

Twitter Thread by [guynewey](#)



[guynewey](#)

[@guynewey](#)



Finally found the time to digest the Energy White Paper properly. Here is the slowest hot take ever (thread).

TL;DR: The WP (rightly) mainly focuses on progressing some chunky tech decisions. It also reveals several emerging faultlines that still need to be resolved...

Big clean power tech delivery: delighted to see moves on nuclear, CCUS, offshore wind (inc. floating), building on announcements in the 10-point plan. We are going to need a bucket-load of low carbon power. So moving into negotiations with EDF on Sizewell very welcome step.

Progress on CCUS, particularly industrial clusters (already announced in 10-point plan) is also excellent news. Politics and industry now much better aligned than 5 years ago when second competition canned. Positive also to see BECCS feature, a potentially important technology.

The commitment to greater openness in modelling is also a real shift that will lead to better policymaking. As the White Paper said: "[Ensure HMG models/data are] open to all and trusted by the department and wider stakeholders." Geeks of the energy world rejoice...

This includes once again publishing clear information on prices and bills (I confess I may have played a part in its disappearance). Think tankers should be happy (I ruthlessly mined it for stories/papers when [@Policy_Exchange](#))

And finally in the unmitigated good column, the recognition of how 'pervasive digitalisation' will transform the sector. The work of the Energy Data Taskforce has helped accelerate this quiet, but essential change [@Laura_Sandys](#) [@RD_ESC](#) <https://t.co/Af11APZucp>

We have seen so much amazing progress in the energy data space this year: [@ofgem](#) RIIO2 and digitalisation strategy, [@beisgovuk](#) Energy White Paper, and [@UKRI_News](#) MEDA and MED Apps.

— Richard Dobson ([@RD_ESC](#)) [December 19, 2020](#)

So to the first of the faultlines in the Paper -- will the future power markets be decentralised or centralised? This is not about decentralised tech vs big sources of power, like nuclear. This is about whether decisions are made, as far as possible, in markets or in Whitehall.

The drift since 2008 has been towards mechanisms where central Government makes lots of decisions (CFDs, Capacity Mechanism, FITs), even if there are competitive processes to allocate them. This has delivered significant reductions in cost of capital, and therefore tech costs.

Should we continue that drift, or should we try and get more investment decisions made by market actors outside of Government-backed contracts? You can almost feel the White Paper wrestling with this tension....

"We will also be asking about the broader evolution of the electricity market... We will seek a balance between options for further reform of the market with maintaining the success of the CfD in deploying low-cost renewables at scale." Bet that sentence took some drafting....

Other parts of the Paper are more forward-leaning on flexibility and local market signals, and there is a lot of pressure to get DNOs to create 'standardised flexibility products', with the threat of legislation if progress too slow.

So how to resolve this tension? There is a Call for Evidence on the evolution of CFDs/future market design. This will be a big debate in the coming months, which the White Paper appears to open up. Many, perhaps most, inc. Helm Review, on the side of centralised decisions.

We @EnergySysCat plan to publish soon, arguing for a change of direction. We think the potential of 'flexibility', the impact of high penetration of renewables and digitalisation means the whole CFD, CM structure needs to be re-examined. EMR2.0 anyone? <https://t.co/JbYY56yYZA>

The second faultline is over the future of the retail market. Is it simply all about switching, as it has been for the past few years (the White Paper seems to double down on with its opt-in/opt-out switcherama)?

Or do create a new vision for a much richer, perhaps more serviced-based energy supplier model, where the more forward-leaning companies seem to be heading? Someone to sort out your EV, smart home, low carbon heating etc....

One line that hints at a different paradigm is: 'We will assess what market framework changes may be required to facilitate the development and uptake of innovative tariffs and products that work for consumers and contribute to net zero.' Industry/consumer engagement promised.

Will Government ever get comfortable with the idea of suppliers making profits again? If it does not, energy supply risks continuing as a low innovation sector, when we need it to drive smart home innovation needed for Net Zero (EVs, heat, energy efficiency etc etc).

Local vs national. Decarbonising heat and transport are specific to different geographies, much more than power. But White Paper is cautious on the need for sub-national reform, inc. institutional. Positive language is buried and perhaps trapped in 'community energy' approach....

'And some local communities are coming together to establish their own approach to managing energy demand in their areas. Smart local energy systems are community-based initiatives which bring together a range of energy issues... to reduce emissions in an integrated way.'

This is all important, but a long way off what is needed, (including from Ofgem in price controls). Some thoughts here: <https://t.co/OOH0XzKfXP>

Buildings. Main action to come in Heat and Buildings Strategy, but positive signs. Recognition that gas and power prices are out of kilter, and need for regulatory approaches (appearing to start with off, rightly, with public sector, off gas grid and commercial buildings).

Lots of other excellent stuff about UK ETS vs carbon tax, interoperability, and intriguing signals on institutional and code reform (but more consultations rather than clear decisions)...

So, overall, the White Paper reveals a Government getting on with some big, urgent infrastructure decisions, but still grappling with how it will all fit together.

That issue gets more urgent and encompasses future market design, digitalisation, interoperability, finance etc etc. Oh yeh, and people.... Systems approach, perhaps? <https://t.co/FgAuGMgEJo>

You can read all 170-odd pages of it for yourself here: <https://t.co/uGEeAVe8ut>