



**Isle of Man
Government**

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THE HEAD OF COUNCIL OF MINISTERS ADMINISTRATION

Your reference:

8th March 2011

By e-mail only

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

Dear Sir/Madam,

RE: Consultation on Electricity Market Reform

Thank you for providing the Isle of Man Government with the opportunity to review and comment on the above document. We found it a very interesting document and eagerly await its outcome. On behalf of the Energy, Climate Change and Marine Spatial Planning Sub-Committee of the Council of Ministers, I would like to comment on some of the questions raised in the consultation as follows.

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

Yes, Isle of Man Government would agree with the Government's detailed assessment of the pros and cons of each of the models regarding feed-in tariff (FIT).

Question 4: Do you agree with the Government's preferred policy of introducing a contract for difference based feed-in tariff (FIT with CfD)?

Yes, Isle of Man Government would agree with the Government's preferred policy of introducing a contract for difference based feed-in tariff. It is appropriate that the most cost-effective approach is employed so that the likely cost of decarbonisation to UK consumers is minimised.

Isle of Man Government would also request that consideration be given to any legislative provisions envisaged to give effect to the FIT with CfD being drafted in such a way as to allow non-UK based generators to provide the UK market with renewable energy. Renewable energy projects developed outside the UK such as those in the Isle of Man may be a more cost effective option for developers, and allowing for them to access the UK market will enhance cost-effectiveness of the FIT, and also help UK meet its targets.

Question 5: What do you see as the advantages and disadvantages of transferring different risks from the generator or the supplier to the Government? In particular, what are the implications of removing the (long-term) electricity price risk from generators under the CfD model?

To maintain continued investment in low carbon generation technologies it is essential that generators receive certainty regarding future revenues. Similar models to the proposed FIT with CfD model have been used in Netherlands and Denmark which should provide certainty to investors in the UK.

Question 6: What are the efficient operational decisions that the price signal incentivises? How important are these for the market to function properly? How would they be affected by the proposed policy?

Investors require certainty from future revenues and the proposed FIT with CfD will incentivise continued investment in low carbon generation technologies.

Question 9: What impact do you think the different models of FITs will have on different types of generators (vertically integrated utilities, existing independent gas, wind or biomass generators and new entrant generators)?

How would the different models impact on contract negotiations/relationships with electricity suppliers?

Currently the ROC scheme has various bands to encourage investment in new technologies such as offshore wind, tidal and wave power. In order to continue to incentivise investment in these new low carbon generation technologies it will be necessary to ensure a suitable level of support is provided for marine renewable technologies.

Question 11: Should the FIT be paid on availability or output?

To minimise cost increases to the UK consumer the FIT should be paid on output.

Should you require any further information or clarification on any of the above, please do not hesitate to contact our senior manager for energy policy, Dr. Ken Milne by telephone 01624 687142 or by email ken.milne@gov.im.

Yours sincerely,

[Redacted signature]

[Redacted text]