Emissions trading: impacts on electricity consumers

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Aims for today

- Identify the factors that will determine how the ETS will influence electricity prices
- Understand ways in which wholesale and retail electricity markets will respond to a cost for carbon
- Discuss what this may mean for electricity prices
- Consider the impact for electricity users – domestic, commercial and industrial
Key questions (1):

- What will the allowance price be?
  - What are the marginal abatement cost curves?
  - What is the shortfall imposed by the sum of 25 NAPs?
  - What is the effect of JIs/CDMs?
  - How is the market developing?

- How will operators respond?
  - Changes to generation patterns?
  - Fuel switching?
  - Importance of allowance price relative to other costs?
  - Impact on investment decisions?
Key questions (2):

- How will generators and suppliers act?
  - Full opportunity cost pass through?
  - Average cost?
  - How will costs be shared between customers?
  - Issues for independent suppliers?
Impacts on customers and on markets

- Impact on consumers
  - Domestic
  - Small/medium industrial and commercial
  - Large

...in the context of total price changes, cost of alternative policies, sustainability

- Can a three (or an eight) year scheme deliver long term changes to investment?
Promoting choice and value for all gas and electricity customers