

ECONOMY, ENERGY AND FAIR WORK COMMITTEE

PUBLICLY OWNED ENERGY COMPANY INQUIRY

SUBMISSION FROM Christopher Gibson

Scottish Publicly Owned Energy Company (POEC)

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

In principle the idea of a POEC is a good one, reducing the profit element of domestic energy bills.

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

Reducing the supply chain profit margins and delivering reduced costs to domestic users. Reducing costs to commercial electrical users should also be considered, the overall benefit to the Scottish economy could be significant.

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

The energy market is generally split into generation, distribution and domestic supply. Each element is often covered by separate legal entities/businesses, under the group ownership of one company, allowing the real overall profit of end to end supply to be considerably higher than the headline figure quoted to the domestic user. This segregation enables companies to present an artificially low profit margin for the domestic supply while also making additional profits in generation and distribution. A POEC acting as a licensed energy supply company would only be able to reduce the relatively small profit element of the domestic supply business. To offer significant reductions in cost, the profit margins in generation and distribution must be addressed too. A POEC needs to get involved in the generation business if it is to make a significant reduction in the real cost of supplies.

- 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?

By directly entering the renewable generation business the POEC should drive the expansion of renewable generation, innovation in generation and in the market. Contribute significantly to greenhouse gas emissions reduction.

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

The day to day operations of the POEC should be run as a stand-alone business but Parliament must maintain oversight and dictate policy direction. The structure should ensure that the POEC continues to work in the interest of the customer and the environment.