

## Scottish Energy Strategy

UNISON's call for a Scottish energy strategy in *Scotland's Energy – Scotland's Future* is gaining support from across the spectrum. The STUC energy conference launched the STUC Energy Strategy and heard from a range of speakers who highlighted the need for urgent action. In particular to plan new generating capacity if Scotland and the UK are not to become dependent on insecure overseas gas supplies.

Further support has come from the Scottish Parliament's Enterprise Committee who called upon the Executive and Westminster to "develop a fully fledged Scottish energy policy to meet Scotland's future energy needs". Cosla joined the chorus at their sustainable energy seminar calling for 'a long term, integrated energy policy for Scotland'. More recently the Westminster Scottish Affairs Committee report "*Meeting Scotland's Future Energy Needs*" added their support.

Scotland's main power companies have also raised doubts on whether renewable targets will be met and even if they are that still leaves a massive gap in generating capacity. Probably the most effective advocate has been Brian Wilson MP the former energy minister. His contribution at the STUC energy conference and elsewhere makes a convincing case for serious political intervention. The market simply won't deliver on its own.

UNISON Scotland's energy strategy can be viewed at our website.

### BETTA Grid Levy

Ofgem appear to be doing their best to further undermine Scottish electricity generators with grid levy charges that discriminate against the northern power stations under BETTA.

SSE's Ian Marchant labelled the proposals as a "very extreme response" and warned MPs that Scotland will become the last place to build power stations in the UK and the first to close.

ScottishPower's response states that "Ofgem continues to misrepresent the effect of these charges on Scottish generators". They have also produced an independent economists' report which concluded that that the differential in charges between Scotland and the rest of GB was entirely unjustified.

### Energy Efficiency

The Scottish Executive has launched Scotland's first energy efficiency strategy highlighting the 20% of energy wasted by business and consumers. Energy efficiency is the most cost-effective way of reducing demand and emissions.

### Fuel Poverty

Rising fuel prices are undermining progress in eliminating fuel poverty. For every 5% rise in fuel prices an extra 30,000 households fall into fuel poverty. A particular concern for pensioners who make up 60% of the fuel poor.

Minister's asking companies to cut prices seems a strange approach given their support for market solutions. More effectively Energywatch Scotland and Labour MP Mark Lazarowicz have called for a review of regulatory structures and an investigation into wholesale gas markets.

Energywatch have also made a 'super-complaint' over billing inaccuracies across the industry following record levels of customer complaints. A big problem is the lack of regular meter readings as companies attempt to cut costs.

Fuel poverty charity Energy Action Scotland has appointed Norrie Kerr as their new Director.

# Company News

## ScottishPower

The company continues to deliver a strong performance with a growing customer base in the UK - now topping 5m for the first time. US performance continues to worry analysts with flat growth and hydro power generation suffering from a lack of rain and snow.

The growing reliance on gas is reflected in the company's new £100m natural gas storage facility in Cheshire. The Court of Session has ruled that the sludge burning facility at Longannet is illegal under EU waste regulations. Half of Scotland's sewage is now burnt as fuel in this facility and the environmental consequences are staggering.

## Scottish & Southern Energy

SSE have also returned strong financial and operational performances over the last year exceeding £5m customers. Generating capacity has been expanded with the purchase of Ferrybridge and Fiddler's ferry power stations in Yorkshire making them the UK's third biggest generator. They continue to invest strongly in renewables and new technology including rooftop wind energy systems and coal gasification tapping into coal reserves under the North Sea.

## British Energy

British Energy's rescue plan eventually received EC approval, albeit at the expense of shareholders and staff and stringent compensatory arrangements including a ban on operating new stations until 2010.

With renewed political interest in new nuclear power stations, the company is reported to be talking to financial institutions about private funding. BE's eight nuclear stations are scheduled to close between 2012 and 2020. The nuclear case has not been helped by safety fears over corrosion and cracks in the reactor cores at Hunterston and Torness and land contamination at Hunterston.

Government safety advisors have also expressed concerns about safety during the privatisation of nuclear decommissioning. The UKEA Dounray site has been reported to the Fiscal by SEPA and an ex-safety officer described his former employers as 'cowboys'.

## Centrica

Centrica (which includes Scottish Gas) has made something of a financial recovery with a 16% increase in operating profits. However, retail customer losses continue, following sharp price rises, although at a slower rate. The disposal of the AA brought in a £400m profit.

## Gas Networks

The sale of Transco's Scottish gas distribution network to SSE has been completed and approved by Ofgem. The company paid £3.2bn, some 20% more than the original Ofgem valuation, leading to concerns over the need to make efficiency savings in a safety vital industry.

## Electricity Distribution

Agreement has been reached on the electricity distribution price review that takes effect from this month. The review includes a substantial increase in network investment, particularly in Scotland. Plans are also advanced to invest £400m in Scotland's high voltage transmission network. This is necessary to meet the transmission requirements of renewable energy projects.

## Renewable Energy

Wind farm projects continue to excite controversy and extensive planning delays. Scotland has 13 large wind farms with a further 25 approved, 62 in the planning system and 100 more in the pipeline.

The National Trust and SNH have joined objectors to plans to erect transmission pylons across the Highlands. Similar campaigns are planned with the support of Scottish Wind Watch (SWW) at other proposed sites. Besieged councils and MSPs are calling for a new national strategy.

The Scottish Executive hopes that marine energy will provide new sources of power and green jobs. They have launched a study of Scotland's 6,000 mile coastline to identify potential sites. A demonstrator deep water wind farm is being constructed in the Moray Firth although similar plans in Aberdeen are already facing objections. The Orkney test centre has secured its first client testing the wave energy generator Pelamis.

## Water Services Bill

The Water Services (Scotland) Bill has completed the parliamentary process. The Bill will establish a licensing regime for non-domestic customers, prohibit common carriage and other suppliers supplying domestic customers and restructure the regulatory arrangements.

UNISON welcomed the restriction to competition but retain strong reservations over non-domestic competition and aspects of the regulatory arrangements. In particular, handing over the final decisions on water charges to a London based quango is an abject abandonment of ministerial responsibility.

## Water Charges

The Scottish Executive has announced its guidance on financing the industry for the period 2006-10. The Executive will require Scottish Water to deliver at least a £1bn per annum investment programme with no real increase in charges. A 'magic circle' that cannot be squared without further job cuts and reduction in services. During the same period average charges in England will rise in real terms by over 20%.

The plan envisages improved drinking water for 1.5m people, 530km of clean rivers and coast and 120,000 homes connected to the water and sewer network.

There is a welcome introduction of development charges, something UNISON argued for. £14m per year will be spent by the Executive connecting low cost and social housing. This should resolve the disputes over development constraints, of which Glasgow has been most prominent.

There will also be a new 25% charge discount where two or more adults in a household receive council tax rebate. The 50% discount for second homes will be abolished.

The next stage in the Strategic Review of Charges involves Scottish Water developing their business plan in an attempt to meet these objectives. The new Water Industry Commission should be in place by September. A fierce battle over efficiency levels is anticipated in the coming months.

## Cuts Threaten Safety

Drinking Water Regulator Tim Hooton has warned that that he doesn't want to see any further job cuts at treatment works until alternative systems are in place. He said "just making financial cuts does not equal improved efficiency in my book". This reflects UNISON's long standing criticism that efficiency savings are too often financially led before new technology is installed.

## Water Privatisation

The STUC water campaign continues to co-ordinate the trade union response to the challenges facing the industry. UNISON has also published *'It's Scotland's Water'* setting out our position on the challenges facing the industry.

Contrasting media pieces highlight the debate. A rant by former environment minister Sam Galbraith, predictably in the Scotsman (10 Feb), that Scottish Water should be privatised. Followed by a well written article by Ian Bell in the Sunday Herald (13 Feb). Ian's piece summed up the issue with "The corporate imperative behind water privatisation is obvious; the social need is non-existent".

In a briefing published on World Water Day, (22 March) UNISON Scotland called for a change of course in the EU's approach to the crisis in access to clean water and sanitation in Europe and developing countries. There is a growing concern about the way in which European aid money and political influence is being used to promote water privatisation, rather than meeting real development needs in water and sanitation. This is replicated by competition policy that is driving the privatisation of water in European countries, such as Scotland, that maintain public water services.

Full details on our website.

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