What now for domestic energy markets?

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The media realised the scale of the costs of the failure of Bulb Energy yesterday when the administrators who have been appointed to run the company were granted a £1.69 billion (£1,690 million) loan by the government to see the company through to the end of April 2022. Depending on the way the administrators' report is read they expect to lose between £500 and more than £1,000 per customer that Bulb has over the next six months, which is a staggering sum.

In all this, the two blogs I had written on Bulb got noticed by journalists, with the accounting analysis attracting special attention. The result was that I ended up on ITN's News at Ten last night, and am discussing two more stories with other journalists.

The concern is fourfold. The first is that Bulb, and the two other energy companies that failed yesterday, are not the last of the UK's domestic energy suppliers to fail. There are quite a number more to go as yet: most of the rest have simply yet to admit it.

Second, at the end of this process there are only going to be a handful or so domestic energy suppliers left in the market, many of whom will also be generators.

Third, what this means is the whole market-based approach to regulation of the UK domestic energy market has, in effect, failed. The new market entrants who were meant to ensure that the prices offered to consumers were kept low have very largely proved themselves unable to take on the task, and have themselves become victims of the market.

Fourth, after the dust has settled it is likely that we will be left with domestic energy suppliers who, with one or two exceptions, are also generators. The threats that such suppliers pose, because they can control every stage of the market, was one reason for regulation in the first place. This was because those suppliers can very easily claim that they make little or nothing from domestic energy supplies whilst making considerable profits in their generation, trading and distribution activities, leaving the consumer open to exploitation. The attempt at diversification to tackle this has clearly failed.

This failure was, always, inevitable. I noted years ago when working on trade union related reports on this issue that the disparity between profits in the domestic energy supply market and those in the generation and trading markets were so significant that it was apparent that the focus of regulation was in the wrong place. It was also apparent that competition in the domestic market could not solve this. The big six energy suppliers, as they were at the time, were always capable of making their margins in the domestic sector look modest whilst making overall significant profits. It is now apparent that nothing that has happened since then has changed this.

So, what now for the domestic energy market when multiple companies, multiple tariffs, vast amounts of quite literally wasted energy in switching suppliers to reduce cost, and significant numbers of lost jobs have proven that the imposition of an artificial market into the sector has delivered no real consumer benefits whilst leading the real risk of consumer exploitation in place? My suggestion is a simple one. It is to suggest that this is the time for a national energy company. Other countries do, of course, have these. We did. And only by taking control of energy source, and by running it in the public interest with the intention of preventing monopoly exploitation can any government now really deliver for the UK public.

The problem with this suggestion is a straightforward one. It involves the N word, where N stands for nationalisation, about which there is a UK national political phobia. But, the reality is that Bulb has been nationalised and its losses are being accepted by the public sector. We can either be horrified by this or accept that the public regulation of such an essential product is so important that control is a necessary part of protecting the UK public, most especially when climate change is a matter of such enormous significance in the years to come.

But will politicians rise to this challenge, or fudge it as they are on railways?