Breaking the Link implementation framework

'Breaking the Link' Concept

Ecotricity proposes a major market reform to lower electricity bills for households and businesses: breaking the link between wholesale gas and power prices.

Under the current market mechanics, gas acts as the marginal fuel, responsible for setting the wholesale price for power. This mechanism means that the GB power market is exposed to global gas market volatility, irrespective of the levelized cost of energy delivered from renewable energy sources. This global volatility creates an instable consumer pricing model, which drives consumer prices up. Decoupling electricity prices from gas would shield GB from these fluctuations and deliver more stable and affordable energy costs.

Independent Expert Work

To test and accelerate this reform, Ecotricity commissioned two leading consultancies to provide an implementation framework:

> **Cornwall Insight** – assessed the market design, policy, and regulatory requirements.
>
> **Engage Consulting** – examined the technical implementation feasibility and necessary code changes.

Their combined work identifies the key stakeholders, legislative levers and delivery pathway to achieve reform within a 24-month timescale.

Cornwall Insight – Market & Policy Framework
Cornwall Insight laid out the overarching framework by listing the key market participants required to deliver the operational change framework.

They are as follows:

Policy	DESNZ
Regulator	Ofgem
Networks	Transmission & Distribution
Balancing	NESO
Fossil Fuel Generators	Gas fired stations etc
Variable Renewable Generators	Wind, solar etc
Dispatchable Low Carbon	Nuclear, biomass etc

This is supplemented with detailed parameters of operational change to implement the 'Breaking the Link' market design:

- Auction platform design
- Administrative price cap
- Imbalance pricing rules
- Monitoring and cap duration
- Balancing mechanism activity

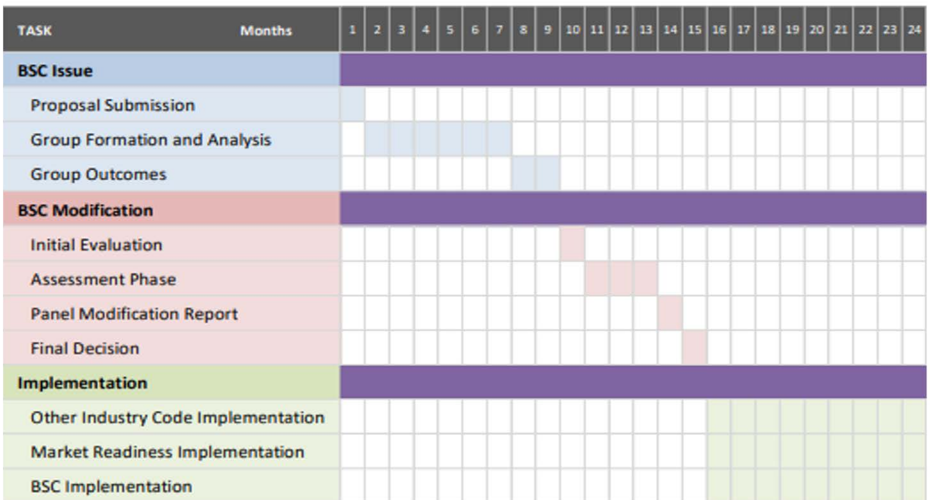
The recommendation was that a mix of both primary and secondary legislative change would be appropriate to optimise the efficiency within which the scheme could be implemented.

Engage Consulting – Technical Feasibility & Codes
Engage Consulting provided advice on the technical feasibility to implement the market design change within a 24-month timeframe under an accelerated fast-tracked scenario that assumes change processes are tightly controlled, and key dependencies are addressed.

They detailed the required Code modifications and market stakeholders to deliver the detail behind the market design:

- Balancing & Settlement Code (BSC) – the central lever, governing imbalance pricing and settlement arrangements.
- The Connection and Use of System Code (CUSC)
- Grid Code
- System Operator frameworks
- Distribution Connection and Use of System Agreement (DCUSA)

The BSC will require the most extensive exploration and consultation and acts as the critical path stakeholder to successful delivery. Engage Consulting has mapped a detailed timeline for the overall implementation of "Breaking the Link" (see below Gantt chart):



Projected Savings

Modelling undertaken across a range of historical and extreme price scenarios indicates substantial potential savings for consumers under the proposed reform compared with the current system; with the direct benefit of providing stability in the retail pricing market and offering greater transparency to customers, opposed to volatility created through a global gas market.

2022-24 savings

£46.6 billion (£33 billion for businesses & £13.6 billion for consumers), £397 per household

2025 savings

£41.6 billion (£29.4 billion for businesses and £12.2 billion for consumers), £356 per household

2030 savings

£86.7 billions (£61.3 billion for businesses and £25.4 billion for consumers), £741 per household.

Conclusion

“Breaking the Link” offers a practical, evidence-based pathway to stabilise wholesale costs and reduce customer bills. Independent experts have validated the approach and identified both the stakeholders and the roadmap to deliver it within an accelerated timeframe. We invite the Government to work with Ecotricity to move this reform forward.