



Rt Hon Ed Miliband MP
Secretary of State
Department for Energy Security and Net Zero
55 Whitehall
London
SW1A 2HP

cc: Michael Shanks MP, Minister of State.

8 September 2025

Dear Secretary of State,

The forthcoming increase in the energy price cap underlines the continuing pressures on household budgets. The average bill remains £700 higher than it was in October 2020, and total household energy debt has now surpassed £4 billion.

We are writing to urge you to address one of the structural causes of persistently high electricity bills: the continued use of marginal pricing in Britain's electricity market.

We were disappointed with the response from your officials (below) which suggests that you are not and have not taken an active decision to review this since your appointment as Secretary of State.

Under the current system, the wholesale electricity price is set every half hour by the last (and usually most expensive) generator needed to meet demand, typically a gas-fired power station. As a result, even low-cost renewables and older nuclear plants are paid the inflated rate set by gas. This design inflates consumer bills and delivers windfall profits to some generators, despite falling renewable generation costs.

The Department believes that marginal pricing will become less influential over time as renewable penetration increases and the use of Contracts for Difference develops. However, even in a system where 90% of electricity comes from clean sources, the final 10%, if gas-powered, could still determine the market price. Whilst some renewables operate in the market without Contracts for Difference, expected until at least 2037 when the last generators with Renewable Obligations roll off their contracts, this system could still result in significant windfall profits at the expense of consumers.

Therefore, we don't believe that the Government's approach equates to meaningful reform. It is a gamble on market conditions over the coming decade.

What's more, there remains significant uncertainty about who or what will act as the marginal price-setter in a clean energy system. We do not yet know which forms of flexibility (such as storage or demand response) will fill this role, how often, or at what cost.

Finally, we have concerns about the role of the Low Carbon Contracts Company (LCCC) and how it remits the CfD payments it receives from generators to suppliers. We believe there must be much greater transparency as to how these payments are then passed onto consumers.

Without intervention, consumers may remain exposed to unpredictable pricing outcomes long into the future.

The decision to reject the Green Power Pool (GPP) proposal in REMA's second consultation was unexpected, disappointing and apparently in contravention of the responses received by the Department. The GPP could be one of the best routes to rapid reduction in household energy bills - which we want as much as we are sure that you do.

There are multiple pathways to reform—whether via market splitting, reformed CfDs, or pricing separation—that deserve further exploration.

If marginal pricing is to remain, we urge you to ensure:

- A clear timetable to reduce bill exposure to volatile fossil fuel prices;
- Strengthened protections for vulnerable consumers, including through targeted social tariffs;
- A commitment to revisit and reassess alternative market structures beyond the current REMA trajectory;
- A fairer distribution of energy market returns, especially in light of excess profits from legacy assets.

The REMA process must deliver more than tweaks to the current system. It is a once-in-a-generation chance to create an electricity market that is clean, secure, and affordable - for everyone.

We would welcome the opportunity to meet with you to discuss these concerns and proposals.

Yours sincerely,

Dr Brenda Boardman MBE, Emeritus Fellow at the Environmental Change Institute,
University of Oxford

Simon Francis, Coordinator, End Fuel Poverty Coalition

TEXT OF EMAIL FROM DESNZ OFFICIALS
OFFICIAL

Good afternoon, Simon,

On your question regarding marginal pricing, with the ever-increasing participation of renewables in the wholesale market over time, this means electricity prices will become increasingly detached from the price of gas and instead more frequently be set by cheaper renewable generation. Accelerating the deployment of renewable generation, as we are through the government's CfD scheme and delivering our Clean Power 2030 Mission, will

reduce the amount of time when gas is setting the price and help to rapidly decouple electricity from gas prices without the need for more complex arrangements. This will in turn reduce the exposure of consumer bills to volatile international prices. There are good reasons that the electricity market operates on a marginal pricing basis, and most comparable countries operate their market in this way. Electricity demand and supply must be equal on a second-by-second basis to ensure the electricity grid remains stable. As a result of this unique challenge electricity production cannot operate in the same way as other markets.

Secondly, the Green Power Pool (GPP) was assessed in detail as part of REMA's Second Consultation (2024) and was rejected, primarily as it is trying to solve a problem which is expected to decrease over time as wholesale electricity prices increasingly decouple from the price of gas. The Government agrees with that decision. While the Government recognises some of the benefits of a GPP, as set out in the [REMA Autumn Update](#), it would not offer significant advantages over the current market structure, with the role of the Contracts for Difference (CfD) scheme and Corporate Power Purchase Agreements in promoting the increased rollout of renewables and through the Clean Power 2030 Mission.

I hope you find this helpful.

Kind regards,
NAME REDACTED

About the End Fuel Poverty Coalition

The End Fuel Poverty Coalition is a [broad coalition of more than 100 anti-poverty, health, housing and environmental campaigners, charities, local authorities, trade unions and consumer organisations](#). It is also supported by academics, social enterprises and those working on the front line of fighting fuel poverty.

We believe that everybody has the right to a warm, dry home that they can afford to heat and power.

Members of the Coalition include: [Action with Communities in Rural England](#), [ACE Research](#), [Age UK](#), [All Birmingham's Children](#), [Austerity Action Group](#), [Association of Green Councillors](#), [Association of Local Energy Officers](#), [Association for Decentralised Energy](#), [Asthma + Lung UK](#), [Basingstoke & Deane Borough Council](#), [Beat the Cold](#), [Bruton Town Council](#), [Camden Federation of Private Tenants](#), [Carers Trust](#), [Child Poverty Action Group](#), [Church Poverty Action](#), [Chartered Institute of Environmental Health](#), [Chartered Institute of Housing](#), [Community Action Northumberland](#), [Centre for Sustainable Energy](#), [Climate Action Network West Midlands](#), [Debt Justice](#), [Disability Poverty Campaign Group](#), [Disability Rights UK](#), [E3G](#), [Energise Sussex Coast](#), [Energy Advice Line](#), [Energy Cities](#), [Epilepsy Action](#), [Exeter Community Energy](#), [Fair Energy Campaign](#), [Fair By Design](#), [Foster Support](#), [Fuel Poverty Action](#), [Fuel Poverty Research Network](#), [Generation Rent](#), [Good Law Project](#), [Groundwork](#), [Hackney Foodbank](#), [Heat Trust](#), [the HEET Project](#), [Home Start Oxford](#), [Independent Age](#), [Independent Food Aid Network](#), [Inner City Life](#), [Joseph Rowntree Foundation](#), [Lambeth Pensioners Action Group](#), [London Borough of Camden](#), [London Borough of Lewisham](#), [Marches Energy Action](#), [Marie Curie](#), [Mencap](#), [Mayor of London](#),

[MECC Trust](#), Moorland Climate Action, [National Pensioners Convention](#), National Union of Students / [Students Organising for Sustainability](#), NCB, [National Energy Action](#), [New Economics Foundation](#), National Federation of Women's Institutes, [Northern Health Services Alliance](#), [Oxford City Council](#), [Positive Money Tower Hamlets](#), [Plymouth Community Energy](#), Redcar & Cleveland Council, [Repowering London](#), Retrofit Bruton, Right To Energy Coalition, [Rossendale Valley Energy](#), [Ryecroft Community Hub](#), [Save the Children](#), [Sense](#), [Severn Wye](#), [Scope](#), [Shaping Our Lives](#), [Social Workers Union](#), [South Dartmoor Community Energy](#), [South East London Community Energy](#), [Southwark Group of Tenants Organisations](#), [South West London Law Centres](#), [Stop The Squeeze](#), [Tamar Energy Community](#), [Thinking Works](#), Uplift, [UNISON](#), Warm & Well North Yorkshire, [Warm & Well in Merton](#), [Winter Warmth Network](#), [Young Lives vs Cancer](#), [361 Energy](#).

The Coalition is also part of the [End Child Poverty Coalition](#) and the [Renters Reform Coalition](#). We work closely with [Energy Action Scotland](#), [NEA Wales](#) and the [Fuel Poverty NI coalition](#). The coordination for the [End Fuel Poverty Coalition](#) is provided by social enterprise [Campaign Collective](#).

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