

## **BETTA and the Environment**

### **Background**

- The Government has, over recent years, put a very high priority on the liberalisation of the market in the UK and reduction of costs to the consumer.
- Following review, the Pool system (where prices were set by the marginal plant) was judged to be uncompetitive and susceptible to manipulation. The aim of the New Electricity Trading Arrangements (NETA), introduced in April 2001, was to bring about a more competitive wholesale market, to place downward pressure on the price of bulk electricity and ultimately prices to all consumers.
- The introduction of NETA in England and Wales was carried out with little account of the environmental consequences, in particular increase in coal generation and low prices limiting the incentive to conserve energy.
- In April 2005 the NETA arrangements were extended to include Scotland leading to a UK wide market. These new arrangements are called BETTA (British Electricity Transmission and Trading Arrangements).

### **What is it? How does it work?**

- BETTA, and its predecessor NETA, value generation that is flexible and reliable, because of the importance to suppliers of meeting short-term contractual commitments, and the costs of making up any shortfall.
- Intermittent technologies such as many of the new renewable and CHP find it difficult to obtain good prices in the absence of consolidation services. As a result of this, and in spite of significant financial support, NETA was one factor in the slower than expected adoption of these technologies.
- Flexible generation such as open cycle gas turbines, oil-fired generation and coal plant benefited under NETA relative to other technologies.
- Lower costs under NETA, and now BETTA, means that consumers have little incentive to conserve energy.

### **British Energy's position**

- British Energy provides a significant quantity of baseload generation that is carbon free.
- We believe that emissions reductions should be sought via market instruments that value the benefit of all low carbon technologies, such as the EU ETS established in January 2005. These instruments are required to address the adverse effects of NETA/BETTA on the environment.