

ENERGY EYE

A stronger voice for energy

Sue Ferns, Prospect senior deputy general secretary, announces the creation of a new overarching energy sector

NOBODY CAN doubt that there's a radical transition going on in the UK's energy industry, or that there's more to come.

The challenges of climate change, corporate restructuring, new technologies, work intensification and policy uncertainty reach all parts of the system. All this makes for an uncertain, and often uncomfortable, environment.

So we must ensure that Prospect can respond effectively, building on our longstanding expertise to adapt to the new environment that we face.

In September the national executive committee authorised the creation of an overarching energy sector to ensure that Prospect can continue to have a strong and authoritative voice for the whole energy workforce.

The new sector will focus on issues of common concern, facilitate wider sharing of experience and joint campaigning.

Prospect's recent membership survey (see p2) demonstrated sector-wide priorities around organisational change, management culture, pensions and workload.



■ **Ferns – we must be an authoritative voice for the energy workforce**

Comparable in size to Prospect's public services and media and entertainment sectors, the energy sector will have a stronger voice and higher profile throughout the union.

It will add value to, but not replace, work specific to the energy supply or nuclear sectors.

Challenges ahead

We do not have the luxury of time. The ageing workforce is already leading to a loss of skills and expertise.

The UK also faces the imminent loss of the remaining coal-fired power stations, movement of the AGR nuclear

fleet into decommissioning and a general trend to push work down the supply chain and to contractors.

One of our first challenges is to ensure a "just transition" for workers who will be directly affected by these changes.

Prospect led a debate on this at the TUC conference in September (see p6) and, together with Northern Powergrid, EDF Energy and Sellafield Ltd, we have commissioned the Institute of Public Policy Research to examine and report on how we can secure a just transition for the Northern energy workforce. An interim report was published on 22 October (see: bit.ly/2OYeWRA).

At the same time, we must ensure that the remaining and future energy workforce continues to benefit from good quality unionised jobs and an effective voice in decisions affecting their work.

This month we will be launching an e-newsletter for colleagues in renewables.

If you know anyone who may be interested in receiving this, or would like to subscribe yourself, please email: renewables@prospect.org.uk

The first energy sector conference will be held on 4 June 2019 in Manchester. Further information will be sent to branches before the end of the year. I hope that members, through your branches, will use this opportunity to help us to shape our future agenda.

Prospect dominates awards

PROSPECT MEMBERS won four out of the six categories at the inaugural Dounreay Professionalism Awards in September.

Alex Jones won the new starter award; David King, the safety, security and environmental award; Gillian McArthur, leadership award; and Stewart Smith, the equality, diversity and inclusion award.

Prospect members were also part of the team that won the One Dounreay Award, which encourages joint working across the organisation.

The DSRL trade unions were also shortlisted in the equality, diversity and inclusion category for the work they have been doing with management to tackle unacceptable behaviours in the workplace.



■ **Left to right: Richard Hardy, Prospect national secretary; Hilary McGlasson, EDI finalist; Stewart Smith, EDI winner; Niall Watson, EDI finalist; Phil Craig, DSRL managing director; George Campbell, EDI finalist; David King, safety, security and environment winner; Alex Jones, new start award winner; Gillian McArthur, leadership award winner**

Dounreay's big step towards 'just transition'

OCTOBER'S ANNOUNCEMENT that Dounreay workers at its Caithness site will be offered jobs while the decommissioning work completes has been warmly welcomed by Prospect.

Dounreay Site Restoration Limited said that its Caithness workers will be offered a job, if they want one, with one of the three companies involved in the DSRL consortium: Jacobs, AECOM and Cavendish Nuclear.

A "just transition" for workers in the nuclear and wider energy sector has long been a key part of Prospect's campaigning on energy and decommissioning.

While the final details are still to be ironed out, the union applauds Dounreay for its commitment to a just transition.

"As the decommissioning at Dounreay continues, Prospect activists at Dounreay have spent a long time working on the socio-economic issues facing our members and the wider communities of Caithness, Wester Ross and Sutherland," said Prospect national secretary, Richard Hardy.

"I'd like to thank Phil Craig, Dounreay's managing director, and his leadership team, along with our team of reps at Dounreay for this excellent piece of work. This announcement is a tribute to their



■ **Hardy – maintain high quality jobs in the region**

engagement," said Hardy.

"Just Transition is vital for our members decommissioning the nuclear estate, and I hope that other decommissioning sites will follow suit.

"While not all the future jobs will be in Caithness, Wester Ross and Sutherland, we hope that working with DSRL, the Cavendish Dounreay Partnership, and local politicians, Prospect can play its part in ensuring that many high quality union jobs are maintained in the region for the long term," he concluded.

Prospect is the largest union across the civil nuclear estate and has more than 250 members at Dounreay.



MEMBERS' SURVEY: TESTING TIMES FOR ENERGY WORKERS

JOB insecurity and poor morale are growing issues in the energy sector, according to the results of Prospect's biennial members' survey that was undertaken over the summer.

The 6,000-plus respondents came from across the union including, for the first time, members from BECTU. However, isolating responses from energy members offers an insight to the current mood in the sector.

When answering the question: is morale at work better or worse when compared with 2017? On average, 70% of respondents across the energy sector said things were worse.

It's clear that our energy members, no matter where they work, are going through testing times. Poor morale could be down to many factors.

The survey also points towards job insecurity, organisational upheaval and pension changes as big issues that affect our members. So it is no surprise that work-related stress is also on the rise in the sector.

While the survey results paints a gloomy picture, Prospect's recent work on a 'just transition' (see p6), advocacy for new nuclear (see p4-5) and high profile campaigns for energy issues affected by Brexit, shows the union is well-equipped to face the challenges head-on.

Jonathan Green, Prospect's head of research, has written a blog offering a union-wide analysis of the survey results: bit.ly/survey_res

Keep your WorkSafe with our new posters

PROSPECT IS rightfully proud of the important work done by its health and safety representatives, and nowhere is this truer than in the energy sector.

The cover star of July's Profile magazine was Lee Perkins, a H&S rep at UK Power Networks, who won an award for his safety training with apprentices (bit.ly/lee-perkins).

We're keeping the focus on health and safety in the energy sector with a new WorkSafe poster pack that is available to download from the Prospect



Find out more about bit.ly/lee-perkins website. You can also see one of the posters on the back page of this Energy Eye.

There are posters on:

- safe driving
- lone working
- personal protective equipment
- stress
- rest breaks
- hazards.

Prospect's WorkSafe webpage also includes briefings and useful links on each topic.

■ For more information and to download digital copies of each poster visit: prospect.org.uk/worksafe

■ See prospect.org.uk/blog for a report from the energy health and sector seminar



E.ON and RWE merger shakes up renewables

PROSPECT HAS pledged to protect the interests of its members who will be affected, and to engage constructively, with E.ON and RWE to make a success of their merger, which creates a significant new player in the renewables sector.

The two-part deal sees the integration of innogy into E.ON. Then E.ON's renewables businesses (E.ON Climate and Renewables) will transfer into RWE to create a new business.

"The proposed merger would give a combined EC&R/RWE business the size to compete for, and secure, new projects to provide good quality employment for the future," said Mike MacDonald, Prospect negotiator.

"We are keen to understand the mechanics of the changes and to seek commitments on making the company a great place to work."

In their public statements, the three companies, innogy, E.ON and RWE

have all promised that employees will be treated "fairly and equally" and highlighted that the agreements were made in consultation with German unions, ver.di and IG BCE.

In the UK, Prospect is also seeking to influence the terms of the merger.

"We are speaking to European-level senior management both in RWE and E.ON, in addition to company-level discussions in EC&R," Macdonald added.

"We want to influence the new business so it remains an employer of choice that offers a challenging career, and to retain high skill jobs in the UK.

"Both EC&R and RWE see Prospect as a constructive partner, recognising the importance of our skilled members in enabling the businesses to deliver its best.

"We believe that this is a firm basis for us to continue to influence EC&R on behalf of our members," he concluded.



■ **MacDonald – good quality employment for the future**

Vote on 'complex' National Grid pay offer



PROSPECT IS balloting members in National Grid with a recommendation to accept a three-year pay offer as the best that can be achieved through difficult negotiations.

National secretary Steve Thomas said the offer was a significant improvement on where the talks started – and where they have been over a difficult past 12 months.

The offer is complex and the impact will vary depending performance rating, position in new salary ranges and job family. If it is accepted, it will be backdated to July 2018.

Separately, National Grid announced up to 500 redundancies, which they hope to complete by March 2019.

Thomas stressed that there has been detailed consultation and that Prospect continues to push for redundancies to be achieved on a voluntary basis.

"We are seeking to establish solid redeployment principles by giving members the opportunity to displace contractors, trial new roles, have pay protection and if they choose to leave, to do so on enhanced terms," Thomas said.

NEWS IN BRIEF

E.ON MEMBERS BACK CHANGES

– Members at E.ON have voted overwhelmingly to accept proposals on extensive pension reforms, a pay offer and a job security package, which have been the subject of intensive negotiations.

In a complex ballot, turnout on changes to the four affected pension schemes ranged from 97%-100% and the yes votes were a near unanimous, 99-100%. The two non-pension related pay ballots were still impressive with a turnout of 79-80% and yes votes of 96-98%.

Prospect had recommended that members vote to accept the proposals which kept the

defined benefits pension schemes open. Over the summer Prospect held more than 150 roadshows and talks to explain the changes to those in the affected schemes.

VEOLIA PAY DEAL – Prospect mem-

bers at the Veolia Recycling Energy Recovery Facility in Leeds have voted to accept a pay offer that was brokered with mediation from the Advisory, Conciliation and Arbitration Service.

The offer addresses the differential in annual leave allowance between grades, which proved to be a major sticking point in the negotiations.

Prospect has only had recognition at the site for 18 months, so this negotiation was an opportunity for the union to demonstrate the

value of membership.

Read more: bit.ly/veolia-pay-deal

SCOTTISH POWER GENERATION

– Prospect has sought to ensure members' jobs and conditions are protected through the transition and beyond, following the news that Drax Smart Generation will acquire Scottish Power Generation and its remaining gas and hydro stations.

In light of the sale, and until further assurances are forthcoming, the four unions at Scottish Power (Prospect, GMB, Unite and Unison) unanimously agreed to suspend engagement with the company on a planned pensions review.

Read more: bit.ly/SP-drax

What can nuclear power ever do for us?



In late September, Prospect marked the two-year anniversary of the signing of Hinkley Point C contracts by calling on the government to support a new fleet of nuclear power stations. **Nick Kardahji**, Prospect energy researcher, explains why they are needed.

NUCLEAR ENERGY will always have its detractors but dogma alone won't keep us warm through the winter months.

One of the best arguments for a new generation of nuclear power plants is looking at *why* they are required in the first place. The answer, quite bluntly, is that *we're going to need them*.

The UK's energy sector faces a triple threat:

- the planned closure of remaining coal plants
- the decommissioning of most of the UK's existing nuclear capacity
- the potential closure of a significant proportion of existing combined cycle gas turbine (CCGT) power plants.

These three factors, even with a strong growth in renewable energy and the completion of Hinkley Point C, could result in a 30% reduction in generation capacity by 2030.

Unless there is a serious rethink of UK energy policy, this loss in capacity is likely to lead to a heavy reliance on imports and intermittent renewables. This means relying on sources of power we can't directly control, which

would be highly risky and historically unprecedented.

Renewables are already an important part of our energy mix, and they need to play a bigger role if we are to meet our legally binding carbon reduction targets.

But relying on intermittent, weather-dependent renewables is inherently risky. Periods of high demand frequently coincide with low wind output.

Aurora Energy Research calculates, based on historical performance, that there is a 60% probability of low wind availability during the very highest demand periods in the UK.

The government's strategy appears to be to use imports of power to compensate for intermittent renewables. But this is risky too.

Flows of power across the electricity interconnectors which link the UK energy market to our European neighbours are very difficult to predict and subject to extreme variation.

Historically, during the highest demand periods, these interconnectors often don't deliver, or significantly under-deliver, just when power is

needed most. During high demand hours in the last three winters, for example, interconnectors were actually net exporters of power 14% of the time, adding significantly to UK supply risks.

Prospect analysis suggests that combining unreliable interconnectors and intermittent renewables could result in supply shortfalls of more than 20% in high demand winter evenings.

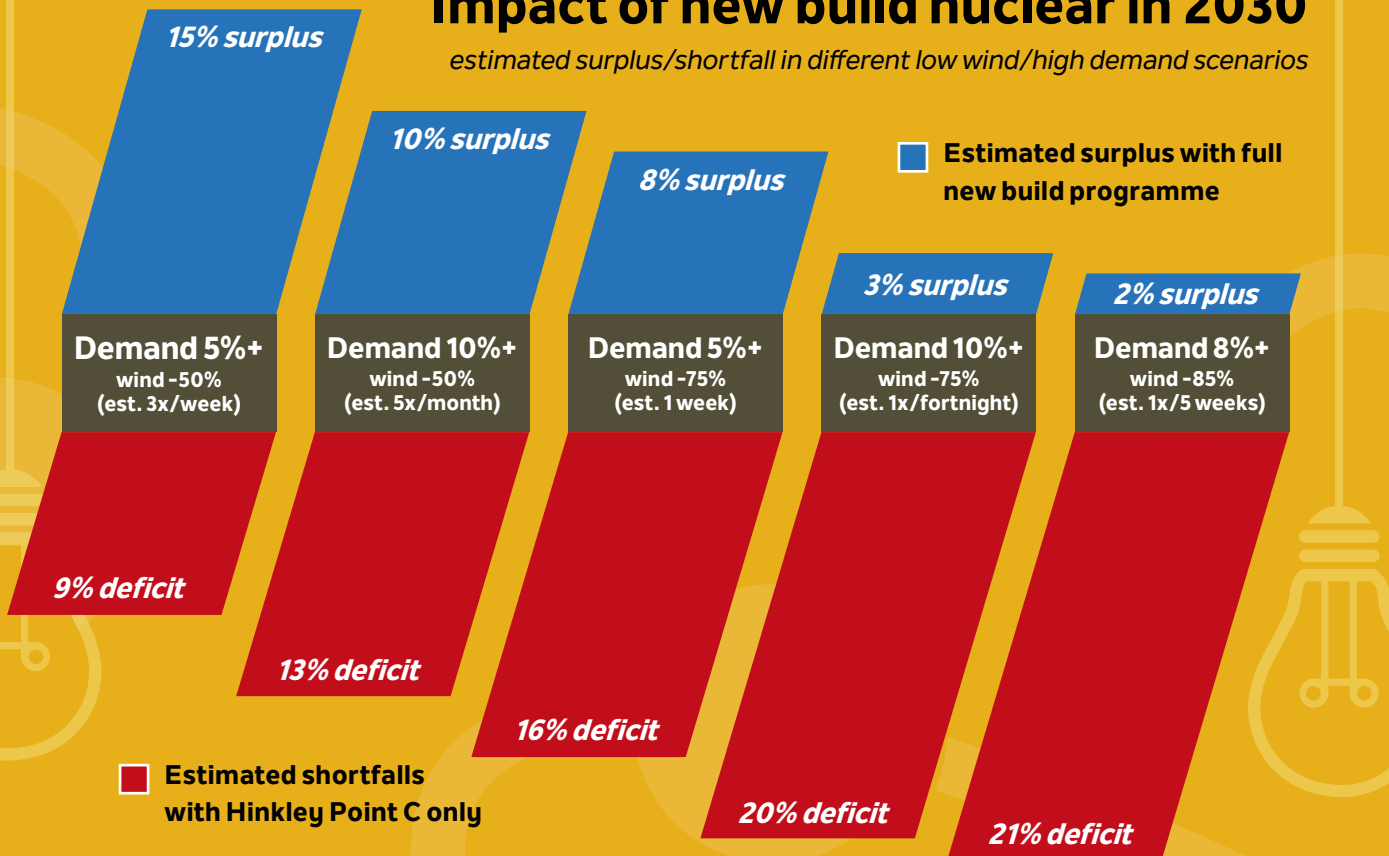
Such a catastrophic outcome, if it comes to pass, would be the biggest energy policy failure in modern UK history.

How new nuclear could change the game

In reality, it is likely that steps will be taken to mitigate the risk of such a disastrous outcome.

Impact of new build nuclear in 2030

estimated surplus/shortfall in different low wind/high demand scenarios



Estimated shortfalls with Hinkley Point C only

But, the closer we get to 2030, the more likely it is that the only realistic way of ensuring security of supply will be by building more CCGT gas plants, which would result in a stalling of the process of decarbonisation and probably higher costs for consumers too.

However, if the new build nuclear programme was completed as originally planned, the potential for large supply shortfalls would be eliminated and transformed into significant surpluses that could supplant fossil gas or imports.

And, this could be achieved without increasing carbon emissions, while also creating tens of thousands of skilled jobs with significant economic benefits for local communities.

The economic case for new nuclear

In addition to the important role that new build nuclear could play in providing secure, affordable, low-carbon power in the future, nuclear power already makes a significant contribution to the UK economy as a whole, and could do so to an even greater extent if the new build programme were completed.

Nuclear's economic benefits are especially great in the economically marginal communities where the plants are typically located.

On average, EDF's existing fleet of nuclear power stations are each

contributing around 13% of local gross value added (GVA), with plants in particularly economically marginal areas, such as Hinkley Point B, contributing close to 30% of local GVA.

This means, on average, nuclear power plants generate £1 out of every £8 of economic value in local economies.

The figures, while significant, understate the true impact of these plants as they don't take account of 'induced' economic effects (ie the impact on the local economy of plant employees spending their wages), nor any 'indirect' effects (ie any supply chain activities located locally).

In combination the full impact of nuclear generating plants, especially in the most marginal economic environments like West Somerset (home to Hinkley B), is likely to be critical to the local economy.

New build benefits

As the existing nuclear fleet demonstrates, nuclear generation makes a crucial contribution to the UK economy.

During construction, the new build programme will create tens of thousands of jobs, and billions in economic value; it's difficult to quantify precisely because of uncertainties about the construction process.

But, economic and employment benefits during the operational phase

are easier to assess, and, if completed in full, the new build programme could create 33,000 jobs and generate around £6bn a year for UK plc.

These figures include the direct impacts of the plants themselves, the impact on the supply chain and wider effects in the broader economy.

Returns on public investment

The biggest single obstacle to the new build programme is cost.

A recent MIT study demonstrated that overnight construction costs for nuclear projects could be reduced by 25%, primarily by using modular construction techniques and new project management methods. The National Audit Office also calculates that a government stake in new nuclear projects would substantially reduce strike prices.

To sum up, significant public investment in new build nuclear could generate tens of thousands of high-value, high-productivity jobs, and billions of pounds of economic value for UK plc, which in turn would generate substantial tax revenues for the public purse.

At the same time, the secure, low-carbon electricity that these plants produce would allow the UK to meet its carbon targets and avoid dependency on intermittent and unreliable energy sources.

Download the Case for Nuclear briefing in full: bit.ly/nuc-brief

'Nuclear generation makes a crucial contribution to the UK economy'

Energy voices loud and clear for conference season

Prospect ensured that the **interests and voices of energy workers** were heard throughout conference season this Autumn



■ Prospect senior deputy general secretary, Sue Ferns at the union's well-attended SNP conference fringe

AT THE Trade Union Congress in Manchester a motion was passed, proposed by the GMB and seconded by Prospect, calling for unions to lead debate in the energy sector for a "just transition" to a low carbon economy.

Speaking on the motion, Prospect senior deputy general secretary Sue Ferns, reiterated the union's commitment to tackling climate change and reinforcing the argument for a balanced energy mix to help meet emissions targets – while ensuring a reliable energy supply.

The subsequent debate saw speeches from Prospect public service president Geoff Fletcher as well as Barbara Shepherd and Steve Nicholson from the Sellafield branch.

Scotland can lead energy revolution

As well as hosting events on other topics at the Liberal Democrat, Labour and Conservative party conferences, Prospect held an energy fringe meeting at the SNP's annual gathering in Glasgow.

The event, organised with the Smith Institute, looked at how Scotland can be at the forefront of delivering a low carbon, good jobs revolution in the energy industry.

Addressing delegates, Scotland's energy minister, Paul Wheelhouse MSP, highlighted big opportunities in renewable energy, saying that there was 10.5GW of renewables already in Scotland, with at least the same again with consent for construction.

Wheelhouse also referred to the Scottish Government's Just Transition Commission to take "those communities reliant on high

carbon industries with us" into a low carbon future.

On behalf of Prospect, Sue Ferns emphasised the "need to value and develop our existing energy workforce" as part of a genuine just transition, and on making sure there was proper trade union representation.

Ferns also highlighted the need to prepare for life outside the EU as changes to migration policy had the potential to lead to skills shortages in the energy industry.

Finally, she called again for the SNP to rethink its long-standing opposition to nuclear energy, highlighting its importance alongside renewables as part of a low-carbon energy mix.

Alan Brown MP, the SNP's infrastructure and energy spokesperson, called for more certainty in long-term planning on energy policy. He said there had been 22 energy ministers in Westminster over the past 20 years.

Mark Vyvyan-Robinson of EDF Renewables, said his company had "enough generation to meet half the demand in Scotland and employs over 2,800 people in Scotland."

"We opened an Edinburgh office 18 months ago and at the time we were a little worried about how we were going to fill it; now we are opening a second floor because it is full already," he said.

However, while he extolled Scotland's excellent potential for renewables, Vyvyan-Robinson indicated that EDF, like Prospect, sees a continued need for nuclear generation in the energy mix.



Preparing the energy sector for no-deal Brexit

SINCE the summer, the UK government has been publishing a series of technical papers offering "guidance on how to prepare" in the event of crashing out of the European Union without a deal.

The papers cover everything from agriculture to consumer rights; the environment to workplaces rights; medicines to taxation.

Currently, there are six papers under the heading, 'regulating energy:'

- Civil nuclear regulation bit.ly/brexit_civ_nuc
- Generating low-carbon electricity bit.ly/brexit_low_car
- Nuclear research bit.ly/brexit_nuc_res
- Running an oil or gas business bit.ly/brexit_oil_gas
- Trading gas with the EU bit.ly/brexit_trading_gas
- Trading electricity bit.ly/brexit_trade_elec

NO DEAL

As *Energy Eye* went to press, a mutually acceptable deal between the UK and the EU is yet to be struck. If that remains the case, these papers will only increase in significance.

Sue Ferns, Prospect senior deputy general secretary said: "A no-deal Brexit would be the worst of all worlds for the British economy and living standards. There is simply too much uncertainty over what Brexit will mean for key industries.

"Take the civil nuclear energy sector. While it might be possible to get new regulations in place, having extra, fully-trained staff and a working computer system by March is clearly very challenging and could invalidate new agreements on cross-border nuclear trade, risking a shutdown of a fifth of our electricity supply."

Ferns added: "The government must focus on getting a proper deal including staying in key agencies like Euratom, freedom of movement for scientists, and protection of employment rights. If the government can't do that, then they need to let the public have a final say on the terms of the negotiations."



Is the energy market working?

Prospect energy researcher **Nick Kardahji** takes a careful look at Ofgem's annual assessment of the UK's energy market

AT THE end of October Ofgem published its annual report on the state of UK energy markets. The energy regulator's verdict was typically bullish; despite some minor niggles, competition is working and driving better outcomes for consumers. But, dig a little deeper and things don't seem quite as rosy.

In fact, there is growing evidence that the UK's retail energy market is in trouble, and the policy measures that Ofgem is busy enacting don't really address the deep structural problems at play.

Ofgem likes to make much of the fact that there has been a rapid growth in energy suppliers over the last few years.

At the start of 2011, the 'big six' incumbents controlled virtually 100% of the UK retail market. Today, that share has dropped to around 75%, and the total number of suppliers active in the market has reached a record high of 73.

From a competition standpoint, this sounds positive and helps Ofgem make the case that markets are working. But, more 'choice' for consumers doesn't automatically translate into better outcomes, either for consumers themselves, or for other stakeholders in the system, particularly staff employed by energy suppliers.

Average bills were falling for a while, but since 2015 they have been steadily



'Developing a credible long-term strategy to deliver a balanced mix of low-carbon technologies will be the best way to ensure price stability for consumers'

rising, while supplier profit margins are virtually unchanged (around 4% on average).

So, whatever more suppliers in the market has meant, it hasn't led to significantly lower bills for the average consumer or to lower supplier profits.

Part of the fundamental reason behind this is that supplier costs (including their profits) are a fairly small part of final energy bills, so trying to squeeze those costs is unlikely to have a significant impact on what consumers ultimately pay.

Market volatility

Wholesale energy prices are the biggest single driver of final costs and these have become increasingly volatile, creating serious difficulties for a growing proportion of small and medium-sized suppliers.

Many of these suppliers are loss-making, and operate by aggressively undercutting incumbents to win market share, leaving them highly vulnerable when wholesale costs rise rapidly, as they are doing now.

Five have exited the market in the last year alone, and more bankruptcies are likely this winter as prices look set to spike to record highs. This does not seem like the functioning of a healthy market.

So, what of the much-vaunted cap on default tariffs, the policy measure that is supposed to protect consumers from excessive price rises?

Ofgem have proposed a cap that would save dual fuel customers paying by direct debit around 6% (roughly £6.25 a month). This is not insignificant, but it seems unlikely that it will make a radical difference to people struggling to meet their energy costs.

However, the cap could have a significant impact on pay and conditions for staff in the sector. With wholesale costs rising, a likely response by suppliers is to slash operating costs (especially labour costs) in order to preserve their profit margins; Ofgem say they are alive to the risks this poses, and will 'monitor' outcomes – but only for customers, not for workers.

This is deeply short-sighted. More than one employer has indicated plans to review pension arrangements since the price cap was announced, and without proper safeguards in place, the price cap could drive a race to the bottom on pay and working conditions.

So what should be done? Well, a good place to start would be to acknowledge the real drivers of costs in the UK energy system, so we can have an honest conversation about how to provide secure, low-carbon energy in an affordable way.

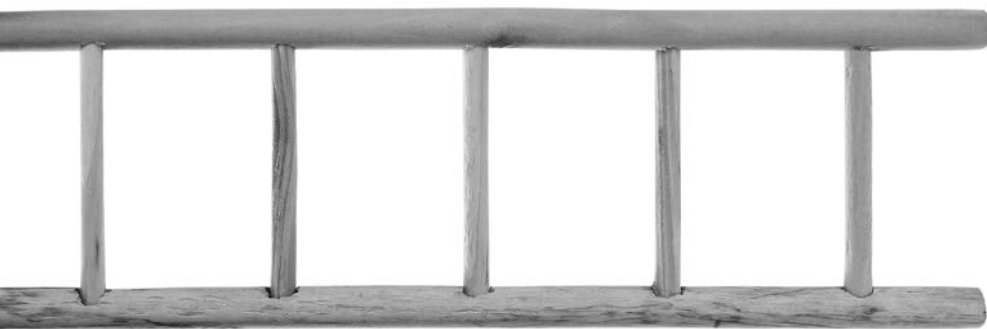
Ultimately, developing a credible long-term strategy to deliver a balanced mix of low-carbon technologies will be the best way to ensure price stability for consumers.

No solution can be sustainable if it drives down working standards. Our energy strategy must be premised upon securing well paid, high quality employment. That way we can ensure energy prices are truly affordable.

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