



The Scottish Parliament
Pàrlamaid na h-Alba

The Rt Hon Greg Hands MP

Minister of State (Minister for
Energy, Clean Growth and
Climate Change)

UK Government

Net Zero, Energy and Transport Committee

c/o Clerk to the Committee

Room T3.40

The Scottish Parliament

Edinburgh

EH99 1SP

By e-mail only

netzero.committee@Parliament.Scot

11 July 2022

Dear Minister,

I am writing to thank you for your appearance at the Net Zero, Energy and Transport Committee on 11 May 2022 to discuss rising energy prices. As you know, the Committee has been conducting a short inquiry into this issue which affects households around the UK. Our inquiry was focused on identifying solutions the Scottish Government could put in place, as was our [report published today](#). However, we could not disregard the extent to which key elements of our public discussion related to matters reserved to the UK Government and Parliament. The Committee therefore agreed I should write to you setting out our views on some matters, as set out in the Annexe, and seeking your response to them.

Inevitably some of the evidence we took in April and May has been part-superseded by events and announcements since then. But most evidence remains highly relevant to this unfolding situation, rightly described by witnesses as a "crisis" for many households.

I would be grateful for a response by 9 September 2022.

Yours sincerely,

Dean Lockhart MSP
Convener

Net Zero, Energy and Transport Committee

Annexe

Joint nations approach

The Cabinet Secretary for Net Zero, Energy and Transport told the Committee the Scottish Government had unsuccessfully proposed the set-up of a four nations joint ministerial group in response to the energy prices crisis¹. The Committee notes that the crisis touches on a number of devolved and reserved matters where communication and joint working would appear important.

The Committee would welcome an outline on how the UK Government supports and works towards a "four nations" approach to tackling the fuel prices crisis, and an update on any meetings you (or UK Ministerial colleagues) have had with Scottish Government counterparts to discuss collective responses to the fuel prices crisis. Similar information on any high level civil service contact across administrations would be welcome.

Payment support - Warm Homes Discount Scheme

Evidence presented to the Committee suggested uncertainty over the future of the scheme in Scotland has been unhelpful in planning services and providing support to those in most need². There also appears to be disagreement between the Scottish Government³ and UK Government⁴ position on delivery of this support. We note that the UK Government consulted⁵ on the future of the scheme in Scotland between 9 May and 22 May 2022.

The Committee is concerned by evidence that uncertainty over the future of the Warm Homes Discount Scheme (including whether it will be devolved) has sometimes caused messaging and delivery problems for advice providers at the front line. We hope the UK Government can work with the Scottish Government to ensure there is a clear and positive message about how the Scheme can help people in real difficulty.

We would also welcome an update on how the UK Government envisages the Warm Homes Discount Scheme in Scotland will operate and whether it is now the UK Government's concluded position that the Scheme will not be devolved.

We would also welcome clarification as to why the Scottish consultation ran for only 13 days.

¹ Net Zero, Energy and Transport Committee, [Official Report](#), 17 May 2022, Col 42

² Net Zero, Energy and Transport Committee, [Official Report](#), 26 April 2022, Col 16 and 17

³ Net Zero, Energy and Transport Committee, [Official Report](#), 17 May 2022, Col 50

⁴ [Letter](#) from the Cabinet Secretary for Net Zero, Energy and Transport to the Convener of the Committee, 15 June 2022

⁵ UK Government (2022). [Warm Home Discount Scotland](#).

Payment Support - prepayment meters

The Committee heard that a disproportionate number of prepayment meters are in Scotland⁶. The Committee is concerned that many users of prepayment meters will have been left especially vulnerable by recent events, as they already tend to pay more for their energy bills, with little power to change this if they wish to. There is a real risk of significant numbers of those on prepayment meters disconnecting, and going without heating this autumn and winter, with untold consequences. Some will already have done so.

We ask the UK Government to consider working with power companies and Ofgem to create a right, under appropriate circumstances, for a householder to have a prepayment meter removed. We propose this both in response to the current crisis and on grounds of general fairness.

We also ask whether the UK Government will support acceleration of a smart meter roll out, prioritising those on prepayment meters and ensuring that where such meters are removed and replaced, smart meters are installed as standard.

Financial support

The Committee notes that the UK Government has taken further action to help consumers with their bills since you gave evidence in May. **Can you please update the Committee on whether any further assistance is being considered over the coming months and, if so, how this is likely to be targeted?**

Ofgem

Given the number of UK energy providers that have collapsed in the last year, is the UK Government satisfied that Ofgem's risk management processes were sufficiently robust? Is the UK Government satisfied that lessons have been learned, and are any further changes needed?

Can any changes be made to the "supplier of last resort process" that would reduce the risk of consumers paying for the business failings of others?

Ofgem also told us they would welcome ⁷ additional powers to "take over" in cases where suppliers were not acting in the best interest of consumers, to their "severe detriment"⁸. **What is the UK Government's response to this proposal? Do you envisage that this additional power would be of assistance to consumers in the context of the current energy price crisis?**

The Committee was concerned to hear about some consumers encountering bureaucracy and stress when trying to contact supply companies about their bills. **The Committee asks you to consider requiring Ofgem to set up a mediation service for consumers in dispute with energy suppliers.**

⁶ Scottish Federation of Housing Associations. [Written Submission](#).

⁷ Net Zero, Energy and Transport Committee, [Official Report](#), 10 May 2022, Col 20

⁸ Net Zero, Energy and Transport Committee, [Official Report](#), 10 May 2022, Col 20

Regulation of oil and liquefied petroleum gas

The Scottish Government informed us that 17% of Scots are not on the gas grid and therefore not currently receiving energy subject to regulation by Ofgem. Ofgem indicated a willingness to regulate this area if requested and the Scottish Government said⁹ it has been attempting to secure engagement on this issue with the UK Government.

What is the UK Government's position on regulation of energy sources (such as oil and liquefied petroleum gas (LPG)) by Ofgem? Do you consider that those off-grid suffer disadvantage from this lack of regulation?

Energy market reform and electricity prices

The Committee requests an update on progress of the Review of Electricity Market Arrangements the UK Government announced earlier this year, and on the UK Government's views, at this stage, of what the review is likely to achieve—

- a. **Does the UK Government support creating a more level playing field between consumer prices for electricity and gas and if so how does the UK Government intend to achieve this?**
- b. **Does the UK Government envisage the Review leading to a change in the way social and environmental levies are charged on electricity bills?**
- c. **Will the Review consider the pros and cons of enabling local energy markets with locally set prices? (for instance in areas with high levels of renewable energy)**

⁹ Net Zero, Energy and Transport Committee, [Official Report](#), 17 May 2022, Col 46