

WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM – 4 JULY 2018

REPORT OF THE CORPORATE DIRECTOR FOR DELIVERY SERVICES/ASSISTANT CHIEF EXECUTIVE

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 suggests budget changes for the 2018/19 financial year.

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 2018/19 financial year in January 2018.
- 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 2018/19 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 cannot make any meaningful comment on these accounts.

3. ANTICIPATED 2018/19 PRICE INCREASES FROM JANUARY 2018

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 2017 to 31 March 2018. 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 2018 vs 2017 (02/01/18) | Climate Change Levy (CCL) increase |
|-------------------------------|---|------------------------------------|
| Gas (Supplied by Corona) | 5.18% | 2.5% |
| HH (Supplied by EdF) | 10.69% | 2.6% |
| NHH (Supplied by British Gas) | 10.43% | 2.6% |

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 2018/19 are shown overleaf together with previous years for reference and context.

| | 2015/16 (p/kWh) | 2016/17 (p/kWh) | 2017/18 (p/kWh) | 2018/19 (p/kWh) |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| HH Elec. Day (07:00 to 24:00) | 9.407 | 11.391 | 11.8287 | 8.7081 |
| HH Elec. Night (00:00 to 07:00) | 6.704 | 6.886 | 7.6427 | 7.7204 |
| NHH Electricity | 11.554 | 11.241 | 12.642 | 13.509 |

| | | | | |
|-------------|-------|-------|-------|-------|
| Natural Gas | 1.893 | 1.916 | 1.926 | 2.096 |
|-------------|-------|-------|-------|-------|

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

The HH electricity p/kWh day rate has dropped sharply. This is because all our HH supplies are priced on a Grid Supply Point (GSP) basis and means that non-energy costs such as transmission and distribution used of system charges (TNUoS and DUoS) are included as 'pass-through' costs. This eliminates the need for the supplier to estimate these charges and to include any contingency for major fluctuations. This ensures maximum billing transparency and reduces the risk of excess charges being levied.

All unit prices (p/kWh) for natural gas under the CCS fall into the range between 1.8747 p/kWh and 2.1766 p/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 best price commercially available on 11 June 2018 was 2.79p/kWh, 33% 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 or increasing the hours of use will also push up costs.

In order to determine realistic recommendations, sample calculations comparing £/kWh for 2017/18 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.

The increase in the cost of HH electricity has been calculated at approximately 1.4%. Climate Change Levy has increased by 2.5%. Rises in non-energy costs are set by the Government regulator, Ofgem and must be applied by all suppliers. These now contribute up to 58% of an electricity bill. From 2017/18, non-energy costs for the HH (EdF) portfolio have increased by 28.7%. A proportion of these costs are used to fund Government schemes including the Feed-in-tariff scheme, the Renewables Obligation and Contracts for Difference.

The following increases from 2018/19 expenditure are suggested as precautionary provisions to take account of the increased prices.

- Increase provision for **natural gas** supplied by Corona by 7.8%
- Increase provision for **electricity** supplied by British Gas Business by 12.4%
- Increase provision for **electricity** supplied by EdF by 10%

6. RECOMMENDATIONS

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

David Armstrong
Corporate Director for Delivery Services/Assistant Chief Executive