

5.7 Deputy C.F. Labey of Grouville of the Minister for Treasury and Resources regarding the Jersey Electricity plc's Standby Charge: [1(510)]

Will the Minister as shareholder representative advise how many businesses have been subject to the Jersey Electricity Company standby charge during the last 15 years and how much this has been charged at? Will he explain how it is envisaged the charge will be varied in the future and whether there is any intention to extend it to domestic customers?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

The J.E.C. (Jersey Electricity Company) advises me that 6 businesses have been charged standby charges during the last 15 years, of which only one is still applicable. The costs have moved from £1.15 per kilowatt per month ex G.S.T. (Goods and Services Tax) to £2.19 including G.S.T. in the past. However, J.E.C. announced a year ago that the charge of £3.25 including G.S.T. would apply from this November for all newly connected commercial embedded generation. It is worth noting that this charge is still lower than those charges levied in Guernsey and the Isle of Man. I am further advised that the charge is based on the costs of sustainably providing the backup service and will be reviewed and updated from time to time to reflect any changes to these costs. Jersey Electricity assures me that it is not currently planning to extend the standby charge to domestic customers but will keep the matter under review in accordance with the press release issued by the company in November 2016. The company's priority to date is to ensure that commercial organisations are not being unfairly subsidised by other customers who, without levying these charges, would bear the higher costs in the form of higher charges.

5.7.1 The Deputy of Grouville:

A supplementary: can the Minister confirm the basis of the standby charge and how it will be varied in the future as I am very concerned at the impact and future adjustment that the standby charge will have? I am also concerned at the impact on the implementation and the undermining of renewables within the Island.

Senator A.J.H. Maclean:

Let me first be absolutely clear. From the Jersey Electricity Company there is no intention to undermine the development of renewables in the Island either now or in the future. With regard to the basis of the standby charge, it is quite simple. The Jersey Electricity Company has significant investment and for businesses that have the benefit of the standby charge who at certain times need to access the facilities in downtime periods of the J.E.C., that cost has to be taken into consideration. There are investments and on the balance sheet, for example, of the Jersey Electricity Company their property, plant and equipment is over £200 million and all the associated costs in maintaining that for businesses who need to still have the ability to access those facilities during downtime periods. That is the purpose for the standby charge.

5.7.2 Deputy G.P. Southern:

Talking about promoting green energy, can the Minister confirm or otherwise that while the J.E.C. pays 12p per unit to France for its electricity, it only pays 6p per unit to self-generated on the Island electricity through photovoltaics or otherwise? Will the Minister do his best to encourage the use of truly green energy by requesting that J.E.C. at least pays the same tariff to France as it does to those who generate through photovoltaics?

Senator A.J.H. Maclean:

I think the point that we need to focus on very clearly is that the Jersey Electricity Company is extremely well run. It is a well-run company whose carbon emissions have reduced by over a

third over the last 25 years. It is also important to focus on the fact that Jersey Electricity prices are lower than virtually any of our immediate neighbours such as Guernsey, such as the U.K. (United Kingdom) and such as the Isle of Man, 22 per cent cheaper than Guernsey, 17 per cent cheaper than the Isle of Man and 14 per cent cheaper than the U.K. So, consumers and businesses are benefiting from an extremely well-run company that takes seriously its environmental credentials and ensuring that carbon emissions are reducing and continue to do so.

5.7.3 Deputy G.P. Southern:

Thank you to the Minister for that list that he prepared before the question was asked, but it could continue: nonetheless they could do better. They could, for example, pay the same rate to self-generated electricity as they do to France. Will the Minister encourage J.E.C. to do so?

Senator A.J.H. Maclean:

The Deputy is talking about the buyback tariff, effectively, which has increased. J.E.C. had a somewhat more complicated buyback tariff, effectively £4.66, and it was split between night and day. It has now been consolidated into one and, in fact, it was a part of the press release that went out in November 2016 increasing to £6.24 I think it is. So, they take seriously the renewable area of the market. They want to encourage people to generate renewables, but what they recognise is on the standby tariff when large organisations want to access the grid there is a cost in keeping those facilities available for those businesses. It is only reasonable, otherwise other consumers are going to have to pay the price and that is not reasonable and it is certainly not fair.

5.7.4 Deputy A.D. Lewis:

Does the Minister believe that the buyback tariff is adequate enough to really encourage people to generate electricity domestically and put it back into the grid? Because at the moment we are woefully behind most other countries in terms of renewable energy and producing energy domestically to supply back to the grid. Surely if one wanted to encourage more of that, one should have a higher tariff. That is one of the ways. Of course, the other way is subsidising people to buy the equipment in order to install it. Does the Minister have views on that? Is there a policy? How can it be advanced?

Senator A.J.H. Maclean:

I do have some views. As I have pointed out already, the J.E.C. has increased last year the buyback price from £4.66 to £6.24. That is a good step in the right direction to encourage people to get involved in renewables. We have to remember, of course, there are significant numbers of Islanders who cannot afford to get involved in the renewable areas, those who are renting houses perhaps, those that are living in flats or properties that are not suitable. So, the J.E.C. has to take a fair approach across all consumers within the Island. I accept the point that they are moving in the right direction but indeed perhaps could go further, but we have to understand the cost associated with maintaining the infrastructure.

[10:45]

It is remarkable in an Island of this size that a business of this size can have some of the cheapest prices in the U.K. and among our neighbours and indeed for that matter in Europe. I think that is something to be celebrated.

The Deputy Bailiff:

Do you want a supplementary?

5.7.5 Deputy A.D. Lewis:

Yes, please. If the J.E.C. is making significant profits, why is it not investing that money into renewable energy, particularly domestic use, providing subsidies to people so they can get into the business of renewable energy in a domestic capacity? They have the funds. Why are they not investing in it? If we owned the whole company, perhaps we would.

Senator A.J.H. Maclean:

They are investing. That is the reason, for example, why we have the interconnectors with France, why they have invested £70 million in that particular area, and that is the right thing to do. We have very low carbon emissions in comparison to many of our immediate neighbours and it is important to continue to drive down that particular area and ensure that consumers have both safe but also low carbon and low cost electricity supply. That is exactly what the J.E.C. are seeking to do.

5.7.6 Deputy S.Y. Mézec:

Given that climate change is literally the most important issue facing humanity right now and given that there have been many amazing technological advances over the last few years on renewable energy, would it not be a good thing for this Government to show some real leadership on this and say that we will have a stated ambition for 100 per cent renewable energy in the future, not nuclear power from France, and would he not accept that this Government has a great opportunity to get the wheels in motion to get towards that ambition given our ownership stake in the Jersey Electricity Company? Would he like to say that it is not all about cost because at the end of the day this is something that will one day destroy the planet if humanity does not deal with it? Would he be prepared to say that this should be an ambition we should be working towards?

Senator A.J.H. Maclean:

I think it is fair to say that it is an ambition that is being worked towards. We do not own 100 per cent of the J.E.C. J.E.C. is a listed company. The J.E.C. does pay a significant dividend to the States of Jersey. I think in 2016 it was about £3.4 million. Any questions of subsidies have to be paid for and I would suggest that those would be paid for by Government, not the company itself because it is not a wholly-owned company of the States of Jersey. I think, therefore, it is very much a matter that would need to be considered in that wider context. But without doubt the other factor to take into consideration is the technical advances that the Deputy referred to are driving down the cost of renewable products - wind, solar and suchlike - and making them more affordable. That is one of the reasons why governments elsewhere are reducing the level of subsidies that they issue.

5.7.7 Deputy S.Y. Mézec:

A supplementary: virtually everything in the Minister's answer there was to do with money and not to do with our environment and the state of the planet. Would it not be better to accept that this is not just about money, this is not just about the dividend we may get back from the company, and would it not be a better position to base this discussion purely on what is in the interests of our environment, against pollution, against nuclear energy as well? He spoke about the reduction in our carbon emissions. That is great but not if it is going towards nuclear. Would he agree that a lot more needs to be done to have a tangible target for getting towards renewable energy and that it is only the Government that can do that, not just expecting it to happen magically from the market?

Senator A.J.H. Maclean:

That is correct and that is why the Energy Plan was published and the Jersey Electricity Company is largely following the principles of the Energy Plan. Let us be absolutely clear. The Jersey Electricity Company is less than one-tenth of the carbon intensity of the U.K. electricity grid, one-tenth, less than one-tenth. That is something to be celebrated. The direction of travel is pretty clear and we need to continue to ensure that we make renewable energy as available as possible to the community.

5.7.8 The Deputy of Grouville:

In light of the proposals to install solar panels on the new Les Quennevais School, has the Minister considered the cost implications that this new ... well, not so new maybe, this charge will have on the public?

Senator A.J.H. Maclean:

No, I have not given any thought to that specific issue but I will take it away and report back to the Deputy.