



# SHOCK WAVES RIP THROUGH ENERGY SUPPLY INDUSTRY

## Powergen snaps up TXU

WHOLESALE electricity prices shot up by 5.2% to almost £17 a megawatt-hour when TXU's shares on the New York Stock Exchange were suspended in October.

A few days later, news of the worsening position of Britain's third largest electricity supplier caused chaos in the energy market. Tenders were withdrawn and suppliers were unable to re-quote for business as they waited for the volatility to subside.

TXU's American parent halted a £450m rescue plan and put its European operations up for sale. Both companies' credit ratings were fiercely downgraded and there were fears that TXU Europe could go into administration.

However, on October 21, TXU was snapped up by E.ON, the German owner of Powergen, giving the UK generator a much better balance of business. It had long produced more electricity than it could supply to its own UK customers and the acquisition of another 5.5 million UK consumers addresses that imbalance.

The £1.88bn deal makes Powergen Britain's largest electricity supplier. The company has reassured ex-TXU customers that it will be 'business as usual' with prices and contracts being honoured for the time being. Ofgem welcomed the news and is working with both companies to ensure an orderly transfer.

**POWER** giant British Energy is in serious financial trouble. TXU almost went bust before Powergen stepped in. Others have been caught up in the turmoil, too.

### Why did the problems arise?

Since the introduction of the new electricity trading arrangements (NETA) eighteen months ago, wholesale electricity prices have been at an all time low because too much power is being generated in the UK – supply is outstripping demand by 21%. Industry insiders say the current state of affairs could have been avoided if generators had responded earlier by cutting back production.

At the same time, the Government wants to encourage the generation of electricity from renewable sources but low wholesale prices undermine potential investment.

When things started to go wrong, the market became jittery. Wholesale prices increased even though there was no significant change in capacity.

### Don't panic – you are protected

ESPO's energy team leader, David Kwiatek, says: "Consumers need not worry about their lights going out. Even if a supplier goes into administration, with no immediate buyer lined up, we'd be into a supplier-of-last-resort (SOLR) scenario which would ensure continuity of supply until new contracts could be arranged.

"As soon as news of TXU's troubles broke, we started collecting data in preparation for tendering or negotiating with an SOLR.

"However, the whole industry is in turmoil

and some experts believe that demand could outstrip supply at peak times in January. There are concerns that gas prices could also rise as a result."

### Wider impact

Britain's biggest power station, the Drax coal-fired plant in Yorkshire, was also under threat because TXU took 60% of its electricity. Drax is owned by another troubled US energy company, AES, and was largely being kept afloat because of a lucrative contract with TXU, signed long before electricity prices began to fall. Ironically, paying over the odds for Drax power seems to have been a contributory factor to TXU's demise.

UK Coal, which supplies 100,000 tonnes of coal a week to Drax, was also caught up in the crisis. In mid-October Drax was given two weeks to pay its £15 million debt to UK Coal and coal deliveries were temporarily suspended.

### What next?

In many respects, the timing couldn't have been better.

The Government, in its review of future energy policy, is addressing such issues as security of supply and diversity (the proportion of electricity generated from sources such as gas, nuclear, coal, etc) and wants to increase the amount generated from renewable sources to reduce harmful emissions whilst keeping prices competitive for industry.

Recent events at TXU (see *Powergen snaps up TXU*, this page) and, in particular, British Energy (see *To BE or not to BE?*, back page), may help focus the minds of Ministers. The publication of the energy white paper will attract considerable interest!

## The claim after the storm

IN THE wake of October's storms, thousands of properties remained without electricity for several days.

Power companies initially said they would not make any pay-outs because the storms were 'an exceptional circumstance', although customers should be entitled to compensation under the Guaranteed Standards of Service scheme. Non-domestic consumers can claim £100 after being without electricity for 18 hours and a further £25 for each 12-hour period after that, until supplies are restored.

If you feel you have a claim for compensation, you should put it in writing to your distribution company urgently. Contact Energywatch ([energywatch.org.uk](http://energywatch.org.uk)) if you do not get a satisfactory response so that Ofgem can make a judgement on a case-by-case basis.

## ENERGY AUDIT SAVES £50,000

OVER one hundred organisations in Norfolk have already made savings on their electricity bills after ESPO was called in to carry out an energy audit.

Following its 'best value' review in April 2000, the County Council set up a central purchasing unit. One of its tasks was to look at common contracts to ensure that the whole authority uses its suppliers to full advantage.

NCC's procurement manager, Wendy Baker, explained: "One of our performance indicators is to get more people to use the ESPO contracts which are already in place.

"It's a question, in many respects, of raising awareness. Norfolk is a very large, sparsely populated county with numerous establishments including 450 schools, residential homes for the elderly and for children, and so on. We found that energy information was not getting down to the grass roots and that many establishments were still on a standard tariff."

She sent a letter to every establishment, explaining the advantages of being included in an ESPO contract if they weren't already, along with a questionnaire asking for information about their electricity usage. ESPO analysed the non-contract responses and identified potential total annual savings of £50,536 for 101 supply points, representing an average reduction in costs of 26%.

Wendy Baker added: "The exercise also enabled us to bring our own database up to date as to who was and who wasn't on an ESPO contract.

"Some departments – including the fire service and cultural services – have really tidied up their act as a result, using ESPO and paying by direct debit, which produces further cost savings.

"It's been a very valuable project. We're very pleased with ESPO's service. They work hard for us and we really do believe they get us the best deals on energy."

NCC is now carrying out a similar exercise to identify sites in Norfolk not currently covered by the gas contracts arranged by ESPO.



Wendy Baker of Norfolk County Council

# SOLAR POWER GETS A BOOST

THOUSANDS of buildings will soon be powered by clean solar energy, thanks to a £20 million grant programme.

Photovoltaic energy – better known to most of us as solar power – was given a huge boost when the Department of Trade and Industry announced the scheme in March 2002.

The programme opened for applications in May and by the end of August four domestic installations had been completed. Approval was given to another five homes and eight medium and large-scale projects, ranging from a primary school in Wales to Ford's Centre for Engineering and Manufacturing Excellence at Dagenham.

### What is photovoltaic energy?

Photovoltaic (PV) cells convert sunlight into electricity. The electrical output depends on the intensity of light but, even on an overcast day, a PV cell will generate some electricity.

Cells are linked together and encapsulated into modular panels – usually rectangular in shape and about a metre long. Panels are interconnected to provide electrical power which can be harmonised with grid electricity and fed into the network.

An average south-facing house in the UK has sufficient roof area to provide most of that household's electricity – provided power is used efficiently! There are no moving parts or chemical emissions so solar power is an effective way of reducing the damaging carbon dioxide emissions pumped into the atmosphere by power stations.

### Grants

In its first phase, lasting three years, the 'major photovoltaic demonstration programme' will provide substantial grants to enable householders, businesses and social housing groups to install solar electricity equipment. The Energy Saving Trust, which manages the scheme, says applicants could receive 40 to 65% of the installation costs.

EST aims to complete 1,500 small-scale and 280 medium-to-large scale grants in the initial three-year period.



A solar PV system helps to reduce electricity bills at this youth hostel during its busiest period, between March and October. Photo courtesy of Windsund International.

To be eligible, premises must already be connected to the electricity grid. For more details of grants available, and to apply on-line, visit [www.solarpvgiants.co.uk](http://www.solarpvgiants.co.uk) or call 0800 298 3978.

### The PV market

By making grants available to a wide audience, the Energy Saving Trust hopes to encourage as many customers as possible to invest in the new technology. This in turn should help to establish the market for PV modules and lead to lower manufacturing and installation costs.

# Connections competition on the way

**WHILST competition between gas connection companies has developed well since the market was opened up in 1996, competition in electricity connections is minimal.**

Energy regulator Ofgem proposes to change that by opening up the £580 million market to full competition and allowing contractors who lay cables to also connect them to the electricity network – a job hitherto monopolised by the distribution companies.

When the new measures come into force, local authorities – which have long complained of the lack of choice, high prices and poor levels of service – will be able to shop around for better deals from a list of registered companies.

A national registration scheme for companies offering an electricity connection service started in October. Only those assessed as being competent to do the work and having proper safety procedures in place will be included.

Another initiative, a 'rent-a-jointer' scheme, will enable councils and property developers to bring in a qualified worker from a distribution company for a short period – for example to connect up new street lights.

David Kwiatek says: "At the moment, although local authorities and developers can employ a contractor to lay cables, they are dependent on distribution companies for connection to the mains and there is often a delay.

"Under the new arrangements they will be able to appoint a single contractor to manage the entire connections project."



Laying power cables. Photo courtesy of East Midlands Electricity.

# Energy efficiency joins 'best value' list

A NEW emphasis has been placed on the importance of energy efficiency following its inclusion in the list of 'best value performance indicators' against which local authorities are measured.

Indicator number BV180 (which can be found on [www.local-regions.odpm.gov.uk/bestvalue](http://www.local-regions.odpm.gov.uk/bestvalue)) requires local authorities to undertake an initial survey of energy consumption in their own buildings and street lighting.

The results should then be assessed against the national average and targets set for 2003/4. After that, local authorities must monitor progress against their initial position, their own targets and the national benchmarks.

ESPO's David Kwiatek says: "It's good news that the profile of energy efficiency has been raised by including it in the 'best value' list. But many authorities, particularly the smaller ones, don't have the specialist resources they need to gather and compile the data, let alone to develop and implement strategies for reducing energy consumption.

"Smaller councils are certainly becoming more aware of this issue and many are looking for outside help with at least some aspects of their compliance. As a result, ESPO is seeking tenders for a framework agreement to provide energy management services. Next year, we will be able to offer a ready-made resource to those authorities who need help."

As reported in *Energy Matters 7: Fenland contract a first for ESPO*,

helping one local authority with a full review of its energy consumption provided the model for this agreement.

ESPO has also helped Action Energy (formerly Energy Efficiency Best Practice) in the compilation of a detailed guide, 'Energy use in Local Authority Buildings & Street Lighting'. This can be downloaded from [www.sopo.org](http://www.sopo.org), the web site of the Society of Purchasing Officers in Local Government.

Action Energy also provides free and impartial advice for organisations of any size wanting to save money by reducing energy use. There is a helpline (0800 585794) and a web site ([www.actionenergy.org.uk](http://www.actionenergy.org.uk)) for further information.

## THE BENEFITS OF ENERGY MANAGEMENT

Saving energy –

- saves money which can be used for other needs
- is a demonstration of good overall management within an authority
- results in less environmental pollution from CO<sub>2</sub>, acid rain and particulates
- will help the Government meet its CO<sub>2</sub> reduction targets

Good energy management often results in –

- lower maintenance costs, reduced plant downtime, improved reliability and longer plant life
- more comfortable working conditions

## Your write...



LET us have your views! Write, fax or e-mail us at the address below and, if we publish your letter, we will send you a quality fountain pen.

## Don't miss your connection!

THE energy team has dealt with several letters and faxes about delays with electricity connections. Here is a typical example from a residential home in Lincolnshire:

*We recently had an extension built and were looking forward to a celebration opening. Everything seemed to be going along fine and all on schedule – but then, at the last minute, we found we would have to wait a couple of weeks before we could switch on the lights!*

*We went ahead with our party anyway but it did rather put a damper on the day. Where did we go wrong?*



Toni Yates

**Toni Yates responds:**

"As we explained in *Well Connected, Energy Matters 6*, the process of getting a new or replacement meter connected is more complex than it used to be because different parties carry out different jobs. There are several steps involved and only when these have all been completed can a meter operator be asked by the supplier to install a new meter or upgrade an existing one. On top of all this, meter operators currently require 11 days' notice!"

"Unfortunately, people often leave it too late before letting us or the supplier know they need a new meter

connection. They can end up waiting, with no electricity supply, for several days and there's little we can do to speed up the procedure at such a late stage.

"If you have some building work coming up which is likely to require a new meter or an upgrade, make sure your architect, builder, electrical engineer or project manager starts making arrangements as soon as the requirement is known.

"It's essential to book early, especially if you want the work done at busy times of year such as school holidays."

# Markets and contracts

## ELECTRICITY

SEE page 1 (*Shock waves and Powergen*) and page 4 (*To BE or not to BE?*)

## GAS

AT THE beginning of 2002 gas spot prices were lower than a year previously and contracts negotiated then resulted in price reductions of 3 to 4%.

An increase in spring 2002 resulted in contract renewals for July and October being at broadly the same prices as last year.

## OIL

CRUDE oil prices climbed steadily with the threat of war on Iraq, reaching their highest level for a year in September. Despite pressure for increased production, OPEC decided in September to maintain the current levels.

The decision was to be reviewed if

prices remained above the threshold of \$28 per barrel. However, they eased back in late October as the US adopted a softer line and an immediate attack became less likely.

## CONTRACTS

THE energy team's efforts to grow its electricity portfolio have paid off, with a 15% increase in large sites (mainly schools and colleges) and an 18% growth in smaller sites. The energy audit in Norfolk (see *Energy audit saves £50,000*, page 1) contributed to this growth.

## Electricity

Peterborough City Council – contract retained by TXU for non-half hourly metered supply points for 2 more years, saving £5,500 a year.

## Heating & Automotive Fuels

Norfolk – a contract was awarded to Shell Direct for an initial period of

two years from October 2002, with an option for a further two years subject to satisfactory service and agreement on prices. Switching from fortnightly to weekly pricing will save £7,500 a year.

Rural Norfolk is a particularly difficult area to supply so competition has been limited in the past. This time, ESPO's pre-tender preparatory work paid off: eight tenders were received, including two from local suppliers.

## Coal

Effective competition has dwindled as the number of UK sources has dropped in recent years but ESPO worked hard to identify potential suppliers. Competitive tenders were sought and UK Coal, the current supplier, won the contract for an initial two-year period with an option for a further two years.

# Water: competition is in the pipeline

**DEFRA (the Department for the Environment, Food and the Regions) has issued a consultation document inviting views on proposals for the limited introduction of competition in water supply.**

"Extending Opportunities for Competition in the Water Industry in England & Wales" suggests that new market entrants could use existing distribution networks to supply premises which consume more than 50 megalitres of water a year.

This would allow some 2,000 industrial and commercial consumers, including large hospitals and universities, to choose their water supplier.

## Restrictions

ESPO's David Kwiatek welcomes the move in principle but is disappointed with its restrictions. He says: "These proposals

provide no opportunity for local authorities because of the 50 megalitre threshold and the fact that there can be no aggregation of premises.

"I also doubt whether 2,000 customers, which represent only a tiny proportion of all business users, will be enough to attract potential new suppliers."

Nevertheless, he acknowledges there are some unique and complicated issues and that it's right to adopt a cautious approach.

He says: "Water is not like electricity or gas because there is no national grid. You can't automatically mix water from two different networks together in case there is a chemical reaction which might cause unpleasant tastes or smells. Water quality is obviously very important, as is security of supply."

"I think, for the majority of consumers, we're still a long way from seeing water competition come on stream!"

## UK energy price trends

Commodity	Latest (Oct. 2002)	6 months ago	12 months ago
Exchange rate: £1=\$	1.5644	1.443	1.451
Brent crude oil: \$ per barrel	27.32	25.69	19.29
Gas: pence per therm	20.56	18.35	19.42
Electricity: £ per MWH	16.94	15.85	20.43

Sources: exchange rates and crude oil – Financial Times; gas and electricity – PH Energy Analysis Ltd

## Need advice on energy efficiency?

Cambridgeshire	Facilities Management Help Desk	01223 718044
Leicester City	ask for 'energy advice'	0116 254 9922
Leicestershire	Melvin Harrison	0116 265 6896
Lincolnshire	Mike Pollard	01522 836227
Norfolk	John Cobb	01603 222674
Peterborough City	Property Services helpdesk	01733 742424
Warwickshire	Jacky Lawrence	01926 736324

**For other areas please contact your local council direct or ask ESPO for guidance.**

# Renewables NEWS

## Up there with the best of 'em

A NEW web site published by GreenPrices ([www.greenprices.com](http://www.greenprices.com)) promotes renewable energy and provides information on the supply of green energy.

It is currently reporting that ESPO is the 5th largest byer in Europe, at 75 million kwh of electricity from renewable sources, in a list that includes Proctor & Gamble, Austrian Federal Railways, Swedish Railways, Dutch Ministry of Defence, ABN AMRO Bank, Dutch Railways . . . Not bad company, eh?

## Blowing in the wind

AT THE beginning of October, energy minister Brian Wilson gave the green light to two more major wind power schemes. The Government is putting £20 million into wind farms off the coasts of north Wales and Norfolk. With a total of 69 turbines, the two power stations will supply renewable energy to over 100,000 homes.



Two more offshore wind farms are planned. Photo courtesy of BWEA.

Mr Wilson said: "The renewables revolution is not just about energy and the environment. It is also about jobs." The north Wales project is expected to create 140 jobs during the construction phase and orders placed with UK companies will represent over 85% of the project value.

## Could wind replace nuclear?

WIND-powered generators could be supplying at least 8% of the UK's electricity by 2010, says the British Wind Energy Association.

BWEA believes that by then, the country will lose around 7% of its capacity through the closure of Magnox nuclear plants and that wind power has an increasingly important part to play in future supplies.

## More power in highlands

A NEW hydro-electric power station has opened at Cuileig. The £4m project is the first significant hydro operation built in the Scottish highlands since the 1960s.

Scottish and Southern Energy expect the run-of-river station to generate sufficient electricity for 1,500 households.

# Are gas and electricity suppliers right to object?

**ESPO has made representations to the gas and electricity regulator, Ofgem, to help protect local authorities against erroneous or unauthorised transfers from one supplier to another.**

The supply of gas and electricity is unique in that a new supplier can take over, whether erroneously or intentionally, without the consumer consenting to the change. Indeed, the customer is often unaware of a

transfer until (a) he realises he has not received a bill from his contracted supplier or (b) he receives a bill from a new supplier. Both can take some time!

Gas suppliers currently enjoy the right to block the transfer of a customer's account from themselves to a different supplier. They can exercise that right if the customer owes them money or if a contract still exists (in other words has not lapsed or been cancelled by the customer).

At the beginning of 2002 Ofgem decided against extending similar rights to electricity suppliers. However the value of the right to

object was thrown into sharp perspective at a council-owned block of flats in London which was home to several elderly residents.

A domestic electricity supplier erroneously registered the meter supplying lighting for communal areas (landlord's lighting), without the local authority's knowledge or consent. Bills and reminders were sent out but, due to the imprecise address, were either undelivered or, understandably, disregarded. Nine months later the supply was disconnected.

Had the incumbent supplier been alerted to the takeover by another company, it could have objected and the problem would have been avoided.

Large industrial purchasers have campaigned for the right to object to be abolished. They are unlikely to encounter problems with erroneous transfer and believe that gas suppliers should have no more than the same recourse as suppliers of any other product to recover unpaid debts and resolve contractual disputes.

ESPO and many local authorities do not share their view. Erroneous transfers relating to schools (seen as a soft target by suppliers and brokers – see *Your Write, Energy Matters 7*) and landlords' lighting contracts (often confused with their tenants' domestic supply) can cause major disruption and have wide-reaching implications for safety and security.

Thanks to ESPO's intervention, Ofgem is now considering a 'middle way'. The suppliers' right to object, currently enshrined in gas supply licences, could be removed and replaced with a provision in the supply contract. This would allow the supplier to object to a transfer in specified circumstances and only with the customer's consent.

Any change would be subject to a consultation exercise by Ofgem. Large industrial purchasers are not objecting to the new proposal but suppliers want no change. The regulator will have to persuade them that this is a better solution for the industry as a whole than a complete withdrawal of the suppliers' right to object.



All lit up – but who's supplying the electricity?

## Energy market movers and shakers

### The last REC ships out

THE European Commission and the UK Government cleared the purchase in June of south coast energy supplier Seaboard by London Electricity, a subsidiary of Electricité de France. EDF also owns another UK supply company, SWEB, along with the distribution network in East Anglia and power stations in the Midlands.

Having acquired the UK's last remaining 'independent' regional electricity company, London Electricity now has just over 5 million customers, the critical mass it needed to gain value from economies of scale.

### Centrica on a roll

FOLLOWING its acquisition of Enron Direct last year, Centrica's

subsidiary, British Gas Trading, acquired Electricity Direct in August. This makes Centrica the third largest commercial electricity supplier with 20% of the market. Electricity Direct continues trading under its own name, with contracts and offers remaining in force until further notice.

### Powergen to pursue Midlands?

POWERGEN is one of at least six groups said to be interested in purchasing Midlands Electricity, one of the UK's largest distribution companies.

The way was cleared for their bid after the Government released Powergen from its undertaking, given in 1996, not to take control of MEB.

At that time the structure of the UK supply business was quite different and a takeover would have created a monopoly.

Midlands has since sold its supply business to Innogy, leaving just the distribution network up for grabs. Currently owned by US-based Aquila Networks, it serves 2.3 million consumers in Birmingham, Hereford and Worcester, Staffordshire, Gloucestershire and Shropshire.

### New name, same role

TRANSCO has launched a new, wholly-owned subsidiary called Transco Metering Services Limited (TMS) to separate its metering activities from the rest of the business. The move comes as competition in meter-reading increases.

## Web Watch

HERE are more web sites containing helpful energy information – all, of course, preceded by [www](http://www).

- Action Energy .....[actionenergy.org.uk](http://actionenergy.org.uk)
- British Photovoltaic Association  
(latest developments in solar power) .....[pv-uk.org.uk](http://pv-uk.org.uk)
- Centre for Sustainable Energy  
(understanding national energy policy) .....[cse.org.uk](http://cse.org.uk)
- Energie-Cités (European network providing  
information on sustainable local energy policies).....[energie-cites.org](http://energie-cites.org)
- GreenPrices .....[greenprices.com](http://greenprices.com)
- PH Energy Analysis.....[heren.com](http://heren.com)
- Society of Purchasing Officers in  
Local Government (SOPO).....[sopo.org](http://sopo.org)

## Web site is a hit

THE ESPO Energy web site, launched six months ago, is proving a hit with member organisations and interested parties from the UK and other countries, including Austria, Belize and Denmark.

Averaging nearly 100 hits a day, the most popular pages on [www.espoenergy.org](http://www.espoenergy.org) are past issues of *Energy Matters* (hooray!), news items and the secure members' area.

The members' area kicked off with information on heating oil and transport fuel contracts. Users have been impressed, and the energy team wants to encourage more customers needing price information to go directly to the web site instead of telephoning first.

Rebecca Lennox, who works for Peterborough City Council's facilities manager, said: "I've used the site more than anybody else in the office. I've found it very useful, especially

when looking up current and historical fuel prices and sometimes I browse for more general energy updates."

Possible future developments include coal and LPG prices and details of electricity contracts, so that customers can see their own current and past tariffs, for example to assist with invoice checking.

Eventually, ESPO hopes to phase out the existing arrangement of posting or faxing price information to customers with internet access.

David Kwiatek says the web site is beginning to take pressure off the energy team. He says: "It's particularly useful when someone rings us out of the blue asking for fuels prices or general information – most of the time, we can suggest that the caller logs on to the web site."

## Scheme will measure the performance of fuel suppliers

ESPO is considering a scheme to monitor how well fuel suppliers perform. Up to now the energy team has had to rely on 'exception reports' – which only arrive when a problem occurs – or 'periodic surveys' which only provide a snapshot of the service provided.

James Trotter, ESPO's fuels buyer, explains: "It's impossible for us to monitor whether suppliers keep their delivery promises because ESPO is not part of the ordering/payment chain. "So we're looking at what measures individual suppliers take and evaluating a number of ideas. We may, for example, ask the customer to fill in an ESPO questionnaire card handed to them by the supplier at the time of delivery.

"We want to check key service requirements, including on-time deliveries, correct quantities, how effectively the driver deals with any spillages and how complaints are handled – without creating an additional administrative burden either for ourselves or our customers."

# To BE or not to BE?

**AS THIS issue of Energy Matters goes to press, the next instalment of the British Energy saga will be unfolding.**

Britain's nuclear generator ran into financial difficulties when wholesale electricity prices slumped below the cost of generation at the beginning of the year. At the same time, some of its generation was interrupted by problems on site. Within nine months, BE's shares had tumbled to 10% of their January 2002 value.

In early September the Government threw the troubled company a lifeline with a short-term loan and then extended and increased it until November 28.

Announcing the rescue plan, trade and industry secretary Patricia Hewitt said: "Our

overriding priorities are to ensure the safety of nuclear power in the UK and maintain the security of our electricity supplies."

This substantial support package, boosted from £410m to £650m, enabled BE to continue trading and allowed time for talks on the long-term restructuring of the company. If no workable solution is found, BE may yet go into administration.

## Upsetting the neighbours

Belgium has complained to the European Commission about the emergency loan, maintaining that it amounts to illegal state aid.

Greenpeace and renewable energy developer Ecotricity said much the same thing and are attempting to bring a legal case against the Government to stop the loan.

Other generators warn that any attempt to modify the new electricity trading arrangements to help BE would be unfair as they, too, are feeling the pain of operating under NETA.

## Market leader

BE provides about 20% of the UK's electricity and, ironically, is recognised as one of the market leaders in terms of customer service. British Energy Direct Supply says it remains fully operational and has reassured industrial and commercial end-users that their supplies will not be affected.

*(For an immediate update on the British Energy situation after November 28, visit the ESPO web site, [www.espoenergy.org](http://www.espoenergy.org).)*

## ENERGY BITS

### MAKING SAVINGS

IN September Powergen announced that it could mothball two more power stations which had become uneconomical because of falling electricity prices. The recent closures will take more than 25% of Powergen's capacity out of the market.

Powergen also plans to make economies by burning a cheap but dirty oil-derived fuel in its coal-fired power station at Radcliffe-on-Soar. Petcoke, imported from the US, is about 9% less expensive than coal.

### LOSING MONEY

ALKANE Energy, which introduced electricity generation from coal-mine methane not long ago (*Energy Matters 5*) lost money in its second year of operation and will open fewer sites than originally planned. It hopes to have ten sites producing methane-generated electricity by the end of 2003; its original proposal was for 100 sites by 2005.

### NUCLEAR DILEMMA

IN October, Powergen's chairman called for Magnox nuclear reactors to be decommissioned and some coal-fired power stations closed.

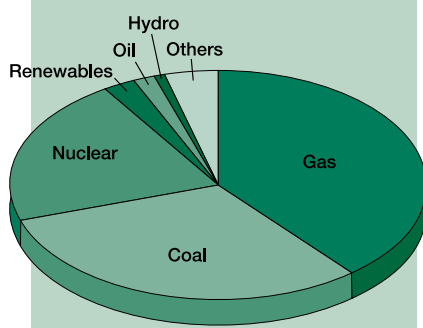
Scrapping nuclear plants entirely would remove the thorny problem of what to do with the waste product. That may delight the 'green' lobby - but it could leave the UK short of electricity and undermine efforts to reduce our reliance on fossil fuels.

The Government's white paper on future energy requirements, already eagerly awaited because of the nuclear debate, will be even more interesting following the problems at British Energy and TXU.

### GENERATION GAME

Figures from the DTI suggest that UK-generated electricity comes from:

Gas	39.0%
Coal	31.0%
Nuclear	21.0%
Renewables	2.5%
Oil	1.5%
Hydro	1.0%
Others	4.0%



## COAL INDUSTRY MAY GET HELP

THE DTI is considering a package of measures to give UK coal mines with a long-term future a better chance of competing on the world stage.

The proposed investment aid scheme would help pits which European rules currently prevent from receiving financial support under the Regional Selective Assistance scheme.

The consultation team will look at

- whether the coal industry needs investment aid
- whether safeguarding or creating jobs should form the basis of the scheme
- which mining projects would qualify for aid
- how to judge the quality of different mining projects

An independent study into remaining reserves at existing deep mines will determine where investment support should be directed.



Coal pits in some areas, like Wellbeck in Nottinghamshire, may get funding. Photo courtesy of UK Coal.

## Claire experiences a sense of 'déjà vu'



Claire Julian

DE MONTFORT University student Claire Julian had a throw-back to her school days in Cambridge when she scanned her college web site for work placement opportunities. She says: "I remembered seeing the ESPO logo on stationery and delivery vans, so I decided to find out more."

"The work sounded interesting, dealing with all the different aspects of energy procurement, and I was particularly attracted by the idea of working within a small but very focussed team."

But 20-year-old Claire very nearly didn't spend the third year of her business studies degree at ESPO. She had accepted a job in human resources at Heathrow Airport and was about to move there when funding was withdrawn and the placement offer fell through. She says: "I was devastated. But that very same afternoon, an e-mail came through from ESPO offering me an interview."

"So it was back to Leicester. At short notice I managed to find a house to share with three other students and started work at ESPO at the beginning of September."

A month later, Claire had clinched her first new business deal - ironically with Long Road School in Cambridge, where she took her 'A' levels.

Energy team leader David Kwiatek says: "Despite the very steep learning curve, Claire is picking things up quickly and is already providing valuable support to the rest of the team."

When not at her desk dealing with gas buying matters, Claire enjoys swimming (she used to represent Cambridgeshire), playing the piano (she's just achieved grade 4 with distinction) and the cinema. After university she hopes to take a year out to travel the world with her boyfriend before settling down to the responsibilities of a career!

## Just turn it over!

- The energy team gets numerous calls from gas customers asking
  - about estimated meter readings
  - how their bill is calculated
  - when and how to pay
  - whether they could enjoy a lower rate of VAT
  - what to do if they smell gas
  - what to do if they are moving premises.
- All this information appears on the reverse of your gas bill from ESPO!  
Please turn it over and save yourselves a phone call!



## A GEM of a team

ESPO's gas billing team has grown from two to three. Considering the time saved by the GEM system, this underlines how much extra business the energy team is bringing in.

Under the supervision of Barbara Taylor, deputy supervisor Amanda Bradshaw and finance assistants Diane Webber and Julie Joyce handle queries from gas customers between 8.30am and 5pm every weekday. Each has her own 'patch' - Amanda deals with Norfolk, Diane with Leicestershire and Warwickshire and Julie with Cambridgeshire and Lincolnshire.

Amanda says: "We're the first point of contact if a customer has a billing query. Sometimes we can sort it out in five minutes, sometimes we have to liaise with the supplier and it can take half a day or more."

Because the industry as a whole is still having big problems with both the timeliness and accuracy of billing, the team puts considerable effort into managing this aspect of the customer-supplier relationship.

The GEM system validates supplier invoices against criteria such as correct meter and supply point, contract price and accurate calculation of consumption. Where it passes all these tests the supplier invoice is automatically passed for payment and an invoice to ESPO's customer is generated

simultaneously.

In this way, customers benefit from comprehensive bill-checking, which Government studies suggest saves between 3 and 5% a year.

Bringing in GEMS has meant fewer customer queries over invoices. Amanda says: "This is where the system has had the biggest impact. It won't let anything through which doesn't comply exactly with what it's been told to process!"

She adds: "Every time we talk to a customer we also remind them to phone, fax or e-mail us with their meter readings promptly at the end of each month."

"If bills based on actual consumption are important to them, it will help their budgeting. We co-ordinate the reads and e-mail them to suppliers to use as the basis of their invoices to ESPO."

■ Don't forget to send your December meter readings before the Christmas/New Year break!  
Telephone 0116 265 7884, fax 0116 265 7601 or e-mail:

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