

The Right Honourable Boris Johnson
Prime Minister of the United Kingdom
10, Downing Street,
London SW1A 2AA

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22/05/2020

Dear Prime Minister,

I appreciate that with the continuing demands on your time caused by the Covid -19 pandemic and Brexit negotiations, that my letter will appear to be insignificant.

As your ministers have pointed out, we are entering the worst recession this country has known and therefore it is incumbent on your government to make savings in every area, but particularly in areas where it will not cause further financial impact on the those suffering the misery of unemployment, loss of their businesses or those having to self isolate at home.

The Department of Business, Energy and Industrial Strategy (BEIS) currently has a consultation period (closing on 29th May), to consider widening the scope and terms of the 'Contract for Difference'. Preliminary announcements to the Renewable industry is that on shore windfarms will again be included in bidding rounds for Contracts for Difference (CfD's) from 2021.

Many people know that the powerful Renewable industry has lobbied long and hard for the CfD scheme to be widened again to include on shore windfarms. These are the most lucrative, cost effective means of producing electricity from wind. The On shore wind industry has been excluded from bidding for CfD's since 2014, as BEIS has considered this to be a mature industry.

The CfD is a 15 year contract, administered by your Government's Low Carbon Contract Company (LCCC). A CfD guarantees a fixed rate for any electricity produced (the 'strike' price), regardless of the actual wholesale price of electricity. That difference in price can be two to three times the actual wholesale electricity cost - which is why award of a CfD is highly sought after by developers. As the strike price increases in line with the CPI, Generators will always receive an increase in their contracted price in line with, or above the rate of inflation.

During this current coronavirus pandemic, when demand for power has dropped and the electricity price has plummeted, this price difference has become even greater, to the point where your Government is now stepping in financially to support electricity suppliers, who make up the huge price difference to generators. This cannot be reclaimed from consumers in such a short space of time. This is a huge extra burden to the public purse when massive health and furlough expenditure is already causing economic difficulty.

Normally, electricity consumers alone would foot the bill directly for this massive subsidy/tax. In 2018-19 alone, **this cost us, the consumers, £980.2 million** more than the going rate for electricity.

Yet electricity produced under the CfD scheme in 2018-19 accounted for **only 4%** of UK electricity demand. So, 96% of generating companies seem to be able to exist without these lucrative subsidies.

The LCCC has, as one of its two guiding principles, "**to minimise costs to consumers**". It does not seem that this scheme is minimising costs to consumers, but maximising profits to CfD holders.

In addition to the costs to consumers of paying for the CfD subsidy through their electricity bills, in 2018/19 there was an **additional £12.3 million added to consumer's bills**, simply to pay the running costs of the LCCC so that they can meet their other guiding principle of '**maintaining investor confidence**'.

The LCCC costs are set to rise next year, along with increasing costs to consumers of continuing the subsidies to increasing numbers of CfD generators under the CfD scheme.

All of these figures are within the 2018/19 annual report of LCCC https://www.lowcarboncontracts.uk/sites/default/files/2019-07/LCCC%20Annual%20Report%20and%20Accounts%202018-2019_2.pdf

As we enter the worst recession ever for the UK, there will be more unemployed people and families at home needing more domestic energy to eat and stay warm. It is these people in particular who will bear the unfair burden of providing the increasing benefit to already wealthy Generators.

This is a tax on all the peoples of the UK designed to benefit a minority of electricity generators. This is distorting the energy market and leading to ever more aggressive and inefficient generation of electricity through windfarm development.

Many of the windfarms now being built in Scotland for example, will contribute little to Scottish or UK electricity demand because the grid cannot cope. (Scotland has already met its stated aims for renewable energy generation) Unable to export electricity to the UK market due to grid overload, these windfarm generators then receive generous constraint payments not to generate electricity! This is simply a bizarre energy policy which requires a complete overhaul.

As a Country, and as ordinary citizens, we simply cannot afford the lucrative subsidies being exploited by wealthy Renewable Energy companies, mostly domiciled abroad, for inefficient and intermittent production of electricity.

I urge you please to stop any further increase of the CfD scheme and to look at capping the existing scheme.

Most respectfully,

Dr Rachel Connor MB. Ch.B, FRCR