

Written evidence submitted by myenergi LTD (ECO0013)

myenergi is a manufacturer of energy smart technology targeted at the domestic sector. Our mission is to promote energy independence through a range of innovative, eco smart products, all manufactured and designed in the UK. myenergi has more than 100,000 connected devices installed in UK homes, with an estimated total capacity of at least 678W.

1. What should be the underlying principles of the UK energy market?

Current underlying principles of the UK energy market were established based on an energy system of centralised, large fossil fuel generation. As the number of electric vehicles, heat pumps, solar PV systems and battery storage systems, there is a great need for a flex centric energy system, otherwise the only solution is to build a huge amount of energy storage assets, or delay the transition to a low carbon, decarbonised energy system.

As the UK moves towards its Net Zero targets, the underlying principles of the UK energy market should be sustainability, decarbonisation, decentralisation, security, affordability and innovation.

2. Can Government deliver radical reform in the UK energy market?

myenergi don't believe the question is whether the government can do this, it is how quickly can the government do this. The UK energy market is fast moving, and is expected to become even more integrated and complex that it is currently.

Ofgem's current role is to promote competition and innovation within the energy markets. myenergi is concerned that due to the scope of regulation that Ofgem currently undertake, there are instances where innovation in the energy market will be hindered due to not having adequate resources within Ofgem. The energy market is moving quickly, and regulation needs to move at the same pace, if not ahead, in order to not slow it down.

3. Is the Review of Electricity Market Arrangements likely to deliver the necessary changes to the energy sector?

Whilst we broadly agree with REMA's vision for energy market reform, Government needs to ensure that any electricity market arrangements are fair for all end-consumers. Some of the options presented within REMA will only benefit consumers with low carbon flexible technologies such as electric vehicle charge points and heat pumps, leading to discrimination of the most vulnerable in society who will be unable to participate within the flexibility market.

We believe that another challenge for Government is how to engage with end-consumers regarding the changes to the energy sector and new market arrangements, ensuring that information about the proposed arrangements are presented in an accessible, comprehensive way to allow the consumer to fully benefit from these changes.

The announcement that the government will not be seeking to decouple the price of electricity from the wholesale price of gas – fundamentally because it believes it is too difficult – is incredibly disappointing, as this has undoubtedly pushed the price of electricity up higher than it would otherwise have been without the influence of gas prices, and means that the true cheapness of renewable energy cannot yet be enjoyed by consumers.

The government's commitment to publish plans by the end of 2024 to make the levies on energy more equitable must be kept and we look forward to seeing such plans.

4. What are the major benefits that the UK should be seeking to deliver from energy market reform?

myenergi believes that the UK should be seeking affordability and accessibility for all consumers from energy market reform. Any changes to the energy market have to respect regional and social economic imbalances and ensure a just transition. Net Zero is a huge opportunity for economic growth and local energy employment if managed correctly.

We were pleased that the REMAs vision included a focus on the deployment of renewable technology, flexibility signals, and if implemented, would allow consumers to take greater control of their energy usage.

Renewable energy is the cheapest form of energy to build, the quickest to build, and the cheapest to supply to consumers – and yet the ability for consumers to benefit from this reality is hampered by the continuation of linking electricity prices to the price of gas. The government needs to urgently address this in order to help reduce energy costs.

5. What are the chief barriers to reform of the energy market and is the Government serious about addressing those?

myenergi believes that delivering energy market reform will rely on the deployment of new low carbon technologies that are able to participate in domestic flexibility services. However, we believe that the biggest barrier to this for most consumers is affordability, accessibility and consumer education, and we do not believe that the government is serious about addressing these issues.

Whilst we have seen government address affordability to an extent, by providing financial subsidies for heat pumps through the Boiler Upgrade Scheme (BUS) and introducing the recent Electric Vehicle Chargepoint Grant for Households with On-Street Parking; low carbon technologies still remain fairly expensive, especially for those on lower incomes. Putting more mechanisms in place to ensure that these technologies are accessible to all will demonstrate that the government is serious about addressing these barriers.

Those in tenanted properties (often the less affluent members of society) do not have the opportunity to decarbonise their home and are at risk of being left behind during the green energy transition. Government have discarded the proposal that all privately rented properties must have an energy efficiency performance of at least EPC Band C by 2025, which will most definitely result in detriment for those who live in these properties, and create further barriers for accessing smart energy tariffs and flexibility services that will become more available as the energy market reforms.

In regards to consumer awareness and education around these technologies, myenergi believes that inconsistent policy and strategy around the rollout of low carbon technologies (for example, the delay to the new fossil fuel cars and van phase out, and the proposed delay to the Clean Heat Market Mechanism) fuel media misinformation, and suggests that these issues are not important to government. Decisions to delay these policies have created uncertainty in the energy market, delaying the necessary investment needed.

There are also still significant issues around the rollout of smart meters, which are essential for consumers to benefit from the innovation in the energy market, including time-of-use and dynamic tariffs. Even in areas that are not that rural or isolated, the signal is insufficient for smart meters to be deployed, and this must be tackled as a priority.

6. Is it possible to ensure that consumers are insulated from market failures in the energy sector?

Historically, Ofgem has arguably faced challenges in successfully delivering energy regulation, which has directly resulted in market failures in the energy sector that has had an impact on consumers. As seen in the media over the last year, Ofgem is believed to be at least partly responsible for a number of market failures that led to the collapse of energy suppliers and has also been criticised over the handling of energy suppliers using court warrants to forcibly install prepayment meters in vulnerable households.

A report by Citizens Advice in 2021 found that Ofgem failed to act against unfit energy suppliers for nearly a decade, leaving the market vulnerable to the spike in wholesale prices. Gas prices surged in 2021, contributing to the collapse of numerous suppliers, ultimately costing the average household almost £100. There is a similar report by the government's Public Accounts Committee in 2022 who stated that Ofgem was 'too slow to act' and its inability to act more quickly was costing energy consumers 'billions'.

myenergi believes that the main reason for these failures is that Ofgem simply does not have a big enough team to adequately manage the regulatory burden that it is required to oversee as part of their duty. With the imminent implementation of the National Energy System Operator (NESO) estimated to launch in Summer 2024, it is expected that Ofgem's duties are only going to increase as they widen in scope to become the regulator of the NESO.

In our view, there are already significant regulatory pressures on Ofgem and placing any further burden on the organisation would further exacerbate these pressures. The scope of regulation that Ofgem is currently expected to cover is too wide to be regulated effectively by Ofgem alone. We feel that a full review of how Ofgem currently operates is required to ensure that the market is regulated effectively, and even consideration to split the areas of regulation up, passing over some of the roles to the NESO or other industry bodies. myenergi believes that this is the only practical way forward to ensure that consumers are insulated from market failures in the energy sector.

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