SUBMISSION FROM ALISON GRAVE

What will the impact be on consumers’ bills

I would like to open with a quote:

“Whatever mechanism is used to support renewable investment, individuals will ultimately pay the most of this investment” (Stuck between a ROC and a hard place? Barriers to the take up of green energy in the UK. Ivan Diaz-Rainey, John K. Ashton, p1 Para 4)

At this present time, the renewable energy targets are being met with the proven technology which is onshore and offshore wind turbines. It has been estimated we shall need a further 3GW+capacity to be installed over and above the present number of turbines installed and approved. This means to reach the Scottish renewables targets we will require a further 7,000 plus turbines.

Developers currently receive Renewable Obligations (ROs) for the generation of electricity from onshore (1 RO/MWhr) and offshore wind (2 RO/MW/hr) turbines. The impact on consumers’ energy bills will be greatly influenced by the cost of ROs. Ofgem predicts the total cost of ROs to consumers between 2002-2027 to amount to £32 billion but this may have to be revised upwards for Scottish consumers due to the much higher Scottish renewable targets.

It is not only the cost of ROs which will have a huge impact on consumers’ energy bills but also the cost of upgrading the existing Grid and associated infrastructure. Wind farms, due to their dispersion and location in remote parts, call for extensions to the Grid system which are costly and in many cases, uneconomical. Any increased costs in the supply of electricity must surely be passed onto the consumer, whether for commercial or private usage.

I would like to refer to the Energy White Paper (DTI 2003) which states that the four pillars of energy policy are“….the environment, energy reliability, affordable energy for the poorest and competitive markets for our businesses, industries and households” (DTI 2003 p3) The current energy policy does not appear to be meeting this criteria on several counts.

It has been estimated there are approximately 900,000 Scottish households in or at risk of fuel poverty. There is a greater burden placed on lower income households with respect to the share of income spent on energy bills. It may be surmised with the increasing elderly population, most of whom are on a fixed income, households experiencing fuel poverty will increase further.

It is a sad indication of the increasing energy costs to consumers when recently Macmillan Cancer Support showed the number of grants Macmillan provided to help the energy costs of cancer patients has almost doubled in the last five years. Macmillan Cancer Support says it has given more than £15,000 in financial grants to 40 cancer patients in East Lothian. Of those, 68 per cent of people were assisted with energy bills. This reflects the reality of increased energy costs to the vulnerable.
The Low Carbon Transition Plan (LCTP) estimate the impact of climate change and energy policies on an average household energy bill in 2020 to be approx 12% compared with a bill in 2020 without these policies. This has been based on UK targets and with much higher renewable targets in Scotland, these costs may well have to be revised upwards.

Consumers may suffer a “double whammy” not only experiencing increased household energy costs but also by the increased costs passed onto them by increased energy costs to manufacturing and commercial businesses. An additional detrimental effect of high energy costs to manufacturing could result in the loss of jobs.

Onshore wind is intermittent and unreliable and requires constant back up and cannot be viewed as an alternative energy source but as an additional energy source. The consumer will be faced with paying for approx 80-100 percent back up from conventional energy sources (gas, oil, coal, nuclear) in addition to the RO subsidies for onshore and offshore wind. It may well be more cost effective to redirect subsidies to a more reliable renewable energy source such as tidal, the advent of which would give Scotland security of supply.

CONCLUSION: The current energy policy will have to be re addressed as the impact on consumers’ bills, private and commercial, will be huge and unsustainable.

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