

STATES OF JERSEY



JERSEY ELECTRICITY PLC.: REFERRAL OF STAND-BY CHARGES TO THE CHANNEL ISLANDS COMPETITION AND REGULATORY AUTHORITIES

Lodged au Greffe on 26th September 2017
by the Deputy of Grouville

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to request the Minister for Treasury and Resources, as shareholder representative, to request Jersey Electricity plc. not to impose stand-by charges on commercial customers who generate their own power from 1st November 2017, until the opportunity has been provided to the Channel Islands Competition and Regulatory Authorities (“CICRA”) to undertake further research into the implications of this charge and to report on any findings to the States;
- (b) to request the Minister for Treasury and Resources to request CICRA to undertake research into the implications of such charges for the competitiveness of the market for the generation and supply of electricity in Jersey;
- (c) to request the Council of Ministers to bring forward the legislation required to permit CICRA to become the economic regulator of Jersey Electricity plc.;
- (d) to request the Council of Ministers to bring forward proposals to update the Electricity (Jersey) Law 1937 and thereby open up debate on locally-generated renewable electricity targets; and
- (e) to request the Minister for Economic Development, Tourism, Sport and Culture to bring forward an Action Plan by 31st March 2018 setting out how he intends to exploit and facilitate the development of the renewable energy sector in Jersey.

DEPUTY OF GROUVILLE

REPORT

This is a complex issue with many factors at play, so to focus our minds, I would like to start my report by drawing States Members' attention to some of the headline results of the Future Jersey 2017 – 2037 document setting out the concerns and aspirations of Islanders who took part in the Survey.

Under the section, 'what do Islanders want to see most change into the future?'

- Jersey has secure, affordable and sustainable energy;
- Jersey is managing the threats posed by climate change;
- Islanders independently affording a decent standard of living.

<https://shapingourfuture.gov.je/my-jersey-survey/headline-results/>

With those concerns and desires in mind, I would like to turn Members' attention to the Jersey Electricity Company and their announcement to instigate a charge on the commercial renewable energy sector on 1st November 2017. To instigate such a charge on commercial renewable energy in the Island now, has the potential to destroy any independent commercial investment in renewables, and could destroy jobs in the renewable industry in the Island (i.e. the installation of solar panels/wind turbines).

The energy market in Jersey is unregulated and Jersey Electricity plc. is the sole supplier of electricity in Jersey.

They currently import the majority of our electricity from France (in 2015 they imported 94% and in 2016 92% of the Island's electricity).

Renewable energy is now becoming economically viable. There is significant investment occurring across the world, which is creating jobs and has the potential to reduce the cost of energy in the future.

Additional charge

From November 2017, Jersey Electricity plc. is looking to implement an additional charge to commercial renewable producers which will likely restrict commercial or large-scale investment in renewable energy in the Island from anyone other than JE plc.

<https://www.jec.co.uk/your-business/commercial-tariffs/buy-back/>

In my opinion there has been no justification given by JE plc. for the charge.

I have significant concerns that this charge will reduce commercial investment in renewable technology in the Island and the fledgling renewable industry (both installing and selling renewable energy products). It will also ensure that either only JE plc. can invest in large-scale renewables, or that Jersey remains tied to importing expensive energy from France.

This maintains JE plc.'s monopoly on power in the Island and places the Island at risk of significant price rises.

In addition, this may have significant impact on employment within the renewable industry and increases.

Introduction of the charge needs further consideration, and I believe the first place to start with that investigation is with a review by CICRA to research the implications of the charge to ensure that its instigation will not have an adverse impact on the people and businesses of Jersey. The implications for the local population in terms of jobs and cost of living could be significant. Once the issue of anti-competitiveness has been ruled out, policy issues will then have to be considered.

JE plc. is 63% owned by the States of Jersey, but no-one from the States of Jersey sits on the Board of Directors representing the Island's best and wider interests. The remaining 37% is owned by private investors. It is a purely profit-making publicly-listed company. The Minister for Treasury and Resources has direct contact with the company through the States of Jersey's shareholding.

The energy market in Jersey is unregulated. JE plc. are the sole supplier of electricity in Jersey, and have complete control of the electricity grid through their main company or a subsidiary. It is both unacceptable and unwarranted for a publicly-listed for-profit company to have a monopoly on both the production and the supply of electricity without scrutiny. No other supplier or producer can have access to the market without going through JE plc. They can alter the local energy market without repercussions. Realistically, micro-generation through individuals and businesses investing in renewable energy is the only likely competition to JE plc.'s monopoly, and ensure that the people of Jersey are receiving a fair price for their electricity and provided the opportunity to reduce their costs. JE plc. have not ruled out the possibility of extending the charge to residential customers in the future.

The States of Jersey as shareholder in JE plc. is conflicted in respect of its ability to regulate JE plc. CICRA is both independent and sufficiently established to undertake regulation of the practices of JE plc.

The [Electricity \(Jersey\) Law 1937](#) historically provided the States of Jersey with the ability to monitor and control the price of electricity in Jersey prior to the listing of JE plc. It is not fit for purpose and requires revision and updating to ensure that the people and businesses of Jersey receiving electricity at a fair and just price. In the absence of legislation, the States of Jersey has no power to scrutinise or prevent an abuse of the electricity market in the future.

Jersey Electricity plc. ought to be the pioneers of the Island's sustainable energy requirements of the future, but its structure means it is conflicted with raising profits for its shareholders, who include the States of Jersey.

I am putting a timescale on Economic Development's own Business Plan by asking for an Action Plan by 31st March 2018, to raise the debate of renewable energy and put it firmly on the agenda.

Financial and manpower implications

In relation to paragraphs (c), (d) and (e) of the proposition there will be cost implications for the States in terms of policy officer and law drafting time; however, departments could seek to find funding from within existing resources if the proposition is adopted by the States.

1. Contra to Policy re development of local renewable capability

- 1.1 Exploit the potential of a renewable energy sector – EDD Business Plan Key Priority 3
- 1.2 Create the opportunity for local businesses to take advantage of new low carbon /renewable technologies as and when they are proven and economically viable; – Energy Pathway 4.2.2
- 1.3 Instead of ‘availability charge’, should we have green tariff? – AS21
- 1.4 Supposed to be researching the potential for uptake of micro-renewables in the community sector (will be > 6kWp) – AS21
- 1.5 to encourage ... the uptake of renewable energy technologies – AS27
- 1.6 the extent to which the current approach inhibits the development of self-generated electricity, such as micro-renewables, has been identified as an area worth future consideration – CICRA Report
- 1.7 “To the extent that wider environmental and energy policy considerations in Jersey might place a priority on growth in self-generation capacity, this may require a review of the factors that inform the level of these payments to self-generation sources by JE plc.” – CICRA Report

STRATEGIC PLAN 2015–18

Optimising Economic Growth

Productivity is about how well we use our available resources – land, people and capital – to produce goods and services. Increasing productivity can either produce more goods and services with the same amount of resources or achieve the same levels of production with fewer resources. Increased productivity is not about working longer but working smarter. It’s about finding new and innovative ways to do things better. It is also the most likely way to achieve and sustain higher incomes for Islanders in the longer term.

EDD BUSINESS PLAN 2014 – STRATEGIC OBJECTIVES
SECTION 2B – KEY OBJECTIVES, PERFORMANCE INDICATORS & RISKS

Key Priority	How is it going to be achieved	Key Risks
3. Exploit the potential of a sustainable renewable energy sector tidal, wave, wind power	Undertake Renewable Energy Feasibility study and identify key investment partners to develop sustainable renewable energy in Jersey waters	– Delays in agreeing sea-bed rights with UK Gov. Delays in Law Drafting or Privy Council sign-off

ENERGY PATHWAY

AS21 Working with Jersey Electricity to set supply standards

The States of Jersey will work with Jersey Electricity plc. to ensure that:

- i. In line with the work-streams outlined in Action Statement 19, define the appropriate security standard for the importation of electricity;
- ii. They provide by the end of year 2, a contingency plan that outlines the response in the event of a serious disruption to the Island’s electricity provision occurring through a major incident or emergency and the route of recovery to a normal operating state;
- iii. They continue to supply the Island in the long term with low carbon-intensity electricity. This must remain a material consideration in future renegotiations of the Channel Island Electricity Grid’s contract with European electricity providers;
- iv. They bring forward the option for customers to purchase at the appropriate tariff, ‘renewable’ electricity’, i.e. that electricity that is generated from renewable sources e.g. hydro or wind generation.
- v. They will not currently require JE to pay more than the avoided cost for surplus micro-generated electricity that is sold back into the grid. However, JE will be required by year 1 to –
 - (a) make available easily understood buy-back rates that price electricity at avoided cost;
 - (b) continue to provide advice and assistance in the installation of the appropriate metering equipment to enable micro-generators to sell surplus electricity back to the grid;
 - (c) provide transparent and proportionate tariffs for buy-back rates for commercial and industrial scale Combined Heat and Power (“CHP”) plants on a case-by-case basis.

The Energy Partnership will monitor the uptake of decentralised renewable energy as a result of the other enabling actions (Action Statements 4 and 5). If uptake is not considered to be sufficiently contributing to carbon reduction targets, then the Energy Partnership will work with CICRA to further research incentive feed-in tariffs.

A buy-back tariff is available from JE plc. which prices electricity at avoided cost. This is lower than incentive feed-in tariffs in other jurisdictions due to the low carbon content of Jersey's imported electricity.

To research the potential of increasing uptake of micro-renewables in both the domestic sector and at a community level, the Jersey energy forum will be undertaking research and development to identify opportunities and barriers in the implementation of action statements 4 and 5.

AS27 – An assessment by the Channel Islands Competition and Regulatory Authorities of potential tariff structures to encourage energy efficiency and the uptake of renewable energy technologies, whilst avoiding future fuel poverty

Next Steps

It is likely that a number of proposed work-streams will not be able to be delivered as outlined in the previously agreed Energy Plan. Innovative approaches will need to be sought for the implementation of action statements and to focus delivery on actions which will yield high emissions savings.

Climate change is recognised within the Vision for Jersey as a key strategic issue which impacts across all aspects of Island activity and living.

CICRA REPORT ON ELECTRICITY IN JERSEY – 2012

P.4 – There are, however, certain aspects of the electricity market that may require future review depending on the pace of development and policy priorities. Firstly, the extent to which the current approach inhibits the development of self-generated electricity, such as micro renewables, has been identified as an area worth future consideration, given wider environmental benefits and the contribution this can make to energy resilience.

P.14 – By 2011, JE plc. had installed 4,500 Smart Meters as a pilot and has agreed to progress the project as a precursor to a Smart Grid.

P.17 – JE plc. also has plans for a fourth cable installation ('Normandie 4') around the year 2024 that would supply up to an additional 100MW of power.

P.21 – The economics of self-generated electricity installations in Jersey will depend on a range of factors, including the cost of the technology, payback period and planning permission. The payback period for households generating electricity using their own micro-renewables is heavily influenced by their ability to sell electricity that is excess to requirements back onto a network. In addition to the benefits accruing to individual customers, there are potential benefits in terms of reduced network costs and demand

from distributed generation, which may in the long run reduce some elements of network investment by JE plc.

To the extent that wider environmental and energy policy considerations in Jersey might place a priority on growth in self-generation capacity, this may require a review of the factors that inform the level of these payments to self-generation sources by JE plc.