

From: REDACTED (Communications)

Sent: 25 September 2013 10:18

To: REDACTED (DECC Private Office Group); PS SOS SPADS

Cc: REDACTED (Communications); REDACTED (Communications)

Subject: Comments on Ed Miliband speech

REDACTED

Please find below a summary of the main comments from key industry bodies on Ed Miliband's energy bills claim.

Thanks,

REDACTED

CBI – John Cridland

"Businesses will view the proposals on tax and energy as a setback for Labour's pro-enterprise credentials."

"Rising energy bills are tough on families and businesses. But the proposed energy price freeze will deter much-needed investment and is at odds with Labour's pledge to decarbonise the economy and create a million green jobs."

"The main reasons that bills are going up is the combination of rising wholesale prices, the cost of policies needed to keep the lights on and the move to a low-carbon economy."

Which? – Richard Lloyd

"Ed Miliband's promise to fix the broken energy market and freeze prices will give hope to the millions worrying about how they can afford to heat their homes. We now look forward to seeing the detail of how this will work."

"Wholesale costs are the biggest part of the eye-watering rises to energy bills that people have faced over the last ten years. Making the wholesale market competitive by separating energy generation from supply is essential to help keep prices in check."

Energy UK – Angela Knight

"Freezing the bill may be superficially attractive, but it will also freeze the money to build and renew power stations, freeze the jobs and livelihoods of the 600,000 plus people dependent on the energy industry and make the prospect of energy shortages a reality, pushing up the prices for everyone."

"No other industry is facing the investment challenge of the energy sector. Last year alone the energy industry invested £11.6bn – the equivalent of building the Olympic stadium twenty times over. We need to invest £110bn over the next ten years to build and renew the power stations, the wires and the pipes everyone in the country needs to keep the lights on, our homes warm and to supply the power for British business to compete, to recover and to grow."

Ofgem

"Under current arrangements prices are determined by companies competing in the market.

"It is for government to set the policy framework and to decide whether this continues to be the case.

"In this context, Ofgem is committed to making the market work well for consumers and is introducing the most radical set of reforms since competition began to make the market simpler, clearer and fairer."

UKPower.co.uk

"This certainly puts the pressure on suppliers to inflate prices between now and the election as they won't be taking any chances on the voting outcome."



REDACTED

Department of Energy & Climate Change | Area 5A, 3 Whitehall Place,
London SW1A 2AW

From: REDACTED (Communications)
Sent: 24 September 2013 15:13
To: REDACTED (DECC Private Office Group)
Subject: Channel 5 News enquiry

REDACTED,

REDACTED, Ch5 News asked us for a comment on Ed Miliband's proposals about freezing gas and electricity bills (see tweet below on this).

Labour Party Online confirms that **Ed Miliband** would - if elected - "freeze gas and electricity bills until 2017".

They have asked for a DECC response to this. I will point them to you as it is a political matter if that is OK? We will respond to factual enquiries on it.

REDACTED

Thanks

REDACTED
Department of Energy and Climate Change
Area 5A | 3 Whitehall Place, London SW1A 2AW

From: REDACTED (DECC)

Sent: 25 September 2013 08:03

To: REDACTED (DECC Private Office Group)

Cc: REDACTED (Communications); REDACTED (Communications)

Subject: Fw: Sky News bid

REDACTED

I have just taken a call from Sky News putting another bid in for the SoS to respond to Ed Miliband's energy price fixing. I said I'd forward this to you as its political.

The bid is for a live interview between 1-2pm today.

Contact details are in the below email.

Thanks

REDACTED

From: REDACTED@bbc.co.uk

Sent: 25 September 2013 09:14

To: PS SOS SPADS

Subject: interview request in response to Ed Miliband's call for energy price freeze

Good Morning,

Could someone from your press team give me a ring about an interview request for one of your ministers in response to Labour leader Ed Miliband's letter to the energy companies. (see letter below)

The interview is for BBC One O'clock news – the reporter is **REDACTED** and we could do the interview from BBC Millbank if that would be convenient.

Many thanks,

REDACTED REDACTED

TO THE 'BIG SIX' ENERGY COMPANIES
TODAY

From Ed Miliband:

In recent years we have discussed the need to rebuild public trust in the energy market many times. I think we all agree on the importance of that objective if we are to build a market that both delivers for consumers and underpins the investment in future clean energy capacity that we all want to see.

Our intention is to now reset the market that has consistently failed to secure the confidence of the public or the investment Britain needs. Doing that requires two steps. First, it means legislating to build competition and transparency into the market, with a trusted regulator standing behind the system. Second, it means ensuring that in the time it takes to put a new system in place, up to the start of 2017, we ensure the prices paid by consumers do not rise.

A fairer market for consumers must be matched by a better deal for investors. So we have also committed to set a 2030 power sector decarbonisation target; hold to the system of contract for difference in the Energy Bill; create an Energy Security Board with responsibility for identifying our energy needs and providing a clear framework to deliver this; and give the Green Investment Bank borrowing powers to support investment.

We believe that this framework will create certainty and attract the range of domestic and international investors we need in the years ahead.

I appreciate that you will not welcome all aspects of this package. But it is my firm view that without resetting the market we are not going to see the public consent that is required to underpin the scale of taxpayer backed guarantees for which you have argued. I am prepared to make the case for sharing the risks of such investment, but that must be against the backdrop of a market that customers believe works for them.

You and I know that the public have lost faith in this market. There is a crisis of confidence. We face a stark choice. We can work together on the basis of this price freeze to make the market work in

the future. Or you can reinforce in the public mind that you are part of the problem not the solution.

This is a genuine opportunity to reset the energy market in the interest of consumers and investors. Caroline Flint and I stand ready to work with you on these proposals in the months ahead. I look forward to continuing to discuss them with you.

Yours sincerely,

REDACTED
REDACTED

From: **REDACTED**@bbc.co.uk
Sent: 24 September 2013 15:06
To: PS SOS SPADS
Subject: BBC interview request

Hello,

As discussed, the BBC News Bulletins on BBC One and the BBC News Channel would like to organise an interview with Ed Davey or another minister in response to Ed Miliband's pledge to freeze energy prices for two years.

We can do this from any BBC studio, including overseas bureaus.

Ideally, we'd like it in time for the Six O'Clock News.

*Please let me, or my colleague **REDACTED** (cc'd), know what is possible.*

Regards,

REDACTED
REDACTED

From: REDACTED (Communications)
Sent: 25 September 2013 10:49
To: REDACTED (DECC Private Office Group); PS SOS SPADS
Cc: REDACTED (Communications); REDACTED (Communications)
Subject: RE: Comments on Ed Miliband speech

REDACTED – I've copied below further comments, but I'm afraid I can't find any detailed financial analysis of the proposals

Philip Shaw, an economist at Investec Securities in London, said rising fuel bills had become more noticeable as a result of recent pay freezes in the economy. While inflation was 2.7 percent last month, wages grew an annual 1 percent in the quarter through July. "Energy prices are a highly emotive topic in the U.K.," said Shaw. "Utility companies put their prices up in real terms from year to year. In years gone by households were better able to weather this price because you'd see your post-tax salary going up."

"Bills have gone up for three reasons: the cost of wholesale energy, which you can't control; the cost of government policy, such as requiring utilities to buy wind and solar power; and third because utilities have steadily increased their profits," said **Chris Rogers, senior utility analyst with Bloomberg Industries**. "The danger of fixing prices is that the energy companies turn around and say they'll invest elsewhere in the world."

Peter Atherton, utilities analyst at Liberum Capital, said: "The last thing the industry needs is another round of huge institutional changes. The ink won't be dry on the energy bill and they'll be scrapping the market."

Lakis Athanasiou, a utilities analyst at Agency Partners LLP in London, said the margins were still low enough that the Miliband proposal could backfire. "The U.K. is a price taker on global energy markets. When you can't control wholesale prices, you can't regulate retail prices," said Athanasiou. "Companies will just start ditching customers if they can't make any money. You'll be forcing some of them out of business. Utilities aren't making that much money from selling power and gas to households."

"Capping their profits will make it harder for them to invest in nuclear and clean energy," said **Craig Lowrey of the Utilities Exchange**, an energy consultancy. "That in turn will make it harder for Britain to meet its targets for reducing carbon emissions and sourcing more of its energy from renewables."

"That's an absolutely massive cost for the industry to bear ... it would be quite devastating clearly for these companies' earnings," **UBS analyst Stephen Hunt** said.



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