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Utilities market interference more likely after party conference pledges

Written by Rob Micklewright, Senior Political Consultant on 10 October 2017



It is of the Government's own making that a price cap on domestic bills continues to be the biggest headline in the energy sector given the constant cycle of a gradual ramping up of rhetoric and then apparent climb-down when pushed for a decision.

In reality the Government appear to be reluctant to introduce a cap and are trying to force the market into taking responsibility and Ofgem into taking their own action, whilst hoping energy efficiency and smart meters will solve the problem by themselves. The proposals announced in May's speech don't commit the Government to anything but are focused on 'enabling' Ofgem by giving them stronger 'legal back-up' should they feel they need it. It was made clear that even this would be time limited.

The publication of draft legislation could be seen as another shot in the ever increasing ping-pong rally between Government and the regulator, as given the time pressures on parliament for the Brexit bills, there seems little chance of it becoming law anytime soon. The Government may seek to hold a symbolic vote on the issue to demonstrate parliament's feelings on the matter.

The irony in the debate, as both Claire Perry and Greg Clark mentioned at fringe events, is that domestic energy bills have actually come down in real terms in the last ten years, driven, as they

both said, by energy efficiency improvements. Their comments came in response to questions about the impact of 'green levies' on bills and feed into a wider narrative that the Government may be softening its position on onshore wind. Both Claire Perry and Richard Harrington made similar comments at separate fringe events that they saw 'no reason' for onshore wind to part of the mix if it was cost competitive and had the support of local communities.

Understandably there was a plenty of discussion about the much awaited clean growth plan. Perry offered several prognoses of when it would be published ranging from 'a few days' to 'soon' and 'a matter of weeks', although she did say it would be before Dieter Helm's energy costs review which is due at the end of October. Perhaps worryingly for those who want to see a detailed blue-print she also commented that it was inevitable some people would be disappointed with it and hinted it would be a document of breadth rather than depth.

For Labour, nothing short of full re-nationalisation of 'natural monopoly' utilities will suffice. John McDonnell listed both energy and water as areas he wanted to see brought back under public control , whilst Jeremy Corbyn was particularly critical of dividend payments in the water sector.

At the Conservative conference a fringe event organised by the APPG on Water saw representatives from the industry fight back against the threat by detailing some of the work they had been able to do to enhance the environment and improve flood protection due to investments made with private capital.

There was an acceptance from industry and EFRA select committee chair Neil Parish MP that 'much needed' legislation on water abstraction would not be happening given the lack of parliamentary time, and therefore alternative approaches would have to be found.

Back at Labour conference another industry under threat of nationalisation, energy network operators, held a fringe on the decentralisation of the energy sector. This was one of at least three such events which saw shadow energy minister Alan Whitehead on the panel. Whitehead said Labour needed to flesh out the detail of its proposals and set out his vision for greater municipal control of increasingly localised energy systems. The industry were keen to emphasise how their expertise and experience would make them valuable partners to local authorities in driving forward innovative new schemes.

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