

CMA Energy Market Investigation – Provisional Decision on Remedies

Comments from the Energy Intensive Users Group

The Energy Intensive Users Group (EIUG) represents manufacturing sectors including steel, chemicals, paper, mineral products, glass, ceramics, aluminium and industrial gases that operate in global markets and depend on access to secure, internationally competitive energy supplies to remain in business. These industries employ 200,000 workers directly, providing indirect employment for over 800,000 workers, and contribute over £15 billion to UK GDP.

Contracts for Difference

EIUG supports the CMA's recommendation that DECC should consult on clear and thorough impact assessment before awarding CfDs outside the auction mechanism.

EIUG has urged DECC to accelerate the move towards auction-based, technologically neutral CfDs for low carbon power generation in order to deliver best value for electricity users. We recognise there may be legitimate reasons for awarding CfDs outside the auction mechanism, e.g. for demonstration projects where the prime objective is to establish the practical and/or commercial potential of an immature technology rather than facilitating its deployment at scale. In such instances it would be useful for DECC to make clear how much of a premium electricity users will be expected to pay both with respect to default market-led investment, and to more established CfD-dependent low carbon alternatives.

EIUG recognises there may be legitimate reasons for limiting deployment of certain subsidy dependent technologies because of their social or environmental impact (e.g. onshore wind). There may also be sound reasons for prioritising deployment of specific technologies that are strategically valuable as a result of their ability to deliver secure, low carbon baseload (e.g. nuclear). We agree with the CMA that in such instances DECC should publish transparent impact assessments so that the cost implications of allocation of technologies and CfD budgets between pots is adequately communicated to electricity users.

Locational Pricing

EIUG agrees with the CMA's recommendation that Ofgem should support National Grid in implementation of the Locational Pricing Order, and hopes that this will result in more transparent and ultimately more stable allocation of transmission loss factors.