

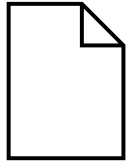
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# Review of Electricity Market Arrangements (REMA) Consultation Launch

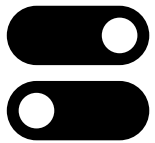
Monday 25th July 2022



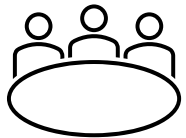
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Consultation Context & Overview



Options for Reform



Engagement





Dan Osgood –  
Director, Energy  
Security, Networks and  
Markets.  
**REMA Senior  
Responsible Owner**



Rob Hewitt –  
Head of Electricity  
Security & Market  
Reform.  
**REMA Programme  
Director**

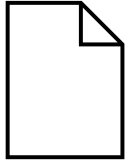


Rachel Cary & Harriet Dalrymple -  
**REMA team policy leads**

Department for



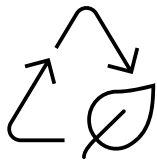
# REMA Consultation Context & Objectives



REMA announced as key enabler in British Energy Security Strategy (BESS) published in April 2022.  
REMA launch call held on 12<sup>th</sup> April.



REMA consultation published as first step consultation on 18th July 2022 running until 10th October 2022.  
This begins the process of developing, refining and narrowing down options for reform under three core objectives:



Decarbonisation

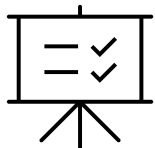


Security of supply

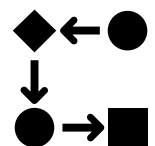


Cost-effectiveness

# Consultation Document Overview



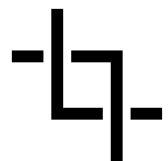
**Objectives for electricity market reform** – the context for this work; our vision for the future; and policy objectives



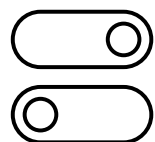
**Case for change** – our analysis of the challenges a future electricity system needs to address and our case for change



**Our approach** – detailing our timelines for work, core outcomes and how REMA will link with the wider UK energy package



**Cross cutting questions** – exploring cross-cutting questions about our overall approach to market reform



**Initial assessment of options** – exploring the options for reform organised around core workstreams

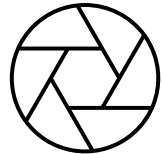


# Cross Cutting Questions

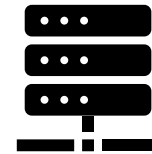
There are a number of cross-cutting questions and issues arising from our consideration of options for market reform, which will need to be addressed as part of this Review:



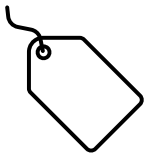
Role of the market



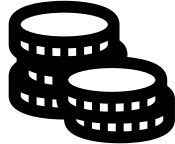
Extent of competition between technologies



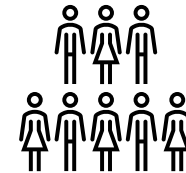
Extent of decentralisation: where decisions are made



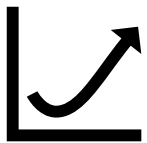
Role of marginal pricing



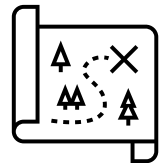
Minimising financing cost and maximising operational signals



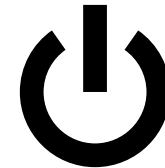
More accurate price signals and the benefits for consumers



The scale of change: delivering our objectives throughout the transition



Delivering more accurate locational signals



Electricity demand reduction

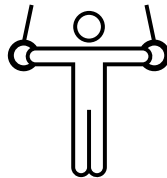
# Core Workstreams

The REMA team has organised work around five core workstreams which will be used to assess the options for reform:

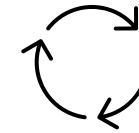


## **Wholesale market** –

considering whether alternatives to the wholesale market and balancing mechanism would better suit our renewables-heavy future, particularly by ensuring that there are sufficient operational signals for low carbon flexibility.



**Flexibility** – referring to the ability to shift the consumption or generation in time or location. We regard this as critical for balancing supply and demand, enabling integration of low carbon power, heat and transport, and maintaining the stability of the system

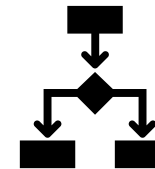


**Capacity Adequacy** – considering all options for reliably delivering the overall capacity that will be required to ensure security of supply and considering how to do this in the most efficient way that best supports our decarbonisation goals.



## **Low carbon investment** -

considering options for delivering investment in the production of the majority of the low carbon electricity which will be required to meet carbon budgets



**Operability** – considering options to promote investment in low carbon ancillary services that will meet the needs of a system increasingly dominated by variable renewable energy.

# Options for Reform

Policy packages will need to select at least one option from each row

Reforms will be considered across the five core workstreams

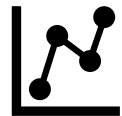
Wholesale market - location	National pricing		Zonal pricing		Nodal pricing		
Wholesale market - tech	Unified market			Split by characteristic			
Wholesale market - balancing	National			Local then national			
Wholesale market - price formation	Pay-as-clear			Pay-as-bid			
Wholesale market - dispatch	Self-dispatch			Central dispatch			
Mass low carbon power	Existing CfD	CfD with more price exposure	Deemed generation CfD	Supplier obligation	Revenue cap and floor	Dutch subsidy	Equiv. firm power auction
Flexibility	Optimised CM	CM with flex enhancements	Supplier obligation (inc. CPS)				
Capacity adequacy		Capacity payment	Centralised reliability option	Decentralised reliability option	Targeted tender	Strat. reserve	
Operability	BAU	BAU+	Local markets	Changes to CfD/CM design	Co-optimisation	Dedicated support scheme	



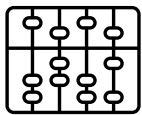


# Consultation Responses

We want to ensure that responses are as effective as possible to build our evidence base and prepare for our policy development process. We want content that can support us on:



**Approach / case for change** – have we identified the right issues; which ones would you prioritise (supported by evidence); do you agree with approach / objectives / scope?



**Reform options** - do you have evidence on key risks and opportunities (including international examples), including consumer, system and sectoral/commercial impacts? Have we missed any key ideas that would be more effective?



**Engagement** – can you point us to expertise, or groups that might be affected by different options that we should be talking to?



Responses should be provided online at <https://beisgovuk.citizenspace.com/cleanelectricity/review-electricity-market-arrangements> wherever possible, or alternatively use the response template and email [REMA@beis.gov.uk](mailto:REMA@beis.gov.uk). **Please provide responses question by question.**



# Engagement Programme

Engagement type	Description	Proposed dates
Regular communication	Calls or newsletters	July onwards
Chapter specific events	Focused seminars on the consultation chapters	August – September
Strategic REMA wide events	Day-long in-person event in Sept/Oct followed by further events	September/October onwards
Attending industry events	Representing the REMA programme at your events	July onwards
Bilaterals	Small scale engagement with groups or individuals	July onwards
Focused engagement	Workstream-led workshop series	October onwards
	In-depth interviews / focus groups	October onwards



If you would like to be involved in our stakeholder engagement plans going forward, please email [REMA@beis.gov.uk](mailto:REMA@beis.gov.uk) with the subject 'Request to participate in future REMA Engagement'.



# Q&A

***Please submit any questions  
in the chat box***

