

# Understanding the EMR

A brief, but perfectly formed, overview of the Electricity Market Reform (EMR).

**Emissions  
Performance  
Standard**

**Carbon  
Price  
Floor**


**Contracts  
for Difference**

**Capacity  
Market**



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# What is the EMR?

In order to maintain the security of electricity generation, raise the estimated £110 billion investment needed over the next decade, meet carbon reduction targets and do this in a cost effective way for the consumer, the Electricity Market Reform (EMR) looks to address these requirements through four measures:

- **Emissions Performance Standard**
- **Carbon Price Floor**
- **Capacity Market (CM)**
- **Contracts for Difference (CfD)**

From April 15, CM and CfD charges were added to electricity invoices. The other two elements were already included within costs.

## Emissions Performance Standard

Which restricts the carbon emissions new fossil fuel power stations can emit through generation.



## Carbon Price Floor

Imposes a minimum price of carbon emissions emitted through generation with the costs being applied to the electricity wholesale price since 2013.

## Capacity Market (CM)

Older generation is shutting down as it comes to the end of its life cycle, no longer being cost effective to run or struggles to meet emissions guidelines. We are replacing this capacity with more low carbon generation, which tends to be intermittent. Examples being Solar and Wind.

In order to ensure we have enough electricity to meet periods of high demand, the CM auctions the requirements and pays for its availability.

Arrangements are also put in place for some high consumers to reduce demand on request.

## Contracts for Difference

CfD looks to provide an incentive in the form of a predictable income for the generation of low carbon electricity. Payments are made to generators above that which they receive on the wholesale market if the price achieved is below an agreed strike price. At the same time, if the price achieved is above the strike price, the generator pays back the difference. Contracts are awarded through an auction process.

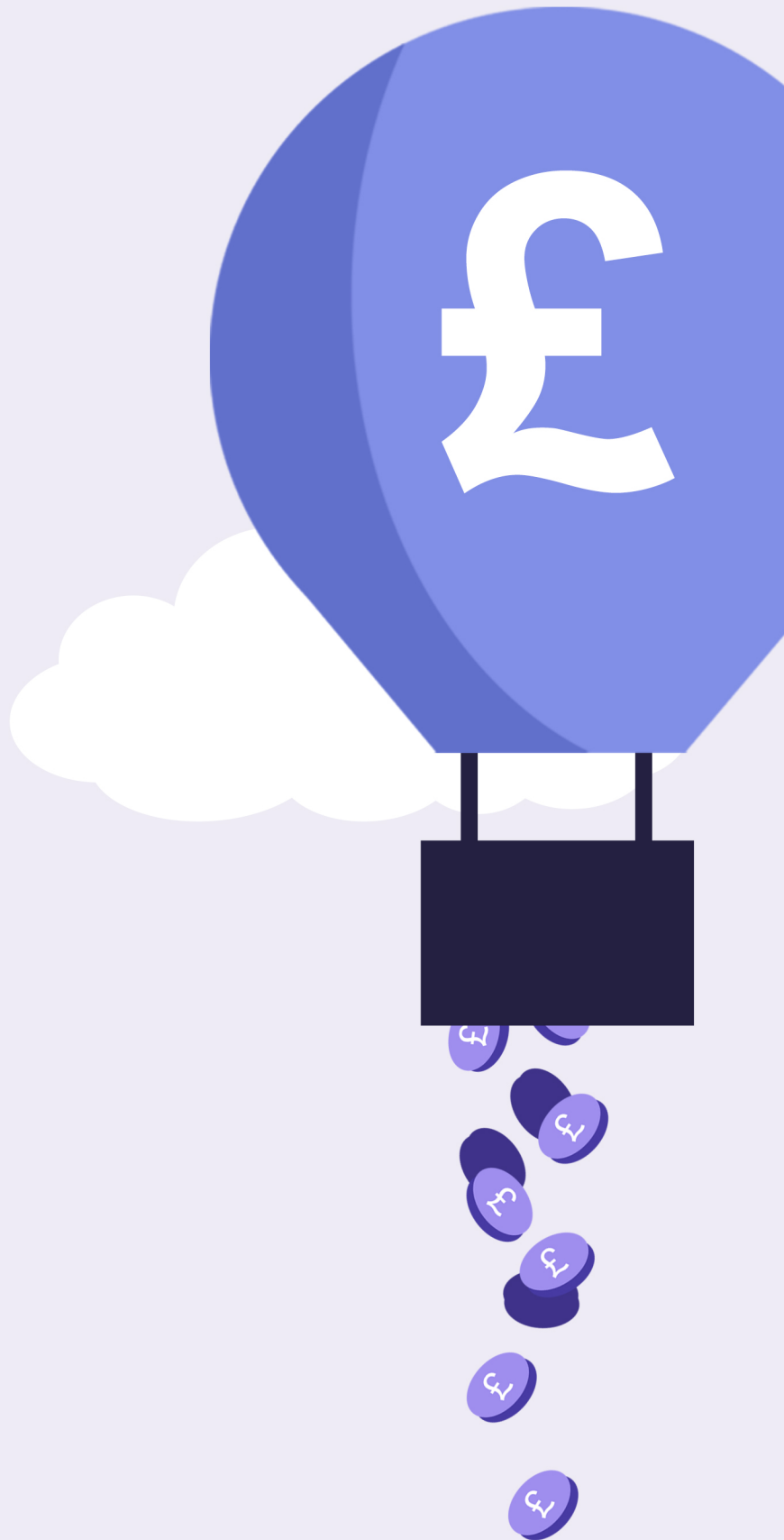
This scheme will run with the Renewables Obligation (RO) until 2037 although the RO will not expand from 2017.

# How will it affect me?

## How will this affect me/what do I need to be aware of?

Unfortunately the legislation affects all electricity consumers, with exception of Energy Intensive Industries (EII). However, by controlling the amount of energy you use, will help reduce the costs.

Indigo Swan can provide support to achieve this through the monitoring of energy use as well as a site audit.





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