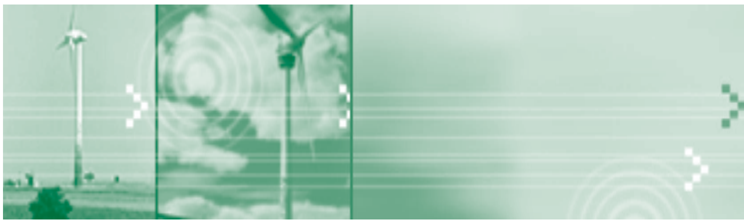
The newsletter for ESPO's energy customers



ESPO energy matters

Number 25 • July 2011

NEW CONTRACTS MEAN GREATER SAVINGS

ESPO's gas and electricity customers will benefit from improved rates and service from 2012, when newly negotiated contracts come into force.

ESPO teamed up with its Pro5 partner, LASER, to invite tenders for their combined portfolio, which accounts for around a third of England's local authorities. After many months evaluating the three bids for gas and four for electricity (half-hour, unmetered and non-half-hourly supplies), ESPO awarded contracts respectively to Total Gas & Power and Scottish & Southern Energy. Both will run for four years, with the gas contract starting in April 2012 and electricity in October 2012.

The gas contract with Total has an estimated annual cost of £29.2 million (£117 million over four years) and, thanks to a reduction in the supplier margins secured through the tendering process, will deliver an estimated saving of £880,000 a year. The combined SSE contracts are valued at £57 million.

Michael Dent, Total Gas & Power's Sales & Marketing Director, said: "We are delighted to have won the contract to supply gas to ESPO's customers. For a number of years now we have successfully developed our products and services for the public sector and this contract award further consolidates our position as the leading supplier of gas to the public sector across the UK. We are committed to supporting ESPO customers throughout the contract with innovative products, continuous development and services designed to optimise of the procurement of gas, whilst also contributing towards greater energy efficiency across the board."

Linking up with LASER has proved very beneficial in this exercise. The complex and time consuming process of bidding for public sector contracts means that buying organisations often have to work with the market to attract tenders. By inviting bids jointly, ESPO and LASER ensured we avoided any conflict between the two organisations' requirements that may have reduced the number of bids received.

continued on page three

In this issue:

IN APRIL, in the space of two weeks, three events cast a shadow over the energy sector. The Japanese earthquake and tsunami pose a threat to future nuclear power (page 3). Ofgem accused the Big Six of 'taking the consumer for a ride' and 'profiteering' (page 6). The Budget dealt a blow to North Sea investment with a £10 billion tax hit (page 6).

But there is good news too... and ESPO goes from strength to strength and continues to help customers make impressive savings.

ROYAL WEDDING'S ENERGY DEMAND EXCEEDS PREDICTIONS

AS TELEVISION coverage passed back to the studio after William and Kate's post nuptial procession to Buckingham Palace, a 2,400MW power surge – equivalent to a million kettles being switched on simultaneously – was recorded.

By contrast, there was a huge 3,000MW drop in demand as people stopped what they were doing to watch as the couple appeared on the balcony.

National Grid had previously said "The forecasting team isn't expecting the impact on demand to be as big as for Charles' and Diana's wedding" but after the event declared it the fourth highest surge during a television programme. It's beaten only by the record of 2,800MW set at the end of the nail-biting World Cup penalty shoot out between England and West Germany in 1990, the 2,600MW surge after a 1984 episode of *The Thorn Birds* and the 2,570MW clocked at half time during the England v Brazil World Cup quarter-final in 2002.

However, the Wedding's green credentials were impressive: food and drink from sustainable sources, seasonal flowers and other trimmings, facilities powered in part by renewable energy, documents printed on recycled paper and FSC-certified wood and scaffolding used to build the media stands.

The royal carriages were obviously carbon friendly, but even royal guests and celebrities travelled from Westminster Abbey by minibus rather than a fleet of high-powered cars.

WORLD EVENTS LEAD TO MARKET UNCERTAINTY

IN THE last issue of *Energy Matters*, the winter weather was high on the list of factors affecting energy supply and prices. This time, it's mainly about world events.

LOOKING BACK

TRADING in **crude oil** has been affected by two opposing themes: upward pressure on prices because of the political unrest in Libya and Bahrain (such geopolitical risk can significantly affect the price of oil given that most of the world's easily accessible reserves are in politically unstable regions) and downward pressure resulting from the Japanese tragedy, given concerns over a contraction in oil demand (Japan consumes nearly three times as much oil as the UK does).

Notwithstanding, Brent crude oil prices climbed above $127 a barrel in April, their highest since the record rally of 2008.

Wholesale **gas** prices surged as the loss of nuclear power production in Japan boosted its demand for other fuels, sparking fears of a major diversion of LNG away from Europe towards Asia. The UK, whose dependence on imported LNG has grown recently to offset the depletion of its own reserves, is now Europe's top importer.

UK gas prices are indirectly affected by oil prices. Rising tension in the oil and gas rich Middle East has pushed oil prices up; and stronger oil means continental European gas suppliers may want to buy more gas in the UK as their oil-indexed supplies rise in price, causing a hike in demand.

Although the Libyan conflict has so far cut off only about 2% of Europe's gas supply, fears of anti-government protests spreading to bigger supplier Algeria spooked the gas markets.

Electricity prices began rising towards the end of February as unrest in Egypt led to concerns over shipping levels through the Suez Canal, affecting commodities such as oil and coal. Liquidity in the coal market was low as prices were supported by the threat of a miners' strike in Colombia and the effect of cyclone Yasi on Australian supplies.

Prices rose to near record levels in March as the nuclear disaster in Japan prompted a review of nuclear safety across Europe and further upward pressure on prices came from the increase in geopolitical tensions in Libya and Bahrain.

WHAT'S HAPPENING NOW

JUST before *Energy Matters* went to press, crude **oil** prices soared as the dollar slid against the euro due to mounting speculation over another Greek bailout (a weaker dollar makes dollar-priced commodities, such as oil and gas, cheaper for investors holding other currency thus boosting demand and prices).

Injections into **gas** storage are continuing at a steady pace. Rough is already 65% full, significantly better than a year ago. Storage levels remain high for the time of year as the winter ended warmly, limiting further price gains.

The **electricity** system is also comfortable for the time of year, with supply margins above 13GW, as reactors begin to go offline for planned maintenance.

LOOKING AHEAD

IT'S EXPECTED that geopolitical tensions in the Middle East and North Africa will continue to dominate trading sentiment across the energy complex (oil, gas, coal, carbon and power) during the next six months. Any deterioration or spread of unrest to major oil producers could push prices higher. Meanwhile, it remains to be seen whether any upward pressure on prices is countered by lingering concerns over Japanese energy demand.

High summer temperatures could increase demand for air conditioning and push prices up.

Significant event risk dominates the curve as the ECB and BoE set interest rates and the US publishes crude and gasoline inventory data.

The Goldman Sachs Group and Morgan Stanley increased their forecasts for crude oil prices by more than 20%, signalling a bullish outlook for commodities. They join JP Morgan Chase in saying that price declines may present a buying opportunity, whilst interest rate increases and the European debt crisis have raised concerns that global growth may slow. China, the world's biggest consumer of everything from energy to copper and soya beans, has increased borrowing costs four times since mid-October to cool the fastest inflation since 2008.

At its meeting in June (see *No more oil on troubled waters*, page 3) the Organization of the Petroleum Exporting Countries (OPEC) decided not to raise oil production to compensate for the fall in Libya's oil production, from 1.6 million barrels a day before the civil war began in February to an estimated 0.24 million in April 2011.

Stop Press – As *Energy Matters* went press the US EIA announced the release of 60 Million barrels of crude from their strategic supplies to cool oil prices.

SMART METERS ROLLOUT COULD SAVE THE NATION £BILLIONS

THE Department of Energy and Climate Change has set out the overall strategy and timetable for the installation of 53 million smart meters in 30 million homes, businesses and other organisations across the UK.

The net benefit to the nation is estimated at £7.3 billion over the next 20 years, said Energy Secretary Chris Huhne in March. "The full rollout of smart meters will enable us to modernise the electricity system and create the smart grids we will need to bring new low carbon energy sources online and to handle much higher demand for electricity as we progressively electrify transport and heating."

The rollout will happen in two phases: firstly the Government will work with industry, consumer groups and other stakeholders to ensure all the necessary groundwork is done for the second stage, the mass rollout.

As fully explained in previous issues of *Energy Matters*, the principle benefits to consumers of smart metering are:

- Real time information on energy consumption, helping to control energy use, save money and reduce emissions
- An end to estimated billing
- Accurate billing data, putting an end to visits by meter readers, reducing call centre traffic and allowing suppliers to improve their customer service and reduce costs
- Better information for energy networks to plan for the future.

NEW ESPO CUSTOMER

FOLLOWING a year of negotiations, The Black Country Purchasing Consortium joined the ESPO energy contracts in April.

Its three member authorities, Dudley MBC, Sandwell MBC and Wolverhampton City Council, have 2,000 electricity and 1,100 gas supply sites between them, adding significant volume to the ESPO flexible baskets and increasing the possibilities for more creative purchasing strategies on behalf of all ESPO customers.

THE JAPAN EFFECT

WHERE NEXT WITH NUCLEAR?

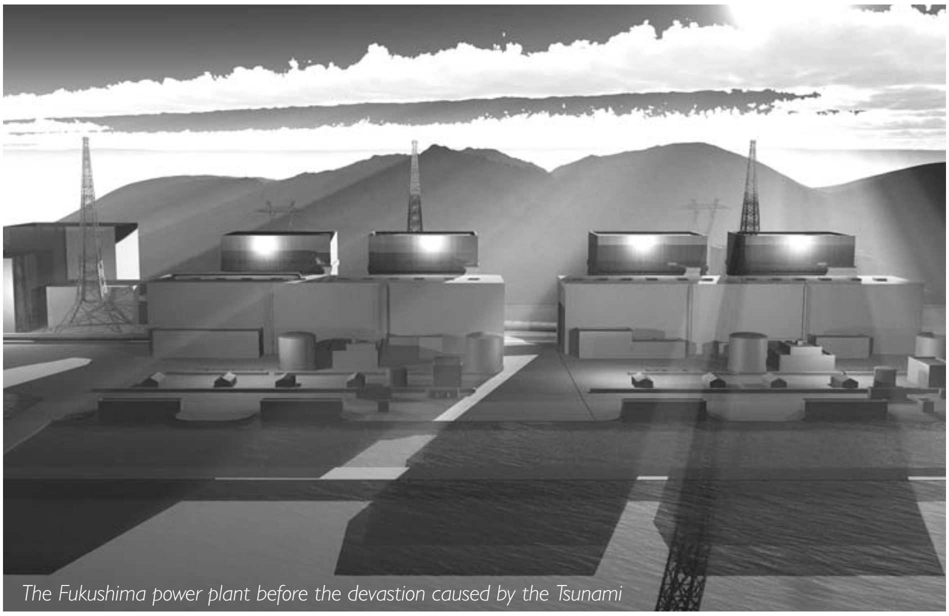
THE devastating earthquake and tsunami which hit Japan in February were, mercifully, relatively rare events on the world stage. However, the severe damage those 'acts of God' caused to the Fukushima nuclear power plant continues to worry governments, health officials and environmentalists around the world, as radiation leaks threatened lives and food supplies.

Germany has already called a halt to its nuclear development programme and other European countries are considering their options.

Whilst there is no prospect of Britain experiencing a Japanese-style shock, it does not take an earthquake or tsunami to produce a radiation leak. Energy Secretary Chris Huhne immediately ordered a review into safety, inspections and best practice at UK nuclear plants.

But perhaps the biggest threat is the escalating cost of developing new nuclear generation, which could rule out nuclear as one of the clean alternatives to gas or coal fired power plants. The UK currently has plans for up to eleven new reactors over the next fifteen years, to replace nine of our ten existing plants.

Just before going to press the UK Government gave the go ahead for new nuclear stations.



The Fukushima power plant before the devastion caused by the Tsunami

AND A RUN ON LNG

ONE of the predictions following the shut down of Fukushima and other power plants is that Japan will increasingly turn to liquid natural gas to fuel electricity generation. As that country's demand increases, along with the huge amounts being consumed by China and India, there is a real danger of a world shortage.

Shipments of LNG are already being diverted, sometimes mid-ocean, to the highest bidder. The UK and the rest of Europe could be the ones to suffer.

SSE LIGHTS UP IN NOTTINGHAM

ONE of ESPO's contract suppliers, Scottish and Southern Energy, has opened a new office in Bulwell, Nottingham, creating 14 new jobs and reinforcing its commitment to the East Midlands.

A total of 75 staff from several business teams in the city (including street lighting, metering, building services, railway services and administration) are now under one roof. They include the 30-strong team which runs SSE's contract to supply eleven local authorities with street lighting maintenance and replacement.

The team is currently maintaining more than 40,000 lighting columns and illuminated signs in Nottingham, including the replacement of street lights with more modern energy efficient versions which can be controlled from a central point.

NO MORE OIL ON TROUBLED WATERS

OPEC's meeting in Vienna on 8 June ended in stalemate, after failing to ratify a proposal by four Persian Gulf nations to boost the cartel's output in the face of high crude oil prices.

Soon after OPEC's announcement that production would not be stepped up, oil prices rose sharply. Benchmark crude for July delivery was up $1.17 at $100.24 a barrel in electronic trading on the New York Mercantile Exchange.

Analysts had thought the 12-member group would boost production in an effort to cool off oil prices and take some pressure off the world economy, as increased global demand combined with violent uprisings in oil-rich countries of North Africa and the Middle East forced crude prices up by 25% from January to April.

In the run-up to the meeting, oil prices were trading lower on the expectation that OPEC would raise production to ease crude prices and help the world recovery. Oil prices have been elevated over the past few months partly on the back of concerns that the Arab uprisings, from Libya to Bahrain, may hurt production.

Saudi Arabia and three other countries proposed raising output by 1.5m barrels a day, less than the amount OPEC itself said in a May report would be needed to meet higher demand as the US summer driving season arrives.

The International Energy Agency in Paris said it was disappointed by OPEC's inaction. "Ongoing supply disruptions, as well as the fragile state of the global economy, call for a prompt increase in supply," the agency said.

From page one

NEW CONTRACTS MEAN GREATER SAVINGS

The two consortia shared the work involved in drafting the Invitation to Tender documents and joint meetings were held with suppliers to help evaluate the various supplier bids.

Although the tenders were made jointly, both ESPO and LASER retained the ability to make separate awards in the event that it proved more economically advantageous to the individual consortia to do so.

The energy markets have risen steadily over the past year and, as a result of these wholesale increases, domestic customers are now facing a rise of around 20% in their household gas bills. By comparison, ESPO customers face price rises of only 8.5% because the energy trading team has followed the risk strategy and, over the last 18 months, been making purchases for gas and electricity which will be used over the next 12 months. The flexible contract means that we are able to build an energy price by making many small purchases on behalf of the consortium's members and therefore we are able, to some degree, to mitigate peaks in the wholesale market.

Cuadrilla's drilling rig at Grange Hill, near Singleton

THE **SHALE** OF THE **CENTURY**?

OVER the coming years, a new source of natural gas is likely to be exploited in Europe, albeit more in some countries than others. Shale gas is already a major contributor to the energy mix in the United States, where production has increased eightfold over the past decade and now accounts for 10% of US natural gas production.

WHAT IS SHALE GAS?

IT'S a form of natural gas found in rocks made up of layers of silt, stone and sandstone. Estimates show that Britain has twice as much 'technically recoverable' shale gas as North Sea reserves

HOW IS IT EXTRACTED?

BY 'fracking', or hydraulic fracturing, which involves horizontal drilling and forcing large quantities of water through the shale deposit to release the gas.

IS IT A VIABLE OPTION IN EUROPE?

YES, although European shale deposits tend to be smaller, deeper and often have a greater clay content, which make fracking more difficult. This means the cost of extraction is likely to be higher, as are social and regulatory costs.

IS IT ENVIRONMENTALLY FRIENDLY?

THERE are some concerns surrounding underground water pollution and an exploratory project near Blackpool, being carried out by Cuadrilla to assess the potential impact of drilling, may have triggered two small earth tremors.

Meanwhile, experts believe that exploiting shale gas reserves will help the EU meet its environmental commitments by reducing greenhouse gas emissions.

And even environmental groups agree that shale gas could help bridge the gap between coal and the development of renewable energy resources.

DO WE NEED SHALE GAS?

NOT right now, as there is still plenty of North Sea gas available. However, that glut will eventually diminish and the UK Government seems set to impose tighter controls on future drilling off our shores, bearing in mind the aftermath of the Gulf of Mexico oil spill.

Throughout Europe (particularly in countries such as Poland and Ukraine) there is a growing political desire to reduce the reliance on Russian gas imports, and shale gas production could solve that problem.

LAUNCH OF SCHEME TO INCREASE PRODUCTION OF RENEWABLE HEAT

THE UK Government has launched a new financial incentive to encourage a shift away from fossil fuels, cut carbon emissions, stimulate growth in advanced technologies and create new jobs.

Energy Secretary Chris Huhne announced the world's first Renewable Heat Incentive scheme in March, saying: "Renewable heat is a largely untapped resource and an important new green industry of the future.

"The RHI tariff scheme will stand alongside the Renewables Obligation and Feed in Tariff schemes to send a strong signal of support to the renewables sector."

Any organisation, from a pub to a public library, a school to a power plant, will be eligible under RHI to install technologies like biomass boilers, heat pumps and solar thermal. Tariffs will be paid against each kWh of renewable heat produced for a period of 20 years.

Currently, around half the UK's carbon emissions come from the energy used to produce heat and Mr Huhne hopes that RHI will bring about a reduction of 44 million tonnes by 2020, equivalent to the annual carbon emitted by 20 typical new gas power stations.

Further details of the RHI scheme can be found at **www.decc.gov.uk/rhi**.

RENEWABLES & SUSTAINABLES

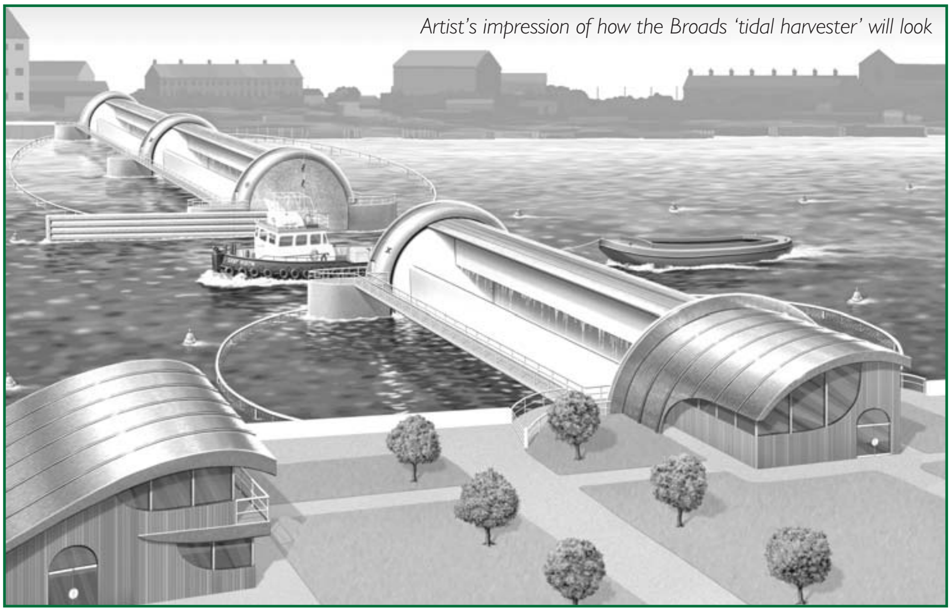
BOOST FOR THE BROADS

A COMBINED tidal generator and flood defence system could be installed across the River Yare at Great Yarmouth within the next few years.

The ground breaking initiative has been boosted by a £7,500 grant from the Broads Authority's Sustainable Development Fund, complementing the £92,000 provided by the East of England Development Authority for production of a prototype by research and development company 4NRG and shipbuilders Small & Co of Lowestoft.

Mark Aspinall of 4NRG said: "This is an opportunity to create tidal defences which would benefit the whole of the Broads. The barriers would help pay for themselves by generating electricity into the national grid. They would produce a reliable supply of energy in almost any weather and, at times of very high or surge tides, the shutters would close to serve as a flood defence."

4NRG is also hoping to secure support and funding from the Environment Agency to investigate ways of slowing coastal erosion using devices which convert energy from the waves and tides.



Artist's impression of how the Broads 'tidal harvester' will look

HIGH VOLTAGE WIND FARM LINK APPROVED

THE energy regulator Ofgem has granted the UK's first licence to operate a high voltage link with an offshore wind farm. The £65 million link will transport renewable electricity from the Robin Riff wind farm to the onshore grid.

Meanwhile, four bidders have been shortlisted to own and run links to three other offshore wind farms: Gwynt y Mor off Anglesey, Lincs off Lincolnshire and the first phase of the London Array.

WHEN THE WIND FARMS PRODUCED TOO MUCH ENERGY

ONE blustery night in early April this year, wind farm operators in Scotland were told to switch off their turbines because the grid could not take any more electricity.

Although the power could have been used in England, the transmission cables lacked the capacity to carry it south, and the Scottish operators were instead paid nearly £900,000 in compensation – well over the value of the power they would have produced during the few hours of the switch off.

ESPO's Andrew Stanford said: "This is a stark reminder of the fact that much more investment is needed in the distribution system. It is no good promoting renewable energy if it can't be transported to where it's needed."

ENERGY PARK FOR NOTTINGHAM

NOTTINGHAM City Council is planning a project in Bulwell which will generate low carbon renewable energy, supplying power and heat to business units located on its new Energy Park. The energy could come from various sources including wind, solar, geothermal or waste, supporting the Council's ambition to become carbon neutral.

The Energy Park is expected to boost the city's economy by attracting new and expanding businesses and by creating around 500 new jobs.

SUPPLIER PROFILE: TOTAL GAS & POWER

AS REPORTED on page one, ESPO has set up an energy contract with Total. Here is a brief background on our new supplier.

Total Gas & Power is part of the French owned Total Group, the world's fifth largest oil and gas company with over 96,000 employees in 130 countries, which is engaged in all aspects of the industry. This includes 'upstream' operations (oil and gas exploration, development and production, liquid natural gas) and 'downstream' operations (refining, marketing, trading and shipping crude oil and petroleum products).

The Group also produces chemicals for industrial and consumer markets, has interests in coal mining and power generation and is progressively expanding its energy offerings to include solar, biomass and nuclear.

Total Gas & Power is the retail arm of the Group and covers

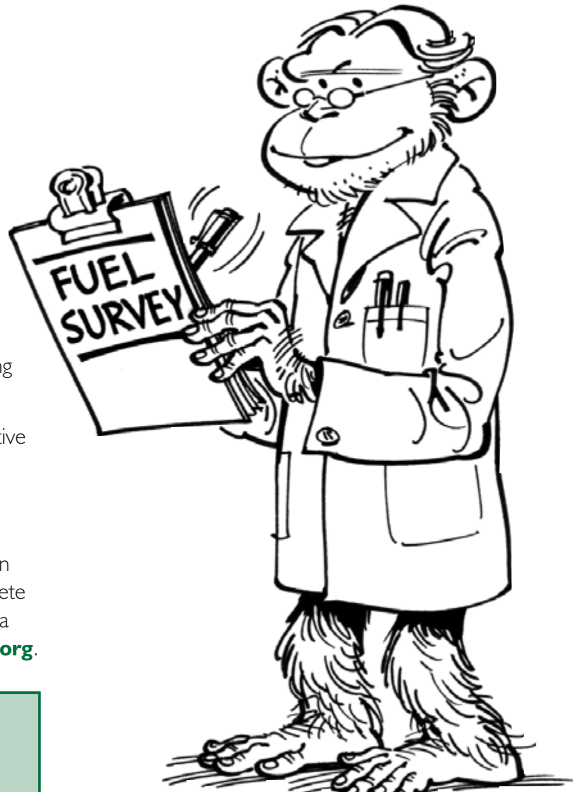
- the marketing and trading of natural gas, LNG and power
- trading of liquefied petroleum gas (LPG)
- natural gas transportation and storage
- LNG regasification

Established for over 20 years, Total Gas & Power is the largest industrial and commercial natural gas supplier in the UK (according to Cornwall Energy Consultants, October 2010) and is a specialist provider of energy to UK businesses; about 60,000 sites are supplied with over two billion therms of natural gas. The company employs nearly 300 people at its Redhill, Leeds and Canary Wharf premises.

Since 2001, Total has also been supplying electricity to business users and is expanding its offering to include 'green' and 'cleaner' power.

For more information on Total Gas & Power, visit **www.totalgp.com**.

WE'RE NOT **MONKEYING** AROUND!



IF you buy liquid fuel through ESPO, and haven't yet completed our online survey on how the contract could be improved, there is still time to register your views.

The framework for the supply of automotive fuels and heating oils is due to expire on 30 September 2011. The Energy team is currently undertaking a competitive tender exercise in conjunction with the Pro5 for a new arrangement starting from October.

In preparation for the new contract, and to ensure that we continue to provide the best possible price and service in terms of their fuel requirements, we are asking our customers to rate their existing suppliers and also to specify how the contracts can be improved. To help with this we are using an online survey tool, Survey Monkey.

The responses so far have been generally positive and recommendations from customers will be incorporated into our new contracts from 1 October.

If you would like your requirements to be taken into account but haven't been invited to complete a survey, please contact Neil Sinnott or Natasha Brown on 0116 265 7924 or **energy@espo.org**.

2011 BUDGET MEASURES SHOCK ENERGY SECTOR

In a bid for a 'greenest of green governments' billing, the Chancellor announced measures in his 2011 Budget which seriously upset the energy sector.

An increase in taxes on North Sea oil and gas production, introduced effectively to finance a 1p per litre cut in fuel duty, was vociferously opposed by the industry, explorers, environmentalists and the Scots alike. Oil and Gas UK, the industry body, said the new tax penalty would cost thousands of jobs, slow down investment and arrest moves to discover new offshore oil and gas reserves. British Gas (part of Centrica) declared that it would not re-open part of its Morecambe Bay gas field because the potential tax hit made it unviable.

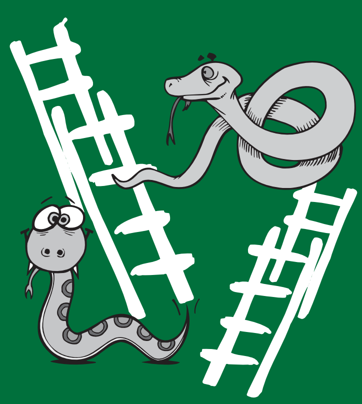
Initially, of course, consumers saw little benefit from the cut in fuel duty anyway because oil companies simultaneously reacted to market conditions and put pump prices up by 1p per litre.

There was an equally hostile reaction to a new tax introduced as part of the 2011 Budget to make nuclear generation more competitive by increasing the cost of generation using fossil fuels.

The Carbon Price Floor, which will begin in April 2013, attacks on two fronts: firstly, it will remove existing exemptions from the climate change levy on fossil fuels used in electricity generation and secondly, it will reduce the amount of fuel duty that can be reclaimed on oil used in electricity generation.

The measure is intended to stimulate new low-carbon electricity generation in the longer term.

Other 'carbon related' measures announced in the Budget include a rise in climate change levy rates in line with the RPI (in 2012-13) and confirmation of the CRC allowance of £12 per tonne of CO_2.



E.ON SELLS DISTRIBUTION NETWORK

CENTRAL Networks, which operates the low-voltage grid in the Midlands and is the UK's second largest electricity distributor, is to be sold to US company PPL Corporation of Pennsylvania for £4 billion.

The electricity distribution network was acquired by E.on as part of its takeover of Powergen in 2002. The sale will make PPL the largest low-voltage network owner in the UK.

SOLAR ADDS POWER TO TOTAL

THE French oil and gas producer Total is buying a major stake in Californian based SunPower, the second biggest solar panel supplier in the US.

OFGEM CALLS THE 'BIG SIX' TO BOOK

AS PART of its proposals for a wide ranging shake up of the energy industry, Ofgem's chief executive, Alistair Buchanan, accused the main players of failing consumers, for example by increasing prices in response to rising costs more quickly than they reduced them when costs fell.

The regulator wants to introduce new licence conditions requiring the 'Big Six' – Centrica, EDF Energy, E.on, RWE npower, Scottish & Southern Energy and Scottish Power – to auction up to 20% of their output to enable new players to enter the market and end unfair, complex pricing practices. He is also looking into allegations that they are making it difficult for small companies to switch suppliers.

Nonetheless, just before *Energy Matters* went to press, Scottish Power announced a huge 20% increase in dual fuel costs for domestic customers.

Mr Buchanan's comments reinforce the case for reform, seen by the Government as crucial to developing a competitive energy market.

The newly commissioned Langage CCGT plant

ONLY THE BEST FOR THE SOUTH WEST

BRITAIN'S first major new-build power station in five years was officially opened earlier this year.

Centrica Langage, a combined cycle gas turbine (CCGT) plant located in Plymouth, Devon, has been supplying power to a million homes since March 2010. The arrival of high pressure gas required by the plant also has the potential to attract more business and industry to the south west.

Langage's proximity to Dartmoor National Park demanded that the power station be visually unobtrusive and environmentally friendly – and indeed it has the lowest emissions of any gas-fired plant in the UK.

CCGT power stations generate electricity at two stages; firstly, by means of a gas turbine which also creates the huge amount of heat required at the second stage to convert water into steam. This steam drives a second turbine to produce additional electricity.

FiTS CHANGES AIM TO REDRESS AN IMBALANCE – BUT NOT EVERYONE IS HAPPY

OVER 27,000 solar panel installations have been registered for the Feed in Tariff Scheme since its launch a year ago.

But, following the unexpected take up of FiTS by larger scale solar installations, the Government proposes to reduce the tariff for those producing over 50kW in order to protect the subsidy available to home owners, small businesses and local communities. The average household solar installation is around 2.5kW.

The new rates, to be applied from August 2011, are:

- 19p/kWh for 50kW to 150 kW
- 15p/kWh for 150kW to 250kW
- 8.5p/kWh for 250kW to 5MW and stand-alone installations

compared with the tariffs that would have applied:

- 32.9p/kWh for 10kW to 100kW
- 30.7p/kWh for 100kW to 5MW and stand-alone installations.

Only new entrants to the scheme will be affected, so previously accredited installations will continue to benefit from the original tariffs.

These proposed changes are in line with amendments made to similar schemes elsewhere in Europe. However, seven companies have challenged the Government's decision by lodging a High Court petition seeking a judicial review, arguing that it jeopardises prospects for a number of sizeable solar developments.

There is also a proposed increase in support of up to 16% for farm-scale anaerobic digestion (AD), a technology which has so far failed to take off because, according to a Government study, the old tariff was too low to make such schemes financially viable. At the same time as encouraging more AD schemes, the Government is keen to ensure that 'energy crops' are not grown to the exclusion of food crops.

FUEL CONTRACTS PROTECT AGAINST PRICE HIKES

IN THE last three months of 2010, domestic customers faced a 70% increase on their heating oil bills, despite only a 17% increase in the price of oil during the same period. The average price for kerosene in December topped 70 pence per litre as demand soared during the cold snap and due to disruption to supplies in the adverse conditions.

Fortunately ESPO customers were protected from such large increases as our contracts are linked directly to a published benchmark which closely mirrors the fluctuations in the oil spot market rather than retail prices providing us with full transparency of pricing.

For this reason the average price paid by ESPO's customers for kerosene during December 2010 was 46p, a saving of at least 20 pence per litre on the national average at the time.

In brief

TWO FOR ONE

THE site of two former power stations at Willington, Derbyshire, has been chosen by RWE Npower as the location of a new 'carbon capture ready' gas power plant with a capacity of up to 2400MW.

POVERTY REPORT DUE

THIS autumn will see the publication of an independent review of fuel poverty in the UK, and whether it is being properly defined. Social policy specialist Professor John Hills has been commissioned to produce interim findings this autumn and a final report in January 2012. A household is currently considered 'in fuel poverty' if it spends more than 10% of its total income on fuel to maintain a heating regime of 21°C in the main living area and 18°C in other occupied rooms. Figures for 2010 suggest that four million households in England fell below the threshold.

GOING DUTCH

THE first underwater electricity cable link between Britain and Holland has been opened, in a joint venture between National Grid and its Dutch counterpart, TenneT. The £530m project will enable the sharing of renewable power. The BritNed interconnector takes a 260 km zig-zag route under the seabed to avoid the risk of damage from shifting sand, shipping and ten other undersea cables.

Key dates for your diary

1 October 2011	**Take gas meter readings * New liquid fuels contract commences - check you know which supplier to order from Consider ordering heating oil to meet your Christmas requirements**
1 December 2011	**Take gas meter readings ***
1 April 2012	**Take gas meter readings * New gas contract commences; all customers will be supplied by Total Gas & Power**
1 October 2012	**New HH and NHH electricity contract begins; no change of supplier**

*** Reading your meter at these times will ensure we get accurate winter consumption data for your site and enable us to check that distribution charge elements of your price are correct.**

ESPO MOVES INTO ITS FOURTH DECADE

Then and now: ESPO's first warehouse in Groby and the current premises in Enderby

- **From a 19,000 sq feet warehouse to a state of the art 120,000 sq ft distribution centre**
- **From a staff of 50 to more than 350 employees**
- **From stock lists in ring binders to 1600 page catalogue, a web site and internet ordering facility**

ESPO has come a long way since we first opened the doors at the Old Stores at Groby. Originally formed 30 years ago to serve customers throughout Leicestershire, Cambridgeshire and Lincolnshire, our first catalogue comprised ring binders with loose leaf sheets and a separate price list.

Much has changed since 1981. We are now located in a state-of-the-art 120,000 sq ft distribution facility at Grove Business Park, Enderby where more than 350 staff are dedicated to providing customers with a rapid and efficient service. What has not changed in all this time is our philosophy of delivering cost savings to customers by offering higher quality, value and choice. Judging by the increasing number of customers that are coming to ESPO each week, we must still be doing something right!

For 15 of those 30 years, the Energy team has been following the same principles. Starting with five employees and a customer base of 4,000 with an annual spend of £25 million, we have now expanded to 10 staff dealing with various contracts valued at over £100 million per year.

UK GOVERNMENT BIDS TO BECOME 'THE GREENEST EVER'

THE Carbon Plan, published by energy secretary Chris Huhne in early March, aims to rid Britain of carbon emissions, reaching a reduction of 80% on 1990 levels by 2050.

The scheme reiterates many targets already in the public domain as well as stating some new initiatives. These include setting a 'carbon floor', a minimum price for emissions from the industries which cause the heaviest pollution – including the energy industry itself, which is the main culprit. Under the European emissions trading scheme, power companies have to buy carbon permits for each excess tonne of CO_2 they emit; but prices are volatile and considered too low to motivate firms to develop new energy sources.

One likely outcome of the new tax will be the closure of coal fired power stations. They, along with representatives of other major polluters such as steel mills, cement plants and chemical industries, argue that the Government is pursuing the wrong energy and climate change policies. The end result, they say, will hit business investment, put jobs at risk in some of the poorest parts of Britain and send household bills soaring.

The Carbon Plan also reiterates existing policies such as the establishment of a green investment bank, to encourage the development of new energy technologies, and the creation of an infrastructure to accelerate the introduction of electric vehicles.

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BACKDATED ENERGY BILLS COULD CAUSE PROBLEMS

MANY small businesses could be hit by increased energy bills as suppliers catch up with customers whom they have previously undercharged.

Unlike domestic accounts, where mistakes must be rectified within 12 months, business customers can face up to six years of backdated charges.

Audrey Gallacher, head of energy for Consumer Focus, feels regulators and the Government have ignored the problem and is calling for a back billing code of practice that would protect businesses from large unexpected bills and incentivise suppliers to get billing right 'first time, every time'. This is set to change, however, as ESPO is meeting Ofgem on 18 July to discuss this issue.

ESPO's Andrew Stanford adds: "This doesn't affect many sites, probably less than 5% of customers, but those who are affected can face significant bills. In the past we have been able to negotiate with suppliers where errors have occurred and in some cases portions of the backdated charge have been withdrawn as a gesture of goodwill.

"However, business customers have a responsibility for good housekeeping practice and understanding their own requirement. Customers should look for unexpected patterns in their charges, in particular just after a change of supplier or after a new meter is fitted, as this may indicate that the meter has been set up on an incorrect unit measurement or scaling factor. This is the most common reason for backdated charges. In other words if you are used to a monthly charge of £400 and you receive an invoice for £40 this indicates that the meter may have been set up incorrectly."

If customers have concerns about their charges they should contact ESPO who will investigate if there is indeed an issue.