

WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM – 5 JULY 2017

REPORT OF THE DIRECTOR FOR BUSINESS SERVICES

ENERGY PURCHASING FOR SCHOOLS UPDATE

1. EXECUTIVE SUMMARY

This paper provides a brief update on the procurement of electricity and natural gas on behalf of Schools and describes changes for the 2017/18 financial year as agreed at the Wirral Schools Forum held on 18 January 2017.

2. PURPOSE OF THIS UPDATE

The purpose of this report is to provide schools with information on:

- Increases in natural gas and electricity prices that were anticipated for the 2017/18 year in January 2017.
- Unit prices achieved by the Crown Commercial Service (CCS) framework.
- Budget change suggestions to ensure provision for purchase of electricity and natural gas over the 2017/18 Financial Year.

The report content is only applicable to accounts that are part of the CCS framework agreement. The Council holds no information for schools that make their own energy supply arrangements and therefore cannot make any meaningful comment on these accounts.

3. ANTICIPATED 2017/18 PRICE INCREASES FROM JANUARY 2017

Under the framework arrangement, natural gas and electricity is purchased on our behalf by CCS over a six month window that ran from 1 September 2016 to 31 March 2017.

In the last quarter of 2016, gas and electricity markets entered a period of volatility that pushed up prices. In January 2017, a CCS budget forecast suggested the following increases could be expected if conditions did not change.

| Energy type | Final delivered cost: % annual change 2017 vs 2016 (11/01/17) | Climate Change Levy (CCL) increase |
|-------------------------------|---|------------------------------------|
| Gas (Supplied by Corona) | 23.16% | 1.5% |
| HH (Supplied by EdF) | 18.42% | 1.6% |
| NHH (Supplied by British Gas) | 23.19% | 1.6% |

4. AVERAGE UNIT PRICES ACHIEVED BY CCS

The CCS risk managed approach has reduced the increases that were a real possibility in January. The final average unit prices achieved for 2017/18 are shown overleaf together with previous years for reference and context.

| | 2014/15 (p/kWh) | 2015/16 (p/kWh) | 2016/17 (p/kWh) | 2017/18 (p/kWh) |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| HH Elec. Day (07:00 to 24:00) | 11.546 | 9.407 | 11.391 | 11.8287 |
| HH Elec. Night (00:00 to 07:00) | 7.337 | 6.704 | 6.886 | 7.6427 |
| NHH Electricity | 11.849 | 11.554 | 11.241 | 12.642 |
| Natural Gas | 2.355 | 1.893 | 1.916 | 1.926 |

Please note that these unit prices are indicative as each supply point is individually priced.

All unit prices (p/kWh) for natural gas under the CCS arrangement are below 2p/kWh. This is an increase from last year because of the rising costs on the wholesale markets. A business energy comparison website suggests that the average price currently available is 2.62p/kWh, 30% higher than the unit prices that Crown Commercial service has achieved.

5. INCREASE IN PROVISION FOR GAS & ELECTRICITY EXPENDITURE

Market forces have led to a rise in energy prices that, if patterns of consumption do not alter significantly, inevitably mean higher expenditure on energy. Weather conditions, especially over the winter period are significant as a cold winter will increase the use of gas for heating and costs will rise. Similarly, increasing the use of electricity with additional equipment will also push up costs.

In order to determine realistic recommendations, sample calculations comparing £/kWh for 2016/17 to the new pricing information that applies to the current financial year were carried out. The projections included all energy costs, standing charges, metering costs, availability costs and the Climate Change Levy.

Rises in non-energy costs are set by the Government regulator, Ofgem. These now make up over 50% of an electricity bill. A proportion of the revenue is used to fund Government schemes including the Feed-in-tariff scheme, the Renewables Obligation and Contracts for Difference.

The following increases from 2016/17 expenditure are suggested as precautionary provisions to take account of the increased prices.

- Increase provision for **natural gas** supplied by Corona by 2%
- Increase provision for **electricity** supplied by British Gas Business by 14%
- Increase provision for **electricity** supplied by EdF by 9.5%

6. RECOMMENDATIONS

It is recommended that the forum notes the content of this report.

David Armstrong
Director for Business Services (Assistant Chief Executive)