

REF

RENEWABLE ENERGY FOUNDATION

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Press Release

REF Calls for Transparency Over Secret Wind Power “Constraint Payments”

In response to an increasing number of press inquiries about the sums of money paid to wind farms to reduce output (the so-called ‘constraint payments’) Renewable Energy Foundation (REF[1]) is today publishing a new online database giving analysed details of all wind farms constrained off the system through the Balancing Mechanism, which is operated by National Grid[2]. The online database covers the period from 2010 (when wind farms were first constrained off) to the present day.

This data, which is derived from public domain sources, lists the wind farms receiving the payments, the date of the constraint payment and the total amount charged by the wind farm companies for reducing output. The price per megawatt hour (MWh) of energy is often many times more than the lost wind farm subsidy, suggesting that the market is not functioning in the consumer interest.

Furthermore, REF notes that since October an additional system for making constraint payments to wind farms has been instituted by National Grid, and this system is not open to public view since it is outside the Balancing Mechanism. The volume of constraints being handled through the new system is already considerable. In answering a parliamentary question from Glyn Davies MP, Mr Hendry, Minister of State for Energy, has stated that “in 2011 constraint payments totalling £12.1 million were made to wind farms through the balancing mechanism”, and went on to say that “In addition, National Grid undertook a number of forward energy trades through the market in order to balance the system. These are also classed as constraint payments and resulted in £12.7 million being paid to wind farms.”[3]

However, the details of these trades are not publicly visible. Mr Hendry commented: “National Grid has advised that forward energy trades are commercially confidential, and is therefore not able to provide details of which energy companies received such payments.”

REF observes that for a market to function efficiently and in the consumer interest, all charges made on those consumers should be publicly visible to ensure confidence that such charges are reasonable and to facilitate competition and drive down costs. The existence of secret trading arrangements between National Grid and any generator is incompatible with these principles.

Dr John Constable, Director of REF, said: “The introduction of opaque trading arrangements to manage wind power is a very unwelcome step in the wrong direction and must be reversed without delay. It is time for the regulator, Ofgem, to do its job and step in to protect the consumer interest by ensuring that the UK’s electricity markets become more transparent not less.”

For further information please contact: 020 7930 3636, or exec@ref.org.uk.

Notes for Editors

1. The Renewable Energy Foundation is a registered charity (1107360) promoting sustainable development for the benefit of the public by means of energy conservation and the use of renewable energy. REF is supported by private donation and has no political affiliation or corporate membership. For more information see: www.ref.org.uk
2. For the new database see: www.ref.org.uk/energy-data and choose the Wind Farm Constraints option.
3. See *Hansard*, 17 Jan 2012: Column 684W.