THE TRUE COST OF OFGEM FAILING TO PROVIDE ELECTRICITY STORAGE AT SCALE AND IN TIME TO EXPLOIT RENEWABLE ENERGY PRODUCTION.

In a previous article published on The Left Lane site, I lamented the absence of electrical storage facilities which inhibit the full use of cheap solar and wind power. Recently, in a case of too little too late, OFGEM announced an eclectic hodgepodge of 16 new storage projects. "*The selected projects comprise four technologies – pumped storage hydro (PSH), compressed air energy storage (CAES), lithium-ion batteries and vanadium redox flow batteries (VRFB) – and are geographically spread across Scotland and England, with one proposed VRFB project selected in north Wales*." Only the first form of storage, (PSH) will store sizeable amounts of electricity in Scotland.

What was not discussed in the previous article is the cost advantages literally flowing from electrical storage. To understand why this is so the reader needs to understand how electricity generation is currently costed and priced. Normally market forces ensure that the weighted average cost of producing something forms its selling price. However, thanks to neo-liberal idiocy, in the case of electricity production, marginal costing forms the wholesale prices which then enters into the retail prices consumers pay.

Originally the reason for using marginal costing was to support the renewable industry due to the vagaries of the weather. However, it resulted not so much supporting solar and wind as filling the pockets of the carbon producing sector, oil, gas, nuclear as well as their suppliers. It has cost British consumer billions.

Here is a clear explanation of how this pricing works. "*The wholesale market in the EU is a system of marginal pricing, also known as pay-as-clear market, where all electricity generators get the same price for the power they are selling at a given moment. Electricity producers (from national utilities to individuals who generate their own renewable energy and sell into the grid) bid into the market: they establish their price according to their production cost. Renewable energy sources are produced at zero cost, and are therefore by definition always the cheapest. The bidding goes from the cheapest to most the expensive energy source. The cheapest electricity is bought first, next offers in line follow. Once the full demand is satisfied, everybody obtains the price of the last producer from which electricity was bought. This model provides efficiency, transparency and incentives to keep costs as low as possible. The alternative would not provide cheaper prices. In the pay-as-bid model, producers (including cheap renewables) would simply bid at the price they expect the market to clear, not at zero or at their generation costs. (my underlining) (REPowerEU Plan)*

Thus, as intermittent renewables play a bigger role in energy production, so they increasingly contribute to the volatility of market prices without necessarily reducing the overall price. Let us assume that the production capacity of wind and solar has grown to 50% of the total capacity. Let us assume that because of lack of wind and due to heavy cloud, they can only provide 25% capacity. But on the day demand is equal to 75% of total capacity meaning that the balance of 50% can only be satisfied using fossil fuelled gas stations. The price will thus be set by gas at say its marginal cost of $180 per megawatt hour. This being so, the wind farm owners will receive $180 MWH for their output, three times higher than its cost. So too the gas generator who will receive at least twice its average cost. Now let us assume that the weather is perfect and the renewable producers can meet 50% of output. Let us say that now the marginal cost of meeting demand falls to $135. Accordingly, the wind

farms receive only 75% as much for each unit of electricity. So, though they have doubled their output their income has only gone up by 25%. It is therefore the case that the money pours in when the wind don't blow.

And wind and solar are an increasing force in electricity generating. "*Wind and solar generated more electricity than gas globally for the first month ever in April 2026, according to data analysed by global energy think tank Ember. Together, wind and solar generated 22% of global electricity in April 2026, compared with 20% from gas. Wind and solar generation also rose across countries reporting April 2026 data." "Globally, output is estimated to have grown 13% year-on-year, with gains across major markets including China (+14%), EU (+13%), the UK (+35%), the US (+8%), Australia (+17%), Chile (+24%) and Brazil (+4%)."*

Which brings us finally to storage and its effect on marginal costs. Were it to be the case that solar and wind produced most of the energy, not only directly, but also indirectly via the use of storage, then marginal costs would collapse. Now most of the price of electricity would be the governed by the cost of renewables which is half that of gas power station running at full steam and a quarter that of a gas power station running intermittently when taking up the slack. It could then be argued why retain marginal costing at all in this market-led-rip-off and not move over to average costs. This would benefit consumers more than simply nationalising the energy companies and allowing the use of marginal costing by these now nationalised companies. This fact has not been considered.

But there is a much more important question than this. If the cost advantages of storage were known, why was storage not built up in lock step together with the growth in renewables? The same applies to expanding the electricity grid which is a decade behind where it needs to be to fully exploit renewable energy. OFGEM admits storage makes electricity charges cheaper. "*It allows a greater amount of cheap renewable power to be integrated into the electricity system, lowering the overall cost of electricity for consumers*." The capitalistic answer as always is; vested interests. Follow the money trail. Examine who benefited from this nonsense; the gouging energy companies and the politicians who inhabit their deep pockets.

The clownish part of this equation is Farage and Reform. They intend to reverse the green agenda saying it is costing too much just as Europe experienced a ferocious and deadly June. What Farage is exploiting is the subsidies consumers are paying for the transition, not because of any technical factors, but because of marginal pricing which is funnelling these charges straight into the pockets of the energy companies. This shows how capitalist greed is always an obstacle to change, exercised in this case through the likes of Farage.

Further reading.

For a more detailed examination of marginal costing please follow this link to my original article.

For more information on electricity prices now and in the future please follow this 2025 UK government study.

Brian Green, 1st July 2026.