

GMB input to PIU consultation on Energy Policy

The GMB is the United Kingdom's fourth largest trade union with 650 000 members and is the largest trade union in the energy sector. Our membership is employed in all energy sectors from production and distribution, to retail and service. The GMB is represented in the Coal, Electricity, Gas, Oil, Nuclear and Water industries in the UK. Those of our members who are not employed in the energy sector are all consumers of energy. We welcome the opportunity of commenting on the cabinet office PIU Energy Review

GMB Approach to Energy Policy

Energy is the life blood of a nation and this applies equally to all countries although some countries are more fortunate than others as a result of having indigenous supplies of fossil fuel or the ability to design and manufacture world leading technology. Britain is fortunate in having a mixture of both, however, it is in danger of squandering this advantage by not having a coherent long-term energy policy.

The previous Conservative administration was noted by a complete absence of any form of energy policy other than the market. Planning went out the window and conservation was put into the background. The GMB has always supported a balanced energy policy using all Britain's resources and technology to the best advantage of Britain, Europe and the rest of the world. We recognise that the market will always have a role to play in determining the pattern of energy demand, but energy supply policies are too important to be left solely for market forces to decide. The market rarely considers the long term.

This market led policy has resulted in an earlier than necessary reduction of the UK coal industry, a much earlier than necessary use of UK natural gas resources, with the resultant need for a higher level of imported gas from more volatile sources such as North Africa and the former Soviet Union. There has been insufficient investment in alternative technology including renewables, CHP, clean coal techniques and better energy saving. To this end the GMB welcomed the moratorium on new gas fired generating stations imposed by the Labour government in 1999.

Protection of the environment is also a vital part of any energy policy. The GMB is concerned that conservation and the environment should not be sacrificed to the needs of the market. This in addition to security of supply mitigates against the market place alone deciding energy prices and energy policy.

All forms of energy are highly dangerous when used incorrectly, or transported without proper safeguards. Therefore the energy industries need to have adequate Health and Safety controls and enforcement placed upon it.

The other issues that are of concern to the GMB and need to be included in any long-term energy policy are the size and the skills of the workforce required for this sector. Although the price of energy has reduced, other costs have risen and this includes the cost of associated work such as the installation and servicing of gas appliances and central heating. This has been

directly due to the larger companies no longer employing and training new staff. That Gas Industry National Training Organisation (GINTO) undertook a survey in 1999 estimating that there was a shortage of skilled gas employees to the tune of some 6000.

There are also problems in restoring supplies after failures due to the separation and reduction in size of their skilled work forces in these new leaner companies. We are concerned over the failure of these new companies to maintain an adequate skills base in their organisation to cope with the restoration of supply after a large failure.

It is also important that the UK maintains its technological and scientific basis in the energy field and adequate resources are devoted to research and development in areas such as renewables, clean coal, energy saving technologies and GHP.

Therefore the GMB believes that the UK must have a balanced energy policy using all UK indigenous fuels and available technology. This policy must also be linked to other government policies on Transport, and Regional Development and land use. We welcome the opportunity to contributing to the Cabinet Office PIU Energy Review.

Environmental objectives

The GMB is supportive of the Government's aims of reducing emissions into the environment and to those levels agreed under the Kyoto protocol. We also recognise the large strides that the UK has made towards reaching those targets compared to many other countries. However, this has largely been due to the deregulation of the UK energy market and the dash for gas rather than in a genuinely planned fashion. This has not been without cost to other parts of the UK economy and the exchequer, notably in the early running down of the UK deep coal mining industry and the local economies surrounding these closed pits. The GMB supported the Labour government's moratorium on building new CCCT gas generating plant in 1999. We were also glad to see the present Labour Government make monies available for retraining of redundant coal miners and their communities.

We are concerned that not enough resources are put in to conservation and energy reduction and perversely it is in the interest of the deregulated energy market to encourage use rather than encourage conservation. We also believe that the separation of distribution and supply in the electricity market has also reduced the need for conservation measures by the supply companies. The expansion of gas use in power generation has also reduced the need for investment in other sources of fuel such as clean coal, CHP, renewables technologies and energy saving and reduction systems.

In addition to this the market approach has also lead to the earlier use of North Sea gas stocks, turning the UK back to a net importer of energy with reliance on unstable parts of the world for gas such as North Africa, and the former Soviet Union. This has resulted in a net cost to UK balance of payments and this will become even larger as the need to import more gas from overseas grows.

Although energy use is clearly a serious source of atmospheric pollution and therefore there need to be clear targets for a reduction of emissions to improve the global environment, it cannot be seen in isolation and energy needs to be part of a wider government policy including Transport, and Regional Development and land use. We would point out that transport is a large cause of emissions, in particular cars and planes are particularly large atmospheric polluters that frequently discharge their pollution at ground level. The failure to have a programme of electrification of the railways or rail substitution of internal air traffic has all contributed to the pollution problem. The GMB supports the Governments 10 year transport plan for the railways and 20 year review of aviation. However, we would strongly recommend both rail substitution of internal air traffic and a programme of electrification of the UK rail network would assist in both a reduction of emissions and ground level pollution.

Security of supply and diversity

The GMB believes that security of supply must be taken into consideration in any balanced energy policy, security of supply applies at a number of different levels in the energy process.

- The first area is that it is important that Britain has an adequate supply of primary energy source in the first instance and does not have to rely solely on imports from unstable parts of the world.
- The second area of security of supply is in electricity generation we should not rely too heavily on any one source of fuel.
- The third area is security of supply to individual consumers. The GMB is concerned that since privatisation and deregulation the length of time taken to restore supplies after an incident of loss of supply is far longer than under the old nationalised industries, this applies equally to both gas and electricity.

1. Primary energy source The GMB is concerned that the increased reliance on gas fired electricity generation has had an adverse effect on the security of primary energy source in the UK. It has led to the earlier than necessary reduction in the UK deep mining capacity along with the job losses that accompanied this. It has also led to the earlier use of North Sea gas stocks, turning the UK back to a net importer of energy with reliance on unstable parts of the world for gas such as North Africa, and the former Soviet Union. We must remember the effects that oil-producing nations in OPEC can have on the price and availability of oil and gas and the effects that this had on energy prices in the 1970s also the problems of oil prices during last years summer.

This has also resulted in insufficient investment in alternative sources of generation such as renewables and clean coal techniques. Although the technology is well advanced on clean coal to date we have yet to agree a site for an operational plant. The GMB would recommend the Government supporting a working clean coal generation plant enabling the UK to develop this technology.

2. Diversity. The GMB has always believed that it is essential for security of supply to have a diverse source of generation and the ability to interchange between sources at times of shortages. To this end we welcomed the life extension to the Magnox plants and the on going commitment to nuclear generation. However, unless new plant is built or a further life is

extension is given to the Magnox or AGR plant then the present nuclear contribution of some 25% of generation will have to be replaced over the next 15 years. The GMB believes that this 25% share should be maintained.

The GMB is also concerned over the inter reliance of the different energy sectors, in that a major disruption to the UK gas system could also result in a simultaneous the loss of a large part of the UK generation capacity.

As with all markets as they mature competition becomes less and less and generation becomes left with a mixture of a handful of large global companies and smaller specialist companies such as those operating CHP plants. If market forces are left to themselves there will be a tendency to further increase gas generation as this is the quickest and easiest plant to build, thus further increasing the interdependence and use of imported gas. Yet gas is a premium fuel that is used by some 19 million domestic and commercial consumers and priority should be given to this market.

The GMB therefore believes that the UK should impose limits to the amount of electricity generated from gas. Generation over and above this limit must come from a mixture of other sources including clean coal, renewables or nuclear. We would also recommend that fuel diversity needs to be included in the fuel mix to enable the ability to switch to other fuels at times of shortages.

We do not believe that coal has only a limited role in the UK's energy market. We must remember the effects that oil-producing nations in OPEC can have on the price and availability of oil and gas. The GMB believes that a planned programme of new generation by clean coal stations along with an increase in generation by renewables could fill this gap and prevent the UK becoming hostage to the vagaries of OPEC or the former Soviet states. However, we do accept that this would lead to some increase in emissions that would have to be tackled by reductions elsewhere.

3. Consumers The third area is security of supply to individual consumers. The GMB is concerned that since privatisation and deregulation the length of time taken to restore supplies after an incident is far longer than under the old nationalised industries, this applies equally to both gas and electricity. This mainly results from the huge reductions in the size of skilled workforce now employed by the energy companies. This often results in there being insufficient skilled employees to cope with the volume of work that there is to restore supplies to individual consumers after a major interruption to supplies. The GMB has forced Transco and British Gas to recognise this.

This applies equally to both gas and electricity examples of this are; in electricity serious loss of supply due to storm damage to overhead lines that have occurred during the last winters; in gas the loss of supply to 3000 consumers in Finchley due to ingress of water into the gas main which left several hundred of these consumers without a gas supply for several weeks; a similar incident also happened in and Luton, Transco not only having insufficient manpower to undertake the work but also not having sufficient number with the appropriate skills to reconnect supplies in a satisfactory timescale.

The GMB would recommend that in any pricing review the Regulator has to take into consideration the manpower requirements to ensure that there are adequate skilled and trained personnel to deal with emergencies and continuity of supply.

Price

These changes initially lead to reduction in gas and electricity prices of between 10% and 20% dependent on the consumer and the ability to pay their bill. However, these have not been without cost for a large number of people who can not afford to pay by direct debit or shop around for different suppliers there has been little or no reduction. Also as a number of people requiring prepayment meters has increased this has resulted in a large number of poorer consumers actually having an increase in prices. We support the action that the present Government has taken to reduce fuel poverty. In addition to this the recent increase in price of imported gas (due to its relationship with the price of oil) has resulted in wiping out much of the previous savings for many consumers.

The reduction in the price of gas has not been without cost elsewhere for example in the gas industry due to the deregulation a number of services that were previously provided free such as emergency repairs. These are no longer undertaken (Transco just make safe) and consumers have to find their own engineer to undertake the repair at cost. Also due to the shortage of engineers in the industry labour costs have risen and maintenance and installation costs have risen.

There are still concerns expressed by the large energy users that the previous and existing method of setting the pool price of electricity discriminates against high users who are unable to reduce their demand during peak periods.

Safety

As already stated all forms of energy are highly dangerous when used incorrectly, or transported without adequate safe guards. Therefore it is important that energy companies have an adequate number and highly trained workforce to enable a guaranteed supply of energy delivered to consumers safely. Consumers, whether industrial, commercial or domestic require an energy policy based on safe, secure supplies of energy at an affordable price not just on price alone.

We have concerns that because of disputes between Transco and the Regulator this has meant that Transco have sweated their assets and insufficient maintenance of the gas system has been taking place. This has also resulted in a shortage of skilled employees within the industry able to undertake the new mains replacement programme agreed with the company and the HSE.

Again we are concerned over the issues of safety in the nuclear industry and the recent problems at Sellafield with the failure to undertake proper audit measures and the damage that this did to a leading UK industry. We are glad to see that this has now been resolved and that BNFL has started to recover from damage that was done to its reputation. The GMB is the largest union in BNFL and we have worked hard to restore customer confidence.

Jobs and Skills

GMB is concerned that the high standards of training that the utility companies gave their employees, is being lost and the standards of service to consumers is being lowered. This is borne out by the increase in customer complaints to the consumer bodies.

The Gas Industry National Training Organisation (GINTO) produced a report in 2000 (Labour Market Investigation & Skills Foresight Report) investigated the problems of training and skill shortages in the gas industry. This report concluded that there would be a short fall of some 4000-6000 skilled gas worker by 2004 and with no action this could rise to 15000 by 2010. The GMB is pleased to see the industry has taken this report seriously and has set about a programme of mapping the requirements of the industry and is now starting to recruit new employees.

All forms of energy are highly dangerous when used incorrectly. GMB experience in the UK is that deregulation has lead to a lowering of standards of safety and service. This is resulted in the need for the Health and Safety Executive to undertake a fundamental review of Gas Safety and introduce new systems of certification and assessment of gas operatives.

Another area of safety which is of concern to the GMB is the problems of carbon monoxide (CO) poisoning which is rising and under the new system nobody wants to take responsibility for this issue especially the new energy suppliers. This again formed part of the HSE's Fundamental Review of Gas Safety. The GMB notes that this part of the review has yet to be implemented.

Regulation

The GMB believes that firm regulation is important in the privatised energy market and there needs to more consideration than competition and price. The use of Regulators to control the privatised and deregulated energy industries in the UK has been a constant source of problems. The Regulators have not always worked in the interest of the consumer in the longer term. We also believe the regulator should be more responsible and accountable to Parliament. Quite often they have followed their own version of the free market competition and have not necessarily been consistent across the energy sectors.

GMB recognises that the Labour governments reorganisation of the electricity and gas regulator into one energy regulator Ofgem and changes in the remit were a sensible step to obtain consistency across the two sectors. However, we would still like to see the Regulator be more accountable to parliament and be able to operate in the interest of the UK community at large, taking into consideration other issues than just price and competition.

Technology Research and Developemnt

The UK is an advanced nation that has a good scientific, technological and manufacturing back ground. It is important that the UK k is able to maintain its share of this type of work and is particularly important in the field of energy with nuclear, clean coal, renewables and energy saving technology. Therefore the GMB believes that the government must encourage

research and development into these areas and provide support for these alternative sources of energy particularly in the area of renewables and clean coal technology. Unfortunately at present the lead in wind technology is elsewhere in Europe. It is important that the lead we have with clean coal technology is not lost and there is an urgent need for a fully operational plant in the UK to enable the technology to be presented to the rest of the world.

Global Players

The GMB is of the opinion that it is important if the UK is to have influence in the global energy market it should have a number of UK based global players able to compete in the global market place. At the same time we strongly urge government to continue to seek to equalise energy opportunities across Europe for UK companies. It is important that the UK government works along side these companies to ensure that we are able to have our say in the global market. To this end we are pleased to be associated with companies such as British Energy, BG plc, BNFL, Centrica, Npower, Transco, Scottish Power and UK Coal amongst others.