

British Marine's response to Ofgem's Call for Input on the Reselling of Gas and Electricity

Introduction

British Marine is the national trade association for the UK leisure, superyacht and small commercial marine industry. It has some 1,300 members drawn from both seagoing and inland sectors, including marinas and boatyards, passenger and hire boat companies, boat builders, as well as marine engine and equipment manufacturers and distributors.

It is committed to supporting the sustainable growth of the UK marine industry which is largely made up of small and micro businesses that directly employ around 38,000 people. British Marine works closely with government to ensure the legislative and regulatory framework is fit for purpose and does not deter the industry's sustainable growth, not least because through its reach, extensive supply chains and links to wider tourism, the industry makes a significant contribution to the national economy, as illustrated by the £17.38bn total GVA generated in 2022/2023.

The industry depends on a healthy and sustainable marine environment. This is why British Marine actively works with governments and other agencies, including Ofgem, to address gaps in knowledge with the aim of bringing forward the necessary changes to speed up marine decarbonisation.

Prior to the 2024 General Election British Marine published its Industry Priorities document which highlighted a need to encourage marinas to invest in e-charging infrastructure by removing regulatory barriers. We therefore greatly welcome Ofgem's review of its guidance and regulatory approach to the reselling of energy and the opportunity to respond to its Call for Input below.

Q1. What should be the purpose and objective(s) of the MRP? What risks should it protect resale consumers from?

- **Purpose:** From the marine industry's perspective, the current purpose of the MRP is too narrow, focussing solely on preventing overcharging of the raw energy cost. Given the national priority for Net Zero, including the need to advance marine decarbonisation, the purpose of the MRP must *shift* to prioritise the long-term viability and sustainability of energy supply.
- **Objectives:** The MRP objectives must transition to ensure both a fair deal for consumers while *simultaneously* providing a clear regulatory framework that allows marinas and boatyards reselling electricity (the resellers) to recover the significant costs of operating, maintaining, and upgrading complex infrastructure in a harsh marine environment and enabling the required investments.
- **Risks:** British Marine agrees that captive consumers should be protected from the risk of arbitrary markups on the wholesale energy price. However, the regulatory framework has failed to keep up to date with new and emerging challenges. Consequently, the current framework poses an even greater risk to consumers: the risk that the necessary infrastructure for future electric charging and smart metering is never built because there is no business case to support the private sector investment. This is a major risk to the Government's objectives for marine decarbonisation.

Q2. What approach(es) should we use to set the MRP and deliver “fair prices”?

- Approach: The "simple pass-through" model is obsolete for modern marinas. It ignores the reality that a marina is essentially operating a private complex grid with energy generation, storage, and supplies energy to multiple types of end user, including electric vehicles, vessels, domestic users, commercial users etc. The approach must move towards a model that recognizes the significant infrastructure installation and maintenance costs in waterside environments. Failing that, Ofgem should consider introducing an exemption for marine resellers from the MRP regulations.
- "Fair Price": A fair price must include:
 1. The actual pass-through cost of the energy (ideally dynamic).
 2. A realistic, index-linked, standing charge that truly reflects the high OpEx of managing and maintaining electrical infrastructure in saltwater conditions, including for example corrosion, health & safety compliance, and staffing.
 3. Crucially, a “fair price” must include a mechanism for the recovery of CapEx as well as enabling the marina operator to make a reasonable Return on Investment (ROI) for approved upgrades related to decarbonization, such as high-power pedestals and grid reinforcement.

Q3. Do you believe that some or all non-domestic end consumers should be protected by the MRP? Please provide reasons for your answer.

- Whilst in most geographical areas the marina market itself is able to manage “fair pricing” we recognise that in some more remote coastal areas users may have no choice as to where to purchase marine charging services. Therefore, we accept that a “fair price” may need to be set through MRP regulatory framework but that the framework must be adjusted to ensure the OpEx costs and returns on investment described in the answer above can be realised. Adjusting the MRP in this way is essential because marina businesses cannot be expected to subsidize energy costs of users by providing high-cost infrastructure at a loss.

Q4. Do you think there is currently the risk of poor outcomes for non-domestic consumers because the MRP does not apply? If so, why?

- Yes, but not for the reason implied. The risk isn't just high prices, but it is also a lack of availability. As indicated above, without the ability to charge a commercial rate that fully reflects the infrastructure investment and maintenance costs, marinas will simply not install high-speed chargers for commercial vessels or other users. The "poor outcome" for a non-domestic electric boat operator is arriving at a marina and finding no suitable way to charge because the operator couldn't make the business case work.

Q5. Are you aware of barriers to resellers offering flexible tariffs (e.g. time or type of use tariffs) to domestic and non-domestic tenants?

- The barriers are significant. The ability to offer flexible tariffs to manage grid loads are held back by legacy infrastructure. Marinas have hundreds of power points, replacing those hundreds of analog or simple digital meters with smart, communicative pedestals involves massive Capital Expenditure (CapEx). Under the current MRP regulatory framework, there is no allowance to make a reasonable return on investment for the CapEx required through the resale of electricity. No one will lend against an investment that has no permitted revenue stream to repay it.

Q6. Does the current MRP strike the right balance between capping prices and facilitating investment to deliver net zero and lower energy bills? Please explain your answer and provide evidence where possible.

- No it does not strike the right balance - in regard to the marina sector, the current MRP is an active barrier to Net Zero investment. It is entirely skewed towards price capping on a simple utility basis.
- Evidence: Very few marinas have deployed high-power DC charging or widespread smart metering, aside from those able to make use of initial government innovation funding. This is not because the marina industry doesn't want to provide this type of service to its customers, but because the investment model, against the currently regulatory framework, is not sufficiently attractive. The funds required to upgrade grid connections to support electric propulsion, are significant but the current MRP framework only allows operators to recoup the installation costs and pennies on the kWh cost, without any reasonable return on investment. The balance is fundamentally wrong.

Q7. What changes should we make to the MRP to facilitate investment? Please explain your answer and provide evidence where possible.

- Change: The regulatory framework must acknowledge the difference between "energy cost" and "infrastructure service." It is why British Marine is calling for a permitted exemption from the MRP framework for marine resellers, or alternatively a distinct regulatory tier charging that would allow for a return on investment for the CapEx in the unit price or via a dedicated infrastructure levy.
- Explanation: Investors require certainty. If the industry were able to demonstrate that a specific premium on marina electric charging is possible to repay a loan for investment in new charging infrastructure, it would quickly be able to unlock more private finance. However, without adjusting the MRP framework to make that possible, and in the absence of 100% government grant funding for new marina charging infrastructure, the Department for Transport's Net Zero ambitions for our industry will remain stalled.

Q8-Q10: *(Not applicable to the marine sector).*

Q11. Should we consider adopting a segmented approach to the MRP? If so, are there EV charging situations where the MRP exemption should no longer apply? In addition, what other methodologies for setting the MRP should we be considering?

- Segmented Approach: No, not in regard to marine. Although it is recognised that there are two types of energy use onboard a vessel, both will be required to transition to Net Zero as part of the marine industry's decarbonisation strategy.
 - Segment 1: Standard Shore Power (Hotel Load): Increased onboard energy use and required increases in energy storage through the use of higher capacity battery technologies such as a Lithium Ion are requiring an increase in energy supply facilities. This is replacing existing onboard energy generation from diesel and petrol generators as part of marine decarbonisation.
 - Segment 2: Electric Propulsion Charging (Propulsion Power): The energy requirements for propulsion cannot be underestimated. Today existing electric propulsion pleasure vessels are being fitted with up to 400 kWh of battery capacity. This is equivalent to energy storage of between five and six Tesla cars. The need for both AC and High Voltage DC supply to multiple power points in the marine environment, means the infrastructure required will entail significant investment. Only through permitting resellers to make a reasonable ROI will this be possible.
- **MRP Setting:** please see our response to Question 2.

Q12. Given the focus on marine decarbonisation, should we reconsider how the MRP is applied in marine charging scenarios? If so, should this apply to all charging scenarios or only some?

- Urgent reconsideration is vital. The demands placed on marina infrastructure by decarbonisation are exponential compared to current uses. Traditionally vessels have had around 1 kWh for house loads and engine starting but we are now seeing up to 400 kWh for propulsion alone. The MRP regulations were introduced to protect domestic residential housing consumers from excessive charging and not with pleasure boat users and the marine environment in mind.
- Apply to all: If we do not create a viable economic model for private marinas to become "marine fuel stations of the future," marine transition to Net Zero, based upon the Climate Change Committee's recommended pathway in its Seventh Carbon Budget report to Government, will fail due to a lack of investment in the required infrastructure.

Q13. If the MRP protections should apply in some situations, which scenarios should be considered for inclusion? What criteria should we use in defining/identifying the types of marine craft where MRP exemptions should apply?

- MRP Protections: there are different approaches to consider:
 - Exempt marine resellers of electricity to recreational boat users from the current MRP regulations.
 - Retain the MRP regulations but amend them to allow fair pricing in the marine sector that reflects the significant Cap Ex and Op Ex investment required in the marine environment.

- Marine users will require further investment in energy infrastructure as carbon-based fuels are phased out. As mentioned above, in response to Question 3, we recognise there may be a need for the regulatory framework to limit the level of return that is possible so as to ensure fair pricing for users. Therefore, the continuation application of the MRP framework to the marine industry could be suitable if it were amended to allow for fair pricing as described in our response to Question 2.
- Alternatively, marine resellers should be exempt from MRP regulations, with the only exception being the resale of power to vessels that are permanently attached to the shore and therefore not deemed to be navigable vessels, as per *Environment Agency v Gibbs and Parker* [2016] EWHC 843 (Admin). [The legal case considered whether certain houseboats moored at Hartford Marina on the River Great Ouse were “vessels” under the statutory definition of a navigable vessel. The court held that those houseboats were not vessels as they were not practically capable of navigation.]

Q14. Do you see the alternative ways of recovering costs mentioned as potentially effective? What would be other non-MRP ways of recovering costs?

- Higher Berthing Fees: This is commercially very difficult. It would penalize boat owners who don't use much electricity and make the core berthing product uncompetitive.
- Separate Service Charges: This is the most workable alternative *if* the MRP framework remains unchanged. A mandatory, transparent "grid infrastructure levy" applied to all berths could fund the backbone upgrades, while energy usage is charged at pass-through.
- Grants and Subsidies: Even with desired exemption or adjustments to the MRP for the marine sector (as set out under Q 2) the viability gap between the cost of grid upgrades and the potential revenue, is likely to be vast due to Distribution Network Operator (DNO) reinforcement costs. Therefore, in addition to a modification to the MRP framework, government support may still be needed to bridge the gap.

Q15. Should power for domestic purposes be treated differently from propulsive power? Are there ways to distinguish between these uses at the point of charging?

- British Marine recognises that they are both different services, one being a basic utility and the other being for vessel fuelling. However, it is important to recognise that both are required for marine decarbonisation.
- Moreover, there is no way to distinguish between power for domestic purposes v power for propulsion at the point of charging. Vessels have a single power point for energy transfer to onboard storage with no separation onboard.

Q16. What evidence is there of batteries being used in reselling arrangements? What are the benefits and risks of this approach for consumers, and is further consideration of this use-case by Ofgem and DESNZ warranted in the near term?

- Evidence: Some operators are actively investigating battery energy storage systems (BESS), because often the DNO quotes for upgrading the grid connection to support fast charging are significant, they say the capacity isn't available, or the timescales are unrealistically far. There is also the ability for some operators to have onsite energy generation, though solar, wind or tidal generation. BESS may well be the only way to provide high-power charging in certain grid-constrained coastal locations. Even then the planning rules are creating un surmountable barriers to investment, MRP is only one regulatory challenge facing the government's own objectives.
- Operator Perspective: BESS is still expensive infrastructure. If operators invest in it to enable fast charging, the MRP must allow them to recover that cost. They cannot be forced to pass through the "cheap off-peak" price paid to fill the battery if it means they cannot recoup the capital cost of the battery itself.
- Consideration Warranted: Yes, urgently. We need guidance on how BESS fits into the MRP. A framework that incentivizes marinas to install batteries (helping the wider grid) while allowing a fair ROI is essential for marine electrification.

Summary

For the reasons outlined above British Marine believes there is an urgent case to exempt marine resellers from the MRP regulations which were never intended for the marine sector and boaters but to protect domestic consumers in their properties from unfair pricing.

Without an exception for marine resellers, or an adjustment to the MRP framework that would allow marine resellers to make a reasonable return on investment for the capital and operation costs required for future marine charging infrastructure, the MRP will continue to deter the level of private sector investment needed for marine decarbonisation.

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