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Electricity market reform

The cart, the horse and the nose bag

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Your Boiler Has Broken.....



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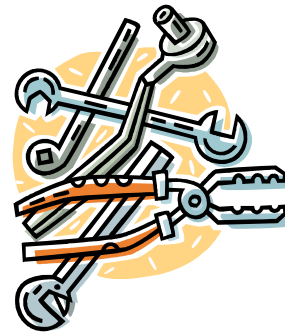
Which is your first action?

a) Decide on a replacement heating system



b) Appoint a plumber

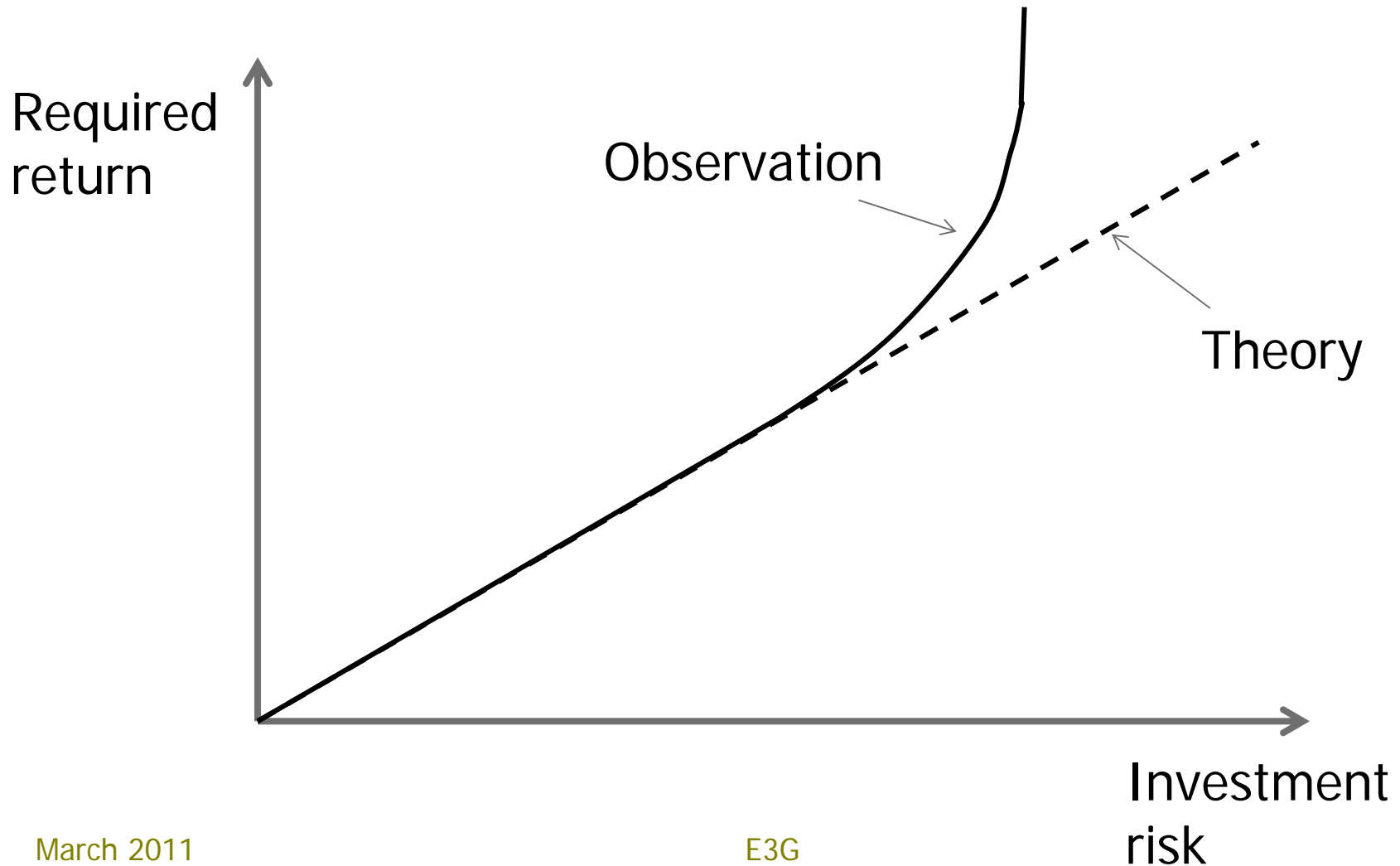
c) Buy the toolkit



The reality of financial markets



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Power market investment risk



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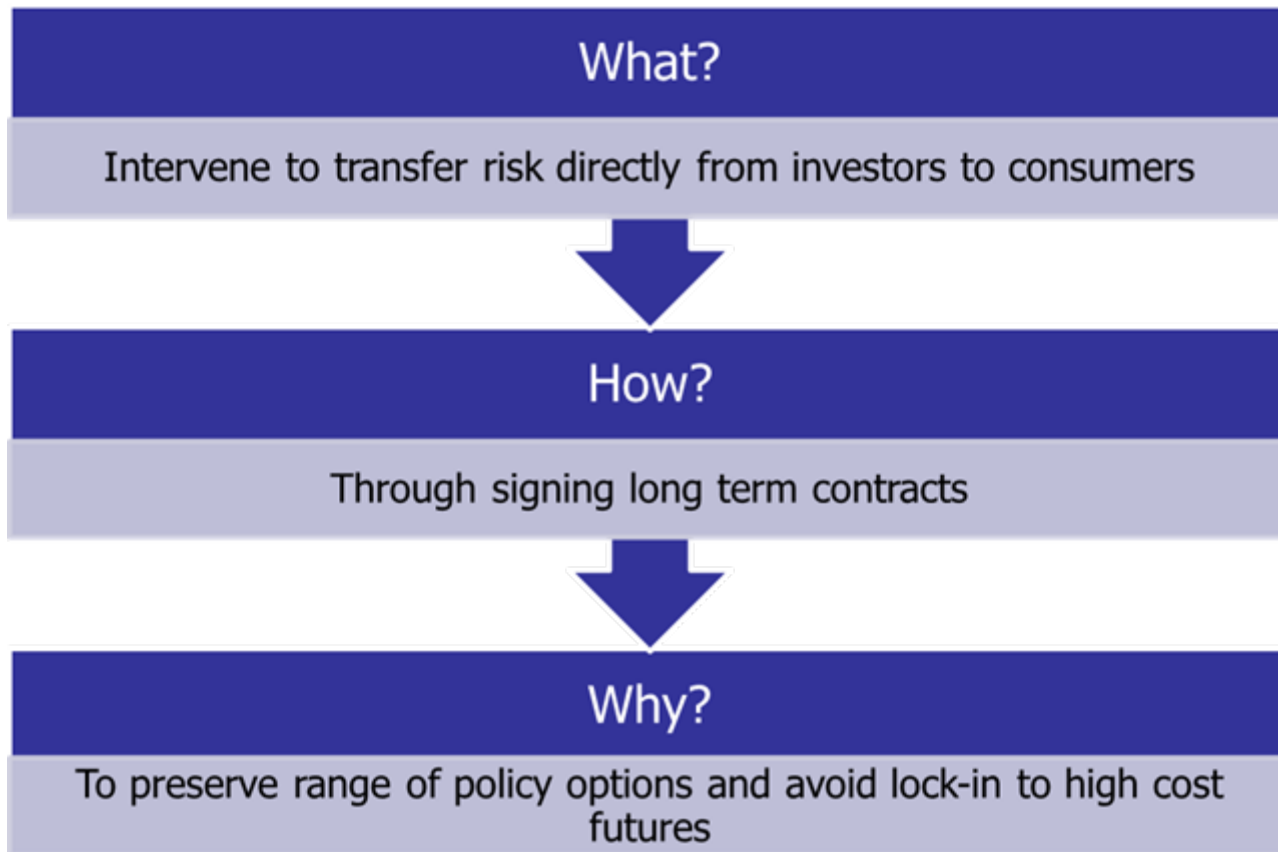


Left to it's own devices, the market would defer investment until the range of future outcomes narrows

The essence of EMR



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Difficult questions...



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Who decides which contracts to sign?

How do they decide which contracts to sign?

The policy dilemma



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Clearly defined and long term market opportunities for low carbon resources

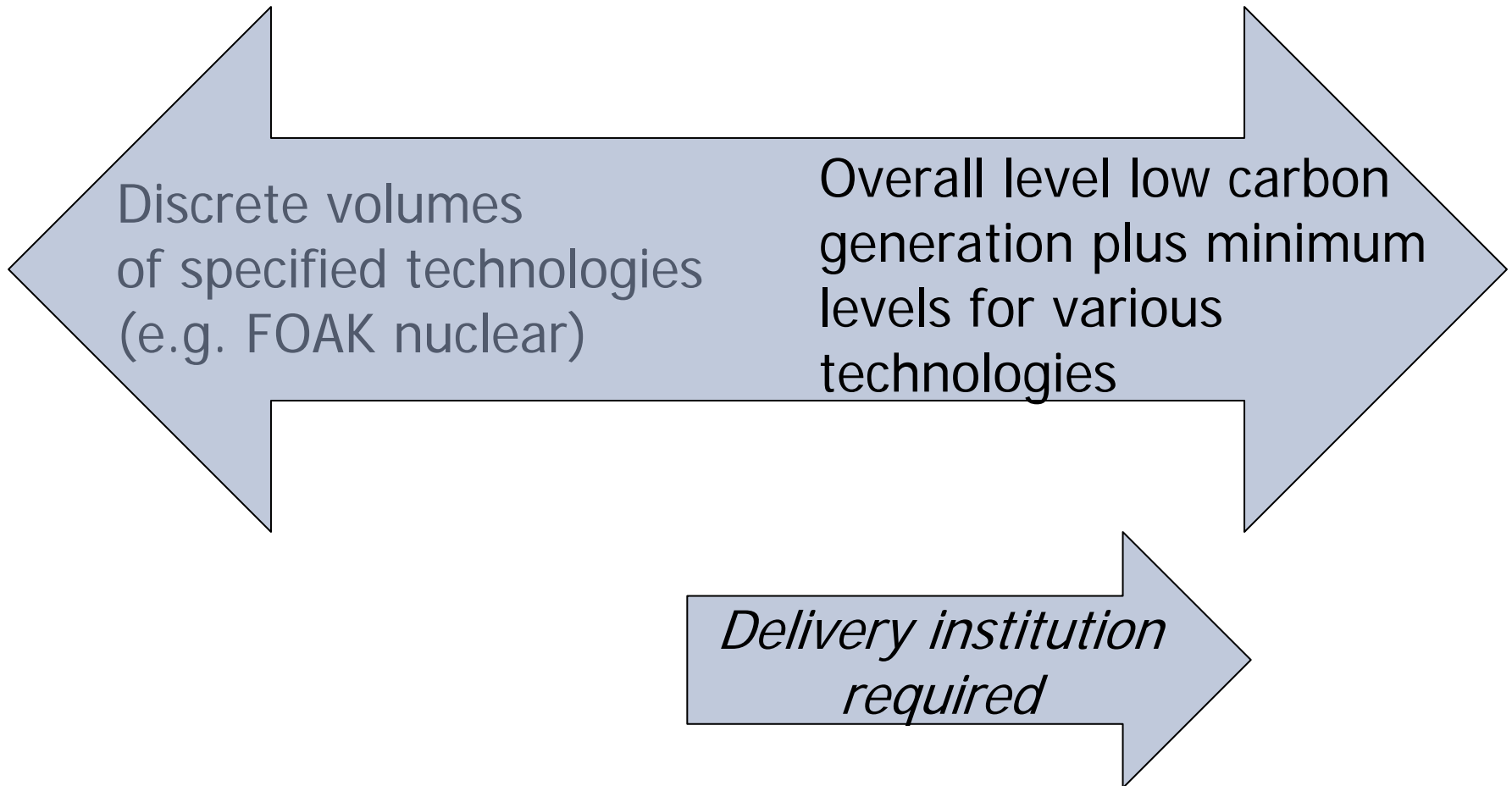


Ensuring that any long term commitments are credible from an affordability perspective

The policy spectrum



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EMR 'Decision'

Which actions should be prescribed in advance?

How much flexibility should be allowed and monitored by review after the event?

For example....



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Prescribed

- Technologies to be subsidised
- Maximum level subsidy

Monitored

- Seek out new providers of low carbon resources
- Innovative contractual arrangements delivering more effective risk sharing between investors and customers

Back to the broken boiler



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Which is your first action?

a) Decide on a replacement heating system



b) Appoint a plumber

c) Buy the toolkit

