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1.0 Introduction
Giving Businesses a Voice

At the core of npower’s drive to provide market-leading customer service is its collaborative approach to working with customers. npower views itself as more than an energy supplier – it is an energy partner – working as a combined consultant, adviser and supplier to provide each customer with a bespoke service.

A key element of this partnership approach is its dedication to giving customers a voice on a national level in energy market decisions. The UK energy market is going through a period of legislative change and businesses have a huge task on their hands to understand their requirements so they can plan for the future.

npower strongly believes that it is UK businesses who should have the loudest voice in Government’s consultation on energy regulation.

This report focuses on two key initiatives that npower has implemented in 2011 to give businesses a voice in the UK’s energy market:

i. ‘Red Tape Challenge – Have Your Say’*

npower launched ‘Red Tape Challenge – Have Your Say’ in 2011 to directly respond to the Government’s Red Tape Challenge initiative that aims to reduce unnecessary regulatory burden on businesses.

npower recognised that the Government had offered businesses an unprecedented opportunity to have their say on the legislation affecting them. The campaign gave businesses a simple, convenient way to have their say on the energy policy they think should be scrapped, merged, simplified or left as it is, via an online survey on npower’s dedicated microsite: www.npower.com/redtape.

In this report, npower collates the responses which should be considered as part of the Government’s Energy Red Tape Challenge.

ii. Giving businesses a voice on EMR*

In February 2011, npower hosted a roundtable event to provide businesses with the opportunity to have their voices heard on the future of the electricity market. While the Government’s Electricity Market Reform (EMR) consultation did not expressly seek the views of businesses, npower knew the changes would affect them.

With this in mind, npower wanted to ensure its customers had the chance to have their voices heard. The event brought together npower’s experts to discuss the EMR with energy managers and consultants from a variety of sectors. The event was attended by 13 representatives from leading businesses, including ASDA, BT, GlaxoSmithKline and Tata Steel. npower also conducted quantitative research with customers to further investigate their views. From this, a comprehensive report was developed that captured the views of businesses, which was submitted to the Department of Energy and Climate Change ahead of the consultation deadline.

Following the publication of the Government’s EMR White Paper in the summer, npower hosted a second roundtable in October 2011 to further canvas business opinion. In this report, npower collates the views of businesses attending the roundtable, which should be considered by DECC as part of its ongoing energy market reform programme.

* NB – while some feedback included in this report goes beyond the remit of the Energy Red Tape Challenge, we feel it is important to feedback businesses’ views on the UK energy policy that impacts the most on their operations.
As part of our ‘Red Tape Challenge – Have Your Say’ campaign, npower has surveyed nearly 100 energy professionals to gauge what they think of the red tape affecting the energy sector. The results are as follows:

2.1 General views

- On average, a third (34%) of energy professionals believe that current energy legislation will help the UK to achieve its emissions reduction targets.
- Opinion is split over whether these pieces of legislation will help raise the increased investment needed for low carbon generation, with 27% agreeing and 31% disagreeing.

2.2 Carbon Reduction Commitment Energy Efficiency Scheme (CRC)

**Key stats**
- 51% believe that the CRC is not necessary
- 35% think CRC should be merged with existing regulations
- 65% think CRC should be simplified
- 58% think that changes should be made to the CRC
- The majority of businesses (36%) do not think that the CRC will help the UK to achieve its emissions reduction targets.
- 53% of businesses believe the legislation will not help raise the increased investment needed for low carbon generation

**Business feedback**

Of those that agreed the legislation was not necessary and should be scrapped, the following is a snapshot of the comments respondents made:

> “The need for SMEs to register was totally stupid, the electricity suppliers could have supplied all the information to the government directly.”
> Geoff Moules, Note UK

> “Any reduction in carbon will be outweighed by the cost and time put into running such a scheme. The scheme now is seen as a tax to cope with the country’s deficit rather than meeting the Carbon Reduction targets imposed via Kyoto.”
> Anonymous

> “The government does not understand the impact it will have on business – forcing manufacturing in this country to become uncompetitive with industries abroad.”
> Peter Hopkins, Robert Hopkins Environmental Services Ltd.
2.0 Red Tape Challenge
“Have Your Say”

Here are some of the comments businesses wanted to share with the government regarding the CRC:

“Government thinking is fundamentally wrong. First priority should be security of supply, carbon emissions are secondary consideration.”
Robert Freer, Freer Associates

“CRC revenue will not be earmarked for low carbon investment, but rather help reduce the UK deficit.”
Will Osborne, BT

“The CRC, although over-complex, seemed more acceptable in the original form, as there was an incentive to reduce emissions to get cash back from the central ‘pot’. The league table on its own gives no incentive at all, therefore the scheme is reduced to a complicated reporting expertise with added taxes.”
Leading design and manufacturing organisation

“This is essentially an additional tax on business, squeezing industry which is already pressed by the downturn. It is a rather cumbersome, needlessly complicated scheme.”
Heating company

2.3 Climate Change Levy (CCL) and Climate Change Agreements (CCA)

**Key stats**
- Opinion is divided over whether the legislation is necessary – 31% think it is while 28% disagree
- 36% think that the legislation should be simplified
- 41% think that changes should be made to the legislation
- 41% think that the legislation will help the UK achieve its emissions reduction targets
- 34% do not think that the legislation will help raise the increased investment needed for low carbon generation

**Business feedback**
Of those that agreed the regulation should be simplified, here’s a snapshot of their comments:

“*There is duplication in the forms to be submitted to different parties that causes some confusion.*”
Packaging manufacturer

“*Not knowing what other existing legislation exists, my response is purely on the basis that there is too much repetitive legislation and therefore there must be some that can be merged.*”
Timber merchant
2.0 Red Tape Challenge  
“Have Your Say”

Comments made by those who want to see the legislation scrapped included:

“It punishes those companies that have already reduced energy consumption and the CCL charges cover this still.”
Energy consultant

“As a company that uses a number of pieces of commercial machinery, it is financially impractical to replace either machines or motors to lower consumption ones. When a machine comes to the end of its life, it is then replaced with a modern machine which itself is more efficient. Generally these savings are low in power terms.”
Timber merchant

“It was designed as another stealth tax on business to raise money for the last government’s tax & spend, spend & waste policies.”
Purchasing consultancy

16% of businesses said they would make no changes to the legislation and of those the following was said:

“It is understandable and appears to work.”
Martin Hills, Cemex

“We are biased toward the CCAs as we gain both from the discount on the CCL and exemption from CRC. Without the Climate Change Agreements we have in place, there would be a hit of c£2m to the group.”
Leading design and manufacturing organisation

Respondents were asked if they have any comments they would like to submit to the government regarding CCL and CCAs and here is a snapshot of these:

“Another form of increasing charges to businesses.”
Geoff Moules, Note (UK) Ltd

“Keep it practical and relevant, whilst considering all of the scenarios.”
Martin Hills, Cemex

“We desperately need some clarity on the future of CCA and CCL for investment purposes.”
Leading design and manufacturing organisation

“The Government should have a greater involvement in promoting the benefits, financial and environmental to the public.”
Healthcare services organisation
2.0 Red Tape Challenge
“Have Your Say”

2.4 Renewables Obligation

Key stats
• 38% think the legislation is not necessary
• 33% think this legislation should be merged with existing regulations
• 43% think that the legislation should be simplified
• 24% think this legislation will help the UK to achieve its emissions targets
• 19% think this legislation will help raise the increased investment needed for low carbon generation

Business feedback
Of those respondents who think it should be scrapped the following was said:

“This subsidy supports otherwise uneconomic generation.”
Robert Freer, Freer Associates

“All businesses want to control costs, they are all looking to buy the cheapest and most energy efficient - there is insufficient renewable energy to allow everyone to purchase this energy.”
Geoff Moules, Note (UK) Ltd

“Market pricing / availability without this tax should drive energy pricing.”
Container company

“There is a need to recognise independent generation of electricity but the level of MWh and multiple certificates is nonsense.”
Healthcare services organisation

When asked if there were any comments they would like to submit to government, the following were recorded:

“Generation which depends on a subsidy is bad engineering and bad economics.”
Robert Freer, Freer Associates

“This ends up being another indirect tax on energy usage.”
Container company

“Eligible technologies need to be updated.”
Martin Hills, Cemex
2.5 Feed-in Tariff

Key stats

- 30% think this legislation is necessary
- 44% think this legislation should be simplified
- 35% would make changes to this legislation
- 41% think this legislation will help the UK to achieve its emissions targets
- 41% think this legislation will help raise the investment needed for low carbon generation

Business feedback

Comments from businesses that wanted to see Feed-in Tariffs simplified or merged included:

“*A single system is required for renewable.*”
Martin Hills, Cemex

“There should just be one piece of legislation that business is required to follow with regards to renewables installations.”
Heating company

“Promotion of independent generation is in all our interests.”
Healthcare services organisation

“It is not necessarily the FiT that needs to be simplified, more the MCS scheme installers and manufacturers needed for the scheme to operate that needs to be simplified.”
Heating company

“Incentive alone alongside scheme information should be enough.”
Agricultural buying group

When businesses were asked what comments they would like to make to Government regarding the FiT scheme, the following was said:

“The FiT is the perfect way to encourage needed emissions reductions; however this is mostly targeted at homeowners, due to the tariff boundaries. It is the way to encourage investment though as the financial incentives and reduced bills are definitely a welcome sight.”
Heating company

“The tax payer and the consumer are being forced to pay for schemes that pander to the eco fundamentalists and provide a subsidised business opportunity for energy companies.”
Purchasing consultant

“Very important support to increase use of de-centralised generated energy.”
Agricultural organisation

NB: For each piece of legislation, respondents were asked whether they strongly agree, disagree, neither agree or disagree, disagree or strongly disagree with six statements. Therefore percentages detailed above total 100% for each statement, not each piece of legislation.
3.0 Electricity Market Reform in focus

3.1 Overview

The EMR White Paper has recommended legislation that is likely to have an impact on all energy consumers in Britain, particularly the largest businesses.

With this in mind, npower hosted a roundtable event for businesses where they were able to discuss their views and concerns on the future of the electricity market. The event, on Wednesday 19th October, brought together npower’s energy and policy experts to discuss the EMR with energy professionals from a variety of sectors and leading energy consultants. It followed an initial EMR roundtable held on 14th February 2011 when the legislation was first announced. The event in October sought to gain businesses’ opinions on the White Paper published in July and further debate the proposals.

The event brought together npower’s energy and policy experts – Wayne Mitchell, director of industrial and commercial markets, and John McElroy, director of policy and public affairs – with a representative from a leading renewables association, to discuss the EMR with energy professionals from a variety of sectors and leading energy consultants, including:

- Andrew Horstead - Utilyx
- Chris Seal - Goodyear Dunlop
- Martin Hills - Cemex
- Anon - A major retailer
- Simon Russell - Tata Steel
- Ronan O’Regan - PricewaterhouseCooper

The discussion was independently chaired by Sumit Bose, the respected former BBC journalist and presenter who is also the editor of Energy Live News.

The aim of the roundtable was to provide businesses with a forum to discuss their views and concerns on the future of the electricity market, and to give them a voice in the EMR White Paper consultation.

3.2 Businesses views on the Electricity Market Reform

NB: detailed notes are included in the Appendix

3.2.1 General views

- UK businesses are concerned about the lack of certainty over the EMR
- There is a feeling that the proposals are not moving quickly enough to create stability and the confidence needed to generate investment in renewables
- Many want to get involved in renewables but feel that there is not adequate support or rewards in place to encourage self-generation
- There is also the feeling that the views of businesses are not being heard, as DECC has not responded to those that participated in the consultation process
- There is a clear worry about the future and reaching an under supply situation.
3.2.2 Views on each of the EMR proposals

Carbon Floor Price

- Businesses feel that there is uncertainty over how the Carbon Floor Price will affect the UK and are concerned over the impact it will have on them.

“The carbon floor price is a key concern due to the lack of certainty it creates for the future. Particularly, companies such as ours that have a hedging strategy are affected as they move forward due to this uncertainty. Also, it’s possible customers will not accept the resulting year on year rises in electricity prices as the Renewable Obligation subsidy is also set to rise considerably in future years.”

A major retailer

“My long-term concern is the Carbon Floor Price, as I think this could create a worse supply situation post 2015 once those plants affected by the large combustion plant are retired. In 2013, when the third phase of the EU ETS comes in, plants will be faced with extra costs as they have to buy carbon in the open market. Add on the cost of the Carbon Floor Price then we could see older power plants fall off the grid. With forward spark spreads not giving off the right investment signals, we’re also unlikely to see new builds until the new regulatory framework is published, so we are undoubtedly moving to an under supply situation and this is worrying.”

Andrew Horstead, Utilyx

“In the short-term, with the exception of the Carbon Floor Price, the EMR elements will have no material impact on business.”

Ronan O’Regan, PwC

Feed-in Tariffs

- Businesses are not convinced these will work as often renewable projects are not viable for reasons other than lack of financial incentives, such as planning permission and the availability of sufficient capital.

- There is also uncertainty over the Contracts for Difference.

“We have to await the mechanism behind how the energy price will be arrived at and will this mean that treasury now has an interest in electricity prices continuing to rise?”

Martin Hills, Cemex

“Mainly my concern is around the design and impact of Contracts for Difference.”

A leading renewables association

“Contracts for Difference are good in principle and are better than ROC for consumers. I can see it reducing cost but the big issue is availability of capital. The target of a £110 billion spend on renewable generation by 2020 seems increasingly unlikely as it’s difficult to see where the capital will be available. The trouble is there are easier areas for investment that are less high risk.”

Ronan O’Regan, PwC
3.0 Electricity Market Reform in focus

“It is also an issue to distinguish between large and small projects. One big problem is around strike price. The trouble with Contracts for Difference is the cost of getting to the bidding stage could be a major deterrent. The question is how will government give us confidence?”
John McElroy, npower

Capacity Payments

Businesses are concerned about how capacity payments will work.

“Another cost that will be passed through to the consumer. Government needs to understand what its left and right hands are doing. When it comes to demand side response, the Ofgem approved network common charging methodology from April 2010 (EHV connections from April 2012), introduced red tariff bands to encourage consumers away from daily periods of high demand. Location dependant, we have already seen our delivered power prices increase by between 40% and 120% through this time band and we therefore load shed accordingly. Assuming other consumers already adopt a similar practice to minimise cost, would we not just be paying for demand side response that isn’t available when needed.”
Martin Hills, Cemex

Emissions Performance Standard

Businesses are either unfazed about an Emissions Performance Standard or feel very strongly against it.

“We are strongly against this element of the EMR. Firstly, because the cost imposed on the generator will be passed through to the consumer and, secondly, because our industry is also heavily regulated under the Industrial Emissions Directive and EU ETS and additional intervention within the generation sector could set a precedence going forward within other sectors which, like the generation sector, are all already committing huge investment to reduce their impact on climate change.”
Martin Hills, Cemex

3.2.3 What would businesses like to see happen with the EMR

Businesses would like Government to review what support it offers to ensure its distribution of assistance is more representative of businesses’ outputs

There is also a strong request for the removal of administrative loads and a move towards straightforward taxation.

“I would like to see Climate Change Agreements encompass refrigeration.”
A major retailer

“We’re concerned reference the remoulding of truck tyres, as at present we can claim just 10% of energy use but the environmental benefits are strong so we feel government should look more positively on this activity.”
Chris Cheal, Goodyear

“Why doesn’t government just turn the CRC and EMR into tax? That way we’ll pay whatever we have to now and won’t have to do the admin and reporting. Really the CRC league table is irrelevant to us as it takes no account of our current growth versus our direct competitors.”
A major retailer
3.0 Electricity Market Reform in focus

3.2.4 What are businesses’ main concerns looking forward?

- There is a clear concern over the lack of clarity in the EMR proposals and the uncertainty it is creating.
- Cost is a major worry for businesses, in terms of energy prices and the lack of available investment for renewables.
- Ultimately businesses are very aware of the future and fear heading towards an under supply situation.

“For us, our key gripe is that as a large energy user – we use significant loads for refrigeration – that isn’t officially considered an energy intensive user (EIU), we can’t escape some of the EMR elements EIUs can. We therefore have to pass on costs in the same way as others, through cutting costs other or further inflation.”

A major retailer

“The worrying thing is that we are told by DECC that prices are comparable to the rest of Europe and therefore the UK’s competitiveness is not disadvantaged. It is evident though they are not and we think what’s happening is that DECC is looking at the month ahead prices but this is not a realistic indication of how industry buys its energy and therefore of prices paid. We’ve had no feedback yet from DECC on this.”

Martin Hills, Cemex

“We’re unlikely to see new builds until the new regulatory framework is published, so we are undoubtedly moving to an under supply situation and this is worrying.”

Andrew Horstead, Utilyx

“My main concern is that we will run out of power – things are getting more and more difficult for industry.”

Simon Russell, Tata Steel

“My biggest concern at the moment is high prices for consumers and these have nothing to do with EMR or other forms of legislation. We are now in a scenario whereby we’ll be paying for EMR investments and we have to wait some time before we will see benefits.”

Ronan O’Regan, PwC

“What is a concern is that analysis doesn’t exist to show how all the EMR elements will impact prices, so businesses are unaware of the full impacts.”

Ronan O’Regan, PwC

“We have already moved some production abroad and now only manufacture in the UK on a very small scale. I can foresee us moving all manufacturing abroad as we already have head winds of £1 million on our energy costs for 2012 – and just can’t manage this figure competitively.”

Chris Cheal, Goodyear Dunlop

“We could be looking at a national emergency and this is definitely a route to avoid.”

Simon Russell, Tata Steel
4.0 Next Steps

Thank you for taking the time to read this document.

We hope that you found it both informative and interesting, and that the Department of Energy and Climate Change will consider businesses’ views as part of its ongoing reform of energy legislation.

We look forward to your response and should you have any questions please contact John McElroy, Director of Policy and Public Affairs, by emailing business@npower.com.
5.0 Appendix

npower Electricity Market Reform Customer Roundtable
Detailed discussion notes

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**Event Details**

**Location:** London Marriott Hotel County Hall, London County Hall, Westminster Bridge Road SE1 7PB

**Date:** Wednesday 19th October

**Time:** 9.45am to 1.00pm

**Event Participants**

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<tr>
<th>Participant</th>
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<tr>
<td>Sumit Bose</td>
<td>Roundtable Chair and editor of Energy Live News</td>
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<td>Wayne Mitchell</td>
<td>npower</td>
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<td>Dr John McElroy</td>
<td>npower</td>
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<td>Anon</td>
<td>A leading renewables association</td>
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<td>Ronan O’Regan</td>
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<td>Jon Davies</td>
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<td>Darren Lennon</td>
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npower Electricity Market Reform Customer Roundtable
Detailed discussion notes

What EMR legislation concerns you the most?
Anon, A major retailer
“Most of it concerns me. The carbon floor price is a key concern though due to the lack of certainty it creates for the future. Particularly, companies such as ours that have a hedging strategy are affected as they move forward due to this uncertainty. Also, its possible customers will not accept the resulting year on year rises in electricity prices as the Renewable Obligation subsidy is also set to rise considerably in future years.

For us, our key gripe is that as a large energy user – we use significant loads for refrigeration – that isn’t officially considered an energy intensive user (EIU), we can’t escape some of the EMR elements EIUs can. We therefore have to pass on costs in the same way as others, through cutting other costs or further inflation.”

Do you feel there should be an exemption clause?
Anon, A major retailer
“Yes, I would like to see Climate Change Agreements encompass refrigeration.”

Chris Cheal, Goodyear Dunlop
“For us the Climate Change Levy is the main problem. We’re concerned reference the remoulding of truck tyres, as at present we can claim just 10% of energy use but the environmental benefits are strong so we feel government should look more positively on this activity.”

Anon, what concerns you the most?
Anon, A leading renewables association
“From my point of view the EMR consultation was supposed to lead to a White Paper but what we got in July showed no progress at all - I recognise the need for reform.

Mainly my concern is around the design and impact of Contracts for Difference.”

Major energy users – how can you stay competitive?
Simon Russell, Tata Steel
“We have to look at the macro picture, as energy is not the only challenge on the table. The skills shortages etc. are also industry challenges and they all add up. EMR is definitely a big load though to bear though.

If manufacturing was to move abroad, it will be difficult to determine which straw it was that broke the camel’s back. On a European level we’re focused on being faster than our competitors to grow our business.”

Martin Hills, Cemex
“Cemex compiled its own response for the EMR consultation and was recently invited to submit evidence directly to DECC demonstrating pricing across European Operations. This looked at energy intensive user prices in the UK compared to Europe and questioned where DECC gets it prices from.

The report found that the UK is on a par with Germany at the moment but energy intensive users are heavily subsidised. Germany could therefore be used as a benchmark but all the while bearing in mind that it has been embracing a renewable revolution for a long time already and is well established in this area, whereas the UK is really just getting started.”
Spain demonstrated a comparable baseline cost to UK operations but received substantial state benefits for load shedding through high demand periods and as such gave significant benefits compared to the UK.

Interestingly, despite being outside of the EU, Egypt has a heavily state subsidised power price and only pays around 40% of UK prices.

The worrying thing is that we are told by DECC that prices are comparable to the rest of Europe and therefore the UK’s competitiveness is not disadvantaged. It is evident though they are not and we think what’s happening is that DECC is looking at the month ahead prices but this is not a realistic indication of how industry buys its energy and therefore of prices paid. We’ve had no feedback yet from DECC on this.”

Would you therefore discuss moving operations to Egypt due to energy prices?

Martin Hills, Cemex

“CEMEX remains totally committed to its UK business and investments but I guess everything has be looked at strategically in the future. Imports are however an increasing threat and we are already experiencing carbon leakage from within the EU.”

What about renewables as an option for the UK?

Martin Hills, Cemex

“For us the current Feed-in Tariffs have been difficult to buy into because we’ve tried renewable projects but we always get held back by planning. We also have to be mindful that we don’t upset local stakeholders with such projects as they are key to our business. Residents local to our sites just don’t want to see a wind turbine erected in their view line.

Regarding the proposed FiT CFD, we have to await the mechanism behind how the energy price will be arrived at - and will this mean that treasury now has an interest in electricity prices continuing to rise?”

What about the Emissions Performance Standard?

Martin Hills, Cemex

“We are strongly against this element of the EMR. Firstly, because the cost imposed on the generator will be passed through to the consumer and secondly because our industry is also heavily regulated under the Industrial Emissions Directive and EU ETS and additional intervention within the generation sector could set a precedence going forward within other sectors which, like the generation sector are all already committing huge investment to reduce their impact on climate change.”

How do you feel about a Capacity Mechanism?

Martin Hills, Cemex

“Another cost that will be passed through to the consumer. Government needs to understand what its left and right hands are doing. When it comes to demand side response, the Ofgem approved network common charging methodology from April 2010 (EHV connections from April 2012), introduced red tariff bands to encourage consumers away from daily periods of high demand.
Location dependent, we have already seen our delivered power prices increase by between 40% and 120% through this time band and we therefore load shed accordingly. Assuming other consumers already adopt a similar practice to minimise cost, would we not just be paying for demand side response that isn’t available when needed.”

What is the view from a consultancy?

Andrew Horstead, Utilyx
“From our point of view we see the direct impact EMR has on those businesses who are willing to take a risk on renewables - and there is clearly not enough information available where the Renewable Obligation is concerned.

My long-term concern is the Carbon Floor Price, as I think this could create a worse supply situation post 2015 once those plant affected by the large combustion plant are retired. In 2013, when the third phase of the EU ETS comes in, plants will be faced with extra costs as they have to buy carbon in the open market. Add on the cost of the Carbon Floor Price then we could see older power plants fall off the grid. With forward spark spreads not giving off the right investment signals, we’re also unlikely to see new builds until the new regulatory framework is published, so we are undoubtedly moving to an under supply situation and this is worrying.”

Simon Russell, Tata Steel
“My main concern is that we will run out of power – things are getting more and more difficult for industry.”

What is npower investing in to help with future supply?

John McElroy, npower
“It seems some government policy proposals are against keeping existing generation on the system but the UK will have to build gas plants if all else fails.”

Ronan, what are your thoughts on EMR?

Ronan O'Regan, PwC
“EMR is just one component of a series of changes hitting the market which therefore make it difficult for businesses to look ahead even 24 months.

While EMR is driven from the UK, there are a lot of proposals coming out of Europe and these need to considered in parallel with EMR. In the short-term, with the exception of the Carbon Floor Price, the EMR elements will have no material impact on business.

It is ironic though that at a time of rising energy prices, the government is increasing the burden on business with new forms of tax.

My biggest concern at the moment is high prices for consumers and these have nothing to do with EMR or other forms of legislation. We are now in a scenario whereby we’ll be paying for EMR investments and we have to wait some time before we will see benefits.”
5.0 Appendix

npower Electricity Market Reform Customer Roundtable
Detailed discussion notes

Is there a backlash or will there be a backlash from businesses?

Ronan O’Regan, PwC
“What is a concern is that analysis doesn’t exist to show how all the EMR elements will impact prices, so businesses are unaware of the full impacts.”

Jon Davies, npower
“From my point of view I don’t think there is backlash at present but businesses are definitely concerned.”

What about the affordability crisis for business?

Simon Russell, Tata Steel
“Affordability is key for us as we have a wide geographical spread. We will have to move globally to maintain our current size. But it is difficult to see how any increase in cost will impact us.”

Chris Cheal, Goodyear Dunlop
“We have already moved some production abroad and now only manufacture in the UK on a very small scale. I can foresee us moving all manufacturing abroad as we already have head winds of £1 million on our energy costs for 2012 – and just can’t manage this figure competitively.”

Martin Hills, Cemex
“Realistically there’s a local market for us but from an investment point of view CEMEX may look elsewhere. Cement imports are on the up and that’s a problem. Five years ago we had four cement plants in the UK but now we’re just down to two. Volumes are being eroded fast.”

The government view is that ‘it’s a stable country’ but does the EMR actually set a framework for climate change that the world will follow? Will companies then invest because they see the UK as stable?

Ronan O’Regan, PwC
“Contracts for Difference are good in principle and are better than ROC for consumers. I can see it reducing cost but the big issue is availability of capital. The target of a £110 billion spend on renewable generation by 2020 seems increasingly unlikely as it’s difficult to see where the capital will be available. The trouble is there are easier areas for investment that are less high risk.”

John McElroy, npower
“It is also an issue to distinguish between large and small projects. One big problem is around strike price. The trouble with Contracts for Difference is the cost of getting to the bidding stage could be a major deterrent. The question is how will government give us confidence?”

Ronan O’Regan, PwC
“This risk will stay. Government has not provided clarity on how to determine strike price and there are ways to do this and it needs to happen very quickly. Lots of time instead has been spent moving between White Papers.”
Is there one element of EMR that would encourage self-generation?

Anon, A major retailer

“We have in the region of 980 stores and 22 offices / depots but little in the way of self generation because the methods available have proven to be unsuitable for our sites. And nothing within the EMR makes us think we’ll be able to get into significant volumes of self-generation.

There is scope for PV panels, CHP and biomass but it’s on such a small scale. We just don’t have many options aside from reducing what we use. Also, the problem is that our board are up for doing more but not all of them believe the future projections for energy costs as they are still uncertain.”

Simon Russell, Tata Steel

“Self-generation is a major area for us. We are big generators already but we don’t get any help from government. We are upgrading our facilities but there are no incentives through EMR for self-generation – and as such we are worried we’re missing opportunities here. Our policy is to invest in our plants, not to build new ones.”

Martin Hills, Cemex

“We have to be strategic in the current climate and consider the potential benefits of self-generation. We’ll really only dabble in initiatives such as biomass, wind and solar on a comparatively small scale. Energy from waste projects may be more substantial but as council waste contracts appear to be changing all the time, many investors will now only invest in energy from waste plants over the shorter term when 25 year support is really needed.

The support or funding is just not available. It doesn’t make financial sense to invest in self generation at the moment.”

Does the EMR set us on the course for low-carbon generation?

Anon, A leading renewables association

“It’s a hypothesis that, in reality, doesn’t really add up. The problem is overall there’s tension because short-term industry needs aren’t being met. What’s lacking is energy policy.”

Is there anything positive going on in industry, or are changes accepted begrudgingly?

Andrew Horstead, Utilyx

“We’re looking for viable projects but the reality is there’s not many out there and this is a big concern.”
Do you think your voices have been heard on the EMR?

Martin Hills, Cemex
"We haven’t had a response at all."

Simon Russell, Tata Steel
"I think we’re seeing some traction but really we’ll have to see what emerges in the end."

Anon, A major retailer
"No I don’t think we’ve been heard. And, the EMR, coupled with the CRC, is having a big impact on us."

Chris Cheal, Goodyear Dunlop
"I agree with anon, we haven’t been heard."

Anon, A major retailer
"Why doesn’t government just turn the CRC and EMR into tax? That way we’ll pay whatever we have to now and won’t have to do the admin and reporting. Really the CRC league table is irrelevant to us, as it takes no account of our current growth versus our direct competitors."

Simon Russell, Tata Steel
"We could be looking at a national emergency and this is definitely a route to avoid."