

Electricity Market Reform Project
Department of Energy & Climate Change
4th Floor Area E
3 Whitehall Place
London
SW1A 2AW

Pennaeth Gwasanaeth Dros dro - Datblygu Economaidd
- Economic Development

CYNGOR SIR YNYS MÔN
ISLE OF ANGLESEY COUNTY COUNCIL
Canolfan Fusnes Môn • Anglesey Business Centre
Parc Busnes Bryn Cefni • Bryn Cefni Business Park
LLANGEFNI
Ynys Môn • Isle of Anglesey
LL77 7XA

ffôn / tel: [REDACTED] ffacs / fax: [REDACTED]

Gofynnwch am / Please ask for [REDACTED]
E-bost / Email: [REDACTED]
Ein Cyf / Our Ref: DJW/LD/813.20b
Eich Cyf / Your Ref:

Dyddiad / Date: 22 February 2011

Dear Sir/ Madam,

Re. Department of Energy and Climate Change – Electricity Market Reform (EMR) Consultation

The Isle of Anglesey County Council (IACC) welcomes the opportunity to comment on the above outlined document.

The IACC in partnership with key stakeholders have established the Anglesey Energy Island Programme (EIP). The EIP aspires to establish the Island as a world renowned centre of excellence for producing, demonstrating and servicing low carbon energy, which in turn will provide a sound base to encourage economic diversification and transition, which will deliver positive benefits over the longer term. The outcome of the Electricity Market Reform (EMR) consultation and subsequent white paper will therefore significantly impact upon the delivery of the EIP.

As many of the questions posed can only realistically be answered by potential energy generators we believe that the IACC are not in a position to respond to the specific questions, however, following review of the consultation document we request that the following points are noted and where necessary given further consideration prior to the drafting of the White paper:

- The IACC supports the further development and implementation of Package 3 (CfD, targeted capacity mechanism, CPS, EPS);
- The differentiation between the various energy generating technologies is welcomed, thus ensuring that nuclear technology would not be assessed within the same criteria as onshore wind technology;
- The uncertainties surrounding licensing, cost of build etc; the cost of the first phase of a new build of any new technology would be far greater than the subsequent phases. As these issues will be resolved during the first phase of new build it will allow for the subsequent phases to proceed at greater pace and at significantly less cost. It is therefore essential that the proposed payment profile adequately reflects the variation in the cost;

- Due to the rapidly developing industry it is expected that new technologies will emerge and mature with lower development and running costs than existing technologies. It is essential that these are developed without compromising the financial viability of the existing technologies;
- It is essential that the UK Government commits its support beyond 2050. Although the targets set within the document are aimed to contribute towards the UK Government 2030 and 2050 climate change targets new nuclear facilities have the potential to generate far beyond 2050;
- The UK Government's aim is to have an increasingly lower carbon footprint in electricity production and considers nuclear and wind technologies to be the primary generators. Due to its inflexibility nuclear generation is that of the base load followed by wind due to its zero fuel cost. Combine Cycle Gas Turbine (CCGT) generation will be the load balancing and standby plant. However, it is essential to ensure pump storage capacity, as of that in North Wales, in order to absorb excessive wind generation at periods of low demand and provide a balancing load, frequency control and emergency generation;
- Previous analysis by Ofgem has identified low liquidity as one of the key barriers to entry in the British supply market, thus making it difficult for small and independent generators. Although Ofgem urged the industry to take action the IACC welcome and encourage the implementation of the proposed Ofgem measures if significant progress has not been made by Spring 2011.

Many of the localities, such as Anglesey, which will host these vitally important new energy generating infrastructure require some benefit. It is therefore essential that the EMR process consider how a consistent approach can be developed to ensure these communities/ locations can benefit from the considerable income which electricity generation creates e.g. a direct proportion or percentage of income from electricity generation could be placed within a Trust which ultimately supports local community development activities.

To conclude the IACC supports the further development and implementation of Package 3, however, we hope that the comments provided will be fully considered and would welcome the opportunity to discuss any related matter further.

Yours sincerely,

