

RWE

UK Energy Policy Challenges

Alice Barrs

Head of UK Policy and Public Affairs, RWE

EPRG Winter Seminar

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~15 %
of UK electricity generated



over 10m
UK homes powered



~15bn
expected investment in clean
energy infrastructure by 2030



2,600
UK based employees

UK



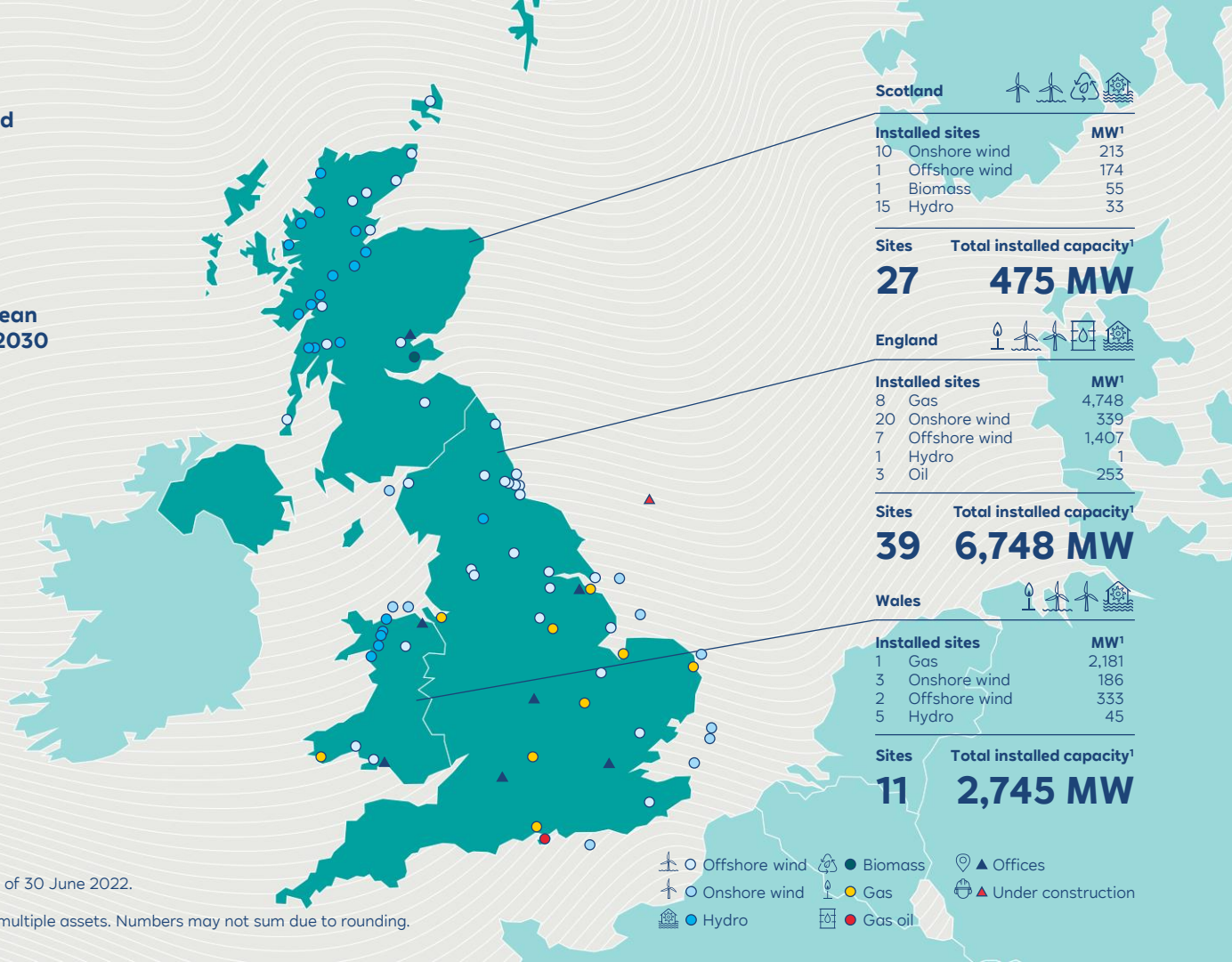
| In operation | MW ¹ |
|------------------|-----------------|
| 9 Gas | 6,929 |
| 33 Onshore wind | 738 |
| 10 Offshore wind | 1,914 |
| 1 Biomass | 55 |
| 21 Hydro | 78 |
| 3 Oil | 253 |

Sites in operation Total installed capacity¹
77 **9,968 MW**

Under construction MW¹
Offshore wind 1,400

¹ MW: pro rata, based on equity share. Capacity as of 30 June 2022.

Site placing is approximate. Some locations have multiple assets. Numbers may not sum due to rounding.



Scotland



| Installed sites | MW ¹ |
|-----------------|-----------------|
| 10 Onshore wind | 213 |
| 1 Offshore wind | 174 |
| 1 Biomass | 55 |
| 15 Hydro | 33 |

Sites Total installed capacity¹
27 **475 MW**

England



| Installed sites | MW ¹ |
|-----------------|-----------------|
| 8 Gas | 4,748 |
| 20 Onshore wind | 339 |
| 7 Offshore wind | 1,407 |
| 1 Hydro | 1 |
| 3 Oil | 253 |

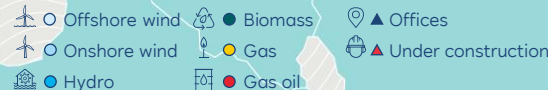
Sites Total installed capacity¹
39 **6,748 MW**

Wales



| Installed sites | MW ¹ |
|-----------------|-----------------|
| 1 Gas | 2,181 |
| 3 Onshore wind | 186 |
| 2 Offshore wind | 333 |
| 5 Hydro | 45 |

Sites Total installed capacity¹
11 **2,745 MW**



Challenge: Inframarginal rents / extraordinary profits

“At the moment one of the problems is that people are being charged for their electricity prices on the basis of the top marginal gas price, and that is frankly ludicrous, we need to get rid of that system, we need to reform our energy markets, as they have done in other European countries. By reforming the market, by changing the way things work, you can get prices down.”

PM Boris Johnson - Today Programme, 25 June

#1 Voluntary CfDs



Can existing renewables and nuclear help keep prices down next winter?

The case for a ‘pot zero’ CfD auction

Discussion Paper

Rob Gross, UKERC Director

Callum MacIver, UKERC, University of Strathclyde

Will Blyth, UKERC, Oxford Energy Associates

April 2022

Reviewed by Keith Bell, University of Strathclyde

#2 Cost Plus Revenue Limit



Cost-Plus Revenue Limit

The government is taking steps to break the link between abnormally high gas prices and how much revenue low-carbon electricity generators receive. This will allow consumers to pay a fair amount for their electricity, and ensure electricity generators are not unduly profiting from the energy crisis caused in part by Russia's invasion of Ukraine. The government recognises the importance of dispatchable and baseload generation for security of supply. The low-carbon technologies that can deliver these types of power do tend to have higher input costs (such as biomass and nuclear) and this is being considered as part of the detailed policy design.

#3 EGL



Electricity generator levy

Technical note

A few words on the Electricity Generator Levy...

- Welcome clarity! (finally)
- Is this it? or is there more to come...
- Should only target realised extraordinary profits
- £75/MWh should be index-linked
- Consider *at least* equivalent capital allowance relief for generators as for oil and gas
- Increase CfD pot sizes / budget to compensate for inevitable attrition of merchant projects in the pipeline

Other challenges we're facing...

- Energy Prices Act s 21 / 22
- REMA – Physically split market? LMP?
- Onshore wind / solar – will they, won't they?

By Tom Gordon
Political Editor
RISHI Sunak last night performed his second U-turn in as many days after Tory MPs threatened to rebel over his desire for a ban on new onshore wind farms.
The Prime Minister opposed the farms when he stood unsuccessfully for the Tory leadership against Liz Truss in the summer, but was backed into a corner by his own backbenchers, including Ms Truss.
He has promised to consult on local communities giving consent to fresh projects south of the border.

Delegated Powers and Regulatory Reform Committee

Clause 22—Power to give directions

Clause 22 confers a power on the Secretary of State to give a direction to a person holding an energy licence or the Northern Ireland Regulator. The power may be exercised where the Secretary of State considers that the giving of a direction is appropriate either:

- in response to the energy crisis,⁷ or
- in connection with the Bill, regulations made under the Bill or anything done or proposed to be done under the Bill, or in connection with a domestic energy price reduction scheme.

In our view clause 22 constitutes the delegation of a wide legislative power:

- It allows requirements to be imposed on energy licence holders which are enforceable.
- Clause 22(5) provides that, where a direction conflicts with the requirements of an enactment, those requirements are to be disregarded. This in effect makes it a Henry VIII power because it allows the effect of legislation, including primary legislation, to be modified by a direction.
- It is possible for the powers to be used so that requirements apply generally, such as to all energy licence holders of a particular description.⁸ Paragraph 156 of the Memorandum suggests that the power is expected to be used in this way, when it refers to the power being used to set the terms of certain support schemes.
- There are no limits on the kinds of requirements which may be imposed through the directions power.