

[The glory of cooperative economics](#) [1]

Written by [Tim Worstall](#) [2] | Sunday 22 April 2012

This is just glorious from [Red Ken](#) [3]:

Livingstone is confident he can offer cheaper energy to Londoners by exploiting a Transport for London contract which allows it to buy energy at "half the price" of a domestic consumer.

"So we will be just buying more energy and then selling it on at a much cheaper rate than the energy companies do it," he said.

He insisted there was no restriction in the contract over how much the energy companies could sell to the transport body, which falls under the Greater London Authority and is the city's biggest purchaser of energy.

"TfL has got a contract to purchase this energy at half the price a domestic consumer does," he said.

Isn't it wonderful how people who have never run a business seem to think that running a business comes with no costs? Leave aside the details of the specific contracts, whether the energy companies would complain or not. Here's what's going to happen then.

The electricity will arrive at a substation somewhere on the Tube network. Ken's new cooperative now has to get it from there, back onto the distribution system of the grid (for which yes, you do have to pay access fees). They've got to market this new system to electricity consumers (coming soon, Ken's 'leccie chuggers outside every Tube Station, why not?), check that they've got the money to pay for it, monitor how much of it they use and then collect the money from them for having done so. Then chase the bad debts.

Presumably there will have to be in there some people to make sure that they're, minute by minute, buying enough wholesale power to supply their retail customers as well.

Oh, and they're going to do all of this with civil servants and bureaucrats and do it cheaper than all the other companies already in the market. Yes Siree Bob.

You see, here's the thing. All those other companies are already buying electricity at wholesale prices then paying the costs of delivering it and getting paid for it retail. That's what they do, that's the business model. And Ken's lot, with no experience, no capital, are going to do it better and cheaper than the participants in an already cut throat marketplace?

No, of course they're not and not even Ken believes they will. This is just a rabbit pulled out of a hat a couple of weeks before an election by the likely to lose candidate.

At least I hope it is: God Forbid that Ken himself actually believes any of this rot.

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