



CORNWALL INSIGHT

CREATING CLARITY

A green light or a red flag? The UK's updated energy plans attract scrutiny

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Kate Mulvany



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Ahead of the winter break, the UK Government revealed plans to reform the GB electricity system. The 'Clean Power 2030 Action Plan' and REMA Autumn Update set out ambitious strategies to reshape the electricity market. Here's a look at the key proposals and their potential impact.

Energy policy certainty is eagerly awaited

Launched in 2022, the Review of Electricity Market Arrangements (REMA) programme aims to transform GB's electricity system from one dominated by large, dispatchable thermal generators to a system primarily reliant on variable renewables and storage. DESNZ has emphasised that the decarbonised system must also be cost-effective and maintain security of supply throughout the transition and beyond. Initially targeting 2035 for a decarbonised system, Labour's 2024 election pledge brought the goal forward to 2030.

The first REMA consultation outlined the need for change and explored a wide range of reform options, while the second in March 2024 narrowed reform options based on feedback. The REMA Autumn Update shares responses to the second consultation and sketches out the remaining steps to conclude the policy development phase by mid-2025.

The Clean Power 2030 Action Plan (CP30) outlines generally short-term actions that will be required to unlock investment in low carbon generation and flexibility in time to impact the 2030 target. It includes broader policy actions to accelerate network build out, reduce connection timescales, and shows some consideration of the future retail market, setting the stage for longer-term electricity market reform through REMA.

Wholesale Market Reform – no decision until mid-2025

- No decision has been made between a zonal wholesale market (Locational Marginal Pricing/LMP) and a reformed national wholesale market, with both still under active consideration by DESNZ.
- New indication that consumers may only see locational wholesale pricing signals if they opt in – “[passing through zonal wholesale pricing signals to consumers] would always be on a voluntary basis”.
- Grandfathering arrangements under both options for reform remain to be confirmed.
- Recognising the risk that ongoing uncertainty about LMP poses to investors, DESNZ has committed to making a decision in time for Contracts for Difference (CfD) Allocation Round 7 (AR7).

A defined target for Clean Power 2030

- Clean Power sources are targeted to produce at least 95% of GB's generation by 2030, with 5% expected from unabated gas and dispatchable fossil fuel only used when it's essential, e.g., in a low wind period.
- Energy from waste (EfW) and combined heat and power (CHP) are excluded from the Clean Power definition due to their roles in waste management and industrial use (around 3% of 2030 total generation).

DESNZ positioning is overall in line with recent NESO publications, and broadly within the Climate Change Committee's Sixth Carbon Budget advice.

Investment of around £40bn a year projected by DESNZ

- CP30 could require around £40bn/year of investment on average from 2025 -30 – around £30bn/year of investment in generation assets estimated by DESNZ and around £10bn/year in electricity transmission network assets estimated by NESO.
- Final decisions on Sizewell C and the Great British Nuclear-led Small Modular Reactor programme will be taken at the Spending Review.
- The allocation of investment costs amongst system users is to be confirmed.

Of note

- Around twice as much transmission build out is needed for CP30 as was delivered altogether in the previous decade.
- Offshore wind could see relaxation of permissions compared to current processes.
- Revisions of CfD budget formation, auction parameters, and contracts, are all expected to be considered to achieve 12-15GW of new capacity in the next three allocation rounds.
- DESNZ considers interconnector reform insufficient to meet REMA objectives when compared to LMP. Analysis, which they have shared to date is doing little to address concerns that the potential benefits of such are being overlooked.
- The Government recognises the importance of retaining unabated gas capacity to ensure electricity supply until carbon capture, utilisation, and storage (CCUS) and potentially hydrogen power are deployed at scale. There are proposed reforms to the Capacity Market (CM) to enable unabated gas to transition to a backup role while retaining its capacity, with clear decarbonisation readiness requirements for refurbishing or new gas plants.

Expected next steps

- Early 2025: CfD consultation ahead of AR7.
- Q125: Long duration energy storage (LDES) technical decision document on outstanding areas of the LDES cap & floor regime.
- Spring 2025: Solar Roadmap, focusing on unlocking rooftop solar; Onshore Wind Industry Taskforce report, finding solutions to ensure defence, aviation, and onshore wind infrastructure can coexist; Hydrogen-to-Power market engagement report, outlining details on the proposed design and business models.
- Q225: First allocation round expected for the LDES cap & floor regime.
- Summer: Low Carbon Flexibility Roadmap, short- and long-duration, and consumer-led flexibility; LMP decision

Will it be enough?

Although the additional clarity provided by the recent publications will be welcomed by many, there are still many unknowns. REMA is just one facet of the broader reforms necessary to achieve the UK Government's ambitious energy and climate goals. However, it will serve as a critical test of the Government's ability to drive change across the entire electricity market and, by extension, meeting the legally binding target of net zero emissions across the whole economy by 2050. The Government must demonstrate decisive leadership and rapidly complete a clear, actionable plan to instil confidence in investors and consumers. Only then can the UK hope to achieve its decarbonisation goals and secure a sustainable, resilient energy future.

This is an extract from our Perspective, featured in the 16 December edition of Energy Spectrum, part of our [Industry Essentials](#) service.

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CORNWALL INSIGHT

CREATING CLARITY

Cornwall Insight
The Atrium
Merchant's Court, St George's Street
Norwich, NR3 1AB

T: 01603 604400

E: enquiries@cornwall-insight.com

cornwall-insight.com

