



ENERGY Matters

The newsletter for ESPO's energy customers

Number 6 December 2001

DAY BY DAY

In the first few days after the horrific attacks of September 11, and as war on terrorism was declared, ESPO had to battle with energy market instability whilst still carrying out supplier assessments, performance reviews and preparation for future tenders.

Here is David Kwiatek's account of how the drama unfolded and how his team coped with the crises...

Tuesday, September 11

In past weeks and months, energy prices have been pretty volatile. But all that becomes insignificant today. Initial reaction of energy market to twin towers attack: chaotic. Brent Crude shoots up from \$27 a barrel to \$31 and more. Knock-on effect pushes spot gas up from 27p to 29.5p per therm.

Wednesday, September 12

Uncertainty forces many suppliers to withdraw prices. None able to quote again before weekend.

Monday, September 17

Markets a little more stable. Prices still high. Suppliers very cautious. Offers subject to so

many conditions, no time to evaluate before they're withdrawn.

Wednesday, September 19

No immediate military action, so situation more stable. But major airlines in trouble, huge job losses to follow. Everything points towards falling demand for oil.

Thursday, September 20

OPEC says it's committed to market stability. Prices already down to \$22 a barrel.

Friday, September 21

Oil prices dip lower, towards \$20 a barrel. But effect on energy prices, long term, impossible to predict. No precedent - this war completely different from Gulf or Falklands. Conflicting opinions, eg:

- Terrorist attacks = global recession = less demand = prices down.
- Middle East = main source of oil supply = concern over security = prices up.
- US-Middle East relations become strained = supply restrictions = price spikes.
- Military action = more oil required = prices up.

Mid-October

Situation remains surprisingly subdued. Middle East not reacting adversely to military action in Afghanistan, so prices remain soft.

Wednesday, October 31

Oil down to \$19 a barrel; unleaded petrol dropped below 70p/litre. OPEC may cut supply to get prices back up to target range of \$22-\$28.



Petrol prices drop below 70p

As we go to press, it's a very unsettled world, with future energy price movements impossible to predict. The main concern now is that of world-wide recession.

ESPO SCOOPS AWARDS



IN constant pursuit of excellence, ESPO has been well rewarded. Director Ken May shows off our Investors in People certificate and the 2000 Kelly's Award for Purchasing Excellence. We were also shortlisted, in conjunction with Cambridgeshire County Council, for the 2001 Kelly's Award.

DEALS CUT COSTS AND EMISSIONS

ESPO's decision to seek early tenders for electricity contracts due in October 2001 will save a group of customers £235,000 (7%) over two years.

At the same time, ESPO's contracts for 'green' electricity rose to 30mKWh a year, saving an estimated 15,000 tonnes of CO2 emissions.

With wholesale prices staying low in the early part of 2001, ESPO considered that short and medium term prices were more likely to rise than fall further. Also, market intelligence suggested suppliers had available electricity from renewable sources.

Contracts, based on prices fixed for 2 years, were therefore awarded in July to London Electricity, TXU Energi, Scottish Power and Bizz Energy. Reports indicate tender prices gradually increased as October drew closer, partly because of the Renewables Obligation being factored into suppliers' tariffs (see page 2).

TXU and Bizz are supplying green energy to ten municipal buildings and seven educational establishments. This, combined with April and July contracts (reported in Energy Matters 4 and 5), brings the renewables volume to almost 30% of ESPO's half hourly business.

Contracts worth around £3.5m a year for non half hourly metered electricity have been awarded to Atlantic, TXU, Bizz Energy, Centrica and Enron, giving savings of £640,000 a year for up to three years. These include 2,700 sites in Leicestershire and Warwickshire and for Rutland, Lincoln City, South Holland and Peterborough Councils.

GAS: VIEWS SOUGHT

AMIDST concern about high gas prices and their effect on the economy, the DTI has issued a consultation document which seeks views on the operation of the gas market in Britain and invites 'all those with an interest to make further comments'. The consultation will run until February 28, 2002.



Ground Zero: grim reminder. Picture: Reuters

SHREWD JUDGEMENT PAYS OFF

ESPO had several contracts out to tender on September 11; shrewd judgement was needed as the American disaster unfolded.

Gas tenders for Warwickshire County Council (WCC) were due back towards the end of the month. Whilst they were out, the gas interconnector (the pipeline between Britain and Belgium) was closed for maintenance. Typically that would make a large volume of gas available in the UK and prices would be depressed. Should ESPO

take advantage of falling prices and do an early deal - or wait for tenders to come in and risk a price hike when the interconnector reopened? If military action started in the meantime, would that push prices up or down?

ESPO believed prices were more likely to rise than fall, so a series of renewal offers was obtained from WCC's existing supplier. The energy team delayed its decision as spot prices continued to fall and then, after

consulting WCC, accepted a revised offer.

Graham Holley says: "In effect, we saved Warwickshire £30,000. They had previously been on a two-year contract, so they had already benefited from lower than market prices for an extra year. They're paying more than in 2000/2001 but are once again shielded from the energy market's unpredictability. And, because we kept their original supplier, there was no changeover to manage!"

Greener fuels, higher prices

MOTORISTS could be facing higher fuel prices within the next four years as Europe responds to the call for greener petrol and diesel.

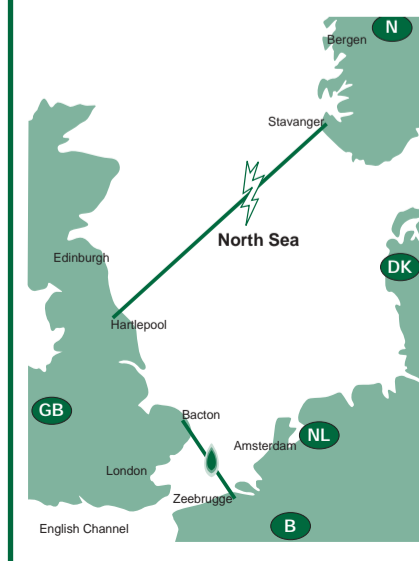
The European Commission has already unveiled plans to improve air quality by completely eliminating sulphur from motor fuels within a decade. Currently available ULSD and ULSP (ultra low sulphur diesel and petrol) have a maximum of 50 parts per million.

WARNINGS

The oil industry responded with warnings that refineries would need to invest heavily in new processing plant, which would lead to higher fuel prices. It also claims that the processing plants would increase the level of CO2 emissions through greater energy usage.

However, the EC maintains that the reduction in harmful emissions from vehicles would more than offset those produced during refining and that more efficient engines should eventually compensate for fuel price increases.

THIS IS THE LONGEST LINK. GOOD BUY!



THE longest interconnector in the world, between Britain and Norway, is set to bring lower electricity prices to the UK.

National Grid and its Norwegian partner, Statnett, plan to lay the 450-mile direct-current cable on the bed of the North Sea, probably from the coast near Hartlepool to a point close to Stavanger. Work is due to start early next year and the £500 million interconnector could be in service by 2005.

Chris Spencer of National Grid believes the scheme will benefit consumers in both countries. Britain would import Norwegian electricity to cover peak time spikes here and UK generators would export off-peak power across the North Sea to help relieve Norway's reliance on hydro-electric power and conserve its dwindling water supplies. He said: "These two-way transfers should reduce prices in the UK and provide additional energy security for Norway."

The project will be one of the most technically challenging under-water schemes ever carried out. The interconnector will be laid as a single cable, sometimes half a kilometre under the sea, and will be able to carry between 800 and 1,300 megawatts of power.

RENEWABLES OBLIGATION WILL FORCE PRICES UP

ACCORDING to Government proposals, suppliers will soon be obliged to procure from renewable sources a specified percentage of the electricity they sell. Initially, to March 2003, it will be 3% and will gradually rise to 10.4% by March 2011. In the longer term, up to 2027, the percentage may go higher - but it certainly won't fall.

The Government is introducing this obligation as part of its strategy to meet its Kyoto commitment to reduce greenhouse gases. Suppliers will have to prove, by means of certificates issued by Ofgem, that they are on target. If they can't obtain sufficient renewable energy, they can 'buy out' by purchasing certificates to cover their shortfall at a cost of 3p per kWh.

Suppliers who don't meet the target will pay a financial penalty to help fund the development of renewable energy sources - for example new, cleaner technologies (such as pyrolysis and gasification) to extract energy from waste instead of incinerating it.

Patricia Hewitt, the Trade and Industry Minister, says in her consultation paper: "The Renewables Obligation (RO) will increase the cost of electricity to consumers in Great Britain by around 0.5% each year until 2010 . . . We believe that this is a price worth paying to address the problem of climate change and represents good value for money, at around £310/tonne of carbon, in reducing the UK's carbon dioxide emissions."

The immediate problem for consumers is that some suppliers are already making allowances for this in their current tenders and some are not. There may be no specific reference to the RO but it may subsequently appear on your bill as a 'pass through' item - a cost which the supplier is contractually entitled to pass on to the consumer - during the contract period. So, whilst you may be quoted a 'fixed, inclusive price', it may be neither fixed nor inclusive and there is always the possibility of an unforeseen increase.

This is yet another pitfall awaiting the unwary consumer, which is why more and more establishments are turning to ESPO for help with energy purchasing.

RENEWABLES NEWS

Getting the wind up

ScottishPower is to build the UK's biggest windfarm on moors ten miles south of Glasgow, creating 300 jobs, providing power for 150,000 homes and cutting annual CO2 emissions by 500,000 tonnes.

Local residents are resisting the proposals but the project has the backing of environmental and conservation groups. If planning approval is granted, the windfarm could be operating by 2003, enabling ScottishPower to meet its target of generating 10% of its electricity from renewable sources.

A £3 million ray of sunshine

A solar housing trial in London has received £3,000,000 of additional investment. This new funding, announced in May by the then Energy Minister, Peter Hain, means a further 300 homes can be added to the original 166-home scheme.

He said: "This Government is serious about solar energy. The trial is just the start of a long-term strategy."

By the end of this year, solar panels - or photovoltaic cells - will be providing power to more than 100 homes in Edmonton.

Britain awash with water power

In July the new Energy Minister, Brian Wilson, launched 'a new deal for hydro', designed to encourage the construction of new hydroelectric power stations and the refurbishment of old ones.

Mr Wilson, who was opening a newly refurbished HEP plant at Pitlochry, Scotland, said: "Hydroelectric power still has a huge part to play in the Government's strategy for renewable energy. These new measures will give hydro its biggest boost in fifty years."

The Crown's jewel is offshore wind

The Crown Estate, which owns Britain's coastal waters, has released 18 seabed sites for new offshore windfarms. By the summer of 2005 they could be producing up to 1500MW - more than the combined output of Dungeness B and Bradwell nuclear power stations and enough to meet the electricity needs of over a million households.

The UK has the largest wind resource in Europe and the potential

capacity from offshore sites - where wind speeds are higher and more constant - is put at three times the country's electricity requirements. Equally important are the environmental benefits. As each unit of wind-generated electricity replaces one from a conventional power plant, these offshore sites could save 4.25 million tonnes of CO2 being released into the atmosphere each year.

What's in and what's out?

The Government's consultation document on the Renewables Obligation lists the following as 'eligible' sources:

- Landfill gas
- Sewage gas
- Wind (on and off shore)
- Biomass
- Geothermal power
- Tidal and tidal stream power
- Wave power
- Photovoltaics (solar panels)
- Energy crops

Energy from waste is eligible only if the waste is non-fossil derived.

Hydro-electric power (HEP) from existing stations producing less than 20MW, or from any station built after 2002, is eligible.



Wind turbine in Norfolk. Photo courtesy of Ecotricity.

NETA RULES, OK?

THE New Electricity Trading Arrangements, up and running only since March 2001, were hailed a success this autumn.

In its initial review, Ofgem said NETA had delivered spectacular results with wholesale electricity prices 20-25% lower than last year.

TOO EARLY TO JUDGE

However, says David Kwiatek, it is much too early to assess how good or bad NETA is: "It's only been with us for a few months and hasn't yet been tested by the high peaks in demand that usually come during winter."

"Meanwhile, the new arrangements have created serious problems for generators of renewables. The jury is still out."

PREDICTABILITY WINS

NETA requires suppliers to balance supply and demand. Therefore reliable and predictable generation is 'rewarded' through pricing. Conversely, generators with less predictable output patterns, such as windfarms and combined heat and power (CHP) plants, find they have to sell their output in the extremely volatile short term 'balancing' market. This price risk exposure is seriously undermining the Government's drive to increase the generation of electricity from



Piggy in the middle: the 'unpredictable' renewable energy generator is in a no-win situation

renewable sources to 10% of total output by 2010.

NO CHANGE TO RULES

In its report, Ofgem acknowledged that "electricity generated from green sources is likely to require additional Government support if current environmental targets are to be met" but said the rules of NETA could not be changed to protect vulnerable generators.

Energy minister Brian Wilson told Parliament in October: "There are problems for both wind energy and CHP which need to be addressed" and, on November 1, he announced a Government consultation on measures to help smaller and renewable generators.

CARS ARE BOTTOM OF THE CLASS!



2.30 pm: school is in



3.30 pm: school is out

SCHOOLS throughout the UK are being asked to develop a travel plan to help cut the number of cars used to ferry children to and from school.

A new scheme from the Energy Efficiency Best Practice Programme offers five days' free on-site advice to help schools develop a travel plan, aimed at encouraging parents to let their children walk, cycle or use

Did you know:

- One in five cars on the road at peak times are 'on the school run'.
- Nearly a third of all children are taken to school by car.
- Most of the journeys are of less than a mile.

the bus to get to classes.

To apply, a school must first call the EEBPP helpline (0800 585 794) and complete a questionnaire. Then, the school is put in

touch with expert travel advisers who guide the establishment through surveys, workshops, development and implementation of a travel

plan, negotiating with public transport operators and monitoring results.

The benefits of a school travel plan are easy to see. Fewer cars mean reduced congestion, pollution and risk of accidents. Equally important are the benefits to the children themselves: learning to be independent and responsible, developing social and life skills - such as reading timetables and maps - and keeping fit.

Remedy sought for gas supply headache

MAJOR headaches can occur where amenities - for example schools, libraries or leisure centres - are built for local authorities alongside new housing developments. Setting up gas supply agreements can be complicated if the developer chooses an independent public gas transporter (IPGT) instead of the national network provider, Transco, to install the infrastructure.

There's no problem for domestic users, because suppliers have a licence obligation to provide a service across all networks. However, this obligation does not extend to other customers such as schools and public buildings.

Several key suppliers have decided not to service non-domestic sites, perhaps because the systems used by

IPGTs vary so much. They all have their own code of practice and use different operating methods. Some are not fully computerised. Even the mighty BG Centrica, with its huge share of the I&C gas market, cannot currently support customers across IPGT networks! Prices and terms from those who can may well be less attractive than would otherwise be the case.

These difficulties have forced some IPGTs to defer final meter installation work until a formal supply contract is in place. This, in turn, can lead to delays in bringing gas supplies on stream.

Graham Holley, ESPO's senior gas buyer, says: "We've taken the matter

up with Ofgem because this situation is clearly at odds with the principle of open competition. We've also raised it with Energywatch. In the meantime, we're writing to council property departments to make them aware of the issues involved - for example, they need to consider whether developers should be given a totally free hand in the choice of infrastructure provider."

For the five sites currently affected (four schools and a sports pavilion), ESPO is exploring all possible supply routes and is in final-stage discussions with two gas suppliers with the aim of establishing a dedicated framework agreement.

Look out for an update in *Energy Matters* issue 7!

LUCKY BREAK FOR COAL

Many British electricity generators are turning back to coal following huge increases in the price of natural gas.

Consumption rose by 15% in 2000 compared with 1999 and the trend is continuing. Even though coal has itself doubled in price over the last two years, it remains 50% cheaper than gas.

Britain imports about half its current coal needs from Russia, South Africa and Colombia and transport costs represent up to a third of the delivered cost of the fuel. Nevertheless, current stocks are high and so the price of coal should remain stable for a while.

Is there a future in coal?

UK Coal, the major British producer, is investing £52 million and employing more staff to increase productivity from its existing mines to meet the extra demand.

Since 1970, Britain's annual coal consumption has shrunk from 25 million tonnes to 2 million – due in part to environmental pressure to use cleaner fuels and in part to cheaper prices of other energy sources, particularly gas.

Worldwide, however, demand has increased. Coal is the planet's most abundant energy resource with reserves to last

another 200 years.

Several factors point to continuing demand:

- UK gas reserves are dwindling fast
- Europe's gas reserves are limited
- The UK has plenty of coal
- World coal prices are competitive with, and more stable than, other energy sources
- Sources of coal are more stable than other fuels
- Coal is the cheapest primary fuel

On the other hand, there are serious environmental challenges and the Government must renew its commitment to offering financial incentives for clean coal research projects.



Plenty to go at: Riccal coal face, Selby. Picture courtesy of UK Coal.



Atlantic Electric and Gas

SPOTLIGHT ON ATLANTIC

ATLANTIC Electric & Gas is a new UK company which combines British and American expertise and investment. Its majority American shareholder is Sempra Energy, one of the largest utilities in the US and a Fortune 500 company with world-wide revenues in excess of \$7bn and over 12,000 employees.

The company has three offices: energy trading, run by the European arm of Sempra, is based in London; management and administration is centred in Gloucester; customer registration, billing and contact centre operations are located in Cardiff.

Richard Stoate, Atlantic's account manager looking after the ESPO business, says: "Atlantic is not involved in pipes or wires, gas exploration or electricity generation. That means we can focus on giving our customers

the best service possible. Since we aren't tied to any particular generator or provider we can buy energy at the lowest prices on the international energy markets, so we can consistently offer competitive prices".

Business size is no obstacle. Atlantic's offers are equally valid for small or large businesses, single or multi-site. Billing can be configured exactly to client needs, so a multi-site customer can request either one consolidated, itemised bill, or individual bills for each site.

Although still a relative newcomer to the UK, Atlantic has been gradually developing market share and has a number of well known multi-site clients including the National Trust, First Quench - and now ESPO.

MARKET CHANGES MEAN NEW PROCEDURES

OVER the last year, the length of time for which gas and electricity quotations remain valid has shrunk by 80:1!

Up to December 1999, ESPO usually had at least ten days to evaluate and accept quotations. Now, for gas, it's around three hours. It's a little longer for electricity but, now this is a traded commodity, timescales are shortening.

VOLATILE

David Kwiatek explains why there's so little time: "As with any traded commodity - such as oil, coffee or stocks and shares - energy prices can be very volatile.

"Suppliers can't keep their offers open for long. If they do, you can be sure they've built in extra to cover the risk of an adverse move in wholesale or spot prices.

"Even using sophisticated electronic tendering it simply isn't feasible any more to obtain prices, provide details to all the sites on contract and confirm what they want to do."

"Firstly, there isn't time for lengthy consultation before prices are withdrawn. Secondly, if a customer doesn't reply and, as a result, we don't arrange a new contract, they could face 'out-of-contract' tariff rates - up to 150% more than contract terms - and potential disconnection. Clearly we can't afford to put customers in such a position.

CUSTOMERS' INTERESTS

"We needed a new method of working to protect their interests and make contract negotiation manageable."

So now, ESPO writes to each establishment shortly before contract expiry to say that tenders are being sought for the new supply period and, unless instructed otherwise, contracts will be awarded on its behalf. At the same time, and on receipt of suppliers' bids, there is brief consultation with the local authority whose contract is being arranged.

ESPO's objective is 'to obtain the best possible terms on your behalf, with regard to overall cost, standards of service and conditions of contract.' Underlying this, of course, is 'continuity of supply' - without which all other benefits are meaningless. This new arrangement keeps the necessary element of consultation and provides a pragmatic solution to what was becoming a difficult issue.



Atlantic's London offices

WHO'S DONE WHAT IN THE ENERGY MARKET



A new name . . .

. . . but otherwise, it's business as usual, according to TXU Energi, Norweb and Eastern Energy's parent company. TXU, a world-wide gas and electricity company with over eleven million customers, says it will combine its resources, expertise and buying power with Norweb and Eastern Energy's local knowledge to give customers competitive prices and faultless service.

Further expansion

Over the preceding months, Centrica acquired two TXU power stations, at Peterborough and King's Lynn, and a 60% share in Humber Power, which owns and operates a

gas fuelled power plant in Stallingborough. Together, the two acquisitions provide Centrica with more than 30% of its peak demand for electricity.

Fair swaps

Innogy, which bought Yorkshire Electricity last year, has sold the distribution side of YE to Northern Electric. At the same time, Innogy bought NE's supply business, Northern Electric Supply, and acquired 1.6 million new customers.

The move makes Innogy, the parent of npower, Britain's biggest electricity supplier by volume, lifting its market share from 20% to 25%. It also increases the company's share of the gas market from 5.5% to 8%, in second place to Centrica. npower

now has over seven million customers and offers not only gas and electricity but telecoms, home insurance and bill protection.

npower says that its acquisition of Yorkshire Electricity and Northern Electric will give it greater economies of scale, delivering 'even greater customer service'.

Up for sale

US oil giant Amerada Hess has put its UK domestic gas business on the market, attracting interest from the likes of Gaz de France, Electricité de France and Innogy. It may also sell its North Sea oil interests to fund further exploration in Alaska, in anticipation of the US' increasing need for oil in the wake of the terrorist attacks.

Deal done

Uticorp has bought Midland Electricity's distribution business, reportedly beating off bids from Powergen, Scottish and Southern Energy and others.

Maintenant vous le voyez . . .

Electricité de France, the world's biggest electricity company, is bidding for Seaboard, the British south coast distributor and generator, despite opposition from politicians and rivals. EDF already owns London Electricity and SWEB.

ENERGY POLICY UNDER SCRUTINY

IN the last issue of Energy Matters we asked if an energy crisis, similar to the one in California, could happen here. The very same concerns are behind a Government review of the UK's energy supply needs over the next fifty years.

At the moment, Britain is self-sufficient in energy but it's predicted that, by 2006, we will be a net importer of both gas and oil, with a shortfall of around 15% of our gas needs.

"Add to that the need to combat global warming whilst, at the same time, ensuring diverse, reliable and competitive supplies of energy - it's a huge challenge", says David Kwiatek.

Why could there be a shortage?

- The supply of North Sea gas is not infinite, although there are sufficient reserves to guarantee security of supply in the medium term.
- The supply market is shrinking all the time, following a spate of mergers and

acquisitions, many involving American and pan-European companies. "We will probably end up with no more than five or six names in our 'Who's Who in Energy'", says David Kwiatek.

- Nuclear power stations still produce 25% of our energy. Decommissioning them could lead to a shortage of 'carbon-free' energy at a time when the country is struggling to meet its targets on reducing greenhouse gas emissions. There is a move to retain some sites and replace the generators but this would inevitably affect prices and supply.
- Renewable energy sources, to which the Government is committed, are unlikely to produce enough power to replace atomic stations.
- The interconnector between the UK and Belgium affected the availability of gas here: higher continental prices led UK suppliers to export gas rather than sell

it at home. Once the UK becomes a net importer of gas there will be a reliance on imports from Siberia and North Africa.

The main aim of the review is to set out the objectives of energy policy and develop a strategy to ensure current commitments are consistent with longer-term goals.

It will consider what future, if any, the nuclear industry should have in meeting environmental and 'security of supply' objectives and will look at the roles of coal, gas, oil and renewables. As energy minister Brian Wilson points out: "There are many challenges ahead and there may have to be fundamental changes in energy and fuel markets."

Nobody is claiming that the lights are about to go out in Britain just yet. But it's worth remembering that it only took six years for California to move from surplus to shortfall.

THE PERSONNEL COLUMN

Ed takes strategic role

ESPO has appointed Ed Walsh as commercial manager, strategic procurement.

He is responsible for furthering ESPO's relationships with key customers and developing the support provided to local authorities.

Ed says: "ESPO isn't just about purchasing in bulk. At a strategic level we provide a professional procurement resource to help members and other customers achieve their 'best value' objectives. We have specialist knowledge of commodities and markets, such as energy. We can procure innovative service delivery solutions, whether specific to a particular commodity or function - such as social services provision - or, in the widest sense, facilities management or PFI projects."

"We want customers to think of us as an extension of their own team and involve us as early as possible in any procurement project."



Ed Walsh

Meera enjoys the energy challenge

NEW recruit Meera Rana, a third year student at De Montfort University, found the one-year work placement with ESPO's energy team advertised on the university's Intranet.

She says: "It seemed like an interesting job and something of a challenge. It's lived up to my expectations with the variety of work involved. I'm really enjoying it here."

Her responsibilities include dealing with customers' queries and helping to prepare and evaluate tenders for the supply of gas and electricity.

Team leader and group buyer David Kwiatek says: "Meera has fitted in very well and provided exceptional support to the buyers during a very tough period. She deals with people professionally and competently. She's also red hot on spreadsheets! I hope her placement will be as beneficial for her as for ESPO."

As well as having first-class business skills, 20-year-old Meera speaks good German and conversational Punjabi and Hindi. In her spare time, she enjoys reading, playing keyboard and sports - basketball, netball, swimming and keeping fit - and travelling. She says: "I've been to India and Germany many times. Having the ability and confidence to speak the native language of the country has enhanced my travel experiences greatly."

Meera, who lives with her family in Loughborough, returns to university next autumn to complete the fourth year of her BA(Hons) business studies degree. She will probably go on to do a Masters.



Russell McCarten and Meera Rana

Russell moves up

FOLLOWING his CIPS qualification last summer, Russell McCarten was confirmed as buyer. He is now working with senior buyer, Graham Holley, managing gas procurement.

Middlesborough-born Russell, 28, gained a BA(Hons) in business studies at Brunel University. Following a two-year spell in accounts at car-hire firm Eurodollar, he joined ESPO as trainee buyer in January 1998. In the last year he has been largely responsible for devising procedures for GEMS, the department's energy management and billing system. As gas buyer, he's now getting more involved in contract and supplier negotiations.

Russell made his home in Leicester whilst girlfriend Lisa, now a fashion designer, completed her studies at DeMontfort University. They have just bought their first house, which they share with their white Persian cat called Zak.

Describing himself as an armchair football fan (he supports Middlesborough, of course), Russell's other great hobby is 'socialising'.



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.

"I hear I can switch from regular diesel to biodiesel and help the environment. What is biodiesel? What are its advantages? Do I have to make any technical changes to my vehicles?"

ESPO's James Trotter replies:

"Biodiesel oil can be made from any oiliferous vegetation, such as seeds from rape, soyabean and cotton, as well as animal fats and waste cooking oils. Extensive testing and analysis by government agencies, university researchers and private industry across the US, Canada and Europe suggest that biodiesel offers potential benefits, although the implications for engine or vehicle warranties are unclear:

- In a conventional diesel engine

- it significantly reduces amounts of unburned hydrocarbons, carbon dioxide and particulates
 - It is safer than petroleum diesel as it has a higher flash point
 - No special storage is required; both the pure form and blends can be kept in the same containers (except concrete-lined tanks) as petroleum diesel
 - No engine modifications are necessary
 - Engine life may be extended, due to limited carbon production
- Biodiesel has 90% of the energy content of petroleum diesel and can be used instead of, or in conjunction with, the latter. A 20-30% blend of biodiesel with petroleum diesel seems the most efficient.
- However, UK availability is currently limited to one small supplier, although it is better established in Europe. There is as yet no recognised specification for

biodiesel but the EU is reported to be considering a draft German proposal.

It costs more to produce biodiesel than petroleum diesel; since both products receive the same tax treatment in the UK, the former is financially less attractive. The Government is being pressed to cut duty levels on biodiesel to reduce its price, stimulate demand and encourage production.

ESPO has received several enquiries about switching to biodiesel. Clearly, this fuel has many environmental advantages and the transition in technical terms (storage and engine compatibility) appears to be seamless. However, in the short term, limited availability and higher cost stand in the way of its widespread adoption as an alternative fuel for fleet use.

NEED ADVICE ON ENERGY EFFICIENCY?

ESPO's member authorities have an energy manager who can help with energy efficiency:

Cambridgeshire	Roger Ling	01223 717489
Leicester City	Don Lack	0116 299 5132
Leicestershire	Melvin Harrison	0116 265 6896
Lincolnshire	Mike Pollard	01522 552682
Norfolk	John Cobb	01603 222674
Peterborough City	Robert Griggs	01733 742289
Warwickshire	Jackie Lawrence	01926 736324

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

WELL CONNECTED!

SINCE electricity was deregulated, and the old RECs (regional electricity companies) were split into supply, distribution and metering businesses, there has been some uncertainty about arranging new connections or upgrading existing connections to the electricity network.

Follow this step-by-step process:

- Contact the networks department of your local distribution company (see below) for a quotation
- The distribution company should provide you with a Supply Number or MPAN (meter point administration number) which identifies the connection point
- When you accept the quotation, agree the connection date and tell the distribution company who your electricity supplier will be. ESPO can help you choose a supplier and negotiate terms.
- The supplier will need
 - the full name and address,
 - including postcode, of the supply point,
 - your Supply Number or MPAN,
 - the date connection is required,
 - your maximum power requirement,
 - the type of metering required, and
 - your estimated annual consumption
- Once supply terms are agreed, the supplier will register your supply point - this takes about four working days from receipt of the above information
- The supplier then asks a meter operator to install the meter - ten working days' notice is required
- With careful planning, the meter can be installed the day after the connection work is completed
- Charges for metering equipment will usually be included on the initial invoice from your supplier

Meter operators

Most problems seem to occur when a new or replacement meter is required for the connection to go "live".

If your supply is over 100kw (ie half hourly metered) ESPO has contracts with leading meter operators - for the supply, installation, operation and maintenance of metering on a five year lease - offering savings on published charges. If your supply is less than 100kw, your supplier is responsible for appointing a meter operator.

Plan ahead

If you need a new connection or an upgrade, allow plenty of time for the work to be completed. School holidays are busy periods for this kind of work! If the project is being managed for you by an architect, developer or electrical engineer, make sure they know the process and key contacts.

24seven (formerly Eastern Electricity)
08701-863 090
www.24sevenNet.com

East Midlands Electricity
01332-393 001
www.eme.co.uk

GPU Power (formerly Midlands Electricity)
01905-727102
www.gpupower.co.uk

Yorkshire Electricity
0113-2415682
www.yeg.co.uk

Web Watch

HERE are more web sites containing helpful energy information - all, of course, preceded by www:

- Dept of Environment, Food & Rural Affairs.....defra.gov.uk
- Dept of Transport, Local Government and the Regions (DTLR).....dtlr.gov.uk
- DTI Energy Price Bulletin Application Form.....dti.gov.uk/EPA/sub0001.doc
- EEBPP - how to run a more economic and fuel efficient fleet.....energy-efficiency.energy-efficiency.gov.uk
- Energy Efficiency Best Practice Programme (EEBPP).....energy-efficiency.gov.uk
- Environmental Transport Association.....eta.co.uk
- European Commission Energy Directorate.....europa.eu.int/comm/dgs/energy_transport
- LPG Association - guide to LPG outlets in UK & Europe.....lpga.co.uk/refuelling_stations2.htm
- Motorvate - Government-backed scheme to help cut fleet costs.....greenerfleet.org.uk
- Powershift - information for fleet managers.....est-powershift.org.uk
- The Cabinet Office.....cabinet-office.gov.uk
- The Carbon Trust.....thecarbontrust.co.uk
- The UTOPIA project - EU-funded research programme into alternative fuels for cities.....utopia.eu.com
- Transport 2000.....transport2000.org.uk
- US Dept of Energy Alternative Fuels Data Center.....afdc.nrel.gov

For a complete list, please e-mail info@espo.org

UK energy price trends

Commodity	Latest (Nov. 2001)	6 months ago	12 months ago
Exchange rate: £1=\$	1.451	1.427	1.452
Brent crude oil: \$ per barrel	17.57	28.53	31.48
Gas: pence per therm	19.42	24.11	25.06
Electricity: £ per MWH	20.43	20.36	19.50

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

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