asking you to answer our questions as set out below.

### **General**

*What is the timescale for prices to reduce for householders as a result of REMA reforms?*

*Could the government take out a Corporate Power Purchase Agreement on behalf of the fuel poor?*

*With zonal price variations, what protection would you give for the fuel poor in London and other areas where there is little renewable generation?*

### **Impact**

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*The Public Sector Equality Duty requires ministers to have due regard to the need to eliminate discrimination and other conduct prohibited under the Equality Act 2010, and to advance equality of opportunity and foster good relations between persons who share protected characteristics and those who do not. What - if any - equality and impact assessments associated with this duty have been made as part of the REMA policy development process, particularly on groups with protected characteristics and customers in vulnerable situations?*

*The government's response to the first REMA consultation process noted the need "to consider how to protect vulnerable consumers" as part of the wider vision for future electricity market arrangements. How has this been reflected in decisions to eliminate some proposals in the second REMA consultation?*

### **Gas**

*Are you worried that with the Government now wanting to build new gas fired plant(s), this will potentially expose groups reliant on electricity to higher prices for longer under the maintenance of marginal pricing.*

*Why are new gas plants even being considered? They'll take 5-8 years to build, then have an amortisation life of 40-60 years, i.e. way beyond 2050, which could leave the government a liability for early retirements.*

We are aware that there will be more questions that our members have, but we have had no opportunity to put these to the team responsible for the policy. The failure to conduct an appropriate consultation on these vital reforms will be to the detriment of consumers.

For your information, we have included the key points we made to the House of Commons Energy Security and Net Zero Committee which will remain our position on reform.

Due to the likely long-term nature of this decision process, I have copied this letter to opposition spokespeople on energy issues.

Best wishes,  
Simon Francis, Coordinator, End Fuel Poverty Coalition

### **Response to House of Commons Energy Security and Net Zero Committee**

The analysis from the [Energy Systems Catapult](#) clearly sets out why the current Electricity Market Arrangements are not fit for purpose and we would agree that the reforms being suggested are taking place too slowly and too timidly.

In October 2022 we responded to the [BEIS Review](#) of the Retail Electricity Market Arrangements (REMA) to express our support for reform.

There can be no doubt that reform of these markets must harness the benefits of net zero, reduce risks of price volatility and deliver a secure supply to consumers.

[Currently, the energy market is driven by "marginal pricing"](#) – meaning that the price per unit (kWh) of electricity is determined by the last energy source delivered onto the grid to meet demand in any given half hour period.

In practice, this is often the cost of gas power station-produced electricity, not renewable energy. Yet, renewables make up the biggest proportion of the energy mix (38.7%, [BEIS](#)) and are [nine times cheaper](#) than gas-fired power stations.

While the UK shifts its focus from fossil fuels, the predominant determinant of consumer electricity prices should no longer be expensive natural gas, coal, and oil.

It's imperative that customers start enjoying the advantages of more affordable renewable electricity options, and that their electricity rates are no longer subject to the unpredictable cost fluctuations of fossil fuels.

Therefore, we support calls for changes to the marginal pricing structure, on the condition that the Government establishes a method to guarantee lower consumer energy bills and the stable availability of electricity.

Our note of caution however is that the Government must ensure the needs of vulnerable consumers – and those already in fuel poverty – are better accounted for in these plans.

Given concerns about [energy blackouts in winter 2022/23](#), we need to couple decarbonisation of the energy grid, security of supply and lower costs for consumers to ensure that demand must always be matched by supply.

This is particularly for the most vulnerable consumers such as isolated rural communities and those relying on life saving medical equipment.

It is crucial for the Government to effectively harness the abundant renewable energy sources in the UK. This energy should be efficiently distributed to consumers via the reformed electricity grid, aiming to reduce price instability and establish a more dependable energy outlook for the future.

Part of this is ensuring that the country harnesses the power of renewables like wind and solar.

*What changes should be made to the planning system to enable it to increase the use of renewable energy?*

We need urgent action to tackle the energy cost crisis and ensure that people across the UK can access clean, affordable, homegrown energy. To achieve this, the government must:

1. Put in place an ambitious plan to increase onshore wind and solar power, quickly
2. Fully unblock onshore wind projects in England
3. Support community energy projects

Wind is highly popular in the UK: two-thirds of people would be happy to have onshore wind projects built near where they live, with [fewer than one in five people](#) opposed.

Onshore wind and solar are two of the cheapest ways to generate the expansion in clean electricity needed to protect people from soaring energy costs caused by gas prices. Power from new onshore wind projects costs at least [four times less](#) than gas power plants (and as little as nine times less during peak gas prices).

Onshore wind and solar projects can also be brought online quickly, far faster than new gas or nuclear power facilities, getting cheap, secure energy into the grid as soon as possible. The UK's current wind capacity will need to [almost triple by 2030](#).

As well as cutting emissions, increasing onshore wind would bring huge economic benefits to communities across the UK, generating £45bn of additional value and [27,000 full time jobs](#). Yet the government remains hesitant on wind, largely due to ungrounded concerns about public acceptance.

If all of the 649 onshore wind and solar projects which already have planning permission were built they would provide enough new electricity onto the grid to [more than off-set our imports from Russian gas](#).

Renewable energy must be built with nature in mind - and this means sharing the infrastructure between land and sea. Currently the delicate marine environment shouldered the majority of wind turbines, so we need onshore wind unblocked so that the land can take its share.



**About the Coalition**

The End Fuel Poverty Coalition campaigns to influence government and other bodies to take action to end fuel poverty and thereby improve people's health and quality of life as well as seeking to reduce the cost of living, create jobs and negate carbon emissions in the process.

It is a broad coalition of over 70 anti-poverty, environmental and health campaigners, local authorities, trade unions and consumer organisations.

For the latest list of members, visit <https://www.endfuelpoverty.org.uk/who-we-are/>. The Coalition is part of the wider [Warm This Winter campaign](#).

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