Scottish Publicly Owned Energy Company (POEC)

- **What are your general views on the idea of a Scottish publicly owned energy company (POEC)?**
  - A Scottish POEC will deliver energy to Scottish homes in a not for profit environment reducing overheads associated with commercialised energy companies.
  - Fundamentally, a POEC should rule out the option of operating under a White Label” i.e. utilising another commercial (or otherwise) energy company to provide tariffs and services on their behalf.
    - This would never allow the POEC to offer anything near the objectives of the creation of the company and would provide no control over energy mix and provide no key point of difference in the marketplace. It would lack any ambition and would it be unlikely that the utilisation of renewable sources from localised and community based projects.

- **What role should it fulfil and how?**
  - A POEC should fundamentally look to provide energy to Scottish consumers at a much lower price point than that of commercialised suppliers.
  - The energy firm should specifically look at the impact of energy expenditure on Scottish residents, and how it can create products and services that will reduce the cost of energy for those most at risk of being “fuel poor” or where residents find it difficult to pay for their energy usage.
  - A POEC should look to identify ways to integrate the Scottish Governments policies on carbon reduction and environmental targets such as the integration of electric vehicle propositions with residential products.
  - The energy firm should be focussed on the identification and remediation of customer segments that suffer from high levels of consumers on standard variable tariffs, customers utilising traditional prepayment metering (PPMIP) and customers on non-standard metering installations such as multiple meter and multiple MPAN time switch controlled sites.
  - A social tariff would be central to any business plan for a publicly owned energy company which, based on meeting set criteria would allow consumers to access subsidised tariffs that allow those on benefits and/or in low income households to access energy at cheaper rates at times when they cannot afford a standard variable tariff from a commercial supplier.
  - To provide commercially competitive pricing and propositions that would attract consumers who may currently not have difficulty in paying for their energy through a commercialised energy supplier but who can sign up to gas and electricity supply contracts with the POEC.
What are the key challenges that the POEC should address?
- The POEC will face significant challenges on how it will be able to purchase energy wholesale at rates that allow the business to operate above the line without government subsidies. This would likely be achieved through effective hedging and calculated market monitoring and purchasing. The utilisation of an energy broker company would enable the POEC to ensure it has adequate protection throughout its initial, and ongoing growth profile.
- The organisation will need to identify and look to develop a clear point of difference from other suppliers. This is likely to be achieved through its integration of other Scottish Government initiatives such as renewable energy projects, electricity vehicles and so forth.

How might a Scottish energy supply company work best to support the growth of local and community projects, and fuel poverty reduction?
- Integration of services already provided by local community projects is key to identifying and targeting consumer segments who would most benefit from the POEC. For example, engaging with organisations such as Change Works, Energy Saving Trust, Wise Group etc will allow the POEC access to local community groups and initiatives that it can engage with.
- The use of Experian data such as MOSAIC is also key in identifying consumers who may be targeted for particular products depending on their socioeconomic profiles. For example, targeting low cost prepayment solutions for customers most likely to get into debt or identifying affluent consumers and attracting them by offering technologically advanced products for managing the energy in their home via smart metering devices, CADs, Portals and the integration and access to electric vehicle networks.

How can the POEC be best designed to align with wider Scottish energy policy objectives, and to avoid potential policy conflicts?
- The objectives and mission statement of the POEC should be aligned to the policies and objectives of the Scottish Government. It would be necessary for all POEC business cases and investment decisions to be aligned with those policies and any appropriate mission statements of the organisation.
- The POEC would work towards an environment of flexibility ensuring it has the right mix of policy, technology and resources to react quickly to Scottish government objectives and requirements.

Should a new Scottish POEC be more than solely a licensed energy supply company? Should it have a direct role in energy generation?
- I do not agree that the POEC should consider developing a generation arm of the business, but instead it could act as a facilitator to identify organisations and local initiatives that could benefit from government (or otherwise) funding and obtaining energy from these ventures. Ventures such as wave, wind and other renewable sources could be utilised. It is important that the POEC does not enter into an energy firm development plan assuming it will not have to rely on non-renewable energy sources. Clearly consideration will be required on the correct sourcing mix of energy sources many of which are not necessarily aligned to Scottish Government policy such as Nuclear, Natural Gas etc.
• 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?
  o The POEC may benefit from investigating the opportunities presented by blockchain infrastructure which would allow the Scottish POEC to trial and potentially role out an energy trading platform for solar and wind generators in residential and SME properties such as the pilots ran by Australian run firm Power Ledger in Thailand.
  o Electric Vehicles are not in scope of a residential energy import supplier licence and as such would require additional licencing and regulatory support. This is a key area in which the POEC can support the Scottish Governments desire to increase the utilisation of electric vehicles reducing the amount of diesel and petrol engine vehicles in Scotland.

• What governance arrangements should a Scottish POEC have? Who should it be accountable to e.g. Parliament?
  o The Scottish Government may create an energy company sub group committee that would have the POEC management team directly accountable to.

• Should legislation be required to underpin the creation of a POEC?
  o Where suitable legislation would benefit the development of the POEC it should be implemented as necessary to ensure that the company has the right regulatory and legal framework to enact its organisational activities to the best benefit of Scottish consumers.