

WIRRAL COUNCIL

WIRRAL SCHOOLS FORUM – 26 JUNE 2019

REPORT OF THE CORPORATE DIRECTOR FOR DELIVERY 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 suggests budget changes for the 2019/20 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 2019/20 financial year in January 2019.
- 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 2019/20 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 2019/20 PRICE INCREASES FROM JANUARY 2019

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 2018 to 31 March 2019. In January 2019, a CCS budget forecast suggested the following increases could be expected if conditions did not change.

Energy type	Final delivered cost: % annual change 2019 vs 2018 (12/12/2018)	Climate Change Levy (CCL) increase
Gas (Supplied by Corona)	20.7%	67.0%
HH (Supplied by EdF)	16.19%	45.3%
NHH (Supplied by British Gas)	18.3%	45.3%

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 2019/20 are shown below together with previous years for reference and context.

	2016/17 (p/kWh)	2017/18 (p/kWh)	2018/19 (p/kWh)	2019/20 (p/kWh)
HH Elec. Day (07:00 to 24:00)	11.391	11.8287	8.7081	10.7460
HH Elec. Night (00:00 to 07:00)	6.886	7.6427	7.7204	9.6490
NHH Electricity	11.241	12.642	13.509	15.598
Natural Gas	1.916	1.926	2.096	2.437

Please note that these unit prices are indicative as each supply point is individually priced. Unit prices do not include standing charges or Climate Change Levy.

The HH electricity p/kWh day unit rate remains significantly below the non-half hourly unit rate. 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 2.2246p/kWh and 2.5283 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 indicative price commercially available on 3 June 2019 was 3.08 p/kWh, 24.5% higher than the average unit prices that CCS has achieved.

5. INCREASE IN PROVISION FOR GAS & ELECTRICITY EXPENDITURE

Market forces and increases in non-commodity costs and tax 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 and spring periods, are significant as cold weather 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 2018/19 to the new pricing information that applies to the current financial year were carried out. The projections included energy costs, non-energy costs and the increased Climate Change Levy.

As well as the increased cost of energy on the wholesale markets, the final prices we have to pay have to take account of the Climate Change Levy increases of 45.3% for Electricity and 67.0% for Natural Gas. Rises in non-energy costs are set by Government (Ofgem and HMRC) and must be applied by all suppliers. These now contribute up to 60% of an electricity bill and 22% of a typical gas bill. 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 21.5%
- Increase provision for **electricity** supplied by British Gas Business by 25.7%
- Increase provision for **electricity** supplied by EdF by 25.2%

6. RECOMMENDATIONS

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

David Armstrong
Corporate Director for Delivery Services/Assistant Chief Executive