

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

PUBLICLY OWNED ENERGY COMPANY INQUIRY

SUBMISSION FROM Graham Kemp on behalf of Common Weal Dundee

Scottish Publicly Owned Energy Company (POEC)

- **What are your general views on the idea of a Scottish publicly owned energy company (POEC)?**

We are a group of citizens from Dundee and its environs who are working to achieve a Scotland of social and economic equality and environmental sustainability. Energy, both generation and supply, have a fundamental impact on communities and individuals and are therefore central to the achievement of our aims.

Our group think that the creation of a Scottish publically owned energy company is long overdue but we wonder whether the Scottish Government has actually procrastinated for too long because in the meantime the energy market has rapidly become well populated with smaller companies, both private and publically owned, set up to challenge the big six energy suppliers. There are players such as Robin Hood Energy, Bristol Energy, and Our Power (which has received a measure of support from the Scottish Government). There have also been press reports that another newly established company, People's Energy has raised more than half a million pounds through crowd funding and signed up 10,000 people in less than a year ¹.

Notwithstanding this competition we feel that the Scottish Government should set up a Publically Owned Energy Company.

- **What role should it fulfil and how?**

Figures show that in 2016 there were nearly 650,000 households in Scotland meeting the accepted definition of fuel poverty which accounts for more than a quarter of the total number of households in the country ². This is such a shocking statistic that reducing this must be a priority for the Scottish Government.

Unacceptable though the above statistic is, we note that the number fell by 100,000 from the previous year and two thirds of that decrease was ascribed to falling fuel prices ².

Therefore our group strongly believes in a Scottish Publically Owned Energy Company and thinks that its major aim should be to alleviate fuel poverty by supplying energy at the lowest possible cost. This chimes with our (reluctant) belief that the major driver that will encourage a sufficient number of customers to switch is price. However we suspect that a company with the aim of providing energy at the lowest possible cost will not produce sufficient profit (nor should it) to invest in other aspects of the energy market

- **What are the key challenges that the POEC should address?**

It seems to us that there are two possible but conflicting approaches (providing energy at the lowest possible cost and secondly investing in the energy market for social and environmental aims) and these have to be addressed by two separate companies.

One company would act as an energy supply company with a remit to provide electricity and gas to the consumer at the lowest possible price. – a publically Owned Energy Supply Company (POESC). The other would to address infrastructure issues, promote renewable energy, and become involved in the socialization of energy generation etc – a Publically Owned Energy Infrastructure Company (POEIC). (As energy is a reserved matter there will be restrictions on how far this could proceed.)

The charging regime should be designed to tackle two current and in many ways related, iniquities:

- (1) Fuel Poverty
- (2) Geographical differences in the cost of energy.

In a POESC set up by, or sponsored by, the Scottish Government the cost of energy must be the same across the country. The Scottish Government should be encouraging the development of the whole country, and so penalizing rural or remote areas is not an acceptable approach.

To achieve this the priority would be concentrate on establishing and then growing the customer base.

This will not be straightforward as consumers are notoriously reluctant to switch suppliers, many being put off by scare stories about difficulties in switching, fearing interruption in supply and unexpected cancellation charges and double billing.

The company will therefore require very competitive pricing, a truly effective 'help' scheme and an extensive advertising campaign.

New council owned properties should be set-up with the POESC tariffs 'pre-installed' - with information on how new tenants could easily switch to their preferred supplier if so desired. A similar approach should be taken with new lets on existing rental properties.

- **How might a Scottish energy supply company work best to support the growth of local and community projects, and fuel poverty reduction?**

As mentioned above we feel that these two issues should be addressed by two separate companies. We have talked about fuel poverty reduction in the previous

section and regard this as a priority consideration. Support for local and community projects is also important but we feel this should be part of the remit for a separate Publicly Owned Energy Infrastructure Company (POEIC) .

This would require a separate funding stream, and this provides, perhaps, an opportunity for the Scottish National Investment Bank to become involved (when it is eventually up and running).

- **How can the POEC be best designed to align with wider Scottish energy policy objectives, and to avoid potential policy conflicts?**

The Scottish Government has taken some positive approaches in this area with the Renewable Energy Investment Fund that was worth some £60 million over the last 5 years³. The proposal to institute an Energy Investment Fund and resource this to the tune of £20 million in 2018/19³ is welcome, provided the broadening of its scope is not to the detriment of support for less well developed renewable energy solutions such as wave and tidal power.

We would commend the government for its approach in this area, but suggest that the formation of a POEIC with an investment at least equal to that proposed for the Energy Investment Fund, could co-ordinate the diverse range of initiatives required.

There are a number of issues that such a company could address

Extension of the “Gas Grid”.

Improvement and extension of the electricity grid to facilitate export of renewable energy from the Northern and Western Isles and from more remote communities on the mainland.

Promotion of renewables

Promotion of energy storage solutions

e.g. Batteries

Hydrogen storage

Support of local communities, rather than individual land owners, in the development of renewable energy projects.

Support for the extension of charging networks for electric cars.

e.g. Charging points in new council and government properties.

Amendment of planning laws to ensure that all new-build houses are equipped with suitable external charging points.

- **Should a new Scottish POEC be more than solely a licensed energy supply company? Should it have a direct role in energy generation?**

Not in the immediate future

- **How might the POEC be designed to promote objectives and functions beyond the retail of gas and electricity (e.g. supporting investment and innovation in new technologies and infrastructure)? What benefits are there to having wider objectives?**

Such views as we have on this are expressed in a previous answer.

- **What governance arrangements should a Scottish POEC have? Who should it be accountable to e.g. Parliament?**

No strong views on this

- **Should legislation be required to underpin the creation of a POEC?**

We feel we do not have sufficient knowledge to comment on this beyond saying it should be on as solid foundations as possible.

References

1. <https://www.insider.co.uk/news/peoples-energy-karin-sode-musselburgh-12967105>
2. <https://www.bbc.co.uk/news/uk-scotland-42242999>
3. https://www.gov.scot/Resource/0052/00529523.pdf#185318_SCT0318140496_ScotEnergySt_WEB_V2.indd%3A.37482%3A35