# Inside Octopus - Energy Crisis, with Greg Jackson

**Russ:** [00:00:00] Thanks for listening to Inside Octopus, where in this episode we are going to be addressing the current crisis in the energy market. Here in the UK the energy regulator Ofgem recently announced that the new energy price cap, which determines the maximum price energy suppliers can charge a customer on a variable tariff, is set to rise from April 1st this year. And of course, this is a major concern to customers of ours and other energy suppliers with the bills they pay increasing by 54% compared to the same time last year, which will add a further £58 a month for most homes. My name is Russell Goldsmith, and I'm thrilled to welcome back to the podcast Octopus Energy's founder and CEO Greg Jackson to discuss these issues. Greg, you've appeared on several TV news channels recently discussing this crisis. Obviously, on this podcast, we're not restricted to just a few minutes, so hopefully we can go into a lot more detail on exactly what's going on, but also look at what the government and energy companies are doing to cushion the impact on customers and what needs to be done to make sure a crisis like this doesn't happen again. So first of all, can you just explain why energy prices are increasing at such an alarming rate?

**Greg:** [01:05:00] Thanks, Russ. I'm glad that we have this opportunity to spend a lot of time talking about it because the rises are not small and they're not avoidable. They're caused by three major factors. The first one is the same supply chain issues that have affected so many industries in the bounce back from pandemic lockdowns. The second one is that there were long, late cold winters in Asia and Europe last year, which meant just as the world would normally be filling up its gas storage, we were still depleting it. And the third thing is the geopolitical standoff over Russia and Ukraine. And I think together these are causing extreme spikes in gas prices, which will then flow through to electricity. So far, energy companies have been able to absorb much of the impact, particularly in the UK, with the price cap. But we can only do that for so long. And they are now going to be flowing through to customer's bills. And I think Octopus really wants to be able to talk to customers about this. We've emailed three million customers. We've spoken lots to the press and maybe this option to talk a bit more in depth as well.

**Russ:** [00:02:14] Just out of interest, how much has the price increased to the cost of suppliers since last year?

**Greg:** [00:02:20] It's very volatile. At the moment, it's more than three times higher than it was a year ago. Now imagine if that was bread or milk, if supermarkets were paying three times more than they were a year ago, everybody would notice but because energy prices are much more opaque, it's taken a while for the effect to be fully understood by people. At one point, by the way, Russell, it was seven times higher than the year ago. So, it's really volatile and dramatically higher, it's not like normal inflation.

**Russ:** [00:02:49] I mentioned in the intro that the energy price cap will see bills increase about £700 a year on average. So that's going to be a huge financial burden for customers. The government's response has been to introduce a flat rate £200 energy bill loan to each household. But obviously that is a loan and that means it's going to need to be paid back on their future bills and they've set the timescale as over the next five years. What do you think of this scheme?

**Greg:** [00:03:12] We speak to 30,000 customers a day and I think we're incredibly aware of the impact of energy price rises on people. We've absorbed an enormous amount of this, but we can only do so much, and we've been speaking to the government since August and to other energy companies to identify ways that we can work together to reduce the impact of these colossal global gas prices. The scheme the government have introduced is very similar to ones we've proposed, so we're really supportive of it. There is a couple of things. I think first of all, we'd rather it was more than £200. I'm not going to quibble and maybe we would've spread it over a bit longer to make up for the higher amount. And I think the £150 rebate and council tax is welcome, but obviously we'd have preferred it to be on energy bills. But I think that was a quick way of getting targeted help to people. I really hope that makes a difference. But we're under no illusion that the scale of rises even after that help, it's going to be really difficult for a lot of people.

**Russ:** [00:04:06] There was an interesting conversation that Martin Lewis had with Chancellor Rishi Sunak, and I just wanted to put the same question to you that Martin Lewis asked the chancellor because he said this this £200 loan potentially could make the situation worse for some people. A couple of scenarios but if you can imagine if you're a young adult living at home now, so your parents benefit from that £200 loan, but if you then move out next year, you're going to have that £40 a year repayment added to your energy bill without having benefited from that loan credit. And then it's the same, potentially with a with a house share, the household splits the £200 loan, but then when you move out again, you will individually have to pay back that £40 a year. How's that going to work?

**Greg:** [00:04:48] We shouldn't be thinking of this as a loan to households, I think that's a sort of real confusion for people. Let's be really clear, this isn't a loan that's going to go to individual named consumers and then expect them to repay it. There's no interest to be paid, there's no chance of anybody falling into debt. The reality is the way our energy bills work is there's an enormous number of credits and levies on bills that go on in the background at all times. For example, there are levies on all of our bills to pay for new nuclear power stations or to pay for green gas or to pay for historical investments and renewables. There's also levies to pay for things like the eco scheme that helps Low-Income households with energy saving measures. All of this goes on in our bills anyway. This is a new item on our bill. I think what's happening here is the government's actually handing the money to households during this time of extreme stress, and that is going to be recouping it via a levy for a relatively small number of years and at a relatively modest amount. So, this isn't a loan that anybody is going to be forced to take or forced to repay. It's just a component in our energy bills where, this year is going to make bills go down compared to where they would have been, by £200. And then for the next five years, it will go up by 40. It's interest free, so we as energy payers, energy customers, consumers are not going to be paying for interest on any loan. And no one's going to be tracking who's got it and who hasn't. Who's paying it? It just goes on every bill, over time, like so many other parts of our bills. I think the other bit is that question about, for example, someone who is not an energy bill payer today, so they are not getting the 200 quid, but become one at some point in the future and they're paying the 40s, I guess those time effects happened on everything. So, for example, there'll be people paying, the nuclear levies today that won't be around, maybe they'll have moved out of the country or, for whatever reason, no longer be an energy bill payer when the nuclear comes on stream, so paid for it but they never got the benefit. There are people, I guess, who pay for education or the health service through their taxes, but don't use those services. As society there are things that we all pay for and in the round, we all benefit from, even this, you can always find a case study of someone who was paying for it, not receiving it or the other way around.

**Russ:** [00:07:07] Do you think that the loan could come in a little bit sooner? Apparently, it's not coming in ‘til October, but obviously we've got the price cap, is introduced in April. So, could it not be better with the timing on that?

**Greg:** [00:07:17] I think the big challenge is with winter bills, energy consumption goes down a lot in the summer. And so, October is a sensible time to be paying people to help with the bit that matters most. That's winter, and that's when the most kind of issues occur. I think the other thing is, candidly, I'm told that one of the reasons is there are still some energy companies whose systems are so inflexible that they said they wouldn't be able to credit bills ‘til October or they'll take months to do it. I should say, by the way, that obviously a company with modern systems, Octopus as an example, if we had to do it, if we could get the money from the government next week, we could distribute it next week. By the way, it's not to say that's what we're proposing. The whole point is, I think all companies have to be paying at roughly the same time to avoid risks like people getting it twice or some people not getting at all.

**Russ:** [00:08:06] What alternative measures would you like to see implemented?

**Greg:** [00:08:08] Frankly, I think the government's proposal is so similar to what we suggested that I wouldn't propose any alternative. There's a couple of changes we might make. So, I guess we'd prefer to see a slightly higher amount given the magnitude of the bills and perhaps the targeted amount be paid directly through energy bills rather than through council tax. But I think, these are minor changes. Some people proposed removing VAT or removing green levies. And I think the problem with that is that would just put the burden on taxes. At the end of the day, taxpayers and bill payers are often the same people. And so, paying from a different pocket doesn't actually smooth it out, whereas I think the way we looked at it is, it's a one in 30 year event. You shouldn't have to pay for it in a single year. Spread it over time to make it more manageable, was a good idea.

**Russ:** [00:08:57] What about the longer-term view then? What do you want to see happen so that, we don't end up in this situation again?

**Greg:** [00:09:02] First of all, the energy price cap bought us time to come up with a solution to help smooth this global price rise for UK, consumers. And that's really welcome. Similarly, I think the smoothing is buying us time to implement long term solutions. We don't want to be here again. And the reality is, generating electricity from wind and from solar is cheaper than generating from gas. Even before this crisis, it's now dramatically cheaper. So, we should be going hell for leather investing in renewables. And every single wind turbine reduces our demand for gas and will make our bills cheaper. Some people say, 'What about when the wind doesn't blow, or the sun doesn't shine?' Now that's times that we should use gas to fill the gaps until maybe batteries are cheaper or we've got alternative forms of storage or ways of shifting energy demand around. But we should be seeing gas as a gap filler for when it's not windy and not sunny, rather than as kind of the main source of our electricity. And then we need to be moving our heating and transport away from fossil fuels and towards electricity so that we can use more of that super cheap renewables to power our lives. And then gas becomes increasingly the backup for when we don't have renewables. Over time, the cost of batteries will come down more and we'll find things like more interconnection between countries electricity, will let us balance the load and the demand so we can increasingly take all of our electricity from renewables and use electricity to meet the vast majority of our energy needs. The other thing is as we build more renewables, everything gets cheaper. So, for example, Octopus has created all kinds of technologies to help move demand around and with electric cars, an electric car holds enough electricity to power a house for a week. So, the more electric cars we get, the dramatically easier it gets to absorb wind and solar electricity, when they're abundant and reduce the amount withdrawal when they're not. Similarly electric heating, the peak time for electricity in UK is between 4 and 7pm, when both homes and businesses are operating. And so, it's very easy with an electric heating system to make it slightly overheat your home. If your target temp is 21 maybe but maybe it heats 21.5 or 22 degrees by 4pm and then let it coast down to maybe 20.5 or 20 degrees by 7pm, you wouldn't typically notice the difference, but it will dramatically reduce the load at peak times. So, as we electrify society, this intelligence being built into our heating and our transport systems doesn't affect our quality of life, and it dramatically reduces the cost of energy as we go renewable.

**Russ:** [00:11:42] Several energy experts have blamed government deregulation policies for the recent market failures, with many calling for a renationalisation of energy. Do you think a crisis like this suggests competition in energy is a risk to the end consumer because they're the ones that end up having to foot the bill when the gambling of energy companies backfires?

**Greg:** [00:12:02] Competition has been a good thing over time and energy. What we've seen is that competition from efficient companies has pushed costs down not only for the customers of those companies, but for everyone by maybe a couple of billion pounds a year. The costs of the failed companies is about a couple of billion pounds on energy bills. It can end up being as much as four. So, it is a real problem, and we should look at regulatory measures to reduce top and I’ll talk about those in a second. But overall, the benefits of competition have far outweighed the costs. In terms of those costs, they've come about because when a company fails, regulation protects customers’ credit balances, and that is a sort of social insurance policy, that we’re all kind of having to pay out on now. We could dramatically reduce that by having more effective regulation on energy company finances, basically running the same sorts of stress tests that you might expect of banks where similarly, there's a sort of social insurance policy. So, I think the key here is let's double down on competition because it's generated fantastic savings and dramatic improvements in service and real customer choice with companies bringing different kinds of products and services, particularly important as we go into renewable world electric vehicles and clean electric heating. But at the same time, let's ensure that the stress tests on companies are properly carried out to make sure that if they’re cheap, it's because they are efficient, not because they're gambling. You asked about like nationalization as well, Russell, look, as people have pointed out, energy companies collectively have been losing money for quite some time now. So, you know, if you nationalize it, but it would just mean the taxpayers picking up the bill. I think the reality is that energy is an incredibly operationally demanding industry and you run with wafer thin margins, and it requires real expertise in things like customer service and how you handle very large operations efficiently as we're going to net zero where you really need to look at the ability to provide very different products and services to customers to make the most of green energy when it's abundant? All of those are things which are typically better in a private enterprise than a nationalized one. And in fact, I think one of the problems is that too much of the energy industry is monopolies. So, you know, when you look at the distribution networks, the national grid, those parts of the energy industry are monopolies that are regulated essentially as though they were nationalized industries. And it's interesting that those are the bits of the energy industry that are profitable and which costs are often going up, not down. Meanwhile, in retail and in generation which are hugely competitive, you're seeing costs coming down.

**Russ:** [00:14:57] On that previous point about generating our own electricity. Is there the concern that if we do that, it's just going to be exported?

**Greg:** [00:14:56] One interesting thing about electricity is the interconnectors that connect us to other countries are largely used to reduce our costs because other countries have different generation and different consumption than we do. So, we tend to balance what that means is at times when the UK's peak demand will often take some electricity again through the interconnectors and at times of peak generation here and times when we maybe don't have as much demand, we're able to sell the electricity abroad. But we're balancing rather than what happens with gas, where you end up with massive shortages or massive surpluses, driving the volatility and these super spiking high prices we've seen recently. But, you know, not just a few hours, but for months on end.

**Russ:** [00:15:41]: And so besides building more renewable energy, is there anything else that needs to change?

**Greg:** [00:15:46] I think we need a complete reform of the energy wholesale market, how it works. It's kind of crazy that we can buy renewable electricity, sorry, we can generate renewable electricity, maybe five cents a kilowatt hour, but we end up paying 15 or 20 for it - these are wholesale prices - because the price is set by the most expensive unit, that's gas. And so increasingly, I think we need to find ways to disentangle the cost of renewable energy in the wholesale market from the cost of gas. And then I think we also need to dramatically overhaul how energy companies pay for access to the energy system. So, the grid and distribution networks are typically maybe half empty, and we've got this enormous amount of spare capacity. And at the same time, we're planning to spend billions, tens of billions on new infrastructure, and we really need to get the most out of what we've already got before we do that. And we should start being honest about the future of gas. It's vanishingly unlikely that we're going to end up moving gas boilers and gas hobs to hydrogen is just too expensive. So, we could start saving a lot of money by beginning to wind down our gas network rather than wasting a lot of money by looking at extremely unlikely experiments to blend hydrogen into the mix or even move to hydrogen. So, I think if we stand right back, there is so much money to be saved in the energy system and so many better ways of using it that could benefit households. And the quicker we start doing that, the quicker we start saving.

**Russ:** [00:17:26] Just ahead of this conversation, Greg, I was reading an interesting article, it was actually in the Mail Online by Ross Clarke, and he's questioned why the UK is paying billions to import gas when we actually have ample gas, oil and coal reserves here. I'm keen to get your view on that because how much of this crisis has been caused by our move to net zero and also should we be exploiting those UK gas reserves?

**Greg:** [00:17:50] Yeah, we should look at bits of this question separately. So first of all, the UK, has gas reserves. The main reason we haven't been getting them out the ground is that UK gas is more expensive to extract than some other places. So, when world gas prices are lower, it makes sense that it's other parts of the world that are supplying global demand. I think when it comes to this crisis, the UK could certainly be taking more gas out of the ground, but it would almost certainly be selling on the global market to enjoy these massive global prices. It wouldn't be anywhere near enough volume to bring prices down. So, I think the first thing is the UK's production of gas wouldn't be enough to impact global prices. And if we were producing more gas, we'd be selling it on the global market so that the companies that were extracting and exporting it were seeing those very high prices. When it comes to the move to net zero, I think that's totally separate. The reality is this is a fossil fuel crisis, and if we'd invested more in moving to net zero, the data shows we'd be saving billions right now. So, back about a decade ago, when people started cutting the green cap, cutting the green taxes, those cuts mean we're now overpaying for our energy by billions of pounds and we should learn from that and be investing massively in renewables, and let's remember that renewables will be build today are dramatically cheaper than they were a decade ago. In fact, there is no cheaper way of making electricity than renewable generation.

**Russ:** [00:19:21] Well, you emphasised the fact that it's a fossil fuel crisis, so why are customers having to pay more for green energy as well?

**Greg:** [00:19:29] When green generators sell their generation, it's usually on contract, long term contracts, that tie the price of that electricity to the market price for electricity. And the market price for electricity is set by National Grid when they're buying energy for the system. So, what happens is National Grid have to generate as much electricity every half hour, in fact, any moment in time as people are using. And to do that, they are running a real time auction from power generators and each generator submits its best price and National Grid chooses the cheapest collection that will meet our needs at any given time. At the moment, and indeed, typically because of our reliance on gas, the price of the last unit National Grid buy is set by the price of the gas generators. And that's then the price that's paid to all electricity generators. The reason for that, of course, is that otherwise generators wouldn't put their best price and they'd all be putting in a much higher price. So that's the system that the UK, uses today. I don't necessarily think it's very sensible, and I think we as part of coming out of this crisis, not only need to invest dramatically more in renewable generation, but we need to find new ways to set up the energy wholesale market so that we're not all paying a price all the time set by the most expensive unit, which, by the way, is determined by fossil fuels. The other way people can think about this is that, the way that contracts work in electricity generation is that the generators have got these long term contracts where they set their price, according to the market. And that's a bit like when you sell your house, you sell your house, according to the price of neighbouring houses, not according to what it cost to build. So, when people wonder, like, the cost of wind itself hasn't gone up, why is the price of electricity generated high, it's because the generators are essentially selling at the same method used as when you sell your house.

**Russ:** [00:21:24] Just coming back to a couple of the points you mentioned previously about some of some of the issues that have affected this from a global perspective, and I just wanted to touch on one that we haven't mentioned, which is China shutting down its coal fired plants. What impact would you say that has had?

**Greg:** [00:21:42] I've heard a couple of people say they think that China closing down coal plants as part of its move to net zero is increasing its demand for gas, and that in turn is kind of creating this price hike globally. But the reality is, while China is investing colossally in lower carbon generation, in fact, it's just overtaken the UK, as the world's leading offshore wind generator. When I say it's overtaken the UK, I think it's gone from being, UK as the world's biggest within one year, China is twice as big as the UK in offshore wind generation, so that's how quickly China's moving to renewables. But actually, it's increased its coal generation in response to the crisis, and it's not really set to phase it out for another sort of half decade or more. So, the reality here is the prices are not being pushed up by China's move to net zero and China's move to net zero is set to make the rest of the world's investments in things like offshore wind, look unambitious, actually.

**Russ:** [00:22:37] So taking everything into account that we've discussed, Greg, how long do you think we'll see these high prices?

**Greg:** [00:22:44] First of all, no one knows how long a commodity price spike lasts. And anyone who says they do is probably wrong, but I think it's fair to say that at least two of the three major causes, that's the post-pandemic supply chain issues and the long, late cold winters last year are temporary events. And if the weather normalises and supply chains fix themselves, one would expect those impacts to reduce and go away. So, we can say some of the causes are short term, but no one knows how long the last.

**Russ:** [00:23:15] Are we expecting to see Octopus raise its prices?

**Greg:** [00:23:19] I think, first of all, that Octopus's job has always been to do everything we can to make energy prices lower, not higher. For example, that's why we’ve spent so long working hard with the government and with other energy companies to come up with mechanisms like what we talked about. Right now, we're processing Ofgem's announcements and government announcements to work out what we're going to do. I think customers should sit tight and we'll announce any plans we've got with plenty of time.

**Russ:** [00:23:48] On that note, is it worth just explaining, maybe how the variable prices differ from fixed price contracts?

**Greg:** [00:23:55] When someone takes a fixed price contract with Octopus, essentially what's happening is our team will then go to the energy market and if someone's got one year fixed, price will go out and we'll buy one year of energy for that customer. If they buy a two-year fixed price we'll go out and buy two years’ worth of energy for that customer. And so, at that point, we've bought all the energy we expect them to use for the next year or the next two years, and that's locked in the price. Now, if the market price falls the next day, then we can't go back and rebuy that energy at the lower price because we've already bought it. Certainly, if the market price rises, we're sitting on energy that we bought for less than the market price. But that's why you get these fixed price contracts. Where people on a variable tariff at the moment in the UK, the government or the price cap works on a six-month basis. So that says every six months a price can be varied, so what we do is at the beginning of every price cap period, we go out and we buy six months’ worth of energy for all the customers who are on our variable price products. And that locks in their price for the next six months. Of course, there are some things like sometimes customers leave or join us or move from one tariff to another. And we have to deal with all those things as well. The bit I’d add is that Ofgem are looking at moving the price cap to a quarterly basis, in which case when we go out to buy energy for variable price products, we'll be buying in three-month blocks.

**Russ:** [00:22:19] One other thing I wanted to ask, though is, why are you now introducing some fixed tariffs with exit fees?

**Greg:** [00:25:23] So we've always hated exit fees. When you go to Tesco and buy baked beans, they don't force you to sign a contract for the next year. But I think with such a volatile energy market, if somebody locks in a fixed price for example, for a year or two or maybe three years, then we are going to go out and buy all that energy for that period of time. And in such a volatile market, if customers then leave us, we're going to be stuck holding that energy that we'd bought for them. And it's going to potentially cost us a lot in energy that no longer gets used. So, we need to say to customers, we're willing to go and buy a lot of energy in advance for you, but we need you to commit to either using it or if you're not going to use it, pay something to us towards the losses we'll make if you leave us in the interim. It's not something I want to do and as soon as markets are less volatile, we'd hope to eliminate it again. It's just to make sure that during this period of volatility, we're sharing with customers both the benefit and the risk of the fixed products.

**Russ:** [00:26:25] And what is Octopus doing to help people reduce their energy bills?

**Greg:** [00:26:27] I think the UK, has got a very poor record on energy efficiency. It's a lot better than it used to be. Still a great opportunity to improve it. This winter, Octopus ran a campaign where we gave people a chance to be part of Winter Workout, a sort of personal trainer for energy bills where we would look at people's historical usage and look at the weather and use that to set targets. And over a quarter of a million people took part, and on average, those saved I think saved 12 percent of their energy bill. That's really helpful, I'm not there saying that everybody can benefit in those ways, but at times of high prices it is a reminder for us to think about things we can do to improve our energy efficiency. And by the way, Russell, the single biggest thing that I think people could do is a tremendous number of people whose gas boilers are set to work at very high temperatures, maybe 70 degrees C. Now, given that you only want your rooms to be twenty-one degrees or twenty degrees, you don't need such high heat flowing through your system. But they'll do so dramatically, more efficiently. And so, things like that, that help people save money, but without sacrificing any comfort at all have been a revelation to some people. So, I don't say that's the holy grail, but as we look at every way we can to get through these high price times, energy efficiency has got to be a focus not just for consumers. Government, Council, landlords and companies should all be looking to see what can we do to reduce our energy consumption without damaging our quality of life? And I guess last bit from me is, it's kind of crazy, isn't it? Until wake up moments like this, we've been using gas to make up for the fact that we've got leaky homes, we'd be better off not having leaky homes.

**Russ:** [00:28:20] So more than twenty-five companies have gone bust since the beginning of this crisis, from September 2021, many have blamed the price cap for it. What do you make of this is? Is the price cap the reason why so many companies didn't survive?

**Greg:** [00:28:36] First of all, thank goodness the price cap. Without it, people would have seen dramatically higher bills already. In fact, at times it would have been two times higher than they're going to be this April. The price cap’s really dampened the impact of these global spikes. In terms of the impact on companies, look, well-run companies could hedge. That is buy their energy in advance, according to the price cap methodology, and have been largely able to weather the storm. There's a couple of things you can't hedge for, but if you had a decent balance sheet, you could see your way through it. So, I think what's really happened is the price cap has protected consumers, and it's revealed the extent to which some companies were not being as prudently run as they should be in a market like this.

**Russ:** [00:29:32] There are some industry representatives have said it at the end of the crisis, only a handful of energy retailers will survive. Is this what's going to happen? I mean, do you think this crisis is going to bring us back to the old times of the Big Six?

**Greg:** [00:29:50] First of all, we don't need 70 companies or whatever for competition. In fact, there's only about half a dozen big supermarket chains, and they compete ferociously for operational efficiency to drive prices down for customers. And to understand their customers to bring them new products and better experiences, better service at lower prices. You know, we want an energy market like that. So, if we do end up with a lot fewer companies, it doesn't have to be a bad thing. What we need is to ensure that companies of compete in the interests of consumers rather than what we might see in the old days. The Big Six, which was all the companies, were basically very similar to each other. So, one thing is octopus is still going to be here. So, is it going to be at least one company that are doing things differently? And I think that competitive spirit has made some of the other companies behave differently, too. So, I think among the existing players you are beginning to see more differentiation than you used to more focus on customer service and dramatically more focus on operational efficiency. And anyway, we don't know what's going on inside all the other companies. Some of those smaller companies might actually be doing pretty well during the crisis, looking after their customers well. If they were prudently run, they could have a strong balance sheet to emerge from this ready to grow. And so, you know, I think anybody who's forecasting what's going to be the shape of the market could well find they're quite surprised.

**Russ:** [00:31:20] Well, you say that Greg Octopus will still be here, I mean, I'm guessing this crisis has also had a negative impact on the company financially as well. Should we be concerned?

**Greg:** [00:31:29] There's no need for anyone to be concerned. I think the question for Octopus has been, how much can we help customers through the crises? So last year through the pandemic, we helped customers enormously and we helped our staff. We didn't take any furlough. We maintained our service standards every single day. We didn't stand people down and when our customers needed help, we gave them it. That meant that last year, I think our UK, energy retail business lost about eighty-seven million pounds. You can strip out a bunch of exceptional costs there and strip out some the costs associated with growth of the business, and it was close to break even, but it's still loss making. This year, we've already decided to support customers to the tune of over £100million. So again, I think we'll be loss making this year as we do everything, we can to help customers through it. But from a corporate perspective, Octopus is unique. We have a technology licensing business that we use to license our technology to other companies. It not only helps us keep our costs down through the efficiency here but enables us to run with a much more resilient business model than a lot of our rivals. And in addition to keep attracting investment, which lets us look after customers as we do today whilst growing a business whose main focus over time is changing the energy sector to drive cost down in the long run whilst going renewable.

**Russ:** [00:32:46] So it's great to hear that there's so many different aspects of the business, but should the focus be on dealing with this crisis and not having other distractions?

**Greg:** [00:32:53] There's a couple of things. First of all, let's take heat pumps, Octopus Energy has been a really big advocate for bringing down the cost of heat pumps and scaling them to the mass market. The reason for that is simply that a heat pump uses three or four times less energy than other forms of heating. So, if we're going to reduce the cost of heating homes, suddenly it's three or four times more efficient than other forms of heating. There's got to be a good idea. So, I think this idea that what we've got to do right now is do everything we can to get through the short term and then create the solutions to stop this happening again, is key. Also, by the way, Russell, I think some people have said to me like, aren’t we just paying here for the fact a bunch of companies have gone bust and a small part of the upcoming price rises is the cost of those companies went bust. I think in total, that's about two billion pounds, depending on exactly what Ofgem the government include. But the reality is that energy competition, price competition has reduced bills by one or two billion pounds a year for quite a few years now. So, although we are taking this hit now and there are many things that can be done to reduce the risk of that happening again and to reduce the cost, if it does, a competitive energy market has definitely helped keep prices down lower than they were. The price cap has definitely helped dampen the effect of this crisis. So, I think when we're looking at all of these aspects, we've got to remember that although some of them have got a short-term impact now, they've really helped prevent the issues being worse than they would have been otherwise.

**Russ:** [00:34:24] Greg, coming to the end of the podcast, what's your final message on this issue?

**Greg:** [00:34:27] First of all, we should be doing everything we can to avoid this happening again, and that means massively investing in renewables. Remember, every single wind turbine we build will bring down the cost of energy and reduce our reliance on expensive fossil fuels. In the short term, Octopus and other companies have worked incredibly hard with the government to do all we can to bring support, but we are absolutely aware of how difficult this is going to be. We've set up a £2.5million fund directly helping customers with grants and bill credits, and we've trained our team to help people apply for help with other third parties. And we've supported customers to the tune of about £100million already through price decisions to help keep prices down. We're going to do all we can. I think together we'll get through it, but let's not let it happen again. We now need to treat the energy crisis, that's both the climate crisis and the cost crisis, with the same sense of urgency that we treated the pandemic, in the same way as with the pandemic, we've got the 15-year process of a vaccine down to one year. Here we can get the seven-year process of a wind farm down to one year and literally within a year we could start to see bills being lower than they otherwise would be. So, let’s act with a sense of urgency and doing everything we can to help customers.

**Russ:** [00:35:44] Greg Jackson, thanks as always, for taking the time to join the podcast. Just a reminder for anyone listening who does have concerns about how this current crisis in the energy market could affect them personally, there is plenty of support and guidance on the website and the blog as well, so just visit octopus.energy or follow us on the usual social channels for all that information. Greg touched on renewables and investment in there as well. Just to say the next episode of this podcast, we are actually talking to the team behind Octopus Energy Generation, so if you want to find out more about that, then make sure that you are subscribed and you'll be able to listen to that episode. But for now, from me, Russell Goldsmith, thanks for listening and goodbye.