

Kelda Group Limited
Western House
Halifax Road
Bradford BD6 2SZ
Tel +44 (0)1274 600111
Fax +44 (0)1274 608608
www.keldagroup.com

KeldaGroup



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

By email to: elec.marketreforms@decc.gsi.gov.uk

10th March 2011

Dear Sir,

Re: Consultation on Electricity Market Reform

Thank you for the opportunity to respond to the consultation on Electricity Market Reform. We agree with the Government of the need for reform to the electricity market to deliver both environmental targets and to reduce the risk to future security of supply.

The future Electricity Market needs to balance the demands of: environmental targets; security of supply; affordability for domestic and industrial customers; and provide a level playing for generating technologies and providers to compete.

We are in particular impacted by changes to the Renewable Obligation and Feed-in-Tariffs. We currently produce 41 GWh/year of power from technologies supported under the RO. We have plans to increase this to 82 GWh/year by 2015, and 130 GWh/year by 2020. The latter proportion of this is put at risk by the potential closure of the RO to new entrants in 2017, and lack of certainty over which technologies will qualify at which bandings in the new FIT (or Contract for Difference FITs). In particular we are concerned that sewage gas is not currently recognised under the FIT, but is under the RO.

We suggest that a suitable means for ensuring a level platform is produced by transferring all technologies that are under the RO to the FIT at the equivalent rate.

Please find enclosed our answers to the specific questions you raised in the Electricity Market Reform consultation which are of relevance to Yorkshire Water and the Kelda Group. We trust that you find our contribution useful. As a large consumer of electricity, with experience of planning for the variation in electricity prices and investing in energy efficiency and generation, we would welcome the opportunity to meet with you to discuss our points in more detail. If you would like to arrange a meeting, or discuss any of our comments and suggestions please contact [REDACTED] our Energy Optimisation Manager (Generation). [REDACTED] can be contacted via telephone on [REDACTED] or by email on: [REDACTED].

Yours sincerely

[REDACTED]

Current Market Arrangements

1. Do you agree with the Government's assessment of the ability of the current market to support the investment in low-carbon generation needed to meet environmental targets?

We agree with the Government's assessment of the ability of the current market to support the investment needed to meet environmental targets.

2. Do you agree with the Government's assessment of the future risks to the UK's security of electricity supplies?

We agree with the Government's assessment of the future risks to the UK's security of electricity supplies.

Options for Decarbonisation

8. What impact do you think the different models of FITs will have on the availability of finance for low-carbon electricity generation investments from both new investors and the existing investor base?

We believe that, in general, the Premium FIT will be most likely to result in the greatest availability of finance from investors, because of the relative certainty of return on investment that it gives.

Implementation Issues

36. We propose that accreditation under the RO would remain open until 31 March 2017. The Government's ambition to introduce the new feed-in tariff for low carbon in 2013/14 (subject to Parliamentary time). Which of these options do you favour:

- ☐ All new renewable electricity capacity accrediting before 1 April 2017 accredits under the RO;
- ☐ All new renewable electricity capacity accrediting after the introduction of the low-carbon support mechanism but before 1 April 2017 should have a choice between accrediting under the RO or the new mechanism.

We believe that all new renewable electricity capacity accrediting after the introduction of the low-carbon support mechanism but before 1 April 2017 should have a choice between accrediting under the RO or the new mechanism. Otherwise there is a risk that projects are artificially brought forward, or delayed purely to gain any perceived advantage through change in regulation.

All technologies supported under the RO should also be supported under the new mechanism.

37. Some technologies are not currently grandfathered under the RO. If the Government chooses not to grandfather some or all of these technologies, should we:

- ☐ Carry out scheduled banding reviews (either separately or as part of the tariff setting for the new scheme)? How frequently should these be carried out?
- ☐ Carry out an "early review" if evidence is provided of significant change in costs or other criteria as in legislation?
- ☐ Should we move them out of the "vintaged" RO and into the new scheme removing the potential need for scheduled banding reviews under the RO?

All technologies should be treated in the same way; i.e. grandfathered under the RO.