

Electricity Market Reform Project  
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### **Consultation on Electricity Market Reform**

#### **About Asda**

Asda is one of Britain's leading retailers. We have over 180,000 dedicated Asda colleagues serving customers at 385 stores, as well as 25 depots and seven recycling centres. We serve over 18 million shoppers a week in store and our growing home shopping business reaches 98 per cent of UK homes.

Asda has set up its own power supply business, to deliver lower cost electricity to our business. The amount of electricity we use is just under 0.5% of the entire UK electricity load. We will spend in excess of £100m on electricity this year.

Regulated costs continue to increase significantly year on year and in 2011 will be approximately 32% of our total electricity costs (an increase of 29% from 2009), excluding the costs of the Carbon Reduction Commitment (CRC). These are made up of taxes, levies and the costs of using the distribution networks. We expect these to continue to increase at a similar rate going forward. Taking account of the CRC, regulated costs will be almost 40% of Asda's total electricity spending.

We continue to seek ways to reduce Asda's energy usage and carbon emissions. Between 2005 and 2010 we reduced carbon emissions from existing stores, depots and offices – despite being a growing business – by 21.4%. We are on target to achieve a 35% absolute reduction by 2015. Over the 2005 to 2010 period we reduced our absolute carbon footprint by 7%.

#### **Our views on the electricity market**

We have identified a series of ways in which the Government can help Asda to limit the cost of the energy we purchase, plan our involvement in the energy market and make long-term investments in sustainable technology.

- A co-ordinated approach to carbon and carbon taxes. Currently there are a range of taxes and levies which contribute to the cost of electricity, including the Climate Change Levy, Renewable Obligation and Carbon Reduction Commitment. Co-ordination would offer Asda greater certainty and simplicity.

- A long term strategy that delivers more certainty against which we can plan. We have been concerned by recent significant changes made at short notice. For example, the conversion of CRC to a pure tax and the significant changes in network costs, both with very little notice. Such sudden changes lead to significant unexpected costs. We cannot budget for such changes and they create uncertainty about future costs, affecting our ability to plan.
  - A framework that encourages investment to deliver the appropriate supply, sufficient to meet future demands. We welcome the Government's focus on future security of supply.
  - Improved liquidity in the wholesale electricity market. Small suppliers currently struggle to buy their electricity requirements to the appropriate timescales and shape. Often the market is unable to meet their requirements, particularly on longer timescales.
  - An appreciation of the full financial impact of energy regulation changes, particularly on business. As set out above, recent changes have added significant costs to Asda. Impact assessments tend to concentrate on the impact on domestic bills, while businesses often feel an immediate, significant impact.
  - A clear view from the Government of what is 'green energy', giving guidelines business can work to and a means of verifying that the electricity they buy is actually green.
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