

'Windfall Levy Won't Fix a Broken Market' Claim E4B

With some 4.5 million people now spending more than 10% of their total income on heating their home and are therefore living in fuel poverty as a result. This roughly equates to almost 7% of the UK population.

But this correlation belies the true source of the increase in profits. A significant amount of the profit is derived from the 'middle' market from all of the sectors – that is the portion of those who use the average volume of fuel whether it be in the domestic, SME, industrial or commercial markets and particularly in times of rising wholesale prices, from upstream activities.

A suggestion of re-distributing the gains amongst the very poor, altruistic though it may be, simply will not address the fundamental problem of an energy market that is quite simply broken. And it is this failure of the overall market which allows the creation of huge price distortions and permits the energy companies to make what some are now claiming are obscene levels of profitability.

This leaves many businesses being forced to forfeit their hard-earned profits to meet the significantly rising cost of electricity which has been supplied to them by one of the big six, just as more and more customers are pushed into fuel poverty every day.

Neither should anyone be fooled by the widespread claims that such vast amounts are necessary for investment in new nuclear generation plants. If the market structure continues as it is, then any investment by the big six into nuclear energy will only serve to strengthen their control of the market and exacerbate the level of concentration; rather than to increase competition within the marketplace and enable cheaper energy provision for customers throughout the UK.

Neelie Kroes, the EU Competition Commissioner has won a major ongoing battle in getting the German giant, E.on to agree to a break up of its distribution arm in Germany which could indeed be the first step to winning the war against the concentration in EC member states.

However, care must be taken with this to ensure that control is not simply transferred from distribution to generation which would result in the EC following a similar pattern to that experienced in the UK post de-regulation.

The EC need only look to the absence of competition in the UK and the current investigations by the Commons Select Committee as well as Ofgem's recently launched two year investigation to realise that open markets are not guaranteed by separating shipping from retail.

The only way to effectively break up the levels of intense concentration within our energy markets is to divorce generation completely from retail. By doing this, the government would create a level playing field for all suppliers and as a result, customers would finally begin to experience true competition thereby reducing prices for the rich, poor and middle classes alike.

About the Author

Emma Churchill - Communications Executive - E4B is Britain's independent electricity retail company specialising in the supply of [business electricity](#) to small and medium sized businesses. E4Bs aim to offer lower prices to British businesses.

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