ECONOMY, ENERGY AND FAIR WORK COMMITTEE
PUBLICLY OWNED ENERGY COMPANY INQUIRY
SUBMISSION FROM NEW ENERGY CONSULTING LIMITED & ENEROPP LTD

Scottish Publicly Owned Energy Company (POEC)

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

It is the views of New Energy Consulting & Eneropp that a Scottish publicly owned energy company (POEC) is good idea. We believe strongly that the energy retail market can handle more competition and consumers would prefer a wider choice of companies to engage with. Whilst some consumers are happy with privately owned energy companies, there are many who would prefer to have their energy supplied by a public body.

We understand that the Scottish government is a large investor in Our Power Energy who are currently scaling from Edinburgh and are interested to see how that conflict may be managed given the POEC would be in direct competition with an existing investment.

As consultancies with local representation in Scotland, we welcome the additional innovation in the market, particularly outside main centres which are traditionally poorly served, as are the fuel poor.

• What role should it fulfil and how?

The POEC should be the centre of a Scotland-wide energy policy, reducing fuel poverty, improving housing stock, de-carbonising the electricity network, energy storage, local renewable generation, ensuring efficient heating of properties, as well supporting the roll-out of electric vehicles, their charging stations and infrastructure. It would also be well placed to support emerging technologies such as peer-to-peer energy trading.

By placing itself at the centre of energy policy it will be well placed to impact energy usage across the whole of Scotland, and not just with the consumers it signs up directly – providing more opportunity for success for the POEC.

It is our opinion that the company should be wider than retail supply and support the general Scottish government vision in relation to energy security and renewable generation. It may for example be appropriate to consider guaranteeing a purchase of all renewable generation and on-selling/exporting surplus wholesale via links to the rest of the UK and Europe. There is fantastic work being done out of Orkney with renewables for example and it seems incredulous that they are generating 150% of demand, but can’t get the power back to the mainland and instead are being made to switch turbines off up to 60% of the time. While elsewhere on the island they have a
high incidence of fuel poverty. This type of initiative could drive several improvements in the national market.

Considering a FITS like stimulation for Scotland would be another useful intervention, particularly if focussed not just on generation but on time of use for EVs and domestic storage, which is now possible with SMART metering.

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

The key challenge will be around engaging with consumers – the number of consumers not actively engaging with the energy consumers is well known and it is adding to fuel poverty, of which Scotland is over represented in the statistics per head of population. The POEC will unlikely be able to compete at they very cheapest end of the market (as these are often loss leading tariffs) so will have a challenge around its messaging of “fair” tariffs which are priced at a level reflecting the true cost to supply energy. The POEC should aim to generate a surplus to support the Scottish Government’s energy policy measures. All of this will need to be clear and transparent to consumers.

Addressing fuel poverty is a further challenge that has been looked at and attempted to be resolved by a number of bodies, public and private and 3rd sector. By having an energy company at the centre of a national policy working to reduce fuel poverty, the policy will have a greater chance of being effective – the POEC will be able to ensure that consumers are paying a fair price for their energy as well as having access to properties to be able to deliver energy saving measures. By reducing cost and consumption that will have the best chance to lift that consumer out of fuel poverty.

Scotland is the UK’s leader for renewable generation and a POEC could ensure that continues to be the case – by supporting local generation by either giving a guaranteed income to community products or creating a peer-to-peer network for the community to use and sell their own generated power themselves.

As a national energy company – there is the potential for traditional public-sector inefficiencies to increase costs which is part of what led to UK privatisation originally, this should be addressed from the outset to avoid it happening again. Additionally, a clear statement should be made with regard to where any “profit” generated is utilised and what for – i.e. it should go back to the community, not be added to a central tax type pot, and it should be transparent – easy to trace and show the benefit being provided.

• 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, if the Scottish Government had their own energy company to deliver anti-fuel poverty measures direct through their consumers, as well the usual policies and processes, they will be able to impact the fuel poor from both angles currently in use. A more complete policy could be developed improving the chance of success and lifting more consumers out of fuel poverty.
For community energy generations projects, the POEC could provide the facility for those projects to access the wholesale markets, either by purchasing all energy generated under a Power Purchase Agreement (PPA) or facilitating peer-to-peer trading solutions for the community project to trade their energy for the local community to purchase. For community projects looking at improving energy efficiency or reducing their carbon footprint, the POEC could provide access to grants or interest-free loans to support such projects using any surplus generated from the retail of energy.

We would suggest engaging actively with Dawn Muspratt at Our Power Energy on this initiative as the only other non-profit energy supplier in Scotland who already focus on fuel poverty and is funded by the Scottish government. They have initiatives underway already and engagement with a lot of the housing associations already serving fuel poor customers. We can arrange introductions if required.

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

For the best chances of success for both Scottish energy policy and for the POEC, the POEC should be placed at the centre of energy policy. This will ensure there are no policy conflicts and activity undertaken by the Scottish Government can reach all consumers effectively. The POEC will be able to partner with Housing Associations, RSLs and other social housing providers (even so far as to be the supplier to their void properties) to ensure that consumers at higher risk of fuel poverty are prioritised.

The answer is the same as any other policy management challenge and relies on the company and policy makers working and collaborating on a core set of objectives.

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

Yes, it should be more than an energy supply company, to start only a supply company would likely be a poor financial choice given the margins involved and challenges of running one, it needs a wider view and differentiation.

Investing in large scale generation, certainly in the short term, would be a distraction and a capital investment the POEC should avoid. However, it should actively look to support local, community-led renewable generation projects and how best to encourage innovation within the DSO/DNOs to drive efficiency gains and savings.

The POEC should be more than solely a licenced energy supply company – it should be the vanguard of Scotland’s drive to have a greener, fairer, more reliable and future proofed energy system. From the de-carbonisation of the electricity supply, a reduction in gas usage, the deployment of new technology to support for lifting communities out of fuel poverty, the POEC has the opportunity to be so much more than solely an energy supplier.
• 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?

The POEC should ensure that its Senior Leadership Team are aligned to the business objectives to drive forward the business with the multi-faceted aspect of what the POEC would be required to deliver. Looking at the two principal municipal energy companies of Bristol Energy (BE) and Robin Hood Energy (RHE), BE has been run very much in the model of a more traditional energy company by a team skilled in running that sort of business, whereas RHE has been led by a team experienced in the goals and aims of Nottingham City Council, with industry experience brought in where required. From the outside RHE appears to be more aligned with the objectives that the POEC would be aiming for and at the same time is no longer loss-making, whereas BE is commercially minded and still requiring significant funding from their council.

By being set up with the right balance of leaders who intrinsically understand the aims of the POEC, well supported by industry experts, the POEC will develop a business model which will consistently deliver the aims the Scottish Government sets out.

By being at the forefront of working with communities and networks, by having an open and engaging energy company couple with Governmental support, on de-carbonisation and fuel poverty, the POEC will be well placed to trial new technologies and roll-out those which prove to be successful.

It sounds as though establishing a panel of qualified external partners to whom you can direct questions, seek support, input, promotion etc may also be of benefit, we would be happy to be involved in this and can recommend and introduce other partners in Scotland across a variety of public and private organisations if desired.

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

The POEC should have clear and open governance and accountability. It should be run by a board with diverse representation from government ministers, industry specialists, consumer bodies and consumers. The board should report into a parliamentary committee with representation from ministers from departments such as Energy, Jobs, Infrastructure, Climate Change and Rural Economies.

Being accountable to Parliament is a challenge – because the members change every few years, and each new member will have a different idea of what should be done. It would be very poor governance for example to have a minister in charge of the company who subsequently changes part way through the set up. There are a number of innovative models currently available that could be paired with the committee, for example using some crypto currency approaches (not crypto currency itself) it is possible to tokenize ownership at a very granular level and have it
funded/owned by the people directly – if you need £3.5m to start up (you don’t and EY are wildly wrong on that figure from experience) then a token of £1 issued to every person in the country could truly democratise ownership.

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

Legislation should not be needed to underpin the creation of a POEC, but there will need to be derogations to Ofgem should the POEC not want to supply customers outside of Scotland or to undertake activities not currently allowable under regulation.