

Response ID ANON-SNTY-5BZ8-Q

Submitted to Review of Electricity Market Arrangements
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About you

What is your name?

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What is your organisation?

Organisation:
End Fuel Poverty Coalition

Which of the following categories does your organisation belong to?

Charity or social enterprise

Are you happy for your response to be published?

Yes

Would you like to be contacted when the consultation response is published?

Yes

Chapter 1: Context, vision, and objectives for electricity market design

1 Do you agree with the vision for the electricity system we have presented?

Yes

Please expand on your response here.:

The Government must reform the electricity market to harness the benefits of decarbonisation, reduce the risk of price volatility and deliver a more secure energy system to consumers.

BEIS' commitment to reliability and affordability at a time of heightened price uncertainty and consumer cost pressures is welcome.

However, we must ensure the needs of vulnerable consumers – and those already in fuel poverty – are better accounted for in these plans.

2 Do you agree with our objectives for electricity market reform (decarbonisation, security of supply, and cost-effectiveness)?

Yes

Please expand on your response here.:

Decarbonisation, security of supply and keeping costs down for consumers are crucial objectives to ensure households are protected from wholesale price volatility.

However, we need further reassurance that the revised electricity market will be suitable for vulnerable consumers.

Demand must always be matched by supply, particularly for the most vulnerable consumers such as isolated rural communities and those relying on life saving medical equipment.

We agree that successfully utilising the UK's extensive renewable energy resources and delivering them to consumers through the electricity grid will help mitigate price volatility and ensure we have a more secure energy future.

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

But to avoid continued reliance on fossil fuel backups to meet peak demand, REMA must also consider improving the UK's energy storage capacity (e.g. battery storage) to ensure electricity can be put onto the grid during peak periods when renewable generation is lower.

It is essential that REMA accounts for potential dips in supply which could leave consumers without power.

Chapter 2: The case for change

3 Do you agree with the future challenges of an electricity system that we have identified? Are there further challenges we should consider? Please provide evidence for additional challenges.

No opinion

Please expand on your response here.:

4 Do you agree with our assessment of current market arrangements/that current market arrangements are not fit for purpose for delivering our 2035 objectives?

No opinion

Please expand on your response here.:

Chapter 3: Our Approach

5 Are least cost, deliverability, investor confidence, whole-system flexibility and adaptability the right criteria against which to assess options?

No opinion

Please expand on your response here.:

6 Do you agree with our organisation of the options for reform?

No opinion

Please expand on your response here.:

7 What should we consider when constructing and assessing packages of options?

Please provide your response here.:

Chapter 4: Cross-cutting questions

8 Have we identified the key cross-cutting questions and issues which would arise when considering options for electricity market reform?

No opinion

Please expand on your response here.:

9 Do you agree with our assessment of the trade-offs between the different approaches to resolving these cross-cutting questions and issues?

No opinion

Please expand on your response here.:

10 What is the most effective way of delivering locational signals, to drive efficient investment and dispatch decisions of generators, demand users, and storage? Please provide evidence to support your response.

Please provide your response here.:

Please upload any additional evidence here.:

No file uploaded

11 How responsive would market participants be to sharper locational signals? Please provide any evidence, including from other jurisdictions, in your response.

Please provide your response here.:

Please upload any additional evidence here.:

No file uploaded

12 How do you think electricity demand reduction should be rewarded in existing or future electricity markets?

Please provide your response here.:

Chapter 5: A net zero wholesale market

13 Are we considering all the credible options for reform in the wholesale market chapter?

No opinion

Please expand on your response here.:

14 Do you agree that we should continue to consider a split wholesale market?

No opinion

Please expand on your response here.:

15 How might the design issues raised above be overcome for: a) the split markets model, and b) the green power pool? Please consider the role flexible assets should play in a split market or green power pool - which markets should they participate in? - and how system costs could be passed on to green power pool participants.

Please provide your response here.:

16 Do you agree that we should continue to consider both nodal and zonal market designs?

No opinion

Please expand on your response here.:

17 How might the challenges and design issues we have identified with nodal and zonal market designs be overcome?

Please provide your response here. :

18 Could nodal pricing be implemented at a distribution level?

No opinion

Please expand on your response here. :

19 Do you agree that we should continue to consider the local markets approach? Please consider the relative advantages and drawbacks, and local institutional requirements, of distribution led approaches.

No opinion

Please expand on your response here.:

20 Are there other approaches to developing local markets which we have not considered?

No opinion

Please expand on your response here.:

21 Do you agree that we should continue to consider reforms that move away from marginal pricing?

Yes

Please expand on your response here.:

As the UK transitions away from fossil fuels, the cost of natural gas, coal and oil should no longer be the dominant factor in determining the price consumers pay for their electricity.

It is crucial that consumers reap the benefits of cheaper renewable electricity sources and no longer have their unit rates determined by volatile fossil fuel prices.

Therefore, we support reforms to the marginal pricing system as long as BEIS devises a mechanism for ensuring this provides a reduction in consumer costs and maintains

consistency of supply.

22 Do you agree that we should continue to consider amendments to the parameters of current wholesale market arrangements, including to dispatch, settlement and gate closure?

No opinion

Please expand on your response here.:

23 Are there any other changes to current wholesale market design and the Balancing Mechanism we should consider?

No opinion

Please expand on your response here.:

Chapter 6: Mass low carbon power

24 Are we considering all the credible options for reform in the mass low carbon power chapter?

No opinion

Please expand on your response here.:

25 How could electricity markets better value the low carbon and wider system benefits of small-scale, distributed renewables?

Please provide your response here.:

26 Do you agree that we should continue to consider supplier obligations?

No opinion

Please expand on your response here. :

27 How would the supplier landscape need to change, if at all, to make a supplier obligation model effective at bringing forward low carbon investment?

Please provide your response here. :

28 How could the financing and delivery risks of a supplier obligation model be overcome?

Please provide your response here. :

29 Do you agree that we should continue to consider central contracts with payments based on output?

No opinion

Please expand on your response here. :

30 Are the benefits of increased market exposure under central contracts with payment based on output likely to outweigh the potential increase in financing cost?

Please provide your response here.:

31 Do you have any evidence on the relative balance between capital cost and likely balancing costs under different scenarios and support mechanisms?

Please provide your response here. :

Please upload any additional supporting evidence here.:

No file uploaded

32 Do you agree we should continue to consider central contracts with payment decoupled from output?

No opinion

Please expand on your response here.:

33 How could a revenue cap be designed to ensure value for money whilst continuing to incentivise valuable behaviour?

Please provide your response here.:

34 How could deemed generation be calculated accurately, and opportunities for gaming be limited?

Please provide your response here.:

Chapter 7: Flexibility

35 Are we considering all the credible options for reform in the flexibility chapter?

No opinion

Please expand on your response here.:

36 Can strong operational signals through reformed markets bring forward enough flexibility, or is additional support needed to de-risk investment to meet our 2035 commitment? Please consider if this differs between technology types.

Please expand on your response here.:

37 Do you agree that we should continue to consider a revenue cap and floor for flexible assets? How might your answer change under different wholesale market options considered in chapter 5 or other options considered in this chapter?

No opinion

Please expand on your response here.:

38 How could a revenue cap and floor be designed to ensure value for money? For example, how could a cap be designed to ensure assets are incentivised flexibly and remain available if they reach their cap?

Please provide your response here.:

39 Can a revenue (cap and) floor be designed to ensure effective competition between flexible technologies, including small scale flexible assets?

Please provide your response here.:

40 Do you agree that we should continue to consider each of these options (an optimised capacity market, running flexibility-specific auctions, and introducing multipliers to the clearing price for particular flexible attributes) for reforming the Capacity Market?

No opinion

Please expand on your response here.:

41 What characteristics of flexibility could be valued within a reformed Capacity Market with flexibility enhancements? How could these enhancements be designed to maximise the value of flexibility while avoiding unintended consequences?

Please provide your response here.:

42 Do you agree that we should continue to consider a supplier obligation for flexibility?

No opinion

Please expand on your response here.:

43 Should suppliers have a responsibility to bring forward flexibility in the long term and how might the supplier landscape need to change, if at all?

Please provide your response here.:

44 For the Clean Peak Standard in particular, how could multipliers be set to value the whole-system benefits of flexible technologies? And how would peak periods be set?

Please provide your response here.:

Chapter 8: Capacity Adequacy

45 Are we considering all the credible options for reform in the capacity adequacy chapter?

No opinion

Please expand on your response here.:

46 Do you agree that we should continue to consider optimising the Capacity Market?

No opinion

Please expand on your response here.:

47 Which route for change - Separate Auctions, Multiple Clearing Prices, or another route we have not identified - do you feel would best meet our objectives and why?

No opinion

Please expand on your response here.:

48 Do you consider that an optimised Capacity Market alone will be enough for ensuring capacity adequacy in the future, or will additional measures be needed?

Please provide your response here.:

49 Are there any other major reforms we should consider to ensure that the Capacity Market meets our objectives?

Please provide your response here.:

50 Do you agree that we should continue to consider a strategic reserve?

No opinion

Please expand on your response here.:

51 What other options do you think would work best alongside a strategic reserve to meet flexibility and decarbonisation objectives?

Please provide your response here.:

52 Do you see any advantages of a strategic reserve under government ownership?

No opinion

Please expand on your response here.:

53 Do you agree that we should continue to consider centralised reliability options?

No opinion

Please expand on your response here.:

54 Are there any advantages centralised reliability options could offer over the existing GB Capacity Market? For example, cost effectiveness or security of supply benefits? Please evidence your answers as much as possible.

Please provide your response here.:

55 Which other options or market interventions do you consider would be needed alongside centralised reliability options, if any?

Please provide your response here.:

56 Do you agree that we should not continue to consider decentralised reliability options / obligations? Please explain your reasoning, whether you agree or disagree.

No opinion

Please expand on your response here.:

57 Are there any benefits from decentralised reliability option models that we could isolate and integrate into one of our three preferred options (Optimised Capacity Market, Strategic Reserve, Centralised Reliability Option)? If so, how do you envisage we could do this?

Please provide your response here.:

58 Do you agree that we should not continue to consider a capacity payment option? Please explain your reasoning, whether you agree or disagree.

No opinion

Please expand on your response here.:

59 Do you agree that we should not continue to consider a targeted capacity payment / targeted tender option? Please explain your reasoning, whether you agree or disagree.

No opinion

Please expand on your response here.:

60 Do you agree with our assessment of the cost effectiveness of a targeted capacity payment / targeted tender option, and the risk of overcompensation? If not, why not?

No opinion

Please expand on your response here.:

Chapter 9: Operability

61 Are we considering all the credible options for reform in the operability chapter?

No opinion

Please expand on your response here.:

62 Do you think that existing policies, including those set out in the ESO's Markets Roadmap, are sufficient to ensure operability of the electricity system that meets our net zero commitments, as well as being cost effective and reliable?

No opinion

Please expand on your response here.:

63 Do you support any of the measures outlined for enhancing existing policies? Please state your reasons.

No opinion

Please expand on your response here.:

64 To what extent do you think that existing and planned coordination activity between ESO and DNOs ensures optimal operability?

Please provide your response here.:

65 What is the scope, if any, for distribution level institutions to play a greater role in maintaining operability and facilitating markets than what is already planned, and how could this be taken forward?

Please provide your response here.:

66 Do you think that the CfD in its current form discourages provision of ancillary services from assets participating in the scheme? If so, how could this be best addressed?

No opinion

Please expand on your response here. :

67 Do you think it would be useful to modify the Capacity Market so that it requires or incentivises the provision of ancillary services? If so, how could this be achieved?

No opinion

Please expand on your response here.:

68 Do you think that co-optimisation would be effective in the UK under a central dispatch model?

No opinion

Please expand on your response here.:

Chapter 10: Options across multiple market elements

69 Do you agree that we should not continue to consider a payment on carbon avoided for mass low carbon power?

No opinion

Please expand on your response here.:

70 Do you agree that we should continue to consider a payment on carbon avoided subsidy for flexibility?

No opinion

Please expand on your response here.:

71 Could the Dutch Subsidy scheme be amended to send appropriate signals to both renewables and supply and demand side flexible assets?

Please provide your response here.:

72 Are there other advantages to the Dutch Subsidy scheme we have not identified?

No opinion

Please expand on your response here.:

73 Do you agree that we should continue to consider an Equivalent Firm Power auction?

No opinion

Please expand on your answer here.:

74 How could the challenges identified with the Equivalent Firm Power auction be overcome? Please provide supporting evidence.

Please provide your response here.:

Please upload any supporting evidence here.:

No file uploaded