

>> What further steps should be taken towards meeting the Government's goals for ensuring that **every home is adequately and affordably heated**?

>> The long-term potential of **energy efficiency** measures in the transport, residential, business and public sectors, and how best to achieve that potential.

>> Potential measures to **help bring forward technologies** to replace fossil fuels in transport and heat generation in the medium and long term.

### **Utilita Group Response to the Energy Review**

Utilita entered the UK gas and electricity supply industry in 2004, based on the notion that markets were competitive and that suitable transparent mechanisms were in place to prevent unforeseen, precipitous and unprecedented rises in wholesale markets. Utilita was wrong and our assessment failed to adequately deal with the uncertainties around government agencies meeting their stated objectives. They did not and hence Utilita could not operate in the market and have transferred our customers to another (large) supplier.

Utilita was founded to pursue the objectives laid out in the Energy White Paper of 2003 and our first product 'do you get it' was an energy efficiency product under an innovative trial directive by Ofgem. We have products ready to launch and are still pursuing a means to achieve these goals. The single barrier to our achieving this is access to stable energy prices at affordable credit guarantee levels. Therefore, the single theme of our response to the Energy Review is this;

Innovation has failed in the energy supply market, young new entrant companies are the only ones likely to succeed in being innovative in a timescale that is relevant, but cannot compete on a level playing field with the six large vertically integrated energy companies. Therefore, we call on the government to provide an incubation scheme whereby new entrant companies can access fairly priced energy on a secure basis without the need for multiple millions of pounds of financial resources. This requires a pricing mechanism that reflects market conditions and does not expose Government to excessive cost.

The pricing mechanism we propose is a "netback", whereby the government secures supplies of energy from the market and offers that energy to qualifying new entrants on the basis of a retail price marker (the incumbent retail price) and a deduction for transparent third party costs such as transportation and distribution.

A qualifying new entrant would be privately owned with less than 50,000 customers and all the necessary licences and systems in place to operate in the market.

This incubation would enable new entrant companies to offer energy efficiency products, smart metering solutions and micro generation schemes as well as many others. All of these innovations require dedicated resources, entrepreneurial spirit, small scale and bespoke solutions and none of which are particularly suited to large unwieldy organisations that still carry the baggage of the former monopolistic regime.