Funding the Future

The great energy rip-off

https://www.taxresearch.org.uk/Blog/2025/04/21/the-great-energy-rip-off/

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There is an article in The Guardian this morning that rather half-heartedly seeks to explain why energy prices are so high in the UK.

As it explains, without adequate analysis being applied to market exploitation, this is because the price of electricity is set on the basis of the highest marginal cost to produce it here in the UK, meaning that the price is almost always determined by the cost of producing electricity from gas, although only forty per cent of electricity is usually produced in that way. The result is that the rest of the electricity consumed in the UK is sold at a massive profit margin. We are ripped off, in other words, as a result of official policy. This is something I have been writing about here for over years now.

Brussels-based energy expert, Mike Parr, wrote to me about this over the weekend, supplying this table:

18th	Time	1000	1100	1200	1300	1400	1500	1600
	UK £	80	78	60	45	40	45	67
	France €	29	14	9	0	0.01	0.1	3.7
19th	Time	0000	0001	0002	0003	0004	0005	0006
	UK £	61	60	57	57	53	52	64
	France €	19	16	19	13	15	15	17

As he explained:

This is for the period 18th and 19th April. Selected hours (24hr clock)

The numbers UK and France are £ or € per MWh for day ahead wholsale electricity prices. During the time frames shown, the interconnectors, UK – France were running at close to full capacity (+75%).

Finance companies, such as Goldmans, Morgan Stanley etc with "prop-desks" and with access to interconnector capacity, will have bought in France at – e.g. €29/MWh (18th April @ 1000hrs) and sold in the UK at £80/MWh (a small cost for carrying the elec would be levied). Including the carry cost the margin would be +/- £45 per MWh.

Given the way marginal markets work, it is likely that the traders will bid in French MWh at something less than UK day ahead rates – probably a few £ss below the gate closure price. So if the gate closure looked like £80, the bid would be +/- £75.

There is an argument to be made in that case that the UK gov should have 100% access to the interconnectors and be the only one that can trade. It could then make some decisions as to what is in the best interests of UK citizens.

For example, given the current marginal market structure, this predicates profit maximisation and re-distribution.

Market reform and market split would point to using the French prices to drive down composite wholesale prices.

None of this is on the horizon of the current gov.

Mike is right. None of this, which would be fundamentally in the best interests of the UK consumer, is on the government's agenda. It is not even close to it, probably because none of them would understand it, and their Oxford PPE degrees would defend the status quo.

This is why we're in a mess.

We have dogma-driven policy.

We have governments made up of politicians who do not understand the consequences of the dogma they subscribe to.

People do not come first.

And few journalists have the time to work out what is really going on, or make the case against it.

Meanwhile, we are taken advantage of by a structure that is guaranteed to deliver that outcome and excess profits to traders in the City.

It's all very cosy for a few, and the exact opposite for everyone else.

When will they learn?

My thanks to Mike for the data.