



# Brook Green Supply: The Energy Market & Policy Report



brook green supply

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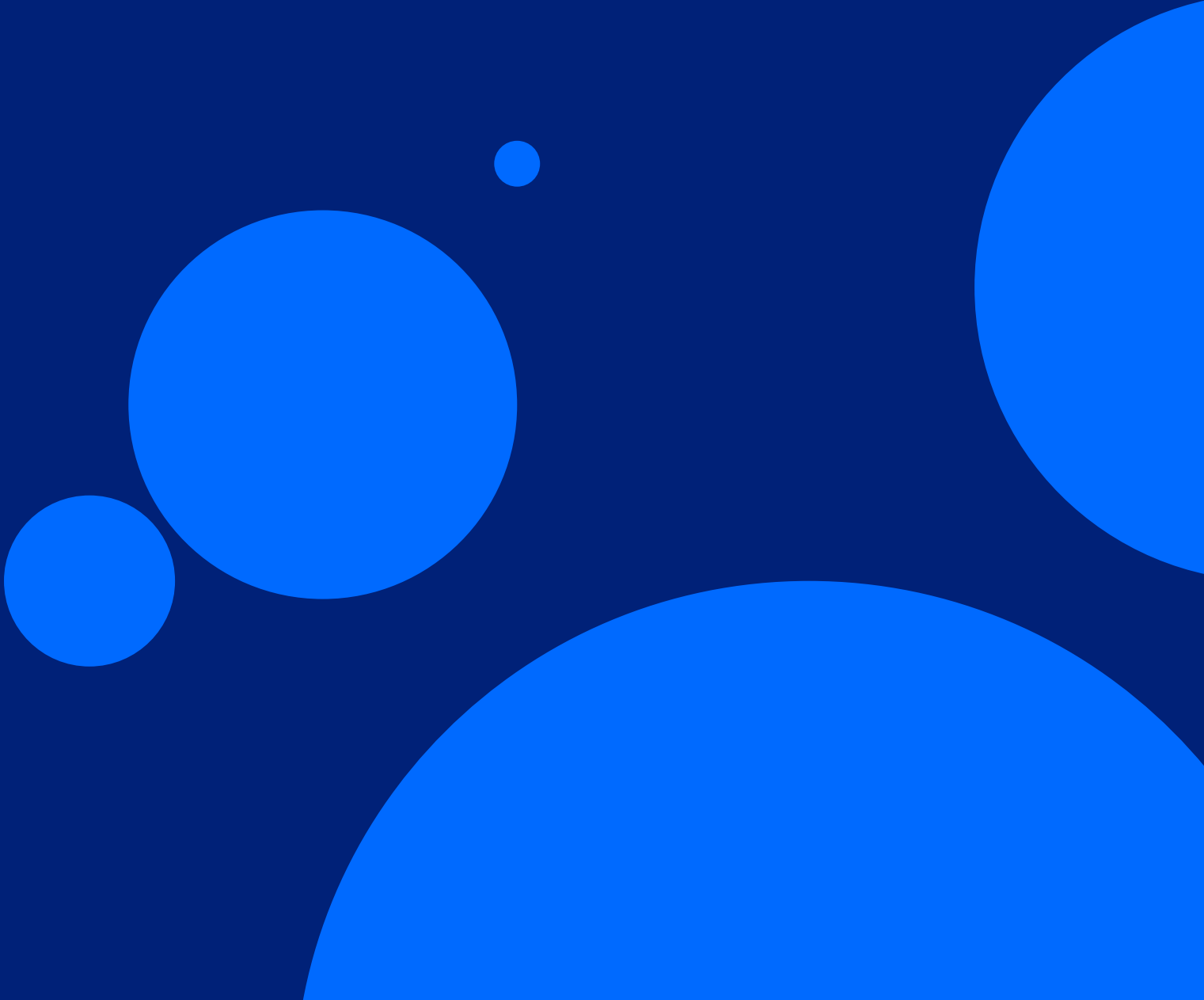
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# The Department for Energy Security & Net Zero (DESNZ) has released the next stage of the Review of Electricity Market Arrangements (REMA), with the headline proposal being to split the wholesale electricity market into different locational zones.



Whilst zonal pricing has the potential to benefit businesses that can be flexible with the geographical location of their premises, for the majority of businesses that aren't able to relocate, it will result in varied and volatile wholesale prices depending on where they are located.

Brook Green Supply does not believe this will be a positive move for energy markets and prices. Power and gas markets have seen significant liquidity issues in recent years, and creating smaller locational markets will only compound this.

Elsewhere REMA is seeking insight for improving the market for Power Purchase Agreements (PPAs) and Corporate Power Purchase Agreements (CPPAs).

In addition to REGO-backed electricity, at Brook Green Supply we offer bespoke PPA contractual options, providing customers with access to varied technologies, specific generators and projects.

One of the major blockers to CPPAs is creditworthiness, with significant CAPEX costs due to generation assets usually requiring bank financing.

Brook Green Supply has therefore argued for a reform of the Contracts for Difference (CfD) scheme towards a variable strike price which would make investing in CPPAs more desirable, as counterparties investing in renewable asset deployments receive guaranteed revenue streams outside of the wholesale market.

REMA also considers changes to the Capacity Market (CM). The CM is the UK's primary method for ensuring the security of electricity supply.

Brook Green Supply offers access to the CM for organisations that have on-site energy generation, storage assets or those that can flex their energy demand.

Currently, demand flexibility, or demand side response (DSR) can participate in the CM, but we are encouraging The Department for Energy Security & Net Zero to make changes to the CM to better incentivise DSR participation.

**If you are interested in PPAs, CPPAs, onsite asset optimisation or access to the Capacity Market, please reach out to Wesley Scott or Joe Grand who will be able to provide you with advice on the best option.**

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## Review of Electricity Market Arrangements



# Ofgem has confirmed that from 1st October 2024, Third Party Intermediary (TPI) Commissions will be made visible on contracts for all non-domestic customers that work with a TPI.



We consider Ofgem's decision as a positive step for driving positive competition and supporting customer decision-making regarding services from TPIs.

We introduced TPI Commission disclosure on all energy contracts in October 2023 following discussions with some of the UK's largest TPIs, a decision that was also welcomed by customers.

The Department for Energy Security & Net Zero (DESNZ) has recently committed to look at whether there should be specific regulation for TPIs.

Currently, the market doesn't have a regulator akin to Ofgem for the energy suppliers, although a TPI Code of Practice is being developed by the Retail Energy Code (REC) which would likely see TPIs needing to accede to the code in order to work with suppliers.

It remains unclear as to how DESNZ plans to move forward with any new regulatory regime at this time.



A number of changes are also due to come into effect for Small Business Customers, from 1st December 2024 at the earliest, subject to the government timetable for confirming the new Small Business definition.

Small Business Customers will have access to an Alternative Dispute Resolution (ADR) Scheme relating to their TPI and the Ombudsman in relation to their Energy Supplier.

## Regulatory Changes for Non-Domestic Customers



## As the UK continues on its energy transition journey, the number of levies on energy bills to fund various schemes is increasing. The new levies planned for this year are a Nuclear Regulated Asset Base (RAB), a hydrogen levy and a levy to support Energy Intensive Industries (EIs).



We have discussed the new levies in more detail in one of our previous features, [here](#).

We're also aware of a Carbon Capture & Storage (CCUS) levy being developed which is likely to come into effect towards the end of the decade.

With new levies planned in the future, political support for transitioning some levies into general taxation is rising.

This possibility was discussed by the current Energy Security & Net Zero Secretary, Claire Coutinho. However, there is no commitment to this policy by the major political parties. It may be an area that is addressed when political manifestos are published later this year.

An alternative option is to move many of the levies, that currently exist predominantly on electricity bills, over to gas bills.

Currently, we see a counter-intuitive incentive for businesses and consumers to remain on the gas grid rather than electrify via heat pumps or use electric vehicles.

The costliest levies like the Renewables Obligation, Contracts for Difference & Feed in Tariff all exist solely on electricity invoices, pushing the cost of electricity consumption up.

As a commodity, the cost of electricity is already higher than gas, therefore placing levies on electricity exasperates the cost issue.

However, with households and businesses moving towards electrification, there will be reduced numbers of gas consumers.

Should there be a significant number of levies moved onto gas bills then you will move to a situation whereby the ever-reducing number of gas customers will be responsible for the whole cost of levies that was previously split across a much larger number of electricity customers.

Whilst this could be considered an incentivisation to electrify, there is potential for issues relating to the affordability of electrifying for domestic customers and the ability of some non-domestic customers to electrify their processes.

There is also discussion of a gas-intensive industry that would work in a similar way to the current EI scheme for intensive electricity consumers.

Gas-intensive industries would likely be exempt from the new hydrogen levy, as well as any levies that are moved over from electricity.

# A Possible New Approach to Levies



## EBRS and EBDS

Following the period of exceptionally high wholesale energy prices in 2022, the UK Government introduced the Energy Bill Relief Scheme (EBRS). This offered non-domestic consumers a per-unit reduction on their energy prices if they were above the government-supported price until April 2023.

Its replacement, the Energy Bill Discount Scheme (EBDS), offered a similar style reduction to the EBRS but it provided a higher government-supported price and a lower level of discount. However, the scheme ended in March 2024 with no plans to renew.



## Spring Budget

In the Spring Budget, UK Chancellor Jeremy Hunt made several announcements related to the energy sector. Over £1bn was allocated to the sixth Contracts for Difference (CfD) round, to help drive renewable energy investment in the UK.

The CfD scheme provides a guaranteed price for energy for renewable energy projects that offer long-term investment security. The Budget also contained support for nuclear power via support for Small Modular Reactors (SMRs) and a £160m investment by Hitachi for new nuclear plants in Wales and England. Additionally, improved supply chain funding was announced for offshore wind, hydrogen, and electricity networks.



## New Energy Minister

The UK's Energy Minister Graham Stuart has stepped down. Mr Stuart served as Minister of State for Energy Security and Net Zero from 2022 under two Prime Ministers Liz Truss and Rishi Sunak.

During his two terms, Stuart oversaw the publication of the 'Powering Up Britain' energy security strategy. His successor, Justin Tomlinson was most recently the Deputy Chairman of the Conservative Party. Tomlinson's first act in the role was to announce his support for new oil and gas licensing rounds in the North Sea.



# Other News





## Electric Vehicles

As the UK continues to electrify its transport network, the continued expansion of public EV charging, from low voltage on-street charging to Extra High voltage charging on motorways, remains critical.

There is an increasingly pressing issue for EV Charge Point Operators that are facing significant increases in their standing charges following Ofgem's Targeted Charging Review.

Brook Green Supply is working with stakeholders across the industry to try to resolve issues across the EV Charging pricing sector, which is slowing down the rollout of public EV charging across the UK.

If you are an EV Charge Point Operator encountering these issues or if your business is looking to install your own EV charge points, our team of experts can help you.



## Connections Queue

Over 700GWs of projects are stuck in a connection queue to gain access to the UK's electricity grid. The Electricity System Operator (ESO) has responded to this problem by publishing the 'First Ready, First Connected' reform package.

This will push credible projects further up the queue and remove less viable projects. Projects that have access to planning permission and can pass financial controls will be moved further up the queue and gain a connection date. The connection queue is expected to reach 800GW by 2024, four times the level required by 2050.



## Carbon Budget Adjustment Mechanism

At the end of last year, the UK government announced the UK Carbon Border Adjustment Mechanism (CBAM) is due to be implemented in 2027. CBAM is designed to help the UK achieve significant decarbonisation within the industrial sector.

CBAM offers a response to carbon leakage which refers to the movement of carbon emissions across borders through inconsistencies in emissions standards between exporter states and the UK.

CBAM will apply a carbon price to carbon-intensive imports that reflect UK standards in carbon pricing. For more information about CBAM and how we can help please, contact our team, [here](#).

If you're interested in participating in a government consultation on new import taxes and the implementation of CBAM, click [here](#).



## CCC Chief Executive Steps Down

The Chief Executive of the Climate Change Committee (CCC) Chris Stark has stepped down. The CCC comprises an independent public body responsible for advising the UK Government on how to achieve net zero by publishing carbon budgets and conducting scientific research on climate change.

Stark has joined global climate consultancy the Carbon Trust as CEO. Prior to his departure from the CCC, Stark expressed criticism of the UK Government's approach to achieving net zero by 2050.





**Brook Green Supply is an independent British power and gas provider, supporting a diverse portfolio of industrial and commercial energy consumers across the UK.**



In a market that rewards flexibility, our services enables customers to optimise their supply and onsite generation within an increasingly volatile and intermittent grid.

If you're looking for an energy supplier that can deliver highly bespoke contracts and solutions that support your long-term growth, you can work with us directly or with the support of your chosen partner.

Our UK-based team support thousands of businesses across the country, supplying energy from a multitude of sources and with an unrivalled level of care.

To connect with our Direct Sales team please email us at [sales@brookgreensupply.com](mailto:sales@brookgreensupply.com).

Alternatively if you want to know about our TPI Sales channel please email: [consultants@brookgreensupply.com](mailto:consultants@brookgreensupply.com).

This report was authored by a team of regulatory and policy experts who specialise in the energy sector.

We have direct relationships with policymakers and support legislation that is progressing the energy transition, allowing our team to deliver best-in-class support to the organisations we supply.



**Harry Hailwood**  
**Policy & Regulation Manager**  
Author

# About Brook Green Supply





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