



## ESPO ENERGY GOES ON-LINE

LOOKING for information on energy matters? Then go to [www.espoenergy.org](http://www.espoenergy.org) - ESPO's newly-launched web site.

Packed with useful facts and up-to-the-minute news from the world of energy, the site is quick and easy to navigate. It provides customers with:

- a summary of ESPO's energy procurement services
- 'breaking' news and general market information
- a simple guide to the climate change levy
- links to other useful sites
- contact numbers for ESPO's energy team and energy managers in member authorities
- copies of *Energy Matters* which can be downloaded as pdf files.

But the driving force behind the site is a secure 'members' area', where customers with heating oil or transport fuel contracts arranged by ESPO can check current prices. Past prices are also available, for example to assist with invoice checking. To enter, you will need your 'account' or 'ship to' number - but if in doubt you can click on 'contact us' for assistance.

Ed Walsh, ESPO's commercial manager (strategic procurement), said

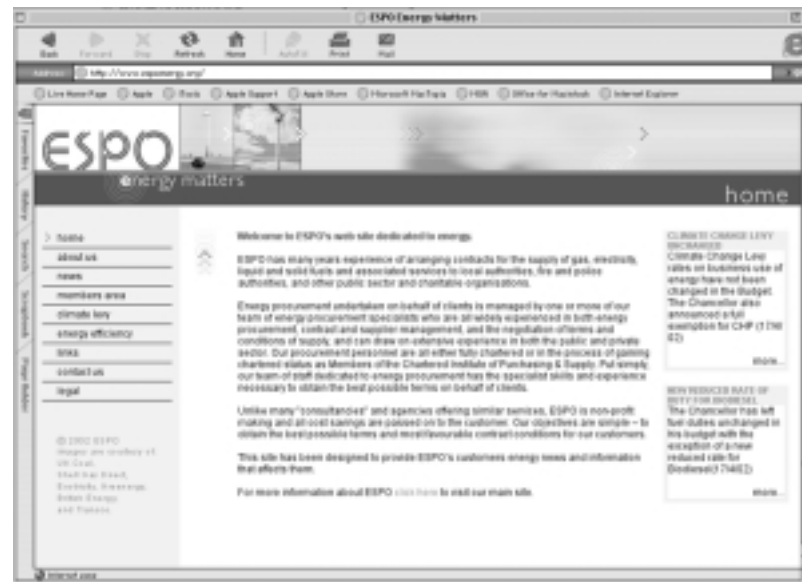
at the launch: "This is the latest example of how the energy team is continually working to provide customers with the best possible service.

"It's not just an attempt to follow the latest fashion. It has a very real purpose in terms of customer benefits and improving our own efficiency.

"Providing on-line access to fuel prices means we can phase out the existing arrangement of faxing or posting this information. What we save on stationery, postage and time will pay for the development of the web site within a year."

However, ESPO customers without access to the web site will continue to receive updates by fax or letter.

[www.espoenergy.org](http://www.espoenergy.org) was designed and constructed by Antika New Media of Solihull. Vicki Walkden, Antika's creative director, said: "This innovative use of technology shows how the internet can be used to improve efficiency. Antika's experience in providing appropriate advice, technology and design helped ESPO achieve its



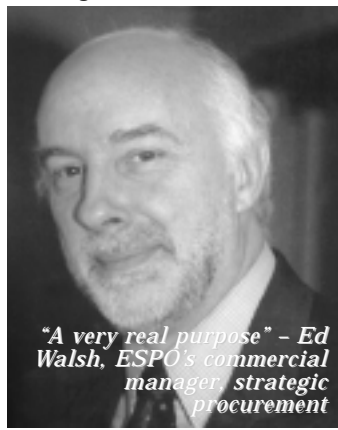
ESPO's new home on-line at [www.espoenergy.org](http://www.espoenergy.org)

goals. We were delighted to be associated with such an exciting project."

Ed Walsh added: "This is only the first stage of an extremely important development. It could open up many other opportunities for e-commerce.

"Our first priority is to ensure that this first stage is working well and we will be asking for feedback - likes and dislikes, other things customers would like to see - before we go any further."

Antika New Media Ltd can be contacted on 0121 707 1104 or go to [www.antika.co.uk](http://www.antika.co.uk).



"A very real purpose" - Ed Walsh, ESPO's commercial manager, strategic procurement



"Innovative use of technology" - Vicki Walkden, Antika New Media

## Policy clear - progress cloudy

IN its report on energy policy, flagged up in *Energy Matters* 6, the Government's Performance and Innovation Unit (PIU) recommends (among many other measures) that nuclear and coal-fired electricity generation should continue - but fails to suggest how that might be achieved.

At present, over half the UK's electricity comes from these sources. But all the country's Magnox power stations could be closed by 2010 and gas-cooled reactors are expected to stop production by 2023, leaving only Sizewell B in operation. In addition, coal-fired power stations are being mothballed because they are costly to run.

The problem is how to replace the energy which would have been produced by these decommissioned plants. The report foresees only 20% of the UK's electricity coming from renewable sources by 2020 - leaving a potential shortfall.

The case for considering further investment in a new generation of nuclear plants is strong - but then there is the thorny problem of dealing with waste.

Moderate investment in clean coal technology is also recommended - but it is doubtful that the UK's coal mines will be producing enough to make this viable.

The Government's own executive summary of the PIU's report appears on [www.cabinet-office.gov.uk](http://www.cabinet-office.gov.uk). The next step will be a white paper presented to Parliament. A reorganisation of ministerial responsibilities may also be necessary to bring together the different facets of environmental policy, currently split between the DTI and DEFRA.

## Fossil fuel levy cut to zero

SINCE April 1 this year, electricity consumers have had one less charge on their bills thanks to a cut in the fossil fuel levy from 0.3% to zero.

The tax was introduced to help electricity suppliers meet the cost of complying with the Government's requirement to support renewable energy commitments. The idea was to encourage them to research and develop projects to produce 'green energy' from renewable sources such as wind farms, methane and waste. We reported the full story in *Energy Matters* issues 2 and 3.

## Budget bits

CHANCELLOR Gordon Brown announced no increase in fuel duties and several incentives to boost the renewable industry:

- electricity generated from combined heat and power (CHP) plants and coalmine methane exempt from the climate change levy
- duty on biodiesel down to 25.82 pence per litre
- from next year, fuel duty incentive for production of sulphur-free fuels.

## £1 million boost for LPG



More investment in LPG

ENERGY minister Brian Wilson has announced funding of £1 million to boost the use of liquid petroleum gas.

As a result, the Government expects to see 75,000 LPG vehicles on the road by 2003 - an increase of 50% over the current 50,000.

The cash will be spent on a publicity campaign to raise consumer awareness, grants for garages who convert vehicles to run on LPG, promoting the benefits to rural communities - where reliance on fuel is greatest - and encouraging manufacturers to produce more LPG vehicles.

Mr Wilson said: "LPG is better for the environment and the driver's pocket. A typical motorist could save more than £400 a year by converting to it."

The new programme will build on existing incentives, including low duty on LPG, PowerShift grants (see *Grants for going greener*, page 3) and industry's investment in a clean fuel infrastructure.

## Gas shippers cleared of price fixing

AN investigation by the European Commission has found that gas shippers involved in the Bacton-Zeebrugge Interconnector were not guilty of anti-competitive behaviour.

The UK Government asked the EC to intervene after concerns were raised about the high price of gas in the UK compared with the rest of Europe.

The enquiry found no evidence of collusion between gas shippers to influence flow reversal through the Interconnector but recommended greater transparency by the operator, IUK Ltd.

A parallel domestic enquiry into the high cost of gas, ordered by UK energy minister Brian Wilson, was completed in February and the report is awaited. However, whilst the price of oil rose during the period of this investigation, the price of gas fell - contrary to established wisdom that UK gas prices were inextricably linked to the cost of oil.

PROFILE:

# British Energy



British Energy is committed to improving the environment

LAST year, British Energy's nuclear power stations avoided the release of 40m tonnes of CO<sub>2</sub> compared with the equivalent generation from fossil fuel plant. This equates to 60% of emissions from the UK's cars and is twice the reduction expected, from the whole of UK business, through the UK's climate change programme.

With over 21% of the market, British Energy is the largest UK generator. It produces 9,600MW from nuclear plant and a further 2,000MW from its new coal-fired power station near Selby, North Yorkshire. This has given the company more flexibility and allows it to 'shape' output to meet customer and market requirements.

British Energy currently supplies over 70 million kWh a year on contracts arranged by ESPO, including 52 million kWh from renewable sources.

British Energy and Renewable Energy Systems, part of the Sir Robert McAlpine Group, have teamed up to form Offshore Wind Power Ltd. The joint venture has been awarded a preferred site to

develop a wind energy project near Skegness in Lincolnshire.

Overseas, on the shores of Lake Huron, British Energy has formed a partnership with Ontario Power Generation to develop the area's first major on-shore wind farm. Huron Wind should come into operation next year with an initial output of 10MW.

Direct sales are forming an increasingly important part of British Energy's portfolio following the introduction of NETA. For the third successive year, it has been voted top for service in an independent survey of the largest 200 industrial and commercial electricity consumers.

British Energy has also been active in the community, launching a web and CD ROM-based information programme for children. Schools as far afield as America, Vietnam, Australia, South Africa and Poland have used the national curriculum-based package.

See [www.british-energy.com](http://www.british-energy.com) or [www.britishenergydirect.com](http://www.britishenergydirect.com) for more details.

## Good news for residential premises

Confusion over 'domestic' label cleared up following ESPO's intervention

FOLLOWING the introduction of the Utilities Act and new supply licences for gas and electricity, there has been considerable confusion about what constitutes a 'domestic customer' and 'domestic premises'.

The Act threatened to prevent commercial suppliers from providing gas and electricity to 'domestic premises'. Local authority properties such as residential homes and district heating schemes, as well as university halls of residence, could have been classed as 'domestic premises' and would therefore have faced higher charges.

Ofgem was alerted to this anomaly by the suppliers affected and by university and local authority buyers. ESPO added its weight to the argument in a detailed, no-punches-pulled letter earlier this year. It concluded with the plea: "we would urge you to take whatever action you

can for the new definition to be amended to provide absolute clarity, incorporating an appropriate dose of common sense."

In its recently-published guidance notes, Ofgem says of the businesses to which ESPO referred: "Ofgem believes that the provision of such services should not be regarded as a 'domestic purpose'."

"Consequently, where gas and electricity are supplied in connection with services on a commercial basis (including residential or accommodation services), Ofgem expects that 'industrial and commercial' contract terms will continue to apply."

ESPO's David Kwiatek says: "After months of uncertainty, it's excellent news that this situation has been clarified. It shows once again that we are on the ball and can influence the way the energy market is regulated."

# Fenland contract a first for ESPO

WHEN Fenland District Council decided on a full review of its energy and water consumption, environment officer David Cooper knew it hadn't the necessary resources in-house for such a major task.

He said: "Neither were we sure how to package together all the elements into a tendering exercise, because the requirements were much broader and more sophisticated than a normal purchase arrangement. The ESPO team was already managing our energy contracts so it was a natural extension to ask it to carry out the review and identify potential service providers."

Energy team leader David Kwiatek says: "Although we have

extensive experience of purchasing supplies, this is the first time we have been involved with the procurement of energy management services. It has provided us with a model which we can adapt for other local authorities who want help with energy management."

Fenland, one of six authorities in Cambridgeshire, has a population of 80,300 and covers a mainly rural area of almost 550 square miles. It is responsible for 62 properties, including the council offices, leisure centres, a depot, sheltered housing schemes, public conveniences and sewage treatment works.

The proposed review formed part of the Council's commitment to its sustainable development objectives, achieving energy efficiency accreditation and reducing the environmental impact of providing services.

The project involves:

- quantifying the volume of energy and water used as a result of the Council's activities
  - reducing consumption and increasing energy efficiency
  - reducing the environmental impact of the Council's energy use
  - improving the awareness and commitment of staff to energy and water conservation
- David Cooper added: "ESPO managed the entire procurement process, which relieved us of a significant workload, and provided valuable guidance on developing the tender specification and process. "We had an excellent response to our invitation to tender and have met our cost and quality objectives by awarding a contract to the Centre for Sustainable Energy."

## Markets & contracts

### ELECTRICITY

WHOLESALE prices fell throughout last winter, due to new trading arrangements, more competition (plant divestment left no dominant generator), excess supply capacity, lower gas prices and unusually mild weather. Overall, they were 20% lower than a year ago.

Prices may be more volatile in future. Electricity and gas prices are now strongly linked because more electricity is being generated from gas - and gas follows unpredictable oil prices. The validity of tenders continues to shorten (see Energy Matters No 6), reflecting suppliers' concerns over short-term price volatility.

In its first year, NETA certainly helped bring prices down but the drop prompted some generators to close or take capacity off-line.

The UK is now the most competitive power market in the world. Some observers say it is dangerous to be so market-driven and that this could lead to a California-style crisis. That is unlikely as around 15% of capacity has to be mothballed before there is any significant impact on availability or supply and, in any case, the UK has greater supply security thanks to interconnectors with Europe.

Nevertheless, the Government's energy review (see Policy clear, progress cloudy, page 1) needs to consider replacing the capacity lost when nuclear and coal-fired stations close. Renewable energy will account for some but will it be enough?

NETA has not helped smaller generators and those with on-site generation, who have less flexibility to 'export' surplus generation and 'import' when required. Some changes and initiatives are on the way (see Ofgem's balancing act, page 4) but will they be sufficient?

Many business customers reported problems with registration and billing after changing suppliers. It could take another 18-24 months to resolve the data transfer problems being experienced by the industry.

### COAL

UK COAL has shut Britain's oldest mine, the Prince of Wales Colliery in Pontefract, West Yorkshire.

Scotland's last deep mine at Longannet, Fife, closed after flooding by 17 million gallons of water. Five hundred jobs were lost - but, fortunately, no lives.

### OIL

OPEC production controls and tension in the Middle East caused prices to climb steadily from \$20 to nearly \$27 between mid-February and early April. Venezuela, the world's fourth largest producer, caused short term turmoil when it deposed President Hugo Chavez (prices dropped as traders thought production quotas would be relaxed) and then promptly reinstated him (pushing prices back up).

### GAS

COLDER weather and higher oil prices, following OPEC cuts in February, saw wholesale prices firm. They eased in March due to mild weather, falling demand and plentiful supply. Day-to-day prices remain



Big savings on street lighting bills

volatile. The Chancellor's 10% levy on North Sea profits could push prices up.

### CONTRACTS

Street lighting Leicestershire, Leicester City and Warwickshire - total savings of £490,000 in each of the next 2 years. Contracts went to British Energy and London Electricity, including 37m kWh from renewables saving around 15 tonnes of CO<sub>2</sub> emissions.

Air Support Units East Midlands, Cambridgeshire and Essex Police - £28,700 saved over 3 years. Contracts awarded to Exxon Mobil for the supply of fuel and the provision of storage maintenance and training services.

Electricity Contract with TXU, for non-half hourly metered supply points in Norfolk and Cambridgeshire, renewed early to take advantage of lower wholesale prices. Estimated saving over two years from October: £655,000, 16% below current cost.

## When HMD > ASC, excess charge = 3 x kVA !

ESPO is warning customers in the East Midland Electricity (EME) distribution area who are on a 'maximum-demand' tariff to check whether they risk exceeding their authorised supply capacity (ASC).

If they do, a new excess charge means they could be paying THREE TIMES the normal kVA\* rate.

This is most likely to happen during

the winter months, when heating demand is high, but it can also apply in the summer to buildings with air conditioning.

EME revised its distribution use of system (DuoS) tariffs on April 1 and, although there is no effect on actual contract rates, there is a serious implication for sites which have an ASC.

For example, if a site with an ASC of

200 kVA records a high maximum demand (HMD) of 201 kVA, the consumer will be charged for that extra 1 kVA at three times the normal contract rate.

ESPO has already contacted those who are exposed to the new arrangements. However, the energy team urges all customers on maximum-demand tariffs to review their ASC and

HMD. If you have exceeded your ASC in the past, or if you are likely to do so in the future because of an increase in your requirements, please get in touch with your local energy manager or ESPO.

\* a kiloVoltAmpere is the unit of measurement for available capacity in the local distribution network.

# Renewables NEWS

## Pitching for sun roofs

IN MARCH, the Government announced a further round of funding to bring solar power to public buildings across the UK.

The £4 million will pay for 18 schemes to develop solar

rooftops at a variety of sites, such as schools, galleries, church halls and sports centres. Energy minister Brian Wilson said: "I want to see thousands of roofs covered by solar panels every year. We have a lot of catching up to do."

"I'm sure developers and UK manufacturers of solar equipment will invest in the future of this important industry. The potential for a green manufacturing industry is an important part of the case in favour of developing our renewable energy."

Look out for more on solar heating and photovoltaics in the next issue of *Energy Matters*.



Sunslates being installed on the first private solar housing development in Edmonton, London. Picture courtesy of Solar Century and Laing Homes.

## Biggest wind farm

WORK will start next April on the UK's largest offshore windfarm, 1.5 miles out to sea near Great Yarmouth, at a cost of £76 million. Up to 38 turbines, nearly 78 metres high, are expected to produce enough power to supply 52,000 homes from late 2003.

## Biomassive grants for energy crops!

A £66 MILLION support scheme has been launched to establish up to six power stations producing electricity from burning fast-growing crops such as straw, willow and elephant grass.

The bioenergy capital grants scheme will provide cash for new biomass projects in the UK and kick-start the introduction of new technology. The Government believes rural communities will be among the first to benefit, in terms of jobs and farm incomes.

An additional £29 million is available over the next six years for the establishment of energy crops.

## UU triples investment in renewable schemes

UNITED Utilities is to invest a further £200 million in new wind farms (on and off shore), small-scale hydro schemes, landfill gas and biomass processing plants, on top of the £100 million it has already committed to renewables.

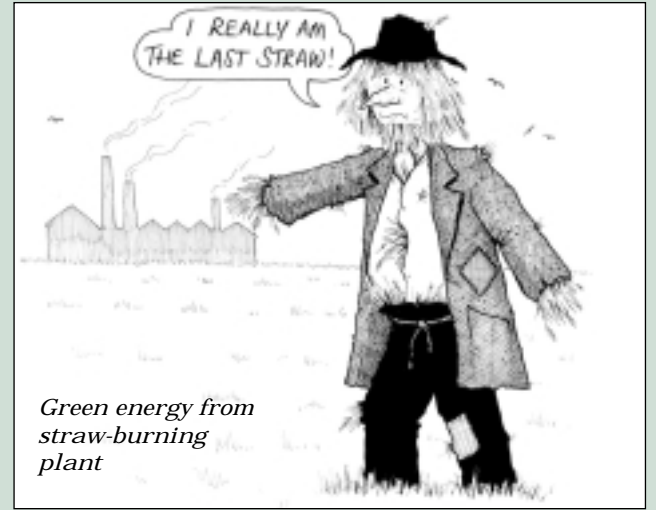
In the longer term, United also intends to plant willow on 140,000 acres of land in Cumbria for burning in local power

stations. The move follows Scottish & Southern Energy's promise to spend £450 million over the next ten years on refurbishing existing hydro plants and building new wind farms.

## UK tops straw poll

THE UK's first – and the world's largest and most efficient – straw-fired power station opened at Sutton Ely, Cambridgeshire, in January.

The station, which cost £60 million to build, will process around 200,000 tonnes of locally-grown straw a year and produce enough electricity to supply around 27,000 homes.



# Wilson makes green power an obligation

THE renewables obligation – forcing electricity suppliers to acquire up to 10% of their power from 'green' sources – took effect at the end of March.

Environmentally-friendly technologies, such as those using wind, biomass, solar and water power, were given a boost by the announcement, made at the first global windpower conference by UK energy minister Brian Wilson.

He said: "The renewables obligation will be the main driver towards creating a UK-wide green energy market, worth £1 billion, by 2010."

"We are pursuing a market-led approach to encourage competition amongst the different technologies. This will keep costs down, making it a good deal for industry as well as the environment."

The obligation will start at 3% and gradually rise to the Government's target of 10% by 2010.

### HELP FOR SMALLER GENERATORS

Earlier this year, Mr Wilson announced a package of direct financial support, worth more than £260 million, to help

renewables generators. He said that the strategy had a built-in price ceiling which would limit the cost to consumers, since most renewables are still more expensive than conventional energy.

At about the same time, Ofgem outlined ways to give smaller generators more flexibility and allow them to compete more effectively with larger electricity producers. These include technical changes, for example groups could sell their unpredictable output through an aggregation service.

However, some smaller generators believe that tackling commercial disadvantages – for example their exposure to punitive 'imbalance' charges – is a more important issue.

Tax incentives announced in the budget will also help (see *Budget bits*, page 1).

### GREEN POWER UNIT LAUNCHED

Britain should be leading the world in renewables technology, said Mr Wilson as he launched Renewables UK. Based in Aberdeen, the organisation aims to increase the country's share of the £500 bn worldwide market for green energy by promoting Britain as an ideal location for manufacturing equipment.

# Energy market movers and shakers

## Enron out, BGT in

FOLLOWING the collapse of its US parent, Enron Direct Ltd was bought from the administrators by British Gas Trading, which pledged to ensure continuity of gas and electricity supplies to customers.

Enron Direct was a subsidiary of Enron Europe, which in turn was a subsidiary of Enron Corporation. Despite the latter's rapid downfall, the UK subsidiary was seen as a valuable asset and attracted interest from Electricité de France, PowerGen, Innogy and RWE of Germany before being snapped up by BGT. The acquisition will almost double the commercial electricity base of BGT's parent, Centrica Plc.

ESPO's energy team leader, David Kwiatek, says: "Fortunately, these events will have no immediate impact on customers whose contracts were with Enron Direct. All you will see is a change of name."

"In general, however, we may see some longer term price rises because many electricity distribution companies were left with massive debts after Enron's demise. They are now asking Ofgem for a relaxation of price controls."

The situation has prompted Ofgem to investigate the levels of credit cover held by suppliers; see *Crashes spark credit review*, page 4.

## Grid and Lattice

NO, not the name of a new chain of pubs, but a merger between the UK's electricity and gas transmission companies.

The National Grid and Lattice, which owns Transco, are expected to merge in a £15 billion deal to create the UK's largest utility company. If the plan survives close scrutiny by Government and regulators, we will see the birth of National Grid Transco this autumn.

The National Grid owns and operates the high voltage electricity network in England and Wales, along with three electricity infrastructure companies in the US. Lattice was created as a result of its de-merger from British Gas' exploration and production activities in 2000.

## Germany 2, England 0

HOT on the heels of German power giant E.ON, which bought PowerGen last year, another teutonic multi-utility, RWE, has confirmed its £5.2 billion bid for Innogy.

If the deal goes ahead, RWE will become Britain's largest electricity supplier and second largest gas supplier. It is currently the fifth largest industrial company in Germany, with interests in electricity, gas, waste management and water supply.

Innogy and its offspring, npower, will continue to trade under their existing names and pursue their existing business strategies under the same management.

## London just got bigger

IN a deal which will more than double the number of its customers in the London area, Electricité de France has bought Eastern Electricity's distribution business from TXU Energi.

EDF already owns London Electricity and SWEB. The move increases London Electricity's network to 5.3 million – 15% of Britain's total coverage.

## Amerada under the hammer

MEANWHILE, TXU has purchased Amerada Hess' gas business, which we reported up for sale in the last issue of *Energy Matters*. This gives TXU the third largest UK domestic customer portfolio, after Centrica and Innogy.

Amerada put its retail operation on the market after failing to hit the target of 5 million customers generally accepted as vital for survival. The company retains its North Sea oil interests.

## Coming (or going) shortly

FURTHER consolidation looks likely as EDF bids for Seaboard, one of the UK's smallest energy retailers, and US-based Cinergy Global Trading looks for a buyer for industrial electricity supplier UK Electric Power.

Meanwhile, reports of a merger between Scottish & Southern Energy and ScottishPower faded as SP announced that it will instead expand into the US market.

## 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	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	Jackie Lawrence	01926 736324

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

# Grants for going greener

TO encourage fleet managers to go greener, TransportAction has launched PowerShift and CleanUp.

Grants are available both for buying clean-fuel vehicles and for fitting existing vehicles with emission-reducing equipment. According to ESPO's fuels buyer, James Trotter, applying for them couldn't be easier.

"Any fleet manager looking for grant funding simply needs to go to the TransportAction web site ([www.transportaction.org.uk](http://www.transportaction.org.uk)) and click on the PowerShift or CleanUp button. It's really user-friendly.

"The PowerShift register is the only

comprehensive and impartial list of clean fuel vehicles which are eligible for grants. You can select the manufacturer and model you are interested in, along with the alternative fuel you want to use, and up comes a list of appropriate vehicles and suppliers' names."

Grants can be as high as 75% of the extra cost of buying a 'green' vehicle or of buying and installing equipment which will reduce harmful emissions. Application forms can be downloaded from the web site.

TransportAction is run by the Energy Saving Trust and funded by the Government.

# UK energy price trends

Commodity	Latest (April 2002)	6 months ago	12 months ago
Exchange rate: £1=\$	1.443	1.451	1.427
Brent crude oil: \$ per barrel	25.69	19.29	24.11
Gas (year ahead): pence per therm	18.35	19.42	24.11
Electricity (year ahead): £ per MWh	15.85	20.43	20.36

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

# James joins the energy team

LEICESTERSHIRE born-and-bred James Trotter took over the role of fuels buyer on the ESPO energy team in October 2001.

He previously worked for Progress Buyers, where he was responsible for purchasing calibration services for Ford and Jaguar. Before that he was assistant buyer for woodworking machinery manufacturer Wadkin.

He says: "The opportunity to continue with my training was one of the things that most appealed about the job with ESPO."

"But I liked the idea of a more methodical and strategic job. In my last two companies it was more a question of fire-fighting and desperately trying to get the parts in at the last minute. I prefer the far-sightedness and creativity of working here."

James' job involves close liaison with customers and managing procurement on their behalf - including identifying requirements, preparing and issuing tenders, bid evaluation, negotiating with suppliers and awarding contracts. His involvement continues as he monitors contract performance and assists customers with any queries.

He adds: "The first major contract I've been involved with is the supply of aviation fuel and provision of associated services to air support units. That's a perfect example of the strategic nature of the job."



James Trotter

There are so many different aspects to a contract, not only the price but also managing the risks associated with the product or service."

At his previous job, James started on the road to his CIPS qualification and completed three modules last year. He's about to sit his final foundation stage exams and hopes to complete the professional stage within the next two years.

Whilst studying for his degree in sociology at Loughborough University, James inevitably played a wide range of sports - and still does, with golf, squash and five-a-side football taking up much of his

spare time. Another passion is travelling: he trekked through Nepal four years ago, inter-railed around Europe in 2000 and plans to see California later this year.

James, 28, who currently lives in Cropston, has spent the last six months house-hunting.

Energy team leader David Kwiatek says: "James has adapted well to the challenges of his new role, both in terms of the product portfolio and learning about the legal framework of public sector purchasing."

"He's proving to be a valuable member of the team."



## 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.

ESPO has received several letters from schools, along the following lines:

*"We have been contacted by a company which says it can save us 25% off our energy bills. They say they are approved by our existing supplier and are part of a Government initiative to ensure maximum discounts are being applied. Is this genuine? They are adamant they must visit the school immediately to take a meter reading and conduct a survey of our energy bills."*

David Kwiatek replies:

"These visits have not been requested by any of the local authorities, ESPO or - to the best of our knowledge - suppliers. Neither are we aware of any such Government initiative. The claim about savings also seems spurious

since the company does not know your current prices!

"It would appear that none of the company's statements are true and that these are purely speculative calls in an attempt to gain access for sales purposes."

"You should be extremely cautious about such approaches. If you do agree to a visit, please be careful about signing anything - even if you are told that the document is simply a record of the visit. It may actually be an agreement to switch suppliers - it has happened!"

"If you already have a contract, changing supplier could put you in breach of that contract. Remember - if something appears too good to be true, it probably is!"

"If you are approached by a company making this sort of claim and are in any doubt, please contact your local authority energy manager, central purchasing unit or ESPO."

## Southern soothes gas supply headache

AFTER months of negotiating, ESPO has completed a framework agreement with Southern Electricity & Gas to solve the problem of sites supplied by an independent public gas transporter (IPGT).

As we reported in the last issue of *Energy Matters*, public amenities - such as schools, libraries and sports facilities - built along with residential sites may have difficulty finding a gas supplier if the developer chooses an IPGT instead of Transco.

Although the number is currently small - only six out of the 3,000 meter points which ESPO deals with - there is flexibility within the new agreement to add more sites.

ESPO's gas buyer Graham

Holley says: "We expect a handful of new cases like this every year and each one will have a tailored arrangement with Southern."

"Prices may not always be as keen as on a straightforward contract but we have worked hard to secure the most economically advantageous deal for these customers."

"There have also been some delays in billing these sites because it proved extremely difficult for the new shipper and the various IPGTs to agree supply transfer readings. The problems have been ironed out now and billing for future customers should be simple."

ESPO is offering to advise local authority property departments on the implications of developers choosing an IPGT.

## Ofgem's balancing act

OFGEM has finally unveiled proposed reforms to the gas balancing system which could replace the current daily arrangement with balancing every few hours.

A year ago, Ofgem's original proposal - to shorten the balancing interval from a day to an hour, or even half an hour - alarmed industry and consumer groups, who claimed the regulator was 'using a sledgehammer to crack a nut' and that the cost of changing far outweighed any potential benefit.

HOW DO THE REFORMS AFFECT ESPO CUSTOMERS?

David Kwiatek explains: "I'm relieved that Ofgem didn't pursue hourly or half-hourly balancing. That could have meant substantial changes to metering."

"There are likely to be implications for contract terms, placing greater emphasis on load management. Customers will have to advise suppliers of any significant changes in their future needs due to, for example, extensions or closures for refurbishment. Otherwise they will face higher prices."

WHY IS GAS BALANCING NECESSARY?

If some shippers introduce insufficient gas early in the day, Transco has to buy gas to 'balance the system' - thus increasing the on-the-day price to shippers. Conversely, towards the end of the day, there may be too much gas in the system, which Transco has to sell at a loss, thereby reducing the on-the-day price.

Although Transco passes these costs back to shippers, they are spread across all companies, not just those who cause the problems. Some shippers have suffered whilst others have benefited financially.

WHY WILL THE NEW REGIME BE BETTER?

It will target the cost of keeping the system in balance at those who cause the problems. Suppliers can decide whether or not to participate: if they can balance their flow more efficiently or more cheaply than Transco it will pay them to do so.

Ofgem's proposed reforms are likely to take place in stages between October 2002 and October 2003.

## Fill up and save cash with a fuel card

DURING 2001, ESPO's card customers filled up with 1.3 million litres of petrol and diesel and saved nearly £21,000 in discounts.

The fuel card scheme was set up following ESPO's road fuel management survey in 1999.

The Shell and TotalFinaElf cards work on a simple forecourt refuelling basis, offering a discount off pump prices which is based on the total consumption of ESPO's cardholder customers. With the Keyfuels card, diesel is bought on the spot market and credited to the

customer's account. Vehicles can then fill up at any participating station. The price to the customer is adjusted to take in a handling charge - which again is based on total monthly usage by all ESPO customers.

In addition to substantial savings, ESPO fuel cards offer nearly 20 other benefits, including easily reconciled VAT invoices, control and security over driver expenditure and up to six weeks' free credit.

For a complete run-down or a review of your options contact ESPO's fuels buyer, James Trotter, on 0116 265 7924.

## Bent on learning

IN February, ESPO hosted a visit by Bent Sterregaard, from the Danish public sector procurement organisation.

Indkøbs Service, based in Copenhagen, acts on behalf of local authorities and central government departments in Denmark. Amongst other topics of interest, Bent was eager to learn about ESPO's process of energy procurement because Denmark's electricity supply market is being deregulated.

On his return he thanked ESPO for 'a very good and inspiring visit' and told the energy team: "The information about how you have coped with the free electricity market was of great use and will help me in the future."



David Kwiatek (right) welcomes Danish visitor Bent Sterregaard

## Crashes spark credit review

IN THE wake of Enron and other energy company failures, Ofgem is consulting the industry on how to deal with credit cover so that consumers are exposed to the least possible risk.

As reported in *Energy Matters No 5*, there is already a mechanism called 'supplier of last resort' to ensure that customers are switched

to a new supplier.

This protects the consumer but does not help companies caught up in the crash, which are unlikely to be paid for their services and supplies and may themselves end up in financial trouble - so there is still the potential for customer disconnections.

Credit cover from a parent or

associated company is worthless in situations like Enron so Ofgem is suggesting credit cover (eg a 'letter of credit' or cash bond) or changes to the price control mechanism, or a combination of both.

The ultimate result is more security - but possibly also higher bills if the risk of failure is factored into prices.

## Web Watch

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

British Biogen.....britishbiogen.co.uk  
 British Wind Energy Association.....bwea.com  
 Cabinet Office (for PIU energy report).....cabinet-office.gov.uk  
 Centre for Analysis and Dissemination of Demonstrated Energy Technologies.....caddet-re.org  
 Centre for Sustainable Energy.....cse.org.uk  
 EC web site for renewable energy.....agores.org  
 European Renewable Energy Exchange.....eurorex.com  
 Energy Efficiency & Renewable Energy Network (US Dept of Energy).....eren.doe.gov  
 Green Energy (UK) PLC.....greenenergy.uk.com  
 Sustainable Energy Development Authority (Australia).....seda.nsw.gov.au  
 Water saving and monitoring in schools.....waterintheschool.co.uk  
 World Business Council for Sustainable Development.....wbcsd.ch

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