The Scottish Parliament
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Official Report

ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 2 September 2015

Session 4

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ECONOMY, ENERGY AND TOURISM COMMITTEE
19th Meeting 2015, Session 4

CONVENER

*Murdo Fraser (Mid Scotland and Fife) (Con)

DEPUTY CONVENER

*Dennis Robertson (Aberdeenshire West) (SNP)

COMMITTEE MEMBERS

*Chic Brodie (South Scotland) (SNP)
*Patrick Harvie (Glasgow) (Green)
*Johann Lamont (Glasgow Pollok) (Lab)
Richard Lyle (Central Scotland) (SNP)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Lewis Macdonald (North East Scotland) (Lab)
*Joan McAlpine (South Scotland) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Tony Curzon-Price (Competition and Markets Authority)
Chris Prevett (Competition and Markets Authority)
Sheila Scobie (Competition and Markets Authority)
Simeon Thornton (Competition and Markets Authority)

CLERK TO THE COMMITTEE

Douglas Wands

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy, Energy and Tourism Committee

Wednesday 2 September 2015

[The Convener opened the meeting at 11:00]

Security of Supply

The Convener (Murdo Fraser): Good morning, ladies and gentlemen, and welcome to the 19th meeting in 2015 of the Economy, Energy and Tourism Committee. I welcome members back after the summer recess and I welcome our witnesses, whom I shall introduce in a moment, and anyone joining us in the public gallery. I remind everyone to turn off, or at least turn to silent, all mobile phones and other electronic devices, so that they do not interfere with the sound equipment. We have received apologies from Richard Lyle.

Item 1 is our continuing inquiry into security of supply. Giving evidence this morning are witnesses from the Competition and Markets Authority: Simeon Thornton, who is the project director for energy market investigation; Sheila Scobie, who is head of devolved nations and CMA representative in Scotland; Tony Curzon-Price, who is a senior economist in energy market investigation; and Chris Prevett, who is the legal director. Welcome to you all and thank you for joining us.

Before we ask questions, Mr Thornton wants to make an introductory statement.

Simeon Thornton (Competition and Markets Authority): Thank you for inviting the CMA to give evidence to the committee's inquiry. I would like by way of introduction to set out briefly the remit of the energy market investigation, how the work that has been conducted to date relates to security of supply and where we are in the overall process, because we have not completed the investigation yet, and that will inevitably be reflected in the answers that we give you today.

First, on the remit, the CMA is currently undertaking an investigation into the supply and acquisition of energy in Great Britain. That covers both electricity and gas, and both wholesale and retail markets, except that for retail markets we are considering retail supply only to households and microbusinesses, not to larger businesses. The geographical coverage is the whole of Great Britain, so the outcomes will clearly be of relevance to Scottish consumers and businesses.

It is important to note at the outset that a market investigation is a legal process that is governed by the Enterprise Act 2002. The decision makers are not the CMA's board or indeed the CMA's chief executive but a group of independent members. In this case, the chair is Roger Witcomb, who is supported by other members, Martin Cave, Bob Spedding, Lesley Ainsworth and Malcolm Nicholson.

I want to say a word about the focus of market investigations. The group is required to address a specific statutory question, which is whether any features or combinations of features are likely to prevent, restrict or distort competition. If such features are found, that constitutes what we call an adverse effect on competition, or an AEC, and where we find AECs the group must identify potential remedies, either to address the AEC directly or to alleviate its effects. Those remedies can take the form of a recommendation to Government or of action by the CMA through our own order-making powers, which are quite stringent and wide ranging.

In this case, the reference was made to us on 26 June 2014. We have 18 months to complete the inquiry. That is a statutory timetable that takes us to Christmas day this year, of all days, although we have the option of a six-month extension if the members deem that necessary. There are various milestones between the reference and the final report, and we have just reached one in this investigation, with the publication in July of our provisional findings document, which set out the members' provisional views on where there might be adverse effects on competition, and a set of potential remedies to address those adverse effects on competition.

The purpose of publishing that document is to get parties' views on the evidence that we have looked at and the analysis that we have conducted. Needless to say, the views in the document are provisional and may well change before the final report. The next key milestone is what we call the provisional decision on remedies, which will be in October, and then there will be the final report in December.

I should say something briefly about the relationship between our study and security of supply. The focus of the investigation is on competition in general rather than security of supply in particular, and a lot of the work that we have done and some of the publicity that has surrounded it have focused on issues such as consumer engagement in retail markets and the design of the overall regulatory framework. That does not directly relate to security of supply. That said, we have looked at a number of areas of the policy regime—in particular, wholesale market rules and regulations—that have a bearing on security of supply. We have sent the committee a short note that sets out what those are, and doubtless we will go into the details in the discussion later on.

The group has not found an AEC in relation to some quite significant areas: the overall design of the wholesale market, which we call self-dispatch; the reforms to imbalance prices that the Office of Gas and Electricity Markets has introduced; and the Department of Energy and Climate Change's introduction of a capacity market, which I know the committee has discussed in the inquiry to date. We have provisionally found AECs in relation to the pricing of transmission losses and the mechanism for allocating contracts for difference. I highlight in particular that the group has provisionally found AECs in relation to the settlement system for both gas and electricity. Again, we can go into the details later, but I note from the committee's call for evidence that it has rightly identified the importance of demand-side response as a mechanism for improving security of supply in the future, particularly with new intermittent generation coming on to the system. All that I would say at this stage is that we do not think that there will be a substantive demand-side response from domestic customers unless the settlement system is changed. That is worth discussing.

Is that okay? We are very happy to be here. If the meeting is helpful, we would be very happy to come back once we have done our final report to discuss it with members.

The Convener: Thank you very much for that introduction. The witnesses can decide among themselves who is best placed to answer the questions.

Simeon Thornton: I will probably be able to pass them on to others.

The Convener: Yes. I will let you pass them on.

There is one other plea that I make at the start. You will appreciate that we are not technical experts—we are mere politicians and laypersons—so some of the terms and language used might be a little above our heads. If you can bear that in mind and try to simplify things as well as you can, that would be very helpful.

Simeon Thornton: If anything is not clear, let us know, and if something seems to be irrelevant, we can move on.

The Convener: Thank you. We will move on to the questioning.

We are keen to pick up on a number of issues that you mentioned to do with capacity markets, locational pricing, contracts for difference and settlement. I want to pick up on the capacity market issue that you touched on. I think that you said that a number of concerns were raised with you about the operation of the capacity market and how that might impact on the security of supply. Will you say a little bit about what those concerns were and how you came to the conclusion that the capacity market is broadly competitive?

Simeon Thornton: Of course. I should say first of all that we considered two questions in relation to the capacity market. The first was whether there was a coherent rationale for introducing the capacity market, as it is quite a major change, and the second was whether the design is competitive.

We found that there was a coherent argument for the introduction of the capacity market. DECC's stated aim was to introduce it because it was concerned that in an energy-only market, which we had before the introduction of the capacity market, potential investors in generation might be sceptical about their ability to recover their costs, partly because prices would need to spike to really high levels and there is greater volatility in prices with the onset of more intermittent renewables. Therefore, we think that there is a coherent argument for the capacity market. In the past few years, for example, we have observed that generators have not generally earned a rate of return that allows them to cover their costs of capital. That supports the argument that additional support is needed to encourage that investment in thermal and other forms of capacity.

Three concerns were raised with us. One related to the length of contracts available through the capacity market; the second was about the mechanism for recovering costs from the market; and the third was about the penalty mechanisms in place.

On the length of agreements, one supplier in particular argued to us that it was not fair that a new generating plant could get a 15-year contract, but if people were investing in demand-side response capability, they would get only a one-year contract. We saw the argument in principle, but we did not find an AEC there for two reasons. First, we did not see evidence of DSR projects with significant capital outlays currently being frustrated by the system, so the concern seemed more of a theoretical one for the future than a practical concern today, and I think that DECC is alive to it. Secondly, the issue has been considered in front of one of the European courts. For those two reasons, we decided not to pursue it further.

On the second question, the same supplier argued to us that there would be a better way of recovering the costs of the capacity market. The mechanisms—indeed, all the mechanisms that we are going to discuss today as CFDs—are recovered from consumer bills, and it was put to us that it would be better if they could be recovered at the peakiest points of the year. There are things called triads, which are basically the three half hours with the highest demand.

We considered the question, and we thought that the current approach to recovering the costs of the capacity market seem appropriate. Basically, they are recovered according to the share of supply in peak times between November and February. We thought that that gives the right sort of incentives to providers of capacity, whether it is DSR or conventional capacity, and we did not see a problem there.

Thirdly, on the penalty mechanism side, we published in January an updated issues statement, which was an update on our thinking, and we flagged up then a question about the penalties that companies pay if they secure payment under the capacity market but do not deliver the capacity. Our concern was that the penalties do not look particularly stringent, because all that happens is that companies lose the capacity payment, so it seems like a one-way bet.

However, parties argued to us that that is not the only penalty that is available. Under Ofgem's current reforms to imbalance prices—we might touch on them later—we will expect to see much peakier prices in the future. At times of system stress, which is when we need the capacity, companies will not just lose the capacity payment if they fail to provide capacity. They will also be exposed to some quite high prices. Under the reforms that Ofgem proposed, which have recently been adopted, those prices could go to £6,000 per megawatt hour, which is about 50 times the current retail price. I think that our members were convinced that, because of that, there is not really a concern about the stringency of the penalty payments.

To summarise, I note that, overall, our members were convinced that it was a good idea to introduce the capacity market. None of the various design issues that we looked at seemed to us to be sufficiently material to represent an AEC.

The Convener: Thank you. That was a very helpful summary. Does any member want to follow up on the capacity market? If not, we will move on to Chic Brodie, who has questions on self-dispatch.

Chic Brodie (South Scotland) (SNP): Good morning. I wonder whether, first, I may ask a question about the capacity market. You state in your report:

> "A number of concerns were raised with us relating to specific aspects of the operation and design of the Capacity Market."

Will you comment on two things? First, there is an elephant in the room—National Grid. I would like to understand how you approach its approach to the competitive market, given that it is wholly monopolistic.

Secondly, will you explain why, if we have a competitive process, there seems to be an on-going process whereby, when one of the six larger firms, which are in some cases both generators and retailers, puts out a price change, the rest of the generators put out price changes within weeks that are largely in line with it?

Will you comment, first, on National Grid, competition and the impact that it has on the market, and secondly on why companies play follow-the-leader when prices are issued?

Simeon Thornton: I will take the National Grid question first. In relation to the capacity market, its role is twofold. The process is that the secretary of state will say, "This is our required security standard." In this case, it is three hours of what is called loss of load—in other words, a probability that in a particular year there will be three hours in which someone, somewhere has been disconnected. National Grid takes that and says, "Okay, I think that we need to procure X gigawatts of capacity." That is its function in that regard, and it also holds the auction. The auction was a competitive one and it delivered 50GW of capacity at about £20 a kilowatt, which is rather less than people expected ex ante. You are right—National Grid is a monopoly, but its role was to facilitate competition in relation to the capacity market.

11:15

In the context of our investigation we have clearly had to understand National Grid's other function of balancing the system, because it is pretty fundamental to understanding how the wholesale market works, but the object of our investigation has been the competitive elements of the wholesale and retail markets. The only bit that we have not explicitly taken a view on is the natural monopoly regulation of National Grid and the distribution companies.

Chic Brodie: Why not?

Simeon Thornton: The reason is that the market investigations are about effective competition, so we have looked at the competitive elements. Other mechanisms are in place for people to take a view of Ofgem's regulation of natural monopolies. Indeed, another part of the CMA is currently looking at a decision that Ofgem made in relation to distribution prices. If someone disagrees with what Ofgem does in its regulation of natural monopolies, that is appealed to the CMA and we do another investigation.

Chic Brodie: Forgive me, but you can maybe help me with this, as at least one deeply regrettable situation has recently arisen in Scotland. Although National Grid does not control supply, it measures the estimated demand. Through transmission charging and pricing, National Grid can then determine what the supply will be. We know that the implication of reducing supply when demand appears to be increasing is that there will ultimately be an increase in price. National Grid therefore has a major impact on the competitive marketplace, yet it sits there—I know that you say that it is controlled by Ofgem, but another issue that has cropped up in our inquiry is the relationship between Ofgem and National Grid. Why have you not looked at the implications of National Grid's role in the market? National Grid has an impact on the marketplace. Why has its role not been looked at so that we can determine exactly what impact it is having on the retail price of energy?

Simeon Thornton: We have looked at the rules and regulations that underpin the wholesale market. One area that I have flagged up was whether imbalance prices give the right signals to market participants. National Grid clearly has an important role in that. We have not looked at the specific mechanisms that Ofgem uses to regulate National Grid because, as I have said, if people have problems with that, they can refer that specific aspect of Ofgem's decision to the CMA and we will conduct another exercise—a parallel exercise is on-going. That is within our remit.

Would you like me to consider the second question about prices?

Chic Brodie: Yes, please.

Simeon Thornton: We looked at the issue in our investigation. It is probably fair to say that it is one of the areas around which there were concerns in the build-up to Ofgem's decision to refer the market to us for investigation. It is true that there is, as you say, a certain amount of what we might call parallelism in pricing behaviour, whereby one company will announce a change and the others will follow suit.

Why might they do that? There are a number of arguments. First, they are generally subject to the same cost pressures, as they all purchase in wholesale markets and, although there are some differences in their purchasing strategies, to the extent to which prices are going up they will all consistently feel the same pressures. The second observation—this is what the companies have put to us—is that they do not want to be the first to move if prices are going up, because they lose customers. If one company has moved and increased its prices, others will tend to follow, as companies are subject to the same pressures.

When we looked at the matter, we saw no evidence of what is called tacit co-ordination. We looked in particular, for example, for situations in which one company would announce its price change, another one would do something else and the original company that announced the price change would change its mind, because such activity could have given the impression of tacit co-ordination between the players, but we did not find any evidence of that. We found that the companies are subject to basically the same cost pressure and to a commercial pressure, which is not to increase prices on the standard variable tariff until they absolutely have to.

Chic Brodie: Forgive me, but the pressure that they may share is the wholesale price. If you look—as I have done—at the company reports of the big six companies over the past six years, you see that their cost pressures and structures are different. The wholesale price accounts for about 46 per cent of the end price, so it is not true to say that they are all subject to the same cost pressures, because their operations are different. Why do we accept that as a reason?

Simeon Thornton: You are right to say that the companies are not identical but, as we note in the report, although they might have different strategies they are subject to the same underlying drivers. Let us say that the wholesale cost is about 50 per cent of the end price; the other factors are network costs, which are generally passed through and have been increasing, and social and environmental obligations, which are also increasing. Regarding all those factors, there is a strong element of commonality between firms notwithstanding the fact that, as you say, they have different strategies to hedge the risks. That is an important observation when we are considering why they might change prices at broadly the same time.

Chic Brodie: Does anyone else have a view on that?

The Convener: I assume that Mr Thornton is speaking for the team. However, if anyone wants to add anything, you are welcome to do so.

Lewis Macdonald (North East Scotland) (Lab): I am interested in your provisional findings and will ask about transmission pricing. Your provisional judgment is that the absence of locational pricing for transmission losses is anti-competitive. That is a hot topic in our inquiry and generally in Scotland because it relates so closely to transmission charging. The argument has been made to the committee by Ofgem and National Grid that, if transmission charging ceased to be locationally linked, although there would be benefits to Scottish generators, there would be comparable and substantial costs to Scottish consumers.

You conclude that, in spite of the locational charging, the fact that there is not locational pricing means that consumers are losing out substantially. Can you explain the basis of that conclusion? You cite £40 million as the annual cost to consumers in Scotland and the north of England under the current system. That is a big number. Can you identify the cost to consumers in Scotland alone under the current system?

Simeon Thornton: You are right to say that the current transmission charging arrangements have locational elements. The bit that you are talking about is called transmission network use of system charges, which are basically the fees of the transmission network.

We have identified that there is no method for locationally charging for losses—the heat that is dissipated from the wires when electricity is transported over long distances, which accounts for just under 2 per cent of total generation across Great Britain. The important point to note is that the losses that are incurred differ according to geographical location. A consumer who is located near to generation generally incurs fewer losses, and a generator that is located near lots of generators generally incurs greater losses.

The cost of losses differs according to geographical location, but the charging regime does not, so consumers and generators all pay the cost of losses irrespective of where they are in the country. The group members have provisionally found that that creates a distortion, as you say. It is a distortion in competition between generators, as it arguably leads to potentially inefficient dispatch—that is the short-run effect. In the long run, it might also have some impact on where generators are located and on where companies that consume large amounts of electricity are located.

I have two figures that might interest you, which come from work that was done in 2011. We will be looking to update that work, so they are provisional figures. We estimated the overall benefit to the system of introducing locational charging for transmission losses as being about £160 million to £275 million at net present value. Those figures are in the public domain and we will look to update them with further evidence in our final report.

On the transfer that you mentioned, because consumers in Scotland are generally located closer to generation than consumers in England are, there would—according to the same analysis—be a transfer of about £40 million under the proposal. We have not yet broken that figure down between the north of England and Scotland, but we are doing analytical work to understand that figure. The basic position is as you have set it out: losses are socialised across the country rather than locationally charged.

Lewis Macdonald: That is helpful. When the committee has discussed transmission charges—TNUOS charges—transmission losses have been one of the explanations that were offered for them, but you are saying that those charges do not at all reflect the actual losses in transmission.

Simeon Thornton: That is correct.

Lewis Macdonald: If there was a benefit to consumers in Scotland and the north of England of £40 million from the change that you have suggested, one person’s benefit would be another person’s loss. Would the transfer come principally from consumers in the south of Britain or from generators?

Simeon Thornton: It probably makes sense to think about transfers from consumers to consumers and from generators to generators. On the consumer side, it is from consumers in the south of England to those in the north and in Scotland. On the generator side, there is a broadly equivalent, but for some reason slightly different, transfer of roughly £40 million from generators in the north and in Scotland to generators in the south.

Lewis Macdonald: If your report concludes that the market is anti-competitive and needs to be adjusted, that could be good news for consumers here, but the generators and power companies that currently complain about the impact on their profitability of transmission charges will face a greater burden of those charges, because they will reflect more accurately the actual cost of transmission from Scotland to markets elsewhere. Is that the case?

Simeon Thornton: Yes.

Lewis Macdonald: That is helpful. Given the recommendation that you have made and its potentially significant implications, what would be most likely to follow, if you assume that your provisional finding is upheld and that the Government decides to act on it?

Simeon Thornton: I am cautious about speculating, simply because history suggests that views can change from the provisional findings to the final report. I would say that, in the remedies notice, we have set out a number of options, if the AEC finding is upheld. One would be to introduce locational charging for losses ourselves through an order and the other would be a recommendation to Ofgem, which I presume would raise a code modifications process. Those are the two routes. Of course, there is still the option that, on the basis of the additional evidence and the analysis that we do and which the parties present to us, members might think that the change is not worth it. Both options are still in play.

Lewis Macdonald: It is useful to understand that. You will be aware that Ofgem has modified the transmission charging regime as it impacts on renewable generators in Scotland to reduce in effect the burden on them, by modifying the way in which the transmission charges are calculated. Is there a danger of Government policy or official policy in response to such things moving in two different directions at the same time?

Simeon Thornton: Is that connect and manage?

Lewis Macdonald: It is project transmit.

Simeon Thornton: That has not been a particular focus of the investigation, but I understand that connect and manage was intended to facilitate rapid access to the transmission system and to deal with the charging afterwards, as opposed to there being a queueing system. I do not think that there is any inconsistency between that facilitating access approach and an approach that would charge losses in a cost-reflective way. Lots of elements of Government policies might move in different ways, but I do not think that that is an argument for having one policy to try to deal with all the different objectives.

Chris Prevett (Competition and Markets Authority): I will add to what Simeon Thornton said and go back to something that was mentioned at the outset, which is that one of the key next steps in the investigation is the preparation of the provisional decision on remedies. In the build-up to issuing that document, the group will consider what would be the appropriate remedy to any provisional AEC finding, were it to be cemented. In doing so, it will consider what remedy is effective and proportionate. At the moment, no decisions have been taken on that, and one aspect of the group's considering the effective and proportionate remedy is, exactly as Lewis Macdonald articulated, the interplay of potential future regulations and other Government measures.

The Convener: Gordon MacDonald wants to follow that up.

Gordon MacDonald (Edinburgh Pentlands) (SNP): In the report "Energy market investigation—Locational pricing in the electricity market in Great Britain", dated 23 February 2015, you say:

> "Locational pricing would have distributional consequences for both generators and consumers. Consumers in areas where generation is plentiful but transmission constrained (for example Scotland) would enjoy lower prices—academic research suggests that on average domestic consumers would benefit from an estimated £64 off annual energy bills."

You also say:

> "This means, in broad terms, that consumers in the north would be net beneficiaries from increased locational pricing"

and that

> "The geographical distribution of fuel poverty means that reducing bills in the north would tend to help to alleviate fuel poverty".

Given those circumstances and the fact that you identified the issue as an AEC, how do we go about getting an element of locational pricing introduced? Do you intend to investigate the subject more?

11:30

Simeon Thornton: I will hand over to Tony Curzon-Price for some of the details in a minute. I repeat that we are talking about provisional findings but, if the group members decide that this is an AEC that should be remedied, there are two routes. One is to recommend to Ofgem that it should encourage the code modification to be raised. Codes are a rather obscure area of the overall regulatory framework; they are the detailed rules that set out who does what. The traditional way in which such tools get changed is through a code modification process. Over the past 20 years, there have been attempts to use that, which have tended to take many years and end in no clear outcome. Some have been subject to judicial review for timing reasons and so on.

The other route involves the CMA using its order-making powers to change licence conditions and require companies to raise such a modification in the code modification process.

Those are the two main routes. In taking a view on which is the most appropriate, group members will want to think about which is most likely to remedy the problem that has been identified.

Tony Curzon-Price (Competition and Markets Authority): The £64 figure that Gordon MacDonald referred to was largely made up of a benefit from resolving pricing and transmission constraints rather than from addressing losses. We can think about this as if we are transporting milk and spill it—that is a loss. In that context, the transmission constraint would arise if someone was transporting milk and found that the road could not take any more traffic.

Most of the £64 figure was about the transmission constraint, not the losses. We did not pursue the transmission constraint issue because a European process is under way to decide whether geographical areas should be considered as one market or as several markets. That regulation has just come into force, and there is a process by which, at least every three years, Ofgem has to report to the European level about whether the markets should be unified or split and whether there should be a single price in one geography or several prices in different geographies. Our view was that, given that that substantial piece of work has to be done through the European process that has just been put in place, that is the right place to consider the question.

Simeon Thornton: It is also fair to say that, as Tony Curzon-Price said, we flagged up the transmission constraints as well as losses at an earlier stage. We were persuaded by the parties' arguments that implementing a system of locational pricing for transmission constraints would be more complicated than doing so for losses. That was another consideration in our decision that we should hold off on the constraints side. On the losses side, there is a fairly simple mechanism for implementation, so that is not a compelling argument.

The Convener: If you were to recommend that this is an AEC, what would be a reasonable timescale for us to expect a policy change to come through?

Chris Prevett: If the AEC is firmed up and the CMA chooses to use its order-making powers, a statutory timeframe will apply to the process. The CMA will produce a legal document, and the timeframe for that is six months, subject to a one-off extension of up to a further four months.

If the CMA makes a recommendation, which is the alternative to an order, it in effect hands over the implementation to whichever body it has made the recommendation to, whether that is the Government or Ofgem. At that point, the CMA ceases to control the process, so the implementation period is in the hands of others. The timeframe and the lack of control are factors that the CMA takes into account when deciding how effective a remedy route will be.

The Convener: How does the CMA decide whether something should be the subject of an order or passed on to a third party?

Chris Prevett: That is decided case by case, given the circumstances of the evidence that is before the CMA and the group. The decision also depends on whether the body that receives the recommendation would take it forward, how it would take that forward and when that would be likely to happen.

Often the CMA works closely with a body that might be subject to a recommendation in order to understand that body's perspective. For example, the Government has a commitment to respond formally within 90 days to a recommendation that the CMA makes. That is not a cast-iron guarantee that the recommendation will be implemented, but at least it is a response. Similarly, by working with Ofgem, the group can take a view on the likelihood of Ofgem taking forward a particular recommendation.

Lewis Macdonald: I will come back on that, because what you said there and in answer to Gordon MacDonald means that there might be choices for the Government between assisting generators and assisting consumers. The committee will bear that in mind when considering our recommendations.

You talked about doing more work to identify the benefit to consumers in Scotland of an increased locational element. How early are you likely to have conclusions from that and how quickly will you be able to quantify the cost to Scottish consumers of the losses not being reflected in charging? When will the committee be able to access that information?

Simeon Thornton: The next staging point is the provisional decision on remedies. We would look to flag up updated analysis at that stage. That is scheduled for October. That will not be the final answer but will be an update of the analysis.

Lewis Macdonald: In the meantime, can you write to the committee with your best estimate of the analysis for Scotland and for the north of England?

Simeon Thornton: One consideration is that we are subject to stringent rules on due process, which are consistent with our stringent powers. One implication of that is that when we present new information we must do so across the board, in public and to all parties. It would be problematic for us to update analysis on an individual basis.

Chris Prevett: I entirely agree with what Simeon Thornton said and I add that, as part of the legal process, we receive a lot of confidential information from the parties that are active in the market. As part of our investigatory powers, we have a duty to protect the confidential information that companies submit to us. There are very limited circumstances in which we can disclose such information, and one of the gateways through which we do that is the publication of our findings on an interim basis—that might be provisional findings or the provisional decision on remedies—or in a final report. That would be the committee's first port of call for that information.

Simeon Thornton: We will certainly write to the committee to draw its attention to the updated analysis.

Lewis Macdonald: That would be helpful—thank you.

The Convener: Let us move on to a different topic—contracts for difference.

Dennis Robertson (Aberdeenshire West) (SNP): In your report you note a lack of evidence on DECC's approach to the separation of the technologies with regard to funding of CFDs. If we are looking at the best outcome for consumers, what impact will the decision to separate the technologies have on consumers and security of supply?

Simeon Thornton: We looked at two aspects of the allocation of CFDs. One was the decision not to allocate a proportion of CFDs on a competitive basis and the other was the definition of different budgets and pots that Mr Robertson identifies. In the first case, there is fairly compelling evidence that DECC's decision in early 2014 not to allocate five offshore wind projects on a competitive basis led to increased prices for consumers of the order of almost £300 million per year. That is quite a significant amount of money—it is about 1 per cent of electricity revenues.

On the second matter that Dennis Robertson specifically highlighted, it is difficult to conclude what the impact will be of dividing technologies into different pots. I say that because the bidders responded to DECC's decision, so DECC created two pots and put different budgets in each. Unsurprisingly, there were fewer bidders for the pot in which there was a smaller budget. It is difficult for us to say exactly what would happen if there was just one budget and one pot. In principle, dividing the different technologies into different pots is likely to increase the price for consumers overall.

On the impact on security of supply, one could use the division of technologies into pots to differentiate them according to their security-of-supply characteristics. For example, intermittent technologies could be put into one pot and more stable technologies could be put in another. That is not our understanding of what DECC has done to date, but it could pursue such a mechanism. Tony Curzon-Price might want to add to that.

Tony Curzon-Price: No—I think you have captured it.

Dennis Robertson: Does DECC's method disadvantage investment in certain areas? If terms of the onshore and inshore wind technologies that give Scotland the resources and ability to create the wind energy that would ensure security of supply, are we disadvantaged by the way that it is being decided? I am still trying to understand the method that DECC has used; I am not quite sure that I have grasped it yet.

Simeon Thornton: Possibly you and me both. We say in our report that the basis on which the division of technologies into pots was made is not clear to us. I have given you a plausible argument for how it might have been done, but I do not think that that is how DECC did it. Our general recommendation is that there should be greater transparency around the decision-making process and the costs and benefits. As you say, some technologies are much cheaper than others. There might be legitimate reasons for wanting to foster some technologies if we think deployment in Great Britain can reduce the costs.

Dennis Robertson: Are the reasons political?

Simeon Thornton: There might be—how shall I put it?—technocratic, technology-based or cost-based reasons for wanting to deploy certain technologies, but they need to be amenable to scrutiny and analysis. Our main concern is that the decisions that have been taken to date have not been. The more of that evidence and information we can put into the public domain, the better the decision-making process.

Dennis Robertson: I am not sure whether you will be able to answer this, but in what has been proposed for CFDs, DECC has created a situation in which many companies will feel that they are disadvantaged by investing in technologies that could, and probably would, ensure security of supply in the future.

Simeon Thornton: Do you have specific technologies in mind?

Dennis Robertson: I am thinking about wind and solar power.

Simeon Thornton: Those would be pot 1 technologies, which are the cheaper ones. We raised a question—

Dennis Robertson: You acknowledge that they are cheaper: some people say that they are more expensive. Do we agree that they are cheaper?

Simeon Thornton: Those technologies are certainly cheaper on a subsidy and technology basis. The complicating factor is intermittency. Onshore wind and offshore wind are, arguably, equally intermittent but one is much more expensive than the other. Again, there might be legitimate reasons for bringing down the costs of offshore wind. Great Britain—Scotland, in particular—has a lot of expertise in that area, but we need to set out the analysis and evidence and we have not seen that to date.

Dennis Robertson: Will you continue monitoring where we are and trying to understand DECC's approach? At the end of the day, if the approach is not in the interests of consumers and future security of supply, can you challenge it?

11:45

Simeon Thornton: I will say something about that before I hand over to Chris Prevett. The remedy that we have floated in our remedies notice is to do with greater scrutiny and transparency of costs and benefits—in other words, we propose greater rigour in the decision-making process, rather than a recommendation that X or Y should not be done. The CMA group members are at that stage at the moment, rather than making a more stringent recommendation.

Chris Prevett: I absolutely agree. The group has not looked at the relative merits of the technologies to decide which should be in which pot and which is more cost effective. In the provisional findings, the group articulates its concern, as Simeon Thornton said, about the rigour in the decision-making process for how technologies are allocated and how the budget is then allocated between them. Such rigour would mean that there was the appropriate level of public scrutiny to assess how decisions are made. That is currently absent.

Dennis Robertson: If that rigour is currently absent, can you take matters forward? You have concerns about where we are, so can you and will you look at the issue in the future?

Simeon Thornton: It is clearly a live issue in the investigation. We have put a potential remedy out there, and in the event that we stick with that recommendation, the Government has undertaken to respond within three months—

Dennis Robertson: Will you share that potential remedy with us?

Simeon Thornton: Yes. The detail is in our remedies notice; we can write to the committee about the ins and outs of it. It is a potential remedy at the moment.

Patrick Harvie (Glasgow) (Green): Your later answers have got to some of the issues that I wanted to follow up, because in the earlier discussion about the way in which different generating technologies are treated it seemed as though we were stuck in Mr Curzon-Price's analogy with transporting milk, as though it is all the same stuff. It is not all the same stuff; generating technologies do not all come with the same social and environmental consequences, and if we are in the middle of an agenda of re-engineering our energy system to meet current and future priorities—[*Interruption*.]

Joan McAlpine (South Scotland) (SNP): I am sorry, that was my phone.

Patrick Harvie: I had a train of thought there. It seems to me that the obsession with asking only whether markets are operating efficiently is almost myopic. Surely we need a broader sense of what we are trying to achieve. The witnesses have talked about fostering new technologies; that is a reasonable argument to use to justify temporary inefficiencies, is it not?

Simeon Thornton: To be honest, we would probably use the word "efficiency" in a broader sense than that in which it is sometimes used, in the context of the desire to minimise overall long-term costs. That might be about the costs of more expensive technologies that can be brought down by deployment today, it might be about innovation externalities, and it will certainly include the costs of climate change.

Ideally, what one would do in a social cost-benefit analysis of the sort that we are recommending is set out transparently the evidence for supporting one technology rather than another, including the additional costs today in terms of consumer bills and how those costs might be brought down in the future. Clearly, there will be elements of judgment. In a previous world, before I came to the CMA, I was DECC's chief economist, and that is the sort of work that we do. We try to make transparent and clearly set out the costs and benefits.

We should avoid a situation in which a qualitative argument about a technology potentially being good for the future means that there is no constraint on the price that we pay today.

The Convener: I remind members that they should not be using their mobile phones in committee meetings.

Patrick Harvie: Nor should the phones speak back to us.

The Convener: Indeed. Darn that technology.

Lewis Macdonald has a question on settlement issues.

Lewis Macdonald: Over the summer, we heard a lot about the roll-out of smart meters, and if roll-out meets its optimum potential it might well address this question. I think, from reading your provisional findings, that you are not satisfied that there is the necessary follow-up to the roll-out to ensure that costs are more accurately reflected. What is the impact of the current shortcomings on consumers and on the efficiency of the system in general? Can smart meters address that in full?

Simeon Thornton: I will start with a couple of words of introduction to the topic, because it is not one that gets an awful lot of air time. When you and I consume electricity, we do so in real time; there is always a bit of uncertainty about when we are going to consume it and how much we are going to consume. That means that, despite energy suppliers' best efforts, there will always be some disparity between the amount of electricity that they have procured in advance through contracts and the amount of electricity that their customers actually consume. Settlement is a system by which disparities between the amount that suppliers' have procured and the amount that their customers consume are identified and all the financial participants are made whole in the system. It sounds like quite an arid area, but it is important.

I know that the committee will have heard in the course of the inquiry that the costs of electricity differ quite substantially over the course of a day. At peak times, when we are all consuming electricity, we have to deploy plants that have high variable costs. At off-peak times, the costs might well be negative with some of the subsidy regimes that we have. There is high volatility of costs, which will increase in the future with more wind power.

You can immediately see that there would be a benefit if we could encourage some customers to shift their consumption from peak times to off-peak times, because there is a dividend there for all customers.

The problem is that under the current settlement system, suppliers have no incentive to effect that sort of change. The reason for that is that they are remunerated or charged, as the case may be, as if their customers consumed according to a pre-determined profile. That has been put in place because in the world of conventional meters there was no way of telling who consumed what when—we just had to guess, really.

Our concern is that even with the introduction of smart meters, which, in theory, we will all have by 2020, the system of settlement will not change: suppliers will still be remunerated as if their customers consumed according to a profile. The evidence that exists that would allow for the incentives—time-of-use tariffs—to be brought to bear is not going to be used.

The issue does not get an awful lot of air time, but it is fundamental. In terms of quantifying, we are not there yet. We will, to try to get a sense of the prize, look at the experience of countries that have introduced smart meters and whether they have changed their settlement systems.

This issue will get bigger and bigger. The more wind power is used, the more often there will be times of the day when the price is, in effect, negative and other times of the day, especially with the reforms to imbalanced prices that Ofgem has introduced, where prices could be very high—up to £6,000 per megawatt hour. It is a very big prize. Unless we change the settlement system we cannot exploit it.

Lewis Macdonald: If I understand you rightly, changing the settlement system would mean that that prize would not go to the companies that were smartest at working the market; it could go to the consumer and reflect actual use of electricity or gas.

Simeon Thornton: There would be a reduction in the overall cost. The consumption profile is variable; if it can be made flat, overall costs will fall for consumers.

Lewis Macdonald: I think your conclusion is that what is needed is a firm plan to deliver that—I presume alongside the roll-out of smart meters. Do we need a firm plan that would be delivered over the next five years rather than something being put in place straight away?

Simeon Thornton: I think that we have made it clear in the remedies notice that we do not expect that to happen overnight. However, the experience of modification processes is that they can take a long time. If we do not start planning now, it might be a very long time until we introduce such a system.

Joan McAlpine: Have you looked at how contracts for difference affect energy-storage technologies? We have talked in this inquiry about how energy storage might mitigate the intermittency of some technologies. Have you looked at whether CFD is working for energy-storage technology?

Simeon Thornton: Let me start with the kind of micro end of energy storage. We hope that there will in the future be more electric cars and storage systems. The settlement change that I am talking about will be necessary in order to exploit those sorts of micro technologies. CFDs are oriented towards larger-scale technologies. To my knowledge, there is no CFD for storage technologies. Is that right?

Tony Curzon-Price: That is correct, but my understanding is that if you have, for example, a wind turbine with a battery, it is a much more attractive investment—if that battery cost is low—than a wind turbine on its own. That is because that wind turbine can even out the peaks in its output, therefore such a wind turbine, plus storage should be able to benefit from the CFD regime more than a wind turbine on its own.

Joan McAlpine: What about forms of energy storage that are not directly linked to the wind turbine but are part of the whole system—for example, pump storage? How does that work? I know that some pump-storage schemes in Scotland have not gone ahead because of concerns about that.

Simeon Thornton: The short answer is that we have not specifically addressed that point in the investigation. To my knowledge, those sorts of plant would be remunerated under contracts that

National Grid would let for ancillary services under the current regime, rather than through CFDs, but we have not explicitly taken a view on that.

Patrick Harvie: I want to pick up on some of the points that Lewis Macdonald was talking about in relation to smart meters and how that connects to customers' behaviour in the retail market. In the summary of your provisional findings, that comes under a heading where phrases such as "weak customer response" and "inactive consumer base" are used.

In relation to your comments about smart meters and about incentives for people to switch and to engage more actively in the market, I wonder whether there is a false assumption—an unsafe assumption—that that is what people want. Again, there is an abstract sense that markets must operate efficiently and that people must all be players in the market, as though we are deciding which shop to buy a box of breakfast cereal from.

Do we not need to start with an assumption about, or an understanding of, how people want to engage? Have you considered that most people just do not want to think about it very much. Even if, one day, a smart meter will do some clever thinking about how their household consumes electricity, most people do not necessarily want to think of themselves as active consumers in a market; they just want to press a switch and not pay too big a bill.

Simeon Thornton: That is a fair challenge, and I certainly do not think that activity is an end in itself. We did a survey of 7,000 customers across Great Britain and one of the findings—perhaps unsurprisingly—was that the number 1 attribute that customers care about is the price that they pay for their gas and electricity. We also observed that substantial savings that could have been made by customers from switching were not being exploited. Across all the dual-fuel customers with the six large energy firms, that was equivalent to savings of about 14 per cent, or £160 a year. For some customer categories—those who were on the standard variable tariff and paying by standard credit—the average was 22 per cent of their bill, or about £250 a year. Those are substantial amounts of money.

We also observed from our survey that the people who engage least are generally those on low incomes, those with low levels of education and those with disabilities. That was quite a significant finding because had we found that it was generally those who were better off who were engaging less, we might have concluded that it did not really matter to them. However, that is not a very compelling argument, given the evidence that the people who are engaging less and leaving most money on the table are those who are vulnerable against a number of characteristics.

Another thing that struck us was that more than a third of customers in the survey said that they had never considered switching and a slightly higher number of customers said that they did not know that they could switch all of the following—supplier, tariff and payment method.

In answer to your question, we would not expect to see lots of switching as a sign of activity, but we would expect to see people who are engaged and aware and who understand their responsibilities. Also, where there are material savings to be made for demographic groups for whom that is very important, we would expect to see those savings being exploited.

Patrick Harvie: There are loads of areas in life where we might imagine lots more rational decisions resulting in people saving money—through wasting less food, buying less processed food, making fewer discretionary journeys that they do not necessarily need to make, or living closer to where they work.

We cannot just assume that any of that is going to happen, or even that people will choose to behave in strictly rational ways as though we are all participants in some theoretical game-theory exercise; we are not. We are human beings who make woolly, irrational decisions, and quite a lot of the time we are comfortable with that. I am wondering whether there is an assumption built in that rational behaviour is going to emerge when it may not.

12:00

Simeon Thornton: What we have observed is probably what you describe: people are not exploiting opportunities to save money, even though the actual costs of switching are not very great.

We are mindful of the points that you have raised. One of the sets of remedies that we have flagged up to explore is behavioural remedies. For example, we might ask how we can frame certain decisions in a way that will facilitate people's decision-making, rather than just assuming that they can do a calculus themselves.

We have also identified specific barriers to engagement for certain categories of customer. Those customers who are on prepayment meters, for example—and there is a higher proportion of them in Scotland than in England—have the sorts of demographic characteristics that I set out earlier. Also, they have not been able to benefit from competition because there are generally fewer tariffs available to them, and they pay more than customers who are not on prepayment meters. That is a category of customers who—their rationality notwithstanding—cannot engage because they do not have the same choices. Customers in rental accommodation also seem to engage less; there are certain segments of the market where there appear to be real constraints.

For others, for whom there might be a question about whether they are rationally exploiting the opportunities on offer, we have flagged up that there might ways of nudging or encouraging them to engage or of facilitating their decision-making process. That is something that we are looking at.

Dennis Robertson: I want to follow up on that, Mr Thornton, and maybe take it a stage further. You have the information. You have done the analysis, talked about remedies and illustrated that perhaps more education might assist consumers. You have also identified, as Mr Harvie did, a number of consumers who may not be reluctant, but rather may not have the ability, to engage and save money. How do you intend to address that aspect to ensure that consumers who are probably some of the most vulnerable in our communities get a fairer deal?

Simeon Thornton: The strategy that is set out in the remedies notice has three parts. The first is about ensuring the conditions for effective competition. Under that bracket I would put the settlement change that I mentioned earlier—I think that that will encourage suppliers to offer products that engage customers.

The second part is about finding the means to improve customer engagement. That could encompass quite a wide variety of interventions. It may be a question of how some of the questions are framed, and there may be specific proposals for overcoming barriers for customers on prepayment meters.

The third area that we flagged up was transitional safeguards for certain types of customers who—notwithstanding our efforts—are unable to engage or take advantage from what is on offer. We flagged up one possibility, which is effectively to put a ceiling on certain types of price for a certain period of time until such engagement comes forth. Clearly, as we set out in the remedies notice, that is not without its risks. We have raised a number of questions about what the scope of such a safeguard tariff should be and what some of the practical questions behind the design of it would be.

We have those three prongs of a strategy, and we would look at the third one if we felt that the first two were not working.

Dennis Robertson: If we look at the second aspect, have you set a timeframe and estimated a cost for the engagement? I am still trying to understand how you get the information out to consumers who might find it difficult to engage. They will not be reluctant to try to save money, because they probably wish to save money if they can. How proactive can you be, or how can you set out a marker for others to be proactive?

Simeon Thornton: I will make a personal observation. When we look at the complaints that energy customers make about suppliers, the vast majority relate to bills. They arise largely because the customer gets a bill that says, "We thought that you were going to pay this last month, but you actually paid that. This is your outstanding balance and this is the amount you pay by direct debit." It is a complicated thing to understand. That will be addressed with smart meters. The confusion about the bill, what people are paying, the visibility of their consumption and what they pay for it will be improved, so there is a real possibility that smart meters will be part of the transformation.

As for what other markers we can put out and the timescales, I think that any remedy that we would look to introduce would have a timescale associated with it. I do not know whether Chris Prevett or Tony Curzon-Price wants to say something about that.

Chris Prevett: What I will add is linked to my earlier answer. We are at a stage in the investigation where the provisional decision on remedies has not yet come out. A lot of the thinking in this space is on-going, so there is a limit to what we can say. The timeframe of implementation is a key factor; so is the estimated cost; and so is the benefit of any given remedy and its effectiveness and proportionality in addressing any AEC that the group ultimately finds. It is very much a question of watching this space.

Dennis Robertson: Tackling fuel poverty is obviously a priority.

Chris Prevett: The group's priority is to answer the statutory question. One aspect of that is to consider aspects of fuel poverty, but I would not say that that is the key priority. It is just one of the considerations that are taken into account when answering the statutory question.

Dennis Robertson: I said that it is a priority because it is still impacting on the most vulnerable groups within our communities. I would see it as a greater priority.

Chris Prevett: Absolutely.

Lewis Macdonald: I have a question while we are talking about engagement with consumers and consumer behaviour. In a competitive sense, there are parts of Scotland—indeed, parts of GB—where consumers are at a competitive disadvantage because they are not on the gas grid. I think that it is fair to say that there are some practices by electricity suppliers in some rural parts of Scotland that are anti-competitive and make life difficult for consumers. Are those practices subject to the current investigation? Would you welcome evidence on them?

Simeon Thornton: To take the second question first, we would certainly welcome evidence of any matter that the committee thinks should be brought to our attention.

I wonder whether you are talking about dynamic teleswitched meters. We have heard of the constraints that they impose on customers. I would probably put them in a similar bracket to prepayment customers. To our knowledge, people with DTS meters have a relatively restricted range of suppliers from which to choose. We have also heard anecdotally that some customers have difficulty using the technology effectively. Whereas it was a good idea, it may have passed its sell-by date.

On a potential remedy, I would probably look to smart meters again, because, when we alleviate the constraint of the meter, customers should in principle have free range in choosing from suppliers. That is what we would suggest in terms of a likely remedy.

Gordon MacDonald: I want to take the opportunity to ask you about interconnectors and the impact that they have on the UK energy market. About 8 to 10 per cent of UK electricity needs are met by the interconnectors with France and the Netherlands, and there are proposals to put in place other interconnectors with Norway and Belgium. When they come on stream, what effect will they have on the energy market? What will be the impact on existing UK generators?

Secondly, do European generators that use the interconnectors have any advantage over UK-based generators?

Simeon Thornton: I might be forced to hand over to Tony Curzon-Price in a minute, but I think that the short answer is that it has not been a great focus of our investigation.

We looked at some aspects of interconnectors, including the extent to which they can take part in the capacity market; in that respect, my understanding is that they will be able to do so in future, but there is still a question about how they will be derated. You might have capacity through an interconnector, but it is likely to be required in GB at times—for example, a cold winter's day—when it might also be required on the other side of the interconnector. There is therefore a question about the firmness of that capacity, and I think that DECC is doing some work on how to derate the interconnection capacity in order to include it in the capacity market. In any case, we did not see a particular impediment to interconnection.

On the question whether companies are advantaged through the use of interconnectors rather than current generators, I think that Tony Curzon-Price might want to comment, but I should say that it has not been a focus for us.

Tony Curzon-Price: It has not been a focus, but we are looking further at the issue. More interconnection is basically a good thing for security of supply, and there is a big European push for more of it. There is a mechanism for taking into account transmission costs, including the losses, of interconnection and feeding them back to the originating generator, wherever that might be. That Europe-wide regulation is implemented in a specific way, and we are still investigating the impact of it.

Gordon MacDonald: Given the present dependence on interconnectors—indeed, the figure is as much as 10 per cent—why was the issue not part of your future of the energy market?

Tony Curzon-Price: It certainly was with regard to our broad look at the competitiveness of the wholesale market. Interconnectors are an important part of that. As I have said, there is a mechanism that is, in principle, meant to be cost reflective, and we are continuing to look at that.

Simeon Thornton: I should also point out that the scope and focus of investigations are determined by CMA members, partly in response to the representations that are made to us. Certainly in the period up to the publication of our provisional findings, we received no representations about a problem with the regulatory regime for interconnection. It was not a point that people had made to us. However, a specific point about interconnection has arisen in some of the evidence that you have received over the past few months, and that is why we are looking at the issue at the moment.

Chic Brodie: I have a question for Sheila Scobie, who is head of devolved nations at the CMA and its representative in Scotland. We have discussed many times the costs of transmission to Scottish consumers and the subsidy to consumers in the south-east of England. What discussions have you recently had with Ofgem on its approach to what I assume was a fairly robust presentation on behalf of consumers in Scotland? The markets are clearly somewhat distorted, are they not?

Sheila Scobie (Competition and Markets Authority): Do you want me to give the substantive answer to that, Mr Thornton, or would you like to have a go on the specific point first?

Simeon Thornton: I can start. If the question is about transmission network charges and their allocation, that issue falls, I guess, within the natural monopoly regulation side of the work.

Again, that would be appealable to the CMA if someone wanted a view to be taken on it.

Chic Brodie: When did the CMA last make an appeal to Ofgem about the charges?

Simeon Thornton: There is currently an on-going appeal in relation to distribution, which the CMA is considering. Ofgem makes decisions about transmission and distribution on a periodic basis, and whenever such decisions are made they are appealable to the CMA. If people have a problem with them, they can be appealed and a panel of independent members will consider the issue.

Sheila Scobie: To give a general response to the question, we have regular discussions with Ofgem about consumer concerns that are either brought to the CMA on behalf of consumers in Scotland or, indeed, to Ofgem, which also plays a key role in addressing consumer issues in Scotland. My primary role is to ensure that people such as the energy team who have been answering the committee’s questions today are fully apprised of the context, the political debate and the role of consumer bodies in Scotland so that they have every opportunity to give evidence of the kind that you have been discussing and that they have appropriate access to policy makers in the Scottish Government who might be making certain relevant decisions.

Lewis Macdonald: I wonder whether you can confirm something just for the avoidance of doubt. The substance of what you are saying about transmission losses leads me to conclude that the argument that reduced transmission changes to favour a power generator such as Longannet is going in the opposite direction to the changes that you would want to make to favour consumers in Scotland and the north of England.

Simeon Thornton: As far as losses are concerned, the short-term parochial interests, as it were, of consumers and generators are opposite.

The Convener: As there are no more questions, I thank our witnesses very much for coming along to what has been a good and quite lengthy session. I am very grateful to them for explaining things as clearly and simply as they were able to; their explanations will be of considerable assistance to the committee’s non-technical members.

We now move into private session.

12:16

Meeting continued in private until 12:22.

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