

# Growth and Regeneration Scrutiny Commission Supplementary Information



**Date:** Thursday, 29 September 2022

**Time:** 5.00 pm

**Venue:** The Writing Room - City Hall, College Green,  
Bristol, BS1 5TR

## **Distribution:**

**Councillors:** David Wilcox (Chair), Andrew Varney (Vice-Chair), Tim Rippington, Chris Jackson, Steve Pearce, Emma Edwards, Jenny Bartle, Mark Weston and Kevin Quartley

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**Date:** Tuesday, 18 October 2022



# Supplementary Agenda

## 11. BCC Energy Supply Contract Renewals 2021/22

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ENERGY  
SERVICE  
BRISTOL

BRISTOL

# BCC Energy Contract Renewals

2021/2022

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Property, Assets, and Infrastructure

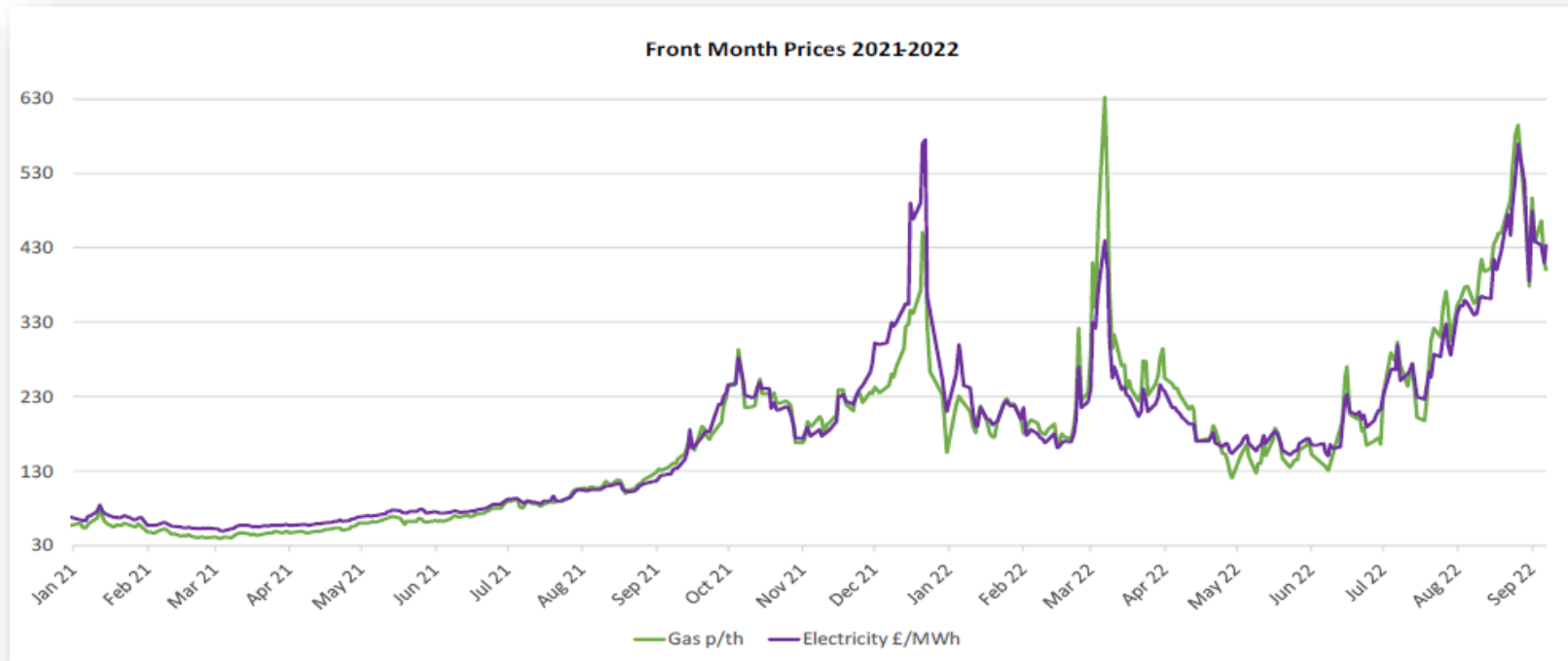
Energy Service

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Agenda Item 11

# Front Month Prices



- Front month prices have been extremely volatile in the last 6 months reaching unprecedented highs.
- Shortly after the beginning of the Russia-Ukraine conflict prices sharply increased to highs of 633p/therm and £440/MW for gas and electricity respectively. The mid-August peak reached prices of 595p/therm and £570/MW.
- Prices have largely been driven by the effects of the war and widespread fears over the security of European energy supply for this winter.

# Key Points

- BCC gas and electricity contracts were due for renewal Autumn 2021
- Prices were then at historically high levels – short extensions
- Prices continued to rise – “weather the storm”
- Suppliers reluctant to take on new business, incumbent suppliers quoting extraordinarily high prices
- New procurement strategies to reduce market exposure
  - Flexible Procurement
  - Sleeving

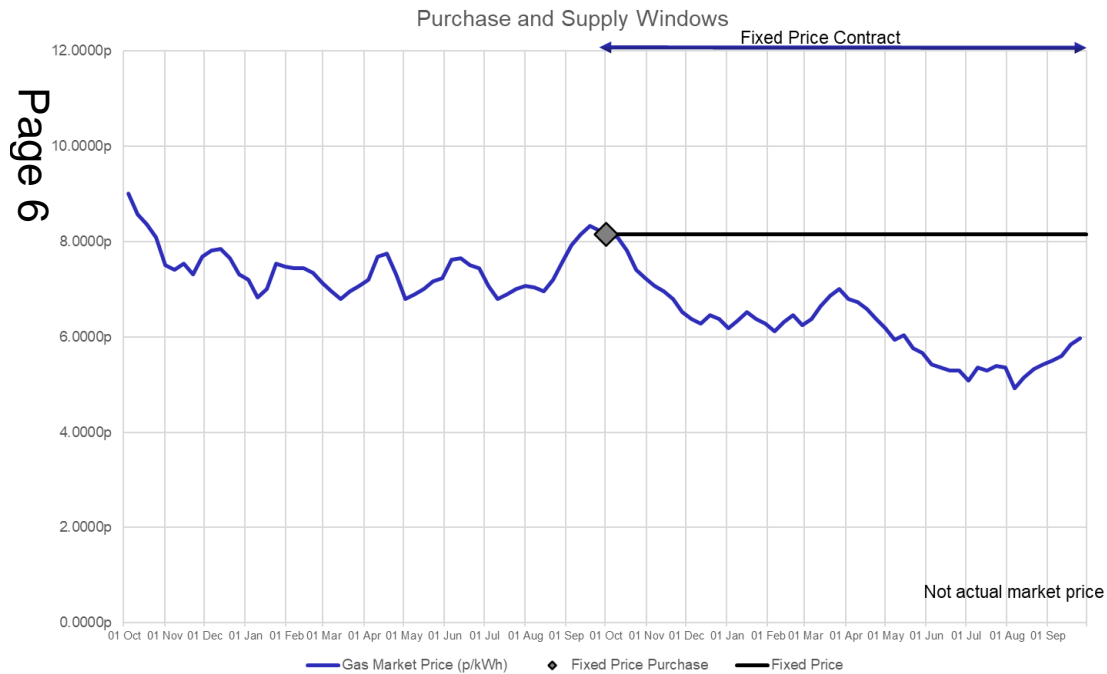
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# Fixed v Flex

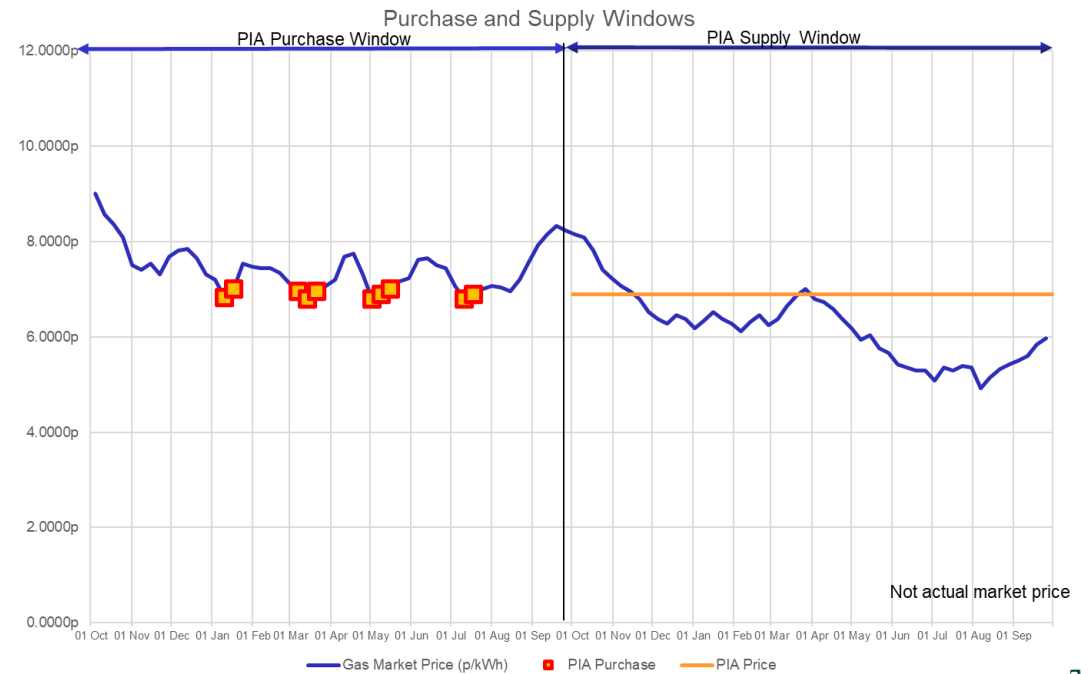
## Fixed Price contract

- Single purchasing decision on a single day
- Price locked to that day for whole contract



## Flexible Procurement

- Multiple purchasing decisions to spread the risk



# Laser Sleeved PPA - How it works

- Conventionally, electricity consumption and generation are managed separately
- Sleeving brings the two together to virtually self-supply, meeting about 85% of demand from larger council buildings and schools
- Remaining demand is topped up from the national grid
- The cost to the council overall is lower than conventional arrangements
- The renewable generation is counted towards council reduction targets
- In the longer term, the council can buy renewable electricity from community generators, stimulating new local investment and further decarbonising the city.
- Contractual arrangements are complex

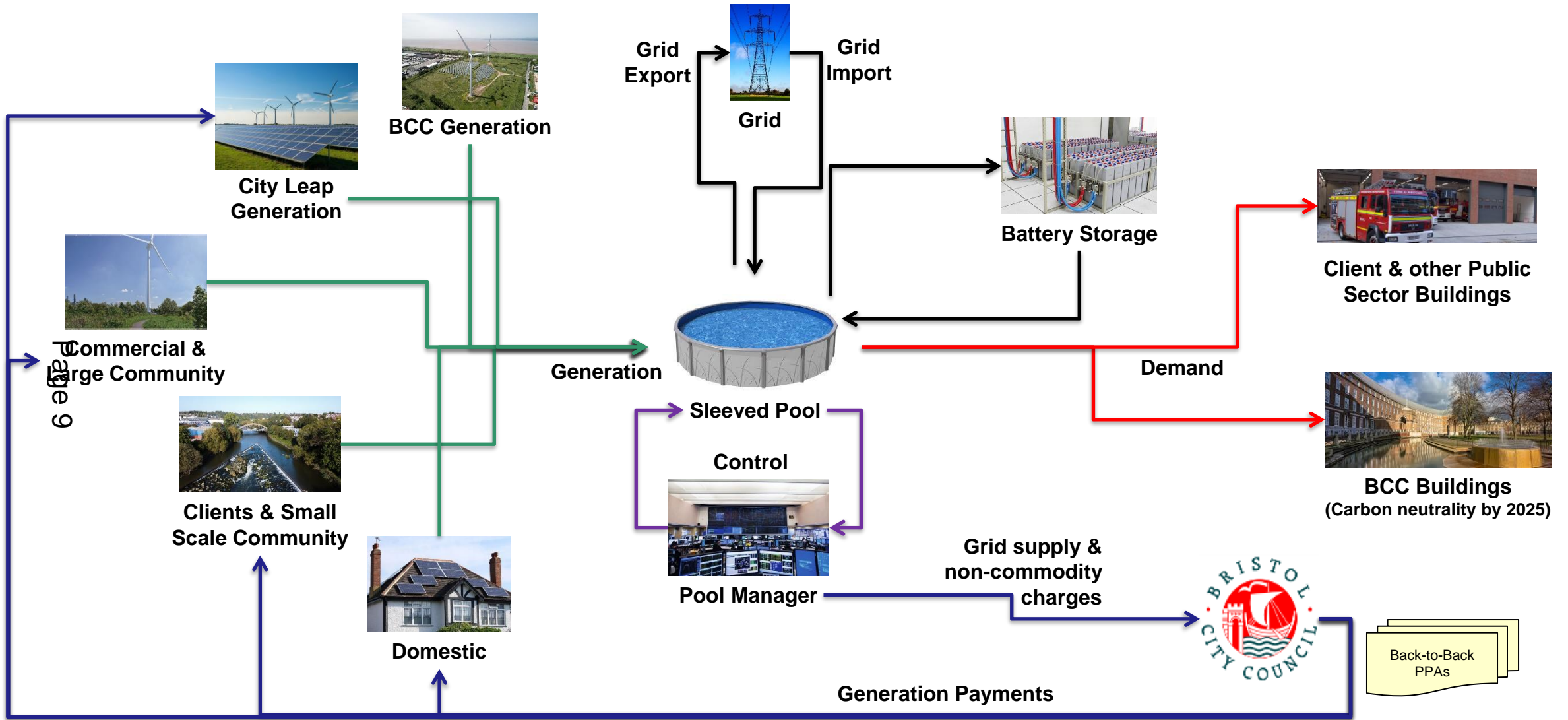
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# Sleeved Pool – the future

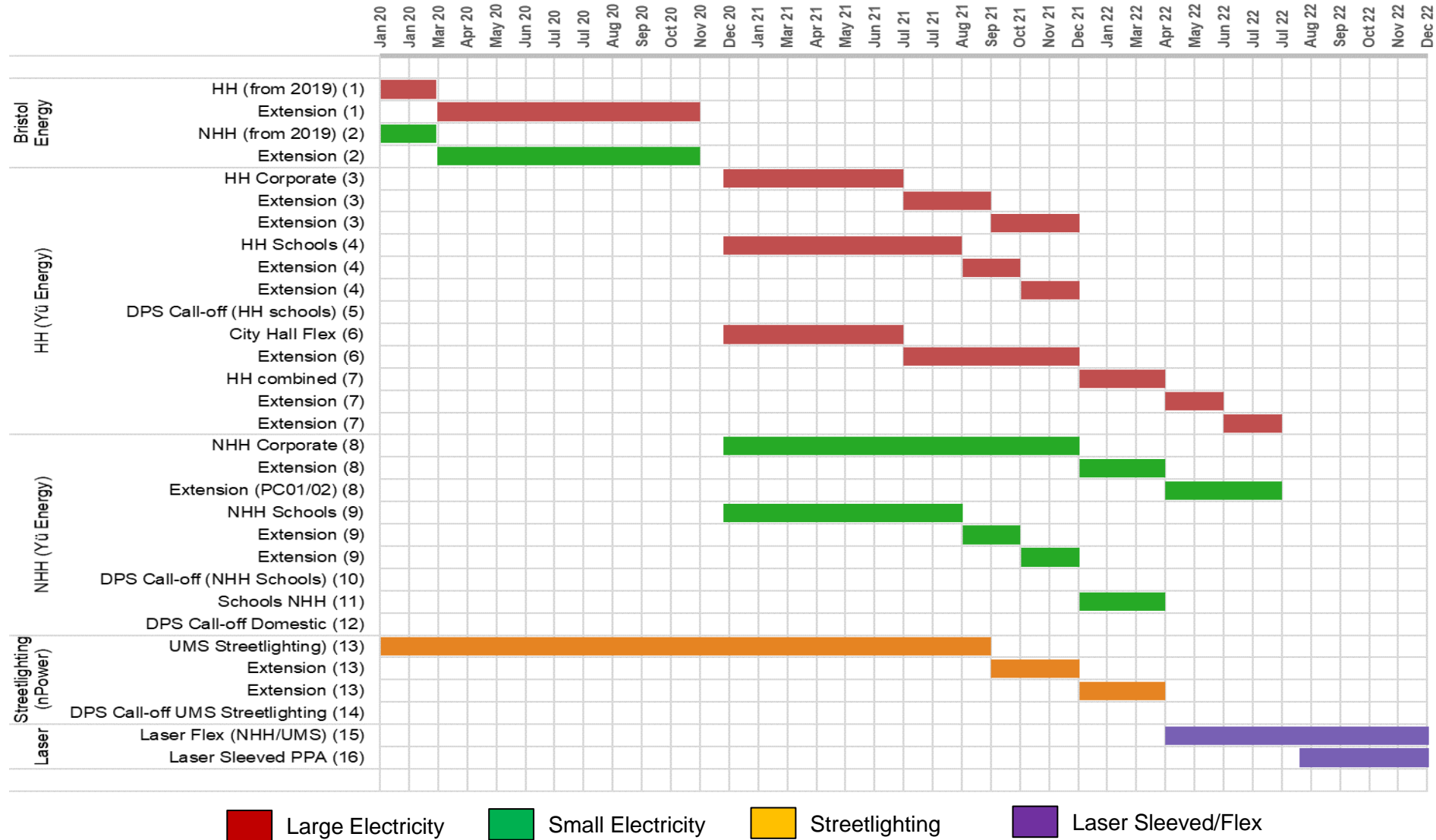


**Property, Assets, and Infrastructure**

Energy Service

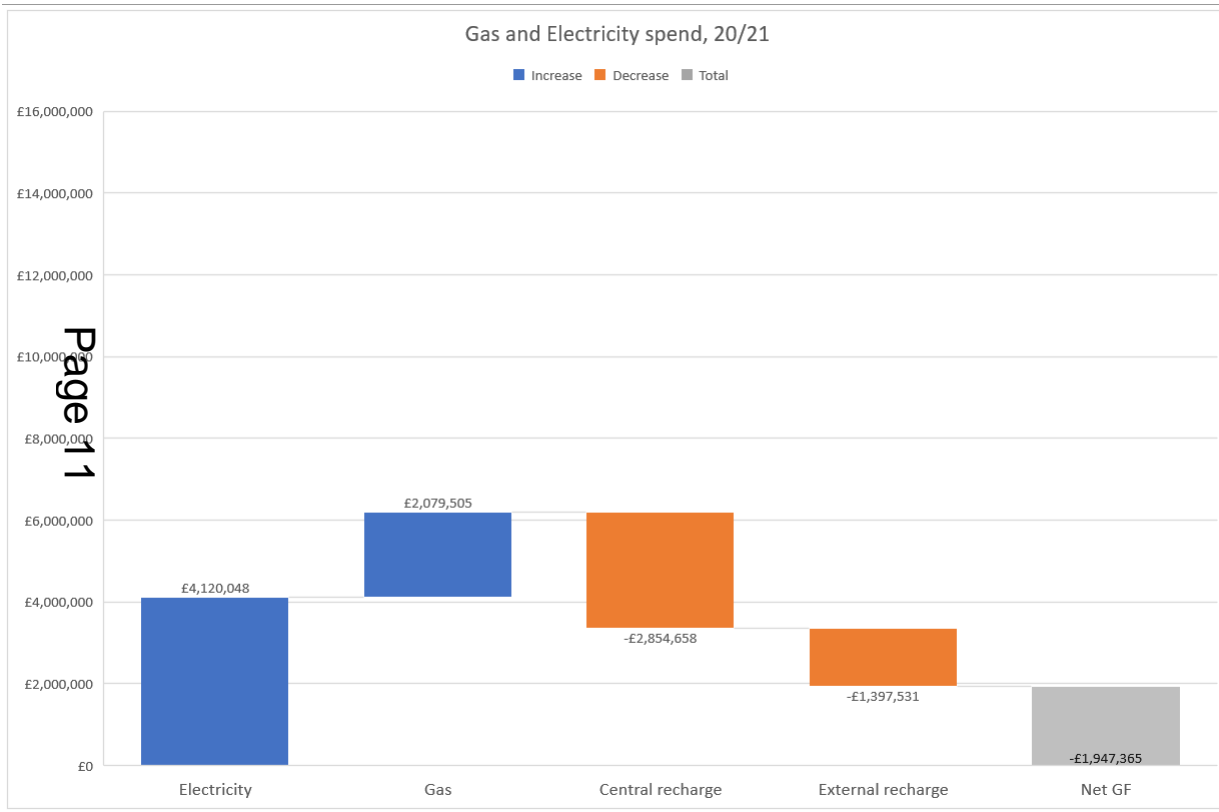


# Timeline

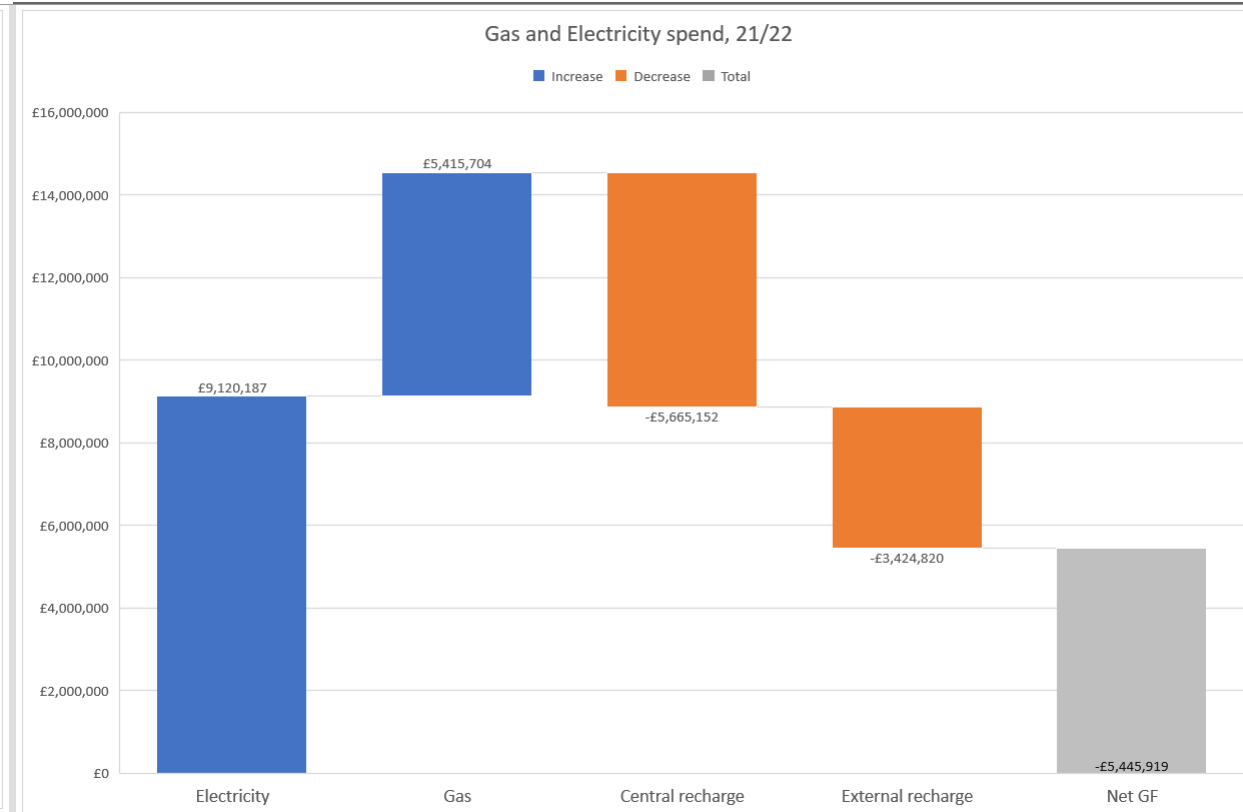


# Annual Gas & Electricity spend

20/21



21/22



# Corporate Supply Contracts

Fuel	Sub-Category	Contract	Supplier	Contract Expiry
Electricity	Half-Hourly	Laser Sleeving	TotalEnergies	Sept 23
	Non Half-Hourly	Laser Flex (PIA)	nPower	Sept 23
	Streetlighting	Laser Flex (PIA)	nPower	Sept 23
Gas		Laser Flex (PWP)	TotalEnergies	Sept 24
Heat	Heat	Heat Supply Agreement (HSA)	Bristol Heat Networks Ltd	Ongoing
	Electricity	Private Wire Agreement (ESA)	Bristol Heat Networks Ltd	Ongoing
Biomass	Wood Pellets	Rolling contract <i>Framework call-off</i>	AMP Clean Energy <i>CCS Framework</i>	Rolling <i>Jan 25</i>
	Wood Chip	BCC Arboriculture contract	Gristwood & Toms	Ongoing
Oil/LPG		Rolling contract	Watson Fuels	Rolling

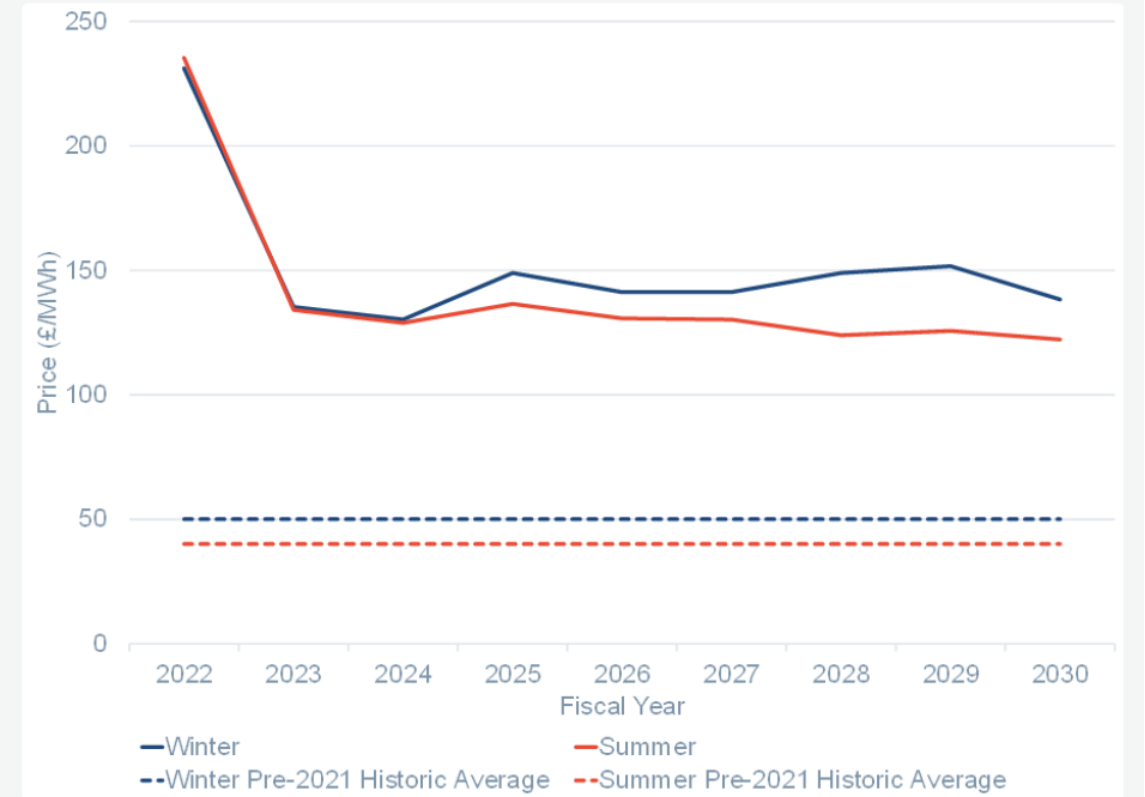
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# Future Energy trends

- Short term UK Government assistance with energy bills
- Potential supply risks over Winter 2022/23
- Ofgem Market reforms (REMA)
- Long-term trends suggest some reduction but prices remaining well above historic rates for the remainder of the decade

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Figure 1: Power price forecasts – average per fiscal year



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# Energy Bill Relief Scheme – UK Govt Sep 2022

- Includes Public Sector organisations
- Six months, covering energy usage from October 22 to March 23 inclusive
- Limits wholesale price charged to customers (paid as a discount on bills)
  - Electricity £211/MWh (21.1p/kWh)
  - Gas to £75/MWh (£219.75/Therm, 7.5p/kWh)
- Maximum Discount limit - £405/MWh for electricity, £115/MWh for gas (tbc)
- Government pays suppliers the difference between the cap and the actual wholesale price of energy.
- Standing charges, Government levies, network operating costs, and energy-specific taxes (Climate Change Levy) on top of capped wholesale price
  - +13p/kWh electricity = **34p/kWh delivered**
  - +3p/kWh gas = **10p/kWh delivered**

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## ENERGY BILL RELIEF SCHEME

Cutting energy bills for UK businesses, charities and public-sector organisations

# Energy Bill Relief Scheme – UK Govt Sep 22

## Council benefits

- Modest reduction in electricity supply costs for smaller buildings and streetlighting
- Under the sleeving contract for larger buildings, around 15% of demand comes from the national grid – this element should now be significantly cheaper
- The gas price cap is similar to prices we currently pay, so no significant benefit expected
- Arrangements from April 2023 are unknown

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### ENERGY BILL RELIEF SCHEME

Cutting energy bills for UK  
businesses, charities and  
public-sector organisations



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## Property, Assets, and Infrastructure

Energy Service

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