Electricity Market Reform (with thanks to Npower Business Solutions)

After many years of debate, all the measures proposed under the government's Electricity Market Reform (EMR) package are now operational.

The aim of this new legislation is to help ensure the UK is able to meet our future energy requirements with secure, affordable and low-carbon generation.

To do this requires huge investment in new infrastructure so that the UK can:

- Replace aging power stations that are coming to the end of their lifespan or closing due to EU environmental legislation.
- Meet growing demand for electricity, which according to the Department of Energy and Climate Change (DECC) is forecast to double by 2035 (from 2010), as we see greater electrification of transport and heating.
- Achieve government targets to reduce carbon emissions by 80% on 1990 levels by 2050.

For further details on EMR, please visit the Department for Energy and Climate Change (DECC) web-site

Electricity Market Reform (EMR) has four key mechanisms:

- The Emissions Performance Standard (EPS) limits emissions on new power stations equivalent to 450g/kWh at base load. It came into force in Autumn 2014. Find out more about EPS.
- The Carbon Price Floor sets a minimum price for carbon emissions released by fossil fuelled power generators. It was introduced in April 2013, with the cost applied indirectly through wholesale prices. They are frozen at £18/t as of 2016. Find out more.
- The Capacity Mechanism (CM) is designed to make sure we have sufficient power available to meet our future needs. This is becoming more important as older plant closes to make way for increasing amounts of new low-carbon and intermittent generation.
  The CM operates as an annual auction, which started in December 2014, to procure the majority of the UK's required energy capacity four years in advance, with a top-up auction one year ahead of delivery to enable demand-side response to participate. The cost of running the CM is currently being passed through to consumers with some charges already appearing on bills from April 2015 whilst the full scheme costs will begin to appear from Oct 16. Find out more about CM.
- Contracts for Difference (CfD) is designed to support investment in new low-carbon generation, with a technology-dependent fixed price known as the 'strike price' (wholesale price + top-up subsidy). This scheme launched in November 2014 and will ultimately replace the current Renewables Obligation (RO); the CfD costs will vary each year due to wholesale price fluctuations in power and amount of CfD generation produced in each year, whereas the Renewables Obligation Certificate (ROC) is a known number each year.
  CfD costs will be met by a levy applied to energy suppliers, which will then be passed on to consumers via their energy bills from April 2015. Find out more about CfD.

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