



Department for  
Business, Energy  
& Industrial Strategy

# Five Year Review of the Energy Act 2013

May 2022

Since its implementation, the CM has been highly cost effective. Liquidity and competition within the capacity auctions have been high and auction clearing prices have been lower than expected. The most recent main auction (T-3 held in January 2020) cleared at £6.44/kW and the most recent top-up auction (T-1 held in February 2020) cleared at just £1.00/kW. This has resulted in low costs to the consumer.

In terms of the achievements of the smaller supporting policies of EMR, many have not yet been used. Given that these are deterrent or contingency policies, it is thought that as there has not been a requirement to use these policies, they are achieving their intended objectives.

## Next steps

This review has evidenced that the EMR policies remain fit for purpose. The cost of renewables has fallen and is anticipated to fall further, however there is still expected to be a need for government support going forward.

By 2050 the UK will need to have met our world leading net zero emissions target; the power sector is vital to that. Whilst we cannot predict today exactly what the generating mix will look like in 2050, we can be confident that renewables will be the foundation of this, alongside firm or flexible low carbon generating capacity such as carbon capture and storage technology and nuclear power stations.

Net zero defines what we must achieve by 2050, and the [Net Zero Strategy](#) sets out how to get there. We must take the necessary decisions now to deliver the low cost and secure low carbon power system we will need to reach net zero.

To build on the success of the CfD scheme, the fourth allocation round (AR4) was launched on 13 December 2021.

To ensure security of supply there is a strong need to maintain the CM going forward, given that many of the underlying issues that led to its introduction continue. In particular, the significant coal and nuclear plant closures expected in the 2020s, the persistence of the 'missing money'<sup>5</sup> problem and the rapid evolution of the electricity system in GB.

A call for evidence held in 2018<sup>6</sup> highlighted several areas for minor improvement in the CM, in particular, to ensure that competition in the CM continues to be based on a level playing field between technologies, to further improve the cost-effectiveness of the scheme and to make simplifications where possible. Full details of our plan for making these minor improvements to the CM can be found in the Five-Year Review of the CM which we published in July 2019<sup>7</sup>.

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<sup>5</sup> The missing money problem refers to the lack of financial incentives to build new generators or refurbish existing generators to provide capacity caused by generators' and investors' uncertainty about whether the prices they would eventually receive for generating electricity and selling it in the wholesale electricity market would cover the costs of those activities.

<sup>6</sup> <https://www.gov.uk/government/consultations/capacity-market-and-emissions-performance-standard-review-call-for-evidence>  
<https://www.gov.uk/government/publications/capacity-market-5-year-review-2014-to-2019> This was published ahead of the Energy Act Review in order to meet the requirements in the secondary legislation which implements the CM (the Electricity Capacity Regulations 2014).

Many of the smaller, supporting policies of EMR have not yet been used. However, given that these are deterrent or contingency policies, it is thought that even though there has been no requirement for their use, they are still fit for purpose.

We are continually seeking to understand whether we should adapt and improve our policy mechanisms, and the findings of this review have been integrated into work assessing how our policy framework can best deliver a net zero consistent power sector, including informing:

- consultations on the design of AR4<sup>8</sup>;
- the call for evidence on enabling a highly renewable electricity systems, which focused on broader, longer-term issues beyond AR4, including introducing greater exposure to market price signals<sup>9</sup>;
- the Energy White Paper, which was published in December 2020 and set out an ambitious policy programme to put us on track to delivering net zero emissions by 2050<sup>10</sup>; and
- the Net Zero Strategy, which was published in October 2021 and built on the Energy White Paper, setting out how we will decarbonise all sectors of the UK economy.

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<sup>8</sup> <https://www.gov.uk/government/collections/contracts-for-difference-cfd-allocation-round-4>

<sup>9</sup> <https://www.gov.uk/government/consultations/enabling-a-high-renewable-net-zero-electricity-system-call-for-evidence>

<sup>10</sup> <https://www.gov.uk/government/publications/energy-white-paper-powering-our-net-zero-future>