

Central Energy Contract Energy Costs 2022/23

Report being considered by: Schools Forum on 20th June 2022

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Item for: Please select: **By:** Please select:

1. Purpose of the Report

- 1.1 To provide schools with an update on 2022/23 Energy Costs through the Council's Central Energy Contract for electricity and gas.

2. Recommendation

- 2.1 For schools to note the contents of this report.

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| Will the recommendation require the matter to be referred to the Council or the Executive for final determination? | Yes: <input type="checkbox"/> | No: <input checked="" type="checkbox"/> |
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3. Introduction/Background

- 3.1 The Council's Central Energy Contract is currently let through Crown Commercial Services (CCS) and, in order to reduce budget uncertainty, is a 12 month 'Fixed' price product.
- 3.2 The way in which the Council's central energy contract for electricity and gas currently works is that the Energy broker team at CCS start buying the energy requirements for the upcoming financial year from the 1st October, and will spread the buying over the next 6 months to try and take advantage of dips and troughs in the energy market.
- 3.3 Throughout this period, CCS provide regular updates on predicted energy costs, based on what they have bought so far and how the market is behaving.
- 3.4 An email update on energy costs was provided to all schools in March using the very latest information provided by CCS, which at the time predicted a 64% increase in the electricity commodity prices, and a 200% increase in the gas commodity prices (what is seen as pence per kWh on the energy bill).
- 3.5 What has only recently come to light is that there have also been regulatory changes impacting the non-commodity Standing Charges. Network operators for the electricity and gas grids are now able to vary their charges on an individual meter by meter basis. Previously, meters were grouped into specific categories depending on a number of factors and then charged a set 'fee'. This is a developing situation but it would appear that the network operators have applied 'polluter pays' principles so that the sites with larger electricity and gas consumption are seeing the biggest increases in their standing charges.
- 3.6 Looking forward into 2023/24 and beyond is difficult due to the issues on the international stage, an extremely volatile market, which in turn came on top of an

already volatile market that had been seeing extraordinary price increases for nearly 12 months.

- 3.7 The market is not expected to settle any time soon – even if the Eastern European situation improved tomorrow it would take time for the markets to settle. This has prompted CCS to propose starting a future year review (e.g. for 2023 onwards) for budget purposes earlier than has previously been the case. Representatives from the Council are due to meet with CCS at the beginning of July and more will be known after that point.

4. Supporting Information

- 4.1 High level analysis of currently available data for electricity and gas consumption, the latest energy contract prices, and available budgets taken from Agresso has been undertaken in order to provide a general picture of the current situation across the schools portfolio.

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| Predicted Spend for Electricity in 22/23 | £1,123,000 |
| Predicted spend for Gas in 22/23 | £520,000 |
| Currently assigned Electricity budget for 22/23 | £1,305,000 |
| Currently assigned Gas budget for 22/23 | £647,000 |

- 4.2 The above analysis is subject to the following caveats:

- (1) Predicted spend only refers to those schools who are part of the Central Energy Contract. The Energy & Carbon Team do not have access to data for those schools outside of this contract.
- (2) 22/23 consumption predictions are estimated based on supplier provided data relating to the billed consumption for each site in 21/22. Actual consumption in 22/23 for each site could be higher or lower based on a number of variable factors such as use of ‘estimated’ meter readings rather than ‘actual’, weather, changes in operation, building extensions, and changes in energy meters.
- (3) It is specifically worth mentioning the potential impacts of the COVID pandemic as 22/23 will be the first full financial year without the tighter control measures. It is not clear what impact this will have on energy consumption for the year ahead.
- (4) The above figures reflect a total taken across the school portfolio and potentially hides site specific issues. Results for individual sites may be very different and it is recommended that schools contact the Energy & Carbon Team to discuss any concerns.

- 4.3 More detailed analysis on a site by site basis is required but the figures in the table above indicate that schools, as a whole, have provisionally set their energy budgets

at a level that would cover the predicted energy spend for 22/23. This is subject to the caveats identified in 4.2 above.

- 4.4 In respect of any potential energy cost pressures that may be realised in the current financial year, the Energy Team have been made aware by the Council's Finance Team of the DfE Supplementary Grant that all schools have received. The Supplementary Grant is new for 2022/23 and for West Berkshire Schools, totals £3.5m. The grant is aimed to cover both the Health and Social Care Levy and wider cost pressures. The DfE has advised that schools have the flexibility to prioritise their spending to best support the needs of their pupil and to address cost pressures. Any budget pressures over and above this will need to be brought to the attention of the Schools Finance Team.
- 4.5 With regards the day to day practicalities, the Council are in the process of rationalising our electricity meter portfolio under one Meter Operator, an email explaining this process was also sent out to all schools in March. This should centrally give us greater oversight of our consumption data on a day+1 basis.
- 4.6 There is also currently in place, and available to sites, cloud based monitoring and targeting software where electricity and gas consumption data is uploaded. Individual sites can log in to review their specific profile, compare with previous financial years and set alerts that result in emails being sent to the site should consumption appear to be happening outside of the 'norm'. If a school is interested in using this tool then please do contact the Energy & Carbon team.

5. Conclusion

- 5.1 Energy prices are a continually developing situation. The Energy & Carbon Team will communicate any updates, as and when more is known, via emails to the appointed school contacts. In the interim, the DfE Supplementary Grant is available should schools need it to supplement their 22/23 Energy budgets.

6. Consultation and Engagement

- 6.1 Chief Management Accountant