

Subject: Re: EBDS & ETII Energy Discount Schemes & LocoLoaf Bakery Hayling Island

Date: Tue, 27 Jun 2023 17:09:59 +0100

From: John LocoLoaf

To: MAK, Alan

Dear Alan

Thank you for your considered reply.

The EBRS helped significantly. Though I should add that the time lag between its announcement and actually being reflected in reduced invoices was significant. So significant that I gave up waiting on Government drip fed announcements and just got on with trying to make enough money to cover the bills.

Similarly, the EBDS scheme had a long gestation period. My issue with the EBDS scheme is that the Government pronouncements have been somewhat economical with the truth and, yet again, suffered a long gestation period. The EBDS may well apply to all businesses, large or small, but, will only actually be applied in the event of a third world war and/or some act of madness from OPEC.

I find it quite insulting that the Government advice to businesses is "shop around". If on a fixed contract, changing to a new supplier will be prohibitively expensive to most SMEs, and, quite frankly, I haven't the time to engage a broker and then commit to a contract driven by a war over which the world seems to have no control. I believe the "shop around" advice indicates that the Government is perfectly aware of the inadequacies in this scheme. I will be very interested to see if ANY discounts are applied through the scheme's limited lifespan.

With regard to inflation. Yes. Well. European inflation is not the same as USA inflation. And UK inflation is not the same as either. Interest rate rises were never going to stop price rises when they are driven by the market price of commodities such as energy (over which neither the government and the BOE has control).

The only purpose of rate increases (in this scenario) is to stop money leaving the country (and going to the USA).

So. We're back to inflation. I have no political axe to grind, it is what it is. However. The price of goods (that I use) rose significantly with Brexit, then with COVID, then with "post-covid", then with the Ukraine conflict/war. That's the price of EU products, the price of labour (EU), twice, the price of transport (twice - people and energy), then the price of Energy and related commodity prices such as wheat and fertilizer.

As you can see, I'm quite irritated with the situation, and cannot see any plan on how this will be dealt with in a positive way for consumers and SMEs. Big business will be fine. Your colleague the Foreign Secretary was embarrassing (to me) in his failure to answer the question on an "inflation plan" put to him on Radio 4's "Today" last week. I understand that this is not his "portfolio", but. Embarrassing.

There is no plan, the government has run out of money and dare not borrow more given the debacle of Liz Truss.

I bought my first property when interest rates were at 17% and I've lived through the oil crisis. It is what it is.

But. I see no plan. I see no vision. I see no action. I see only Market Forces.

Sometimes, in leaving issues to resolve themselves through market forces alone, the repercussions can be rather grim.

I haven't had the time to formulate a suitable letter, but thank you for your offer to forward something to your colleagues, the Department of Business and Trade, and the current Business Secretary; I will draft and forward in a PDF format as soon as possible.

Thank you again

Sincerely

John

On 21/06/2023 09:32, MAK, Alan wrote:

Dear Mr Townshend

Thank you for contacting me concerning the support the Government is providing to help businesses with their energy bills.

I remember very well visiting your business on Hayling Island, as well as seeing all the great work you were doing to support local people and recruiting apprentices. I can also appreciate that, as a baker, you will be especially vulnerable to changes in energy costs. I am sorry then to hear current prices are adversely affecting your business.

As I am sure you are aware, global energy prices have been severely affected by the war in Ukraine. This has compounded problems associated with the economic recovery from the COVID-19 pandemic and ongoing difficulties facing the French nuclear power network. We must be honest that the government has limited levers with which it can alter global energy prices. We are fortunate that wholesale energy prices have fallen significantly since the winter, however they are still at historically high levels.

I also understand your frustration that prices you are paying do not reflect recent reductions in international spot prices. As you know, energy is bought and sold by private suppliers who compete for business. One possible reason for higher prices is that energy companies purchase their supplies many months in advance, meaning there can be a time lag between a decreased spot price and the prices suppliers are able to sell to retail customers like you. However, if you want to confirm the reason for your own supplier's pricing levels, you will need to raise this with them directly.

For its part, the Government has recognised the pressure which rising prices have put on businesses. Through the Energy Bill Relief Scheme (EBRS), the Government provided a discount on wholesale gas and electricity prices for all non-domestic customers whose current bills have been significantly inflated in light of global energy prices until 31 March 2023. The EBRS has now been replaced by the Energy Bill Discount Scheme (EBDS) which will run until March 2024.

The EBDS it is not a scheme which caps energy prices. However, as you mention, it is able to provide some protection by discounting wholesale prices if they go above a certain threshold. It consists both of a baseline discount - which you do not need to apply for - and an additional Energy and Trade Intensive Industries discount - which eligible organisations need to apply for. I've linked to the Government webpage which sets out the application process - [here](#).

I appreciate your point about the limited benefit some businesses have derived from the EBDS to date. As a scheme, it is less generous than the EBRS it replaced. Between last October and March, the government spent close to £40 billion subsidising the energy costs of homes and businesses. It is the Chancellor's view that this level of spending is not sustainable in the long term, which is why it has been necessary to bring the EBRS to an end. This is part of a difficult balance between supporting businesses and keeping borrowing and inflation under control.

I will however raise your experiences as a local baker with my Ministerial colleagues. In addition, I would be happy to assist you in raising this matter with the Department for Business and Trade. If you are amenable to the idea, I would recommend drafting a formal letter addressed to the Business Secretary, Kemi Badenoch MP, setting out the problems you have encountered and the change you would like to see. If you could send this to me in pdf or word format, I will be able to forward it to the Department and request they provide a written Ministerial response.

Whilst I cannot guarantee this will result in an immediate change in policy, it will mean your concerns will have been heard at the highest levels.

Please let me know if this is something you would like to do.

Thank you for taking the time to contact me.

Kind regards

Alan

Alan Mak MP
Member of Parliament for the Havant Constituency