Electricity Market Reform: All power to the Big Six!

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All power to the Big Six! That might as well be the slogan for the Government's Electricity Market Reform (EMR) that is currently going through Parliament. EMR has been billed as a measure to decarbonise the electricity economy whilst at the same time stopping the electricity system collapsing as old coal and nuclear power stations come off line. Unfortunately the Government is selecting policy mechanisms that give a market advantage to the electricity majors. Despite improvements to the Energy Bill being debated in Parliament the proposals could still make it virtually impossible for independent developers to set up renewable energy schemes.

The Government has spurned pressures to establish a simple system, used in Germany, of 'fixed' feed-in tariffs that would give an even playing field to independent and community based renewable projects as well as multinational corporations. Critics argue that the proposed 'contracts for difference' (CfD) will allow the Big Six to use the complexity to make extra profits from renewable energy compared to a 'fixed' feed-in tariff system that would be fairer to independents. A report published by Cambridge's University Professor David Newbery estimated that by 2020 the CfD system is likely to cost £70 million a year more for onshore windfarms alone compared to a ‘fixed’ feed-in tariff system.

The Government’s proposals were kick-started on the basis of what is proving to be a mythology about an alleged power generation gap, and the Big Six stand to be given large subsidies to build excessive quantities of gas fired power stations through a system being called ‘capacity credits’. Yet, just as it is independent companies who began the drive for renewable energy in the 1990s (and today with solar power installations), it will be independent companies who can best move forward new technologies for balancing the grid. The future for balancing the grid lies in innovative use of energy efficiency and demand management systems using links between software embedded in electricity using appliances, the right sort of advanced IT meters, renewable energy generators, and green electricity suppliers. For example, in the future electric cars using batteries will act as effective storage systems to balance variable production from renewable energy sources using variable electricity charging systems.

However, do not look to the Big Six to bring such technologies to the mainstream. They want to make money out of conventional power stations. They are failing in their bid to have new nuclear power stations built because nuclear is simply uncompetitive when given the same incentive system as renewables, and coal is seen as too environmentally damaging. So they are happy to have a system that gives them a virtual monopoly of the renewables market and a system that helps them maximise returns from building gas fired power stations. But lots of independent companies and proponents of new technologies are out to challenge this situation. These issues will be discussed at the **'Feeding Renewables' (http://www.birmingham.ac.uk/oncampus/events/feeding-renewable-policy.aspx)** Conference held at the University of Birmingham on Friday 18th January.

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