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ANALYSIS: Ofgem's cuts to embedded benefits go against the grain

The decision by UK energy regulator Ofgem to cut payments to small, distribution-level power generators represents a potentially destabilising regulatory intervention that is seen by some as running contrary to the overall trajectory of electricity market evolution in western Europe.

Ofgem confirmed this week it is minded to slash so-called "embedded benefits" from around GBP 45 to less than GBP 2 per kW. The payments are typically picked up by sub-100 MW flexible gas and diesel-powered generators for helping to balance the system during peak demand periods.

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