

(ii) Mr R Gale

To the Leader of the Council

“At the September the 10th 2020 full Council meeting, the Council agreed the motion to write to the Minister of State (Minister for Business, Energy and Clean Growth) the Rt Hon Kwasi Kwarteng MP in support of the cross-party Early Day Motion EDM #552 that; “calls on the Government to replace the current electricity distribution system with one that replicates that of gas and telecoms and share the cost of energy distribution equally across the UK”. Can you provide a copy of that letter and the response received from the Minister please?”

Following the Council meeting on 10 September 2020 I wrote to Rt Hon Kwasi Kwarteng MP Minister of State (Minister for Business, Energy and Clean Growth) on 17 September. The Minister replied on 19 October 2020 advising that: -

I “recognise your concerns that, due to the cost associated with transporting energy to remote areas, some areas do have high network charges. This is particularly the case for the North of Scotland, of course. To help protect electricity consumers in this region, the UK Government announced in February 2020 that it would be retaining a support scheme – known as the Hydro Benefit Replacement Scheme – which results in an annual reduction in electricity distribution charges of over £60m for the region. This equates to around £40 per household in the North of Scotland and is funded by charges on all licensed electricity suppliers across GB. I am pleased to say that our announcement went further, by confirming that the £27m annual costs of necessarily upgrading Shetland’s energy infrastructure will also be spread across GB consumers from April 2021 onwards through this support scheme. These costs would otherwise have been funded by electricity consumers in the North of Scotland”.

Copies of these letters are attached for the information of members.



The Rt Hon Kwasi Kwarteng MP
Minister of State (Minister for Business, Energy and Clean Growth)
Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET
United Kingdom

MD/GM
17 September 2020

Dear Minister

Early Day Motion EDM #552 – Highland Council Motion

At a meeting of the Council last week, the following motion was agreed: -

“This Council recognises from its own poverty and inequality data that large areas of the Highlands have over 70% and based on data provided by the CAB up to 90% of households in fuel poverty and commits to doing all in its power to resolve the inequity that has arisen due to the regional distribution charges for electricity provision.

To that end this Council will write to the Minister of State (Minister for Business, Energy and Clean Growth) the Rt Hon Kwasi Kwarteng MP in support of the cross-party Early Day Motion EDM #552 that; “calls on the Government to replace the current electricity distribution system with one that replicates that of gas and telecoms and share the cost of energy distribution equally across the UK”.

I would be most grateful if you would consider the terms of this motion

I very much look forward to hearing from you

Yours sincerely

Councillor Margaret Davidson
Leader of The Highland Council

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Leader of The Highland Council

The Highland Council, Glenurquhart Road, Inverness, IV3 5NX
tel no: (01463) 702832 fax: (01463) 702830
mobile: 07818015689
e-mail: margaret.davidson.cllr@highland.gov.uk



Department for
Business, Energy
& Industrial Strategy

Minister of State
Department for Business,
Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

Councillor Margaret Davidson
The Highland Council
Glenurquhart Road
Inverness
IV3 5NX

Our ref: MCB2020/31074
Your ref:

19 October 2020

Dear Cllr Davidson,

Thank you for your letter of 17 September in support of Early Day Motion 552, which calls for the costs of electricity distribution to be shared equally across the UK. I am replying as this matter falls within my Ministerial portfolio.

You will be aware that distribution charges vary by region and are taken into account by suppliers in setting the end-consumer's total energy bill. These regional variations reflect the costs of running the distribution network in a specific area and the number of customers that are served there. Moving away from this important principle of cost-reflective charging could weaken the pressure on network companies to keep costs down, leading to higher overall network costs for the country. Each network company would be less accountable to its local communities and businesses for the costs it has incurred. Equally, it could increase calls from local stakeholders for increased investment, knowing that consumers from other areas would have to contribute to the costs. In 2015, Ofgem published an analysis of regional differences in network charges, which found no compelling case from a regulatory perspective to move away from cost reflective charging.

Nevertheless, I recognise your concerns that, due to the cost associated with transporting energy to remote areas, some areas do have high network charges. This is particularly the case for the North of Scotland, of course. To help protect electricity consumers in this region, the UK Government announced in February 2020 that it would be retaining a support scheme – known as the Hydro Benefit Replacement Scheme – which results in an annual reduction in electricity distribution charges of over £60m for the region. This equates to around £40 per household in the North of Scotland and is funded by charges on all licensed electricity suppliers across GB. I am pleased to say that our announcement went further, by confirming that the £27m annual costs of necessarily upgrading Shetland's energy infrastructure will also be spread across GB consumers from April 2021 onwards through this support scheme. These costs would otherwise have been funded by electricity consumers in the North of Scotland.

I hope this shows our commitment to minimising electricity distribution costs across GB, as well as helping to protect electricity consumers in the North of Scotland.

Yours sincerely,



THE RT HON KWASI KWARTENG MP
Minister of State for Business Energy and Clean Growth