Scottish Publicly Owned Energy Company (POEC)

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

Comhairle nan Eilean Siar is a shareholder in ‘Hebrides Energy’, a not-for-profit Community Interest Company, which was established in September 2015 with the principal purpose of becoming a fully licenced Energy Supply Company. Over the period from 2017 to 2022, while the local electricity network is severely constrained and closed to new connections, Hebrides Energy is working in partnership with not for profit Scottish energy supplier, Our Power, to promote a range of Hebridean tariffs to the local market.

Our longer term aspiration is for Hebrides Energy to become a licenced Energy Supplier in its own right, accessing a share in commercial generation in the Western Isles. This community owned generation would be retailed through Hebrides Energy directly to local consumers, using the existing island electricity network as a ‘Virtual Parallel Network’ and reducing Transmission, Trading and Shareholder costs. This would enable Hebrides Energy to retail locally generated electricity to island consumers at a preferential tariff, making a significant impact on chronic Fuel Poverty levels.

We strongly support initiatives to reduce fuel poverty, including through reducing the cost of energy, and agree that high energy prices are one of the key drivers of fuel poverty.

However, work that we have done to date highlights the risks of entering the electricity supply market, particularly without access to generation assets. We would question whether the Business Case for the Scottish Government to establish a publically owned energy supply company can be justified at this time. Evidence suggests that there is low profitability and challenging market conditions, particularly in electricity supply.

As stated previously, we are currently working in partnership with Our Power. Presumably the aims and objectives of the Scottish POEC would be similar to Our Power, and public-sector initiated companies such as Robin Hood Energy and Bristol Energy. It is unclear how the Scottish Government could secure additional benefit to Scottish consumers if they were simply to enter into competition with these businesses, particularly given that SG funding has already gone into Our Power. We would therefore suggest that the Scottish Government could achieve its aspirations in respect of licensed energy supply by forging closer links with an existing supplier such as Our Power.
We do not believe that the Scottish Government should be seeking to take a role in becoming the sole PPA agency for community generators, as this would again potential undermine competition in the market, and impact on level of local benefit.

- **What role should it fulfil and how?**

  The role of the Government should be to correct market failure and there is an important role Scottish Government could play in delivering a range of strategic energy interventions, through the establishment of a structure more aligned to a National Energy Services Company or a National Energy Agency, looking towards models elsewhere in Europe.

- **What are the key challenges that the POEC should address?**

  There are challenges to supplying locally generated electricity to local consumers that Scottish Government support could potentially address. A local supply model does not match well with the licensing requirements for the supply of energy to consumers. Some of these challenges could be overcome through economies of scale where a POEC to be established to take a facilitating role for a number of local supply models based on access to local generation for local communities.

- **How might a Scottish energy supply company work best to support the growth of local and community projects, and fuel poverty reduction?**

  Investment to support innovation in local supply models, linked to matching local generation and consumption. Not through competing as a not-for-profit purchaser of community generated electricity.

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

  The Comhairle welcomes a POEC which would not undermine local efforts but which would: support new renewable energy investments; development of local supply and deliver key items of energy infrastructure, in particular energy storage.

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

  Yes, we agree with the potential for the Scottish Government to take the lead to invest in new infrastructure, in particular energy storage infrastructure linked to generation.

  We feel that a Scottish POEC can only be of relevance if it exists from the outset as more than a licensed supply company, and would as stated previously, query the business case for establishing a new licensed energy supply company at the present time.

- **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?**
We agree that a POEC could play a role in supporting consumer understanding of the energy supply market, including understanding bills, uptake of smart meters and increasing levels of switching.

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

The structure of a Scottish POEC must be sufficiently independent and collaborative to secure the benefits that would result from the Scottish Government, local authorities and communities working together to deliver a shared vision for energy in Scotland.

If the Government was to proceed with setting up an Energy Supply Business, the scoping note clearly details some of the state aid restrictions and potential conflicts of interest (Page 25) which would mean a degree of independence from Scottish Government would be essential.

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

No comment, as this will depend on the aims and objectives of the POEC.