

Hi, here's my personal response to the Electricity Market Reform consultation. Can I remark that I'm pleased that it's published under the excellent Open Government License. There are answers to the specific questions later on, but first I wrote some notes on the Executive Summary.

- even as we improve energy efficiency, demand for electricity may need to double by 2050 –

This 'predict and provide' policy isn't optimal for electricity generation. It's the job of the government to make sure there's a competitive market for electricity, but it shouldn't have any kWh targets. The natural balance of supply and demand provides the optimal solution.

- as decarbonisation of the economy means that electricity provides more of our heating and transport needs;

True, the economy does need to decarbonise, but the government shouldn't impose the solution of using more low-carbon electricity. It can only increase the cost of emitting CO2 by taxing fossil fuel at source, and then Organizations and individuals will respond to those price signals. Some will save electricity, some will buy green electricity, some will use more electricity but less petrol or various other combinations, depending on what's optimal for them.

- to ensure security of supply, we will need to replace a quarter of our existing capacity by 2020, which are ageing and unlikely to meet environmental regulations. In the current system, maintaining the level of security of supply is left to market forces;

The most secure method *is* market forces. That's what I rely on to make sure there's a loaf of bread for me at the supermarket.

- the power sector needs to lead the decarbonisation of our economy,

Government should not be making this assertion.

but the current market has a bias towards fossil fuels. DECC's 2050 analysis shows that the power sector emissions need to be largely decarbonised during the 2030s. The Committee on Climate Change has recently proposed that the power sector should be close to zero-carbon by 2030;

De-carbonisation of the electricity supply is just one of the solutions. Others include insulating homes properly, or using less electricity. The government shouldn't dictate any particular solution.

- around 30% of our electricity in 2020 needs to come from renewable sources (largely onshore and offshore wind), up from 7% today, to meet our legally binding EU target for renewable energy. The Government has asked the Committee on Climate Change to provide further advice in Spring 2011 about the longer-term potential for renewable energy;

The proportion of renewables isn't the important thing. The important thing is how much CO2 we're emitting per capita.

- Under the current market, gas-fired generation is currently the lowest cost and lowest risk investment. It will continue to play an important role in the electricity sector – providing vital flexibility to support an increasing amount of low-carbon generation and to maintain security of supply.

I don't think the government should be saying what will and what will not play a role in the electricity sector.

However, current arrangements need to be reformed to allow equal access to the electricity market for a wider range of technologies, such as:

Other technologies already have equal access to the market. In fact many of the technologies receive subsidies, which should be removed.

I'm pleased that the report accepts the importance of improving the technical functioning of the market eg. sharpening the buyout price and reducing barriers to competition. I don't think it's right that these vertically integrated large energy companies can own DNOs, suppliers and generators.

I'm dubious about the levelized cost for nuclear power. Does it include the full cost of insurance?

Here are my responses to the specific questions. I haven't answered every question, since earlier questions already give the answer.

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?

No. With a carbon tax in place of the FITs, ROCs, LECs, EU-ETS, CRC and REGOs the current market is able to properly play its part in reducing pollution.

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

No. The current market is capable of delivering security of supply. The graph of capacity margin that shows EEU's escalating in the future is unrealistic. As the margin gets tighter, prices increase, which lessens demand and restores the margin.

3. Do you agree with the Government's assessment of the pros and cons of each of the models of feed-in tariff (FIT)?

I disagree with FITs because they support renewable generation rather than penalizing CO2 emissions. CO2 emissions are the problem, not necessarily lack of

renewable generation. Since I disagree with FiTs I haven't commented on the remaining FiT questions.

12. Do you agree with the Government's assessment of the impact of an emission performance standard on the decarbonisation of the electricity sector and on security of supply risk?

Again, I disagree with the EPS. There shouldn't be separate arrangement for certain generators. A fossil fuel tax based on CO2 emissions when burnt would cover all circumstances.

19. Do you agree with our assessment of the pros and cons of introducing a capacity mechanism?

Broadly, but I think you have underplayed the cons.

20. Do you agree with the Government's preferred policy of introducing a capacity mechanism in addition to the improvements to the current market?

No. A capacity mechanism would needlessly increase electricity prices, and would increase bureaucracy.

