

REMA Task & Finish Group Meeting Minutes –

01/08/22, 15.00 – 16.30, Online

Attendees: Peter Dickson (Chair, Glennmont Partners by Nuveen), Christie Sims (BSR), Dai C. Richards (Hitachi Energy), Darren Williams (Eco3), Duncan Valentine (Almax Partners), Gregory Triantafyllidis (JBM Solar), Hilary Stone (Imperial College London), Isabel Boira-Segarra (Future Earth Energy), Kamila Nugumanova (Drax), Keith Gains (Quinbrook Infrastructure Partners), Marcus Newborough (ITM Power), Richard Molloy (EATON), Nina Skorupska (REA), Amy MacConnachie (REA), Isobel Morris (REA), Callum Coleman (REA), Frank Gordon (REA), Mark Sommerfeld (REA)

Apologies: Kit Dixon (Good Energy), Jonathan Scurlock (NFU), Mark Howitt (Storelectric), Jon Crouch (Infinis), Jerry Stokes (Gridserve), Stephen Hill (Eversheds Sutherland)

The Chair opened the meeting and welcomed those in attendance.

1. REMA Introduction and Cross Cutting Issues

REA presented an overview of the REMA consultation and highlighted the key cross-cutting issues identified by BEIS in the consultation document.

2. Wholesale Market

Split Market and Green Power Pool

REA presented the key options outlined by BEIS in the consultation document, namely a Green Power Pool or a Split Market.

Members emphasised the need to protect investment. Any major market shift likely to compromise investor trust as price forecasts are disrupted. Bankability therefore a key concern and grandfathering would be required.

Concerns were raised with the Green Power Pool proposal, particularly given the voluntary nature of the arrangement. Generators are unlikely to move into the green pool while prices are high, and so it may not reduce costs as a result.

Agreement on the need to protect vulnerable consumers. It is unclear at present how either approach will work and both are built upon the assumption that consumers will be flexible and participate. There was broad concern that vulnerable consumers would be likely to have higher costs than richer consumers.

Members preferred arrangement was a split market with caveats to protect investment.

Locational Price Signals

REA outlined BEIS' proposals to move towards locational price signals. While BEIS have not committed to the adoption of a mechanism for locational price signals, this appears to be their intention. Options proposed in the consultation included zonal or nodal pricing.

Members broadly opposed to reforming the market to allow for locational price signals. Wide concern that this would make investment in generation infeasible due to price uncertainty and the variability of pricing across the life of an investment. Complexity would also serve to discourage investment.

Some members noted that this would not have the intended outcome of incentivising generation in high demand areas. Scarcity of land in high-demand urban centres means that generation cannot be moved in this manner.

Broad member agreement that locational pricing was a market solution to a physical network problem. The priority for BEIS needed to be investment in the grid.

Some recognition that keeping generation as close to demand as possible would be useful moving forward as renewable technologies matured and demand for sustainable fuels grew.

Members preferred arrangement was to not adopt locational price signals.

3. Mass Low Carbon Power & Options across Multiple Market Elements

REA presented the key options outlined in the relevant chapters of the consultation document. These included Supplier Obligation, a Cap and Floor mechanism, CfD variations, and Auction by cost of Carbon Abatement or Equivalent Firm Power.

Members stressed that clarity, predictability and steady-income streams were key to investment in renewables. CfD schemes would be important in the future as stability and conservatism would be key.

Suggestions proposed for CfD variations, such as including lower pricing at times of low demand and a premium price during peak periods. This would incentivise investment in co-located projects and support deployment of flexible assets.

Some concern that the Auction by cost of Carbon Abatement would incentivise technologies that are underdeveloped as had happened in Netherlands, but support for the principle of the market being led by Carbon saving.

Some concern that it was difficult to assess Supplier Obligation models before the retail market reform workstream had closed.

Broad agreement that timing and implementation would be important. Investment needed to be incentivised quickly and short-term relief needed to be a key consideration in any model taken forward.

4. Flexibility

REA presented the key options to boost flexibility deployment as outlined in the consultation document, these include Supplier Obligation, a Cap and Floor, or Capacity Market Reform. REA noted that the current association position was to support a revenue cap and floor for flexibility assets.

Members briefly discussed each proposal. There was agreement that the current proposals had too many objectives to be solved by a single mechanism.

Members expressed broad support for a revenue Cap and Floor for flexible assets.

5. Date of next meeting

Members agreed that the next meeting of the group would take place on 17 August at 15.30.

6. Sponsorship of REA REMA Series publications

REA to develop a series of industry-leading policy white papers to shape the debate on key issues identified in the REMA consultation. Papers to be published before the consultation closes.

Initial proposed topics include investor confidence, capacity adequacy and constraint, wholesale market reform, nodal pricing. Opportunity for sponsorship of the industry-leading papers and members to contact REA for further information.

7. Working Group GDPR

REA noted intention to share the contact details of group members with others in the group. Members could opt-out of this by Wednesday 3 August. Members agreed to the suggestion.

The Chair closed the meeting.