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Coos Battjes, Energy Markets Specialist

Transcript

- 00:00 Hi everybody, and welcome to the first in our series of Energy Transition Shorts. I'm delighted to be joined by Coos Battjes, who's the Energy Market Specialist here at Downing. And the first topic of the day is zonal pricing, particularly in the UK. Will they be introduced in the UK as a result of REMA? And if so, what will it look like? Coos, please give us your views.
- 00:24 They're looking into it to solve the problem that all the generation is in the north, and most of the demand is in the south, and that's the problem they're trying to solve because there's not enough capacity to move the generation to the South.
- 00:37 At the moment, they're looking to introduce 2 to 12 zones. And then, depending on how many zones they have, you will have zones with different supply-demand balances.
- 00:48 And will that mean different prices between those zones at any given point in time?
- 00:53 That's what you would expect. Zones with a high demand and no generation probably will have high prices and vice versa. So, London probably will have very high prices, and you would assume that some of the zones in Scotland will have lower prices.
- 01:07 So, I guess it's a bit of a postcode lottery. Yeah. And so do we think that's a good idea?
- 01:13 Not sure. I think, in the long-term that you would actually want to move demand to where there's deep generation – a lot of generation. That by itself is a good idea. But I think in the short-term, you will have a lot of pain in some areas and it might actually impact your industry in those areas and inflation. So, I'm not so sure of in the short-term – actually the pain is worse here as well.
- 01:37 And what are the other alternatives to introducing zonal pricing, or are there ways in which we can lessen the impact of the introduction of zonal pricing to try and make that more politically acceptable?
- 01:54 I think there are a couple of things. There's transmission tariffs, there is grid connection tariffs. With the introduction of all these data centres, that's the one easy solution – to move those to the north. So yes, you can have solutions there, how you will incentivise those to go to the north.
- 02:13 And that would be to balance the supply-demand dynamic in those sort of higher generation areas in the north?
- 02:20 Exactly. So that means if there's more demand in the north, there's actually less reasons to curtail generation in the north, which, obviously, everyone has to pay for. So yes, that's I think probably the likely solution.
- 02:33 So, I think a pretty complex topic, a pretty difficult topic politically to introduce. Sounds like a lot of long-term gain for short-term pain. Perhaps that's something we can touch upon again in other sessions. Happy to do. Cheers.