

Rt Hon Jacob Rees-Mogg MP  
Secretary of State for Business, Energy and Industrial Strategy  
1 Victoria Street  
London SW1 0ET  
CC: Rt Hon Jeremy Hunt MP, Chancellor of the Exchequer  
Graham Stuart MP, Minister of State (Minister for Climate)

21 October 2022

Dear Secretary of State

We are writing as a group of energy sector leaders to voice our increasing concern about some of the proposals contained in the Energy Prices Bill which threaten to undermine the long-established principle of strong, independent regulation of the energy sector. The resignation of the Prime Minister makes the smooth and swift passage of emergency legislation even more vital. It is clearly necessary to enable much-needed support with bills for households and businesses this winter, and the ongoing political uncertainty must not adversely impact on bill payers.

We were alarmed to see clauses in the Bill that unexpectedly propose extensive new powers for Ministers in relation to the regulation of the sector. Given the change in leadership of the Conservative Party and a new Prime Minister, it is our view that the Bill must now be reconsidered and amended so that it is solely focused on ensuring that crucial support can be delivered for households, businesses and other non-domestic consumers this winter.

Energy companies plan to invest up to £100bn in the UK up to 2030. This investment, and its cost, is dependent on a strong, stable regulatory environment. The companies we lead are vital to the UK economy. We therefore seek urgent clarification and reconsideration of the inclusion of these broad measures. The speed at which the Bill is being introduced prevents proper scrutiny of changes with long-standing and profound consequences for the energy sector.

We are concerned that the proposals challenge the importance of an independent and stable regulatory, policy and governance framework. It is vital that the UK continues to have a regulator that can make decisions independent of Government while also working with the Secretary of State and civil servants to protect customers and create a healthy environment for investment.

There is of course a vital role for the Government to provide strategic direction for the regulator and to hold it to account for delivering on those expectations. However, the operational activities of the regulator and the decisions it makes need to be carried out independently, expertly and objectively considering what is best both today and over the long term. It is a challenging and demanding role balancing protecting the interests of customers with the need to ensure that companies can finance their activities and be operationally resilient.

All participants - including customers and investors – need to have confidence in the regulation of the sector and to know that decision-making is consistent and fair. Investors assess opportunities to invest in different countries based on relative levels of stability and confidence - especially in an industry where long timelines are essential to business cases. If the UK is viewed as less stable, investment will either go elsewhere or the costs of investment will rise.

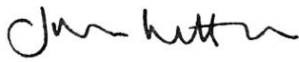
The proposals concerning the Cost Plus Revenue Limit are significant enough in themselves to put investment in the UK's low carbon industry in jeopardy at a time when it is most needed to ensure our long-term energy security. Clauses in the Bill giving the Secretary of State powers to intervene to extend duration and intervene in the level of the Default Tariff Cap are equally concerning. This must be an independently made economic decision, based on the efficient costs accrued by energy suppliers.

Finally, the proposal to grant the Secretary of State powers to be able to widely modify licenses and issue directions in times of an energy crisis, has the potential to impact just about everything energy companies do on an indefinite basis. As it stands the Bill would offer no protection from any resulting financial implications for companies from following such directions, and little in the way of checks and balances typically seen in regulated markets.

It is essential to avoid creating an environment that puts investment in the UK's energy infrastructure - and the delivery of a secure, affordable, low carbon energy system- in jeopardy. We therefore urge the Government to take on board these concerns and act accordingly.

In the meantime, we want to underline our continuing commitment to work with Ofgem and the Government to get us all through the next, difficult six months and beyond. That can only be achieved with an independent and fair legislative and regulatory framework.

Yours sincerely



Lord Hutton  
Chairman, Energy UK



Chris O'Shea  
Chief Executive, Centrica



Will Gardiner  
CEO, Drax Group plc



Simone Rossi  
Chief Executive Officer, EDF



Michael Lewis  
Chief Executive, E.ON UK plc



Kevin Dibble  
First Hydro MD and UK Country  
Manager, Engie



Marguerite Sayers  
Deputy Chief Executive, ESB



Greg Jackson  
Founder and CEO, Octopus  
Energy



octopusenergy

Raman Bhatia  
CEO, Ovo Energy



Rachel Ruffle  
CEO, EMEA – Res



Tom Glover  
UK Country Chair, RWE



Alistair Phillips Davies  
Chief Executive, SSE



Andrew Ward  
CEO, UK Retail, Scottish  
Power



Michael Jenner  
Corporate Affairs Director,  
Sembcorp Energy UK



Mike Lockett  
CCO Power and UK Country  
Chairman, Uniper

