

RWE



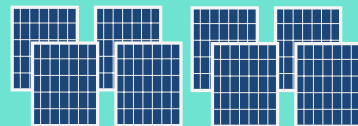
RWE Reflections

RWE responds to NESO's Clean Power 2030 advice

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Tom Glover
RWE UK Country Chair



Achieving clean power by 2030 – one of the Government’s five ‘Missions’ - is incredibly ambitious, but as a ‘north star’ can help accelerate investment and deployment.

We welcome the advice published earlier this week by the **National Energy System Operator (NESO)** on achieving clean power for Great Britain by 2030, and their consultation with industry throughout this process. With swift, bold, and sustained action from the Government, regulators, and investors, a secure, clean, and affordable power system by 2030 is achievable.



Choosing the right priorities to underpin the pathway to 2030



Topics for further, detailed consideration



Moving forward with implementation at pace





Choosing the right priorities to underpin the pathway to 2030

NESO's advice identifies a number of key areas that will need to be prioritised by policymakers to enable Great Britain (GB) to achieve clean power by 2030 (CP2030). We welcome these priorities, and would particularly highlight the following:

Government Action Needed

Government, regulators, and investors must act quickly and boldly to support the substantial investment required for a clean power system, particularly for offshore wind.

Offshore Wind is Critical

The report confirms the necessity of mass deployment of renewables as essential to achieving clean power, with offshore wind highlighted as critical.

Onshore Wind and Solar

Onshore wind and solar are confirmed as the cheapest clean power options and can be deployed faster than offshore wind.

Importance of Low Carbon Dispatchable Generation

Low carbon dispatchable generation, such as Gas CCS and hydrogen, is important for reducing reliance on weather-dependent renewables; and the need for long-duration energy storage.

Role of Unabated Gas Generation

Unabated gas generation remains system-critical, and NESO importantly recognise that the size of the portfolio (GW) needs to remain broadly the same as today, albeit being used much less frequently.

Demand Flexibility Challenges

NESO identify that significant growth in demand flexibility is required, but it is important to recognise that changing customer behaviour to achieve this is likely to be extremely challenging.

Investment and Market Stability

Decisions on market arrangements and investment support schemes must provide stability and confidence to underpin the large amount of investment required for a clean power system.

Low carbon dispatchable generation is important for reducing reliance on weather-dependent renewables





Topics for further, detailed consideration

We agree with the NESO's definition that a GB clean power system is one where demand is met by clean sources, mainly renewables, with unabated gas-fired generation used only rarely to ensure security of supply. In our own analysis, provided there is sufficient investment in low carbon generation and flexible demand, unabated gas generation can be reduced to less than 5% and carbon intensity can be below 20gCO₂/kWh.

However, we disagree with the NESO definition that clean sources should produce more power than GB consumes in total, as it commits GB to be a net exporter, regardless of cost.

For example, whilst demand is forecast to increase only by around 11% by 2030, the generation levels are forecast to increase by over 30%. The difference is explained by significantly more curtailment for energy reasons and GB becoming a net exporter. We would welcome further detail on the economic reasoning of this.

In considering NESO's advice, the Government should carefully consider whether the NESO definition committing GB to be a net exporter is economically efficient and good value for consumers.

We support the broad pathways, and the sensitivities, that the NESO has selected and believe they offer challenging, and broadly realistic routes to CP2030. More specifically, we fully support the conclusion that a clean power system must be predominantly based on offshore wind.

However, reaching even the lowest end of the range (43 GW) will be very challenging, and the upper end of the range (50 GW) remains beyond what is realistically achievable without a drastic change in approach.

The Government must urgently address and deliver adequate procurement in the next two auction rounds for offshore wind to have any chance of approaching these levels of deployment by 2030. We have set out previously [our recommendations](#) for how to achieve this. With two-thirds of new offshore wind projects in the pipeline failing to win a contract in the last auction, a significant step-change is required.



We do not believe that zonal pricing is likely to result in anything other than significant market disruption

We welcome the firm conclusion that unabated gas will continue to play a critical role for security of supply, filling shortfalls during periods of low renewables output. However, the report acknowledges there will be challenges in operating and maintaining an ageing gas fleet that is running infrequently. It is therefore reassuring that their gas network analysis shows that the gas transmission network can absorb the impact of the gas-fired generation fleet's start-up behaviour under such conditions.

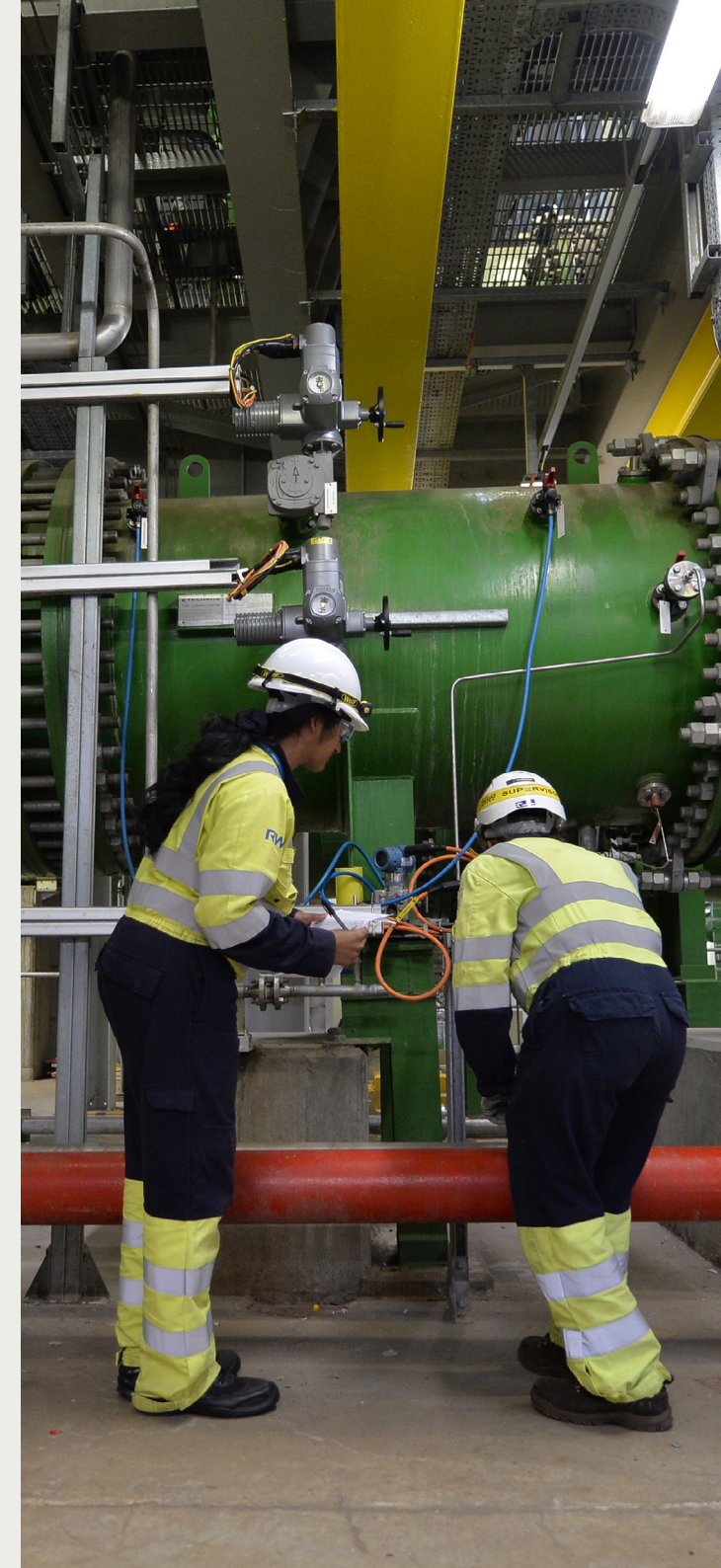
It will be important to ensure the right signals are in place to facilitate the continued, safe operation of the gas fleet as required.

We believe this can be achieved with a reform of the existing Capacity Market. We welcome government's consultation on lowering the threshold for three-year capacity market agreements to support the economic case for refurbishing existing ageing plants, to improve their reliability and extend their operating life.

The report rightly recognises that policy certainty, visibility of the future market and swift funding decisions are needed to ensure developers can mobilise the supply chain and workforce needed. The report also highlights that decisions on market arrangements and investment support schemes must provide stability and confidence to underpin the large amount of investment required.

However, despite recognising these requirements, NESO continue to argue that a locational pricing model should be implemented.

While we are aligned on the need for urgent clarity on future market design, we disagree that locational pricing is the right approach. RWE has long been an advocate of stronger locational signals, which is why we oppose the idea to cap generation locational signals. We do not believe that zonal pricing is likely to result in anything other than significant market disruption. As the recent [LCP Delta](#) analysis demonstrated, the anticipated benefits of zonal pricing are significantly reduced when assessed against the latest grid network plans; and require only modest changes in the cost of capital for investment to be completely eroded. It is important that government carefully considers the impact on investment and reviews the case for zonal pricing in light of CP2030.





Moving forward with implementation at pace



NESO's advice provides a clear platform for making progress towards clean power by 2030.

The opportunities from clean power are huge: an annual investment programme of £40bn will support economic opportunities and new jobs across the UK; new networks and an abundant supply of clean power can enable growth in other sectors, including the growing digital and data economy.

It is very reassuring that NESO analysis shows that, taking a neutral view, overall costs to consumers may not increase because of a move to a clean power system. Further, the UK consumer would be protected from any volatility in wholesale gas prices, as the gas volume required to supply the gas-fired generation fleet would be relatively small.

The Government must now make the necessary decisions quickly to provide the stability and confidence needed to unlock this substantial investment – particularly for offshore wind, which the report highlights as critical.

We look forward to continuing to work closely with NESO, the Government, regulators, other industry players, and communities to achieve a clean power system that is secure, reliable, affordable, and fair for all.

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