

Consultation Response – Cheshire East

Q1.

- **What is your view on our definition of non-traditional business models?**

We would agree with your definition, it is succinct and covers the key differentials of non-traditional ownership and that financial drivers may not be the key motivating factor.

- **How we can engage with NTBMs more effectively in the future?**

We would like to see more schemes or initiatives delivered outside of the direct or indirect management/control of the major energy suppliers. This could enable more participation and engagement of NTBM organisations (and also smaller traditional model organisations).

We would also welcome more direct financial or other methods of support for the establishment of new NTBM organisations to reduce risk. Cheshire East Council has been actively looking to establish an NTBM energy services company and while there is support for services ultimately provided (such as FITs and RHI tariffs, and possible other areas of indirect support such as the RCEF), there is less provision for the establishment of new service providers unless on a very substantial scale and requiring lengthy applications for EU funds.

Q2.

- **We would like to hear your views on the drivers for market entry. Do you think there are other important drivers?**

Although implied in the drivers listed we feel that it is important to underline that a key driver is the lack of existing provision in certain services and offerings and the slow market responsiveness of the larger incumbent providers. This has not only created a number of niche market areas but also little development in potentially larger market areas that while becoming the norm in many European countries have had only small scale provision in the UK.

Q3.

- **Have we accurately described the NTBM environment? Have we missed something?**

We consider your description of the NTBM to be accurate and covering all the areas we are aware of.

- **We'd like to learn more about organisations using NTBMs. If you are prepared to discuss this, please contact us (see Appendix 1 for contact details).**

Cheshire East Council currently has only limited operational experience in this area with recent developments and initiatives. However we would be willing to discuss our motivations for initiatives such as Fairer Power, which is the first time since 1948 that a local authority has entered the energy market directly (The 'Fairer Power' scheme aims to provide a 'cheaper' tariff rate than the big 6 energy companies to reduce residents bills and combat fuel poverty locally).

Q4.

- **Our main focus in this paper is on regulatory issues arising from future energy market transformation, but we recognise that there are relevant**

issues within current regulation. Please let us know if there are any other issues?

We have some concerns regarding Network Connections where it is deemed that the network requires reinforcement/improvement. Our concern is that under the current arrangements it is possible that the party wishing to make the connection may be liable for the full cost of an upgrade that may have been required in any case and/or is subsidising network improvements that may benefit other parties and the network operator. Although funding a proportion of the required works does seem fair and appropriate, we have a concern that schemes that find themselves fully liable for major upgrade costs may become uneconomical and therefore do not proceed.

Q5.

- **What are the benefits of different NTBMs to energy consumers?**

In summary we would state the obvious benefits of choice, competition to drive down costs, new services and service offerings more directly aligned at particular consumers' needs.

- **Are these benefits experienced by all energy consumers or only those directly receiving the NTBM's services?**

We would consider that the benefits do go beyond those directly receiving the services; the non-traditional models may act as market disruptors to reduce costs and improve services more widely.

- **Are there additional wider benefits to the energy system and beyond it?**

Beyond the obvious benefits such as network resilience, improved demand management, and improved services more generally. We would strongly agree with your identification of social benefits such as increased energy literacy and the potential to fund community projects that may or may not be directly energy related.

- **Which of these benefits should be taken account of in regulatory policy-making and decision-taking and why?**

We would consider it beneficial to consider social benefits in regulatory policy, for instance in the creation of policies that would provide additional incentives or reward for schemes on an ongoing basis rather than via one-off grant payments or other subsidies etc. For instance improved FIT or RHI rates for fuel poor customers, or exemptions from costs/regulation for schemes that delivered benefits and re-invested surplus into defined social areas.

- **Are there energy system costs or risks from any of the NTBMs? How might these be addressed?**

Establishing a more stable energy market will help de-risk NTBM's due to their relative size and greater exposure to sudden changes in the market and market incentives.

- **How will NTBMs help to drive innovation within the energy system?**

The NTBM's will be able to try out new models and will have no vested models, so therefore more able to test out innovation as a smaller scale with less risk and greater creativity.

- **How could NTBMs potentially transform the energy market and what fundamental challenges to regulatory arrangements could this entail?**

NTBM's could potentially offer more creative and innovative models which larger companies may not be so readily willing or able to do. This would include more bespoke regulatory arrangements suited to the needs of the NTBM rather than a generic process that could prevent NTBM

- **How could regulatory arrangements change to accommodate NTBMs?**

Market key driver for change to making the market fairer and also more dispersed. Following models developed other European Countries.

- **What role do NTBMs and other parties have in managing energy market transformation and regulatory change?**

If supported the NTBM's could have a significant impact on the UK energy market and energy regulation but this will have to be in tandem with a more flexible energy market if there true impact could be realised.