

2017.01.17

1 Deputy K.C. Lewis of St. Saviour of the Chief Minister regarding gas and heating costs: [1(2)]

What steps, if any, is the Chief Minister taking to ensure that the people of Jersey get a fair deal with regard to gas and other heating costs?

Senator I.J. Gorst (The Chief Minister):

Could I ask Senator Ozouf to answer this please?

Senator P.F.C. Ozouf (Assistant Chief Minister - rapporteur):

I thank the Deputy for his question. As set out in the Strategic Plan it is a key priority for this Council of Ministers to make sure that all markets, and particularly energy markets, work well in consumer interests. The Deputy I hope will have read the Oxera gas market report, which I cover in my written answer to Senator Ferguson. While the expert and independent analysis clearly shows that regulation in the gas market was not justified at the time there are concerns that it is an expensive way to heat one's home. Moving forward, I intend to continue to work with C.I.C.R.A. (Channel Islands Competition Regulatory Authority) and suppliers, including Jersey Gas, and the support of the Consumer Council in championing consumer choice and providing easily accessible information on energy prices. Last Friday I met with the chairman of the Consumer Council and the chief executive, together with Deputy Norton, to understand how we can support them in their valuable work. In addition, we intend to consult the Minister for Housing, the Minister for Environment, the Assistant Minister for Economic Development with responsibility for the Consumer Council to consider how homeowners and tenants can be supported to secure optimal deals on energy costs. At no point in the future are we ruling out regulation, and I will continue to work with C.I.C.R.A. to work out exactly what should be done to empower consumers with information and choice.

3.1.1 Deputy K.C. Lewis:

I thank the Minister for his reply, which is very encouraging. Many families and senior citizens can no longer afford to run a gas central heating system and turn it off unless it is really, really cold, even though they have to pay a connecting charge of approximately £400 a year. As infrastructure costs are met by the consumer if more and more people come off gas, thereby increasing the burden on the remaining, surely there will come a tipping point where gas would no longer be viable and be far too expensive. Does the Minister not agree?

Senator P.F.C. Ozouf:

Absolutely and I understand exactly. That is why I am signalling that with now the good information we can make sound policy decisions. I agree that there is a risk of a tipping point being reached. I absolutely accept, I am just looking through my notes ... I will circulate to Members an informal calculation of what it costs to heat different homes. The Deputy is quite right. I would say that there should be nobody in Jersey that should not be able to put on their heating, but gas is expensive compared to others and it is particularly those on low incomes and tenants, particularly in the town and town areas, that are particularly affected by that. I have had a constructive meeting with the Consumer Council who share my views absolutely, and I thank Deputy Norton for his support. I look forward to engaging with the Deputy. We now have a dataset on which we can move forward, working with the Minister for Housing, Minister for Environment and other authorities.

3.1.2 Senator S.C. Ferguson:

Given the advent of cheap natural gas from the U.S.A. (United States of America), which is a third to half the price of our current L.P.G. (liquefied petroleum gas), will the Minister ask C.I.C.R.A and Oxera to rework their reports to make the comparison?

Senator P.F.C. Ozouf:

Professor Sir John Vickers in his foreword to the competition report that I instigated in taking responsibility for competition, said competition and regulation was hard. That is a matter for both government and the regulator. It is perhaps surprising that it is a government report that Members have had before them in explaining exactly what the facts are, despite our attempts to get the facts from C.I.C.R.A., who were not able apparently to find the information which gives now Members the facts. I do not agree that the comparison is necessarily relevant, or somebody will find out exactly what the relevance is. We cannot have natural gas in Jersey. There is nowhere to plug in a natural gas pipeline. There are also some shipping issues which are also linked. We would have to compare what we can realistically compare. The previous questioner asked, I think, the very important question: what is the future of energy in Jersey? Can we have 3 supply networks or is it better to consider what the long-term implications are? That standing charge for gas customers, the cost is £536, according to my calculations, compared with Jersey Electricity of £68. Oil is of course different. These are the issues that Ministers must address but we must be realistic and not overpromise. We cannot have natural gas. We cannot get it to Jersey cheaply enough.

3.1.3 Senator S.C. Ferguson:

That was not what I was asking. I was asking that the Minister should ask C.I.C.R.A. and Oxera to look at it. They are shipping liquefied natural gas across to Scotland now and there will be more liquefied natural gas being shipped. We need to look to the future. Will the Minister undertake to get the work done?

Senator P.F.C. Ozouf:

The Assistant Minister does not require any encouragement, if I may say so, to get the work done. That is what the Assistant Minister has been trying to do but was not able to get the facts from C.I.C.R.A. We must focus on priorities. We must focus on what we can do and the analysis and the information I have, I am willing to listen and engage with any Member or any other person discharging this function, will effectively look at the evidence. We must prioritise our time in order to get the best deal for consumers as soon as possible. There has been too much talk of gas pipelines and other potential investments of £80 million or so to bring natural gas or others. If shipping is possible we will look at it, but I have been told it is not, and I wish to deal with expert advice.

The Bailiff:

Minister, can you try and keep your answers more short.

3.1.4 Deputy G.P. Southern of St. Helier:

Does the Minister not accept that in fact what we are looking at is a prime example of market failure and the Minister once again refuses to act in any way whatsoever and appears to be waiting for the gas company to go belly up before taking any action? Is it not surely time to regulate this market and involve ourselves in this market failure?

Senator P.F.C. Ozouf:

I would remind the Deputy that it was the Council of Ministers at its first meeting who prioritised energy and energy use and energy value for money, as the question relates to Deputy Lewis of St.

Saviour. The Council of Ministers needs no encouragement but we need facts and we need to prioritise what we can do. There was no case for regulation. That was effectively a wild goose chase. What needs to happen is we send a very clear message that we may regulate if the case is required. I urge the Member to read Professor Sir John Vickers' report on competition and look at who should do what when. Government and this Assembly have a responsibility to do so. We should not regulate gas at the moment. There is no case but we are engaging constructively with all energy providers to provide best deals for consumers, and I am assisted greatly by the Housing and Economic Development Assistant Minister in finding out proper solutions rather than overpromising.

Deputy G.P. Southern:

Supplementary, if I may, Sir.

The Bailiff:

No, I am sorry, Deputy, we have 17 questions to get through. Deputy Tadier, one question and then final supplementary.

Deputy G.P. Southern:

The priority should be concise answers, Sir, surely.

The Bailiff:

You are absolutely right. The answers need to be concise.

3.1.5 Deputy M. Tadier:

Is the Assistant Minister aware of a practice by Jersey Gas of demanding or requesting a £250 deposit from rental tenants only who have never held a gas account before? If so, does he think this is reasonable and enforceable?

Senator P.F.C. Ozouf:

The answer to the first question is yes. The second question is part of the ongoing discussions that we need to have with Jersey Gas now we have a proper analytical report.

The Bailiff:

You can do it, Minister.