

**TITLE OF REPORT:** Energy Tariffs for Gateshead HEIGHTs Project

**REPORT OF:** Peter Udall, Strategic Director, Economy, Innovation and Growth

---

### **Purpose of the Report**

1. To seek approval for the following energy tariffs for HEIGHTs project residents for 2020/21:
  - Heat tariffs for all HEIGHTs residents
  - Electricity tariffs for HEIGHTs residents at Barford and Stretford Court

### **Background**

2. The Gateshead HEIGHTs (High Rise Energy Infrastructure for Gateshead Housing Tenants) project has installed new district heating systems to 7 High Rise Housing blocks in the Town Centre and Harlow Green.
3. It has also installed a private wire electricity network at 2 of these 7 blocks (Barford and Stretford Court).
4. Under heat and electricity supply agreements with residents, the Council is required to revise tariffs annually from 1<sup>st</sup> April, in line with changes to the wider domestic energy market.

### **Proposal**

5. The below tariffs are for 1 April 2020 to 31 March 2021. All tariffs are inclusive of VAT.
6. It is proposed to continue to not apply a standing charge for the heat supply. The heat tariffs have been set as follows:
  - 4.139 p/kWh for Regent Court residents (a decrease of 6%)
  - 7.833p/kWh for Harlow Green residents (an increase of 3%)
7. The electricity tariffs for residents at Barford and Stretford Courts have been set as follows:
  - Standing charge: 18.51p/day (a decrease of 0.5%)
  - Unit rate: 13.31p/kWh (a decrease of 10.5%)

### **Recommendations**

10. It is recommended that Cabinet agrees to:
  - (i) the proposed heat tariffs as set out above and to apply these for the period 1<sup>st</sup> April 2020 – 31<sup>st</sup> March 2021; and

- (ii) the communication of the revised tariffs to HEIGHTs residents.

For the following reasons:

- (i) To comply with heat and electricity supply agreements in place with customers
- (ii) To ensure the HEIGHTs scheme recovers its operating and construction costs over its lifetime

---

**Contact: Jim Gillon**

**Extension: 3923**

**Policy Context**

1. The HEIGHTs project continues to contribute to the delivery of many targets and strategic interventions within the Council's Thrive Agenda, the Council's Climate Change Strategy and other Council strategies and commitments, specifically:
  - Helping to alleviate fuel poverty for residents, by providing lower cost heat and electricity;
  - Reducing energy consumption and carbon emissions of homes and public buildings in the borough;
  - Improving the quality and comfort of heating systems by replacing aged, inefficient systems such as night storage heaters.

**Background to Gateshead HEIGHTs**

3. The Gateshead HEIGHTs project has installed low-carbon heat and electricity generation plant in 7 high rise blocks in Gateshead, to reduce the carbon emissions and energy costs of these homes:
  - Regent Court – heat only, supplied direct to residents from town centre district energy scheme.
  - Ripley, Willerby, Acomb, Bedale, Angel courts – heat only, supplied from Ground Source Heat pumps.
  - Stretford, Barford – heat and electricity, supplied from combined heat and electricity generation plant.
4. New heating systems were installed, with heat supply to residents commencing from May 2018 and completing in December 2018. A total of 620 homes now receive heat under the Gateshead HEIGHTs scheme.
5. A further 108 Barford and Stretford Court residents are now supplied electricity, with supplies commencing in October 2019 and completing in February 2020. Unlike the heat supply, under UK energy regulations residents can choose whether they want to be supplied electricity by Gateshead Council or by a different supplier.
6. All customers have smart prepayment meters, and just pay for the heat or electricity they use and can top up in a variety of ways – at their nearest prepayment card outlet, over the phone or internet, or via standing orders.

**Proposed Heat and Electricity Tariffs**

7. Under the terms of the heat supply agreement between the Council and each customer, heat tariffs are revised annually on 1<sup>st</sup> April, in line with increases or decreases to the market price for their previous heating fuel (gas for Regent Court residents, and electricity for Harlow Green residents).
8. Electricity prices are also revised annually on 1<sup>st</sup> April, in line with increases or decreases to the market price of electricity.
9. Most residents were customers of the Big Six energy suppliers prior to the HEIGHTs scheme. The average of the Big Six energy suppliers' prices are therefore used as a benchmark to set heat prices.

10. For Regent Court, as shown in Appendix 2, average gas prices for the Big Six have decreased by 6%. Hence the proposed heat tariffs for Regent Court are:
  - 4.139 p/kWh (a reduction from 4.405 p/kWh last year)
11. For the Harlow Green blocks (Acomb, Bedale, Barford, Stretford, Ripley and Willerby Courts), the original benchmark tariff was the Economy 7 night rate, because this is the fuel previously used for the night storage heaters used before HEIGHTs. This was changed last year, due to large increases and variability in this rate, which would have resulted in increases that were not market reflective. This year, again Economy 7 night rates are higher, and variable, now averaging 10.33 p/kWh. If the Council were to continue using Economy 7 as the benchmark, customers would see a 30% price rise in heat costs, which is not market reflective. The Council therefore chooses to continue not using this as the benchmark for the heat price.
12. It is proposed that the single rate electricity tariff is used as a benchmark instead. This is because this shows limited variability, and has increased slightly, but not to the same extent as seen in Economy 7.
13. The average Big Six single rate electricity tariff has increased by 3%, as shown in Appendix 4. Therefore, the proposed heat tariff for Harlow Green residents is as follows:
  - 7.833 p/kWh (an increase from 7.595 p/kWh)
14. The Council will also maintain the policy of not levying a standing charge for heat customers. This is because this would introduce significant additional cost for residents who previously only had one utility supply (i.e. electricity), particularly penalising very low users.
15. For the electricity tariff, as shown in Appendix 3, the average of the top 5 cheapest suppliers in the market are used. This is because residents can choose to be with a different electricity supplier, so it is essential the Council's tariffs are highly competitive.
16. Since the tariffs were set at the start of the scheme in September 2019, the cheapest market electricity prices have seen a reduction of 9%, which will be passed on to residents as follows:
  - a) Standing charge: 18.51p/day (a reduction from 18.61p/day)
  - b) Unit rate: 13.31p/kWh (a reduction from 14.86p/kWh)
17. Full details of the calculation of tariffs are given in the table in Appendices 2 and 3. This also shows the bill residents can expect to pay in 2020/21 compared to 2019/20.

### **Alternative Options**

18. **Set lower tariffs.** The Council could choose to set lower tariffs than inflation, if it chooses to, however given current projections, this would impact on recovering the investment costs of the scheme.

19. **Set higher tariffs.** In this scenario, the Council would be able to recover its investment more quickly. However, this would be against the terms of the heat supply agreement, reduce or remove any savings to residents, and severely impact on the satisfaction that residents would have for the scheme.

### **Consultation**

20. The Leader and Deputy Leader, Housing, and Environment and Transport portfolio have been consulted and support the proposals.
18. Ward members have also been consulted, and supported recommendation to Cabinet.

### **Implications of Recommended Option**

#### **19. Resources:**

- a) **Financial Implications** – The Strategic Director, Resources and Digital, confirms that the heat tariffs proposed represents the optimal way for the Council to meet its objectives of reducing resident fuel costs, but still recovering the Council's investment in the scheme.
- b) **Human Resources Implications** – Scheme administration will be provided by existing staff within Energy Services.
- c) **Property Implications** - The scheme is part of a scheme to provide a modernised heating system for 7 tower blocks included in the scheme including new wet distribution systems, radiators and heat meters within resident's flats. It will also provide low carbon heat and electricity.

20. **Risk Management Implications** – none

21. **Equality and Diversity Implications** – none

22. **Crime and Disorder Implications** – none

23. **Health Implications** – ensuring residents have lower heat prices than before can encourage them to use their heating, potentially averting cold home related health problems

24. **Sustainability Implications** – the Project reduces the carbon emissions and energy costs of these homes

25. **Human Rights Implications** – none

26. **Ward Implications** – the scheme operates in Chowdene and Bridges Ward.

### **Background Information**

27. Heat tariffs for Gateshead HEIGHTs, March 2019; Electricity tariffs for Gateshead HEIGHTs, Jan 2019; Heat tariffs for Gateshead HEIGHTs, Feb 2018 March 2019.

## Appendix 2. Heat tariff calculation 2020/21

Benchmark	Harlow Green		Regent Court
	Single rate	Economy 7 rate	Gas
npower	16.37	11.40	3.27
British Gas	17.37	9.13	3.60
SSE	17.12	11.53	3.55
EDF	13.90	9.74	2.26
Eon	17.37	10.68	3.60
Scottish Power	17.37	9.47	3.60
Average 2020/21 benchmark	16.58	10.33	3.31
Average 2019/20 benchmark	16.08	9.62	3.52
% change	3.1%	7.3%	-6.0%
<b>Heat tariff</b>			
2019/20 tariff (p/kWh)	7.595	Not applied	4.405
2020/21 tariff (p/kWh)	7.833		4.139
2019/20 bill estimate*	£201		£158
2020/21 bill estimate*	£207		£148

\*Note: these bill estimates are based on average heat use recorded via customer meters throughout 2019, averaged across the six blocks.

## Appendix 3. Electricity tariff calculation 2020/21

Benchmark	Standing charge	Single rate
Bristol Energy	13.76	14.39
Octopus	20.44	13.71
PFP	22.05	13.58
npower	17.73	14.68
Green Energy Network	23.42	13.69
Average 2020/21 benchmark	19.48	14.01
Average 2019/20 benchmark	19.59	15.65
% change	-0.5%	-10.5%
<b>Power tariff</b>		
2019/20 tariff (p/kWh)	18.61	14.86
2020/21 tariff (p/kWh)	18.51	13.31
2019/20 bill estimate*		£365
2020/21 bill estimate*		£334

\*Note: these bill estimates are based on an expected annual electricity usage of 2000kWh, because we do not yet have a year's worth of actual electricity usage data.