

## **WIRRAL COUNCIL**

### **WIRRAL SCHOOLS FORUM – 19 JANUARY 2021**

#### **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 2020/21 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 2020/21 financial year in January 2020.
- Unit prices achieved by the Crown Commercial Service (CCS) framework.
- Uncertainties due to the pandemic and the switch to new suppliers.
- Budget change suggestions to ensure provision for purchase of electricity and natural gas over the 2020/21 Financial Year.
- Environmental and Climate Emergency

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 2020/21 PRICE CHANGES FROM DECEMBER 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 2019 to 31 March 2020. In January 2020, a CCS budget forecast suggested the following increases could be expected if conditions did not change.

Energy type	Final delivered cost reduction: % annual change 2020 vs 2019
Gas (Supplied by Total)	33.21 %
HH (Supplied by EDF)	8.00 %
NHH (Supplied by British Gas)	16.39 %

#### **4. AVERAGE UNIT PRICES ACHIEVED BY CCS**

The CCS risk managed approach has reduced average unit costs. The final average unit prices achieved for 2020/21 are shown below together with previous years for reference and context.

	2017/18 (p/kWh)	2018/19 (p/kWh)	2019/20 (p/kWh)	2020/21 (p/kWh)
HH Elec. Day (07:00 to 24:00)	11.8287	8.7081	10.7460	9.96
HH Elec. Night (00:00 to 07:00)	7.6427	7.7204	9.6490	8.66
NHH Electricity	12.642	13.509	15.598	15.32
Natural Gas	1.926	2.096	2.437	1.67

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 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.

## 5. UNCERTAINTIES IN PROJECTING COSTS FOR 2020/21

There are two issues that make cost projections for 2020/21 uncertain: the impacts of the pandemic and the changes to our supplier of natural gas.

We cannot be certain how the pandemic will affect annual energy consumption. Some schools may see a reduction in energy use that will reduce costs. However, we cannot be certain of how increased ventilation rates required to prevent the spread of the virus will affect energy for heating. The information we have available is insufficient to estimate consumption and cost over the winter heating period. In normal circumstances we would expect approximately 78% between September and March but we have no precedent to confirm or deny this will be the case for this year.

The second uncertainty is related to the change in the framework supplier of Natural Gas. This is due to a competitive tendering process that was undertaken by Crown Commercial Service. The Council is not involved in this process and had no influence over the final award. The transfer of accounts from Corona to Total Gas & Power was due to take place from 1 April 2020. Some accounts transferred as planned but many were unable to switch because of historical debt issues. Historical debt is a legitimate reason for the outgoing supplier to object to a transfer. Most accounts have now transferred to TGP and will benefit from the reduced costs for the remainder of the year.

From 1 April 2021, all British Gas Business accounts will be transferring to EdF under the CCS Framework RM3066. The Energy Team has been working closely with BGB since the summer of 2020 to ensure a smoother transfer. The more realistic timescale is proving beneficial but we respectfully request that budget holders approve invoices promptly and help us to resolve any apparent debt issues.

## 5. CHANGES IN PROVISION FOR GAS & ELECTRICITY EXPENDITURE

The following changes to 2019/20 expenditure are suggested as precautionary provisions to take account of the reduced prices, reflect the late transfer of gas accounts and to cover the uncertainties previously mentioned.

- Maintain provision for **natural gas** supplied by Corona
- Reduce provision for **natural gas** supplied by TGP by 15%
- Reduce provision for **electricity** supplied by British Gas Business by 15%
- Reduce provision for **electricity** supplied by EdF by 6%

## 6. ENVIRONMENT AND CLIMATE EMERGENCY

In July 2019 Wirral Council declared an Environment and Climate Emergency. Following the declaration, the Council is seeking to reach net zero carbon emissions by 2030. We will be purchasing electricity from renewable sources for the 2021/22 financial year under the framework agreement to 'decarbonise' our electricity use. The 'green' electricity is backed by REGO (Renewable Energy Guarantees of Origin)

scheme. The additional cost will be funded from the Council's Climate Emergency budget.

## **6. RECOMMENDATIONS**

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