Scottish Publicly Owned Energy Company (POEC)

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

Ripple Energy has developed a new ownership model for renewable energy projects. It will enable UK households to collectively own (through Community Benefit Societies (CBSs)) onshore wind farms. Output from the wind farms will be supplied to co-owners’ homes via dedicated supply tariffs. The tariffs will reflect the low, stable operating cost of the wind farm instead of the volatile wholesale electricity price. In this way co-owners’ future bills will be stabilised against wholesale electricity price rises. As well as enabling community ownership of the cheapest form of electricity generation, this will provide a much-needed route to market for subsidy-free renewable energy.

CBS members will be entitled to a share of the project’s generation equal to the size of their ownership share (e.g. if they own 0.01% of the wind farm they will be entitled to 0.01% of its output). Their electricity entitlement will be credited to their electricity bills. Unlike previous community ownership models that provide dividends to owners, the CBS members' ownership benefits come in the form of reduced electricity bills.

This model has been very well received by consumers surveyed and is clearly a way to engage consumers in energy as they will be able to see how their wind farm’s generation is matching their home demand.

More detail is available at www.RippleEnergy.com

This highly innovative model clearly has overlap with the proposed POEC which has potential to stifle fledging competition in this industry which is becoming far more dynamic. Therefore the proposal to create a POEC is to be treated with great caution. We address the four overarching objectives of the POEC below.

Cost Reduction to Consumers:
The suggestion that a POEC may be able to deliver energy at lower cost to consumers than existing suppliers is not demonstrated. There are many suppliers in the market, some are very established and have the benefit of a large portfolio and strong experience; others are small and have very lean systems and low running costs. It is not clear how the POEC would improve on either of these core strengths to deliver benefits to consumers.
It would be seen as unfair if the POEC were to gain advantage in the market through government financial support that wasn’t available to other suppliers.

**Increasing Engagement in the Energy System:**
Creating a POEC to achieve this goal is considered to be highly inefficient. There are many ways that consumers are being encouraged to engage with energy through the many tariffs available. It is not demonstrated how the products that might be offered by the POEC would differ significantly from those already available in the market.

**Accelerating wider energy system transformation and creating new infrastructure platforms:**
Scottish Government’s recognition of the need for energy system improvements is commended, especially in light of the high grid charges that are hindering renewable energy projects from being viable in a subsidy-free era. However, such interventions could be achieved using existing channels and government funding rather than creating a POEC.

Also, it is not clear how a POEC would be better-placed to understand the needs and market opportunities in the energy system than the existing suppliers, consultants, academics and government bodies that work in the energy industry. Resources that would otherwise be put into a POEC could be made available in the form of competitions and grants to encourage innovation and improvements from the many capable and experienced organisations in Scotland.

- **What role should it fulfil and how?**
  Rather than create a POEC, Scottish Government could create a task force at far lower cost to support and help coordinate and enable the various needs identified.

- **What are the key challenges that the POEC should address?**
  Key energy challenges are: high grid charges; lack of incentives for renewable energy; hidden incentives for fossil-fuel generation; lack of consumer awareness of switching opportunities and savings, and decarbonisation of heat and transport to be incentivised.

- **How might a Scottish energy supply company work best to support the growth of local and community projects, and fuel poverty reduction?**
  Scottish Government can continue to offer business rate relief to community-owned projects.
• How can the POEC be best designed to align with wider Scottish energy policy objectives, and to avoid potential policy conflicts?

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

• 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?

  As above; it is not clear that the retail of gas and electricity is needed to contribute to the other objectives.

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

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