



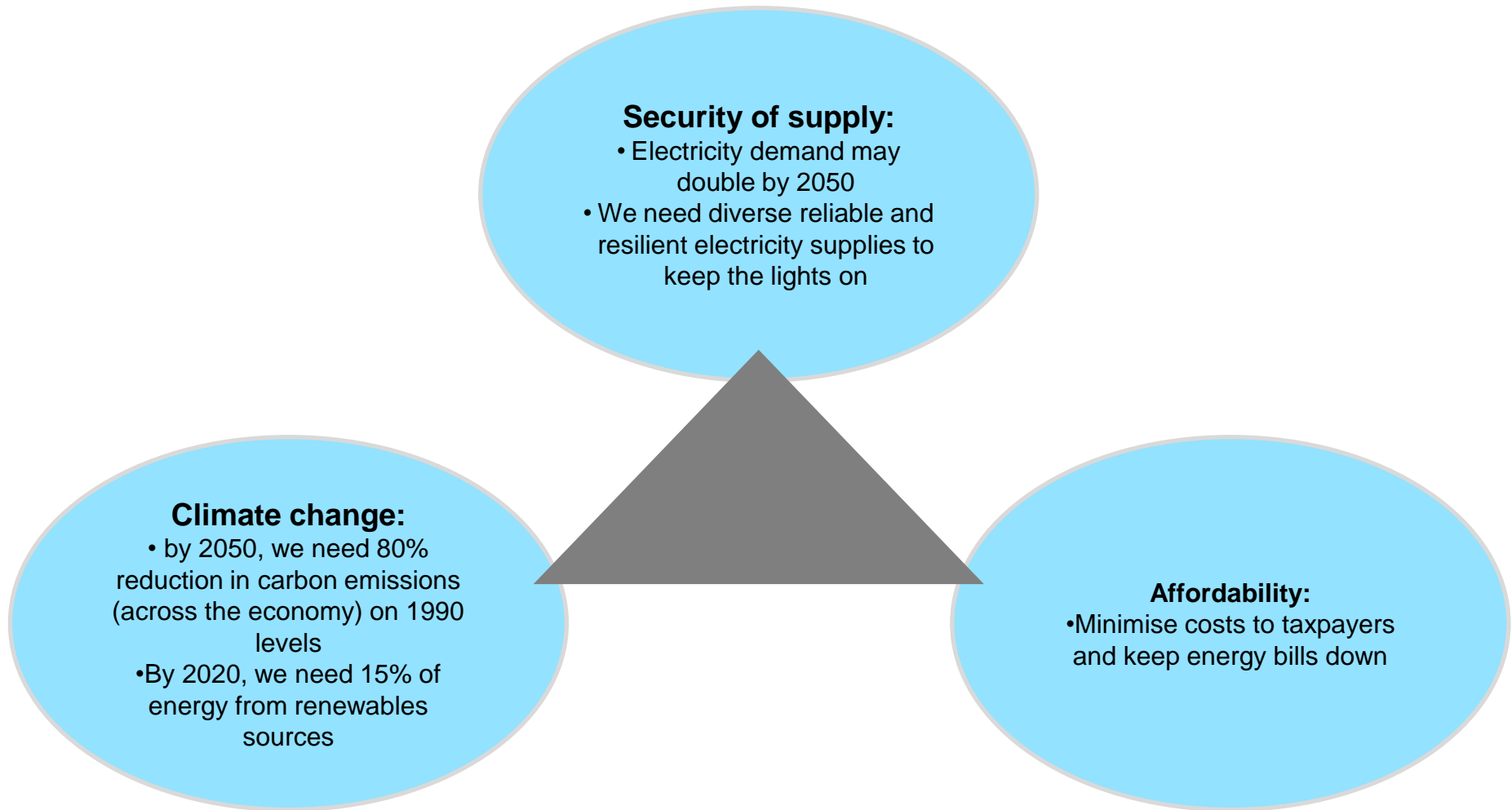
Department
of Energy &
Climate Change

Electricity Market Reform

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Electricity Market Reform: Objectives





The long-term vision is for low-carbon technologies to compete on costs

Long term vision:

An electricity market where low carbon technologies compete on cost

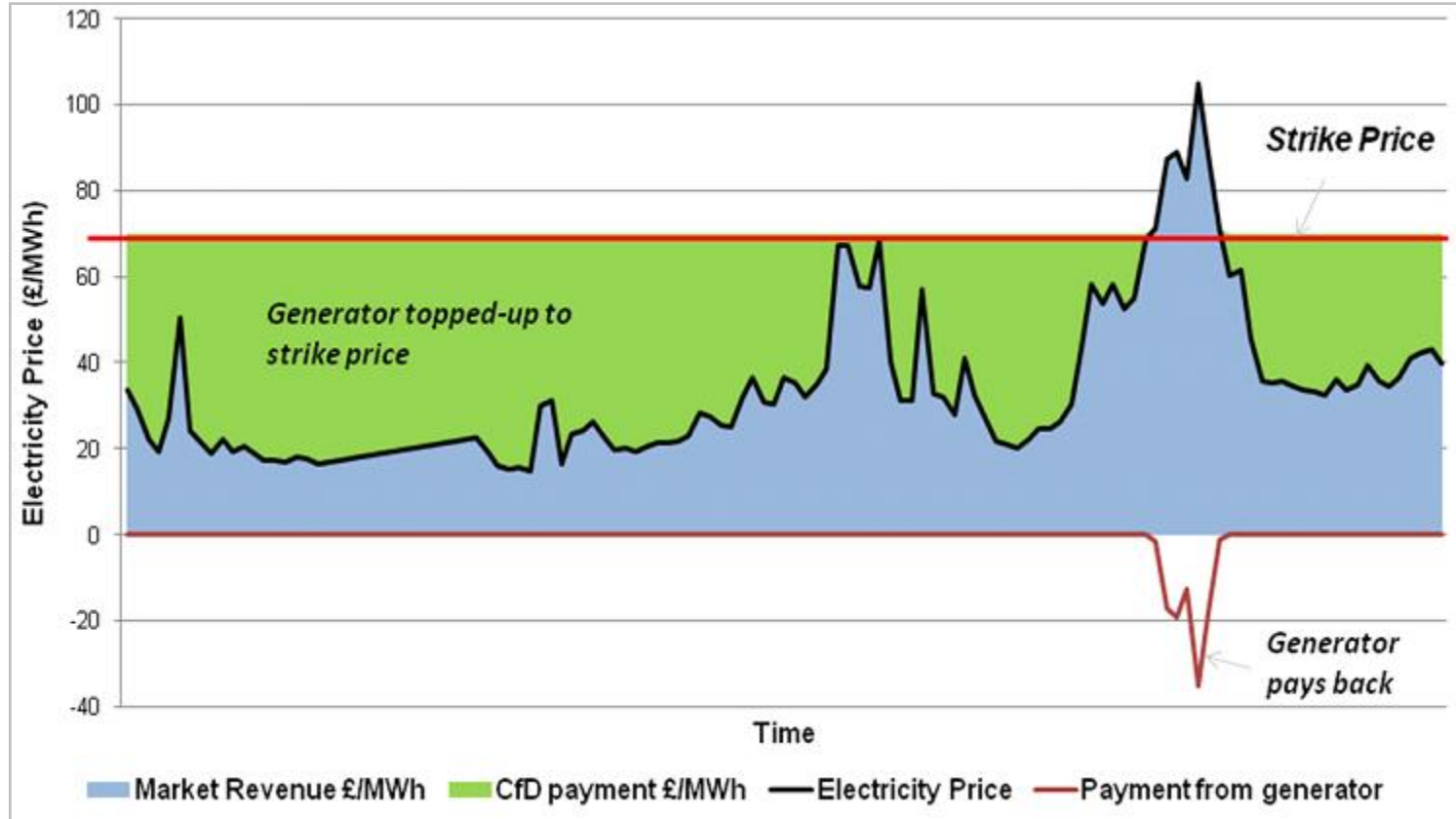
EMR puts in place the framework to transition towards this goal:

In particular, addressing the current issues with the market:

- Up front investment in high capital projects (nuclear/ renewables) expensive due to variable gas price
- Carbon signals in the market (particularly emissions trading) variable and hard to predict
- Technologies at different stages of maturity (e.g. early stage technologies like CCS and offshore wind will initially be expensive)
- Future market conditions mean that we need significant investment in peaking capacity (gas, demand side response and electricity storage)



CfDs to provide long term revenue stabilisation





Clear benefits to developers

1

Removal of wholesale electricity price exposure by providing a fixed strike price to developers, largely stabilising project revenue

2

Robust and reliable private law contractual arrangement providing developers with a clear set of rights and obligations, and recourse to arbitration processes to resolve disputes

3

Robust single counterparty owned by government and set up as a limited liability company

4

Early certainty and security of support levels in the project development process

5

Provisions that protect the value of the CfD to developers (e.g. change in law protection)



Final strike prices for renewables

*Cheapest sites
comparable
with gas on a
levelised basis
(including fuel
and carbon
permits)*

Renewables (Delivery Plan 14/15-18/19, 2012 prices)	2014/15	2015/16	2016/17	2017/18	2018/19
Onshore Wind	95	95	95	90	90
Offshore Wind	155	155	150	140	140
Tidal Stream	305	305	305	305	305
Wave	305	305	305	305	305
Biomass Conversion	105	105	105	105	105

These strike prices will be available to early projects through Investment Contracts, but competitive price setting will be introduced progressively for future projects