

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 2021/22:
 - 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) energy scheme supplies heating via district heating systems to 7 High Rise Housing blocks in the Town Centre and Harlow Green (Regent Court, Ripley and Willerby Court, Acomb and Bedale Court, Barford and Stretford Court).
3. It also supplies 2 of these 7 blocks with electricity (Barford and Stretford Court).
4. Under heat and electricity supply agreements with residents, the Council is required to revise tariffs annually from 1st April, in line with changes to the wider domestic energy market.
5. Prices are benchmarked against the market price for residents' previous heating fuel (gas for Regent Court, electricity for Harlow Green).

Proposal

6. The below tariffs are for 1 April 2021 to 31 March 2022. All tariffs are inclusive of VAT.
7. We propose to continue to not apply a standing charge for the heat supply. The heat tariffs have been set as follows:
 - 3.638p/kWh for Regent Court residents (a decrease of 12%)
 - 7.833p/kWh for Harlow Green residents (no change)
8. The electricity tariffs for residents at Barford and Stretford Courts have been set as follows:
 - Standing charge: 18.51p/day (no change)
 - Unit rate: 13.31p/kWh (no change)

Recommendations

10. It is recommended that the proposed heat and electricity tariffs for the period 1st April 2021 – 31st March 2022, as set out above are approved and notified 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.
- (iii) To ensure HEIGHTs customers continue to pay fair and market reflective prices for their heating and electricity.

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Policy Context

1. The HEIGHTs project continues to contribute to the strategic interventions within the Council's Thrive Agenda, the Council's Climate Change and Net Zero 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 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 only pay for the heat or electricity they use. They 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 1st 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 1st April, in line with increases or decreases to the market price of electricity.
9. The average of the Big Five energy suppliers' prices are used as a benchmark to set heat prices.

10. For Regent Court, as shown in Appendix 2, average gas prices for the Big Five have decreased by 12%. Hence the proposed heat tariffs for Regent Court are:
 - 3.638p/kWh (a reduction from 4.139 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 two years ago, due to large increases and variability in this rate, which would have resulted in increases that were not market reflective. These increases and fluctuations have continued throughout 2020/21.
12. It is proposed that the single rate electricity tariff continues to be used as a benchmark instead. This is because it shows limited variability. It has not increased in the last year, meaning that prices will not increase for Harlow Green heat customers.
13. The heat tariff for Harlow Green residents is as follows:
 - 7.833 p/kWh (no change from last year)
14. The Council will also maintain the policy of not levying a standing charge for heat customers. This is because it 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 2, the average of the top 5 cheapest suppliers in the market are used, with a discount of 5% applied. This is because residents can choose to be with a different electricity supplier, so it is essential Gateshead Council's tariffs are competitive.
16. The average top 5 cheapest electricity prices have not changed in the last year. Therefore, the tariffs will not change, and will be as follows:
 - a) Standing charge: 18.51p/day (no change)
 - b) Unit rate: 13.31p/kWh (no change)
17. Full details of the calculation of tariffs are given in the table in Appendix 2. This also shows the bill residents can expect to pay in 2021/22 compared to 2020/21.
18. Please note that Big Five standard gas and electricity prices are currently the same across all suppliers. This is due to the Ofgem (gas and electricity market regulator) price cap that is currently in place.

Alternative Options

19. **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.
20. **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

21. The Leader, Deputy Leader, Housing and Economy, and Environment and Transport portfolios have been consulted on these proposals, and support the recommendations to Cabinet.

Implications of Recommended Option

22. 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 continues to provide a modernised, lower carbon heating and electricity system for the HEIGHTs tower blocks including new wet distribution systems, radiators and heat meters within resident's flats.

23. Risk Management Implications – none

24. Equality and Diversity Implications – none

25. Crime and Disorder Implications – none

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

27. Climate Emergency and Sustainability Implications – the Project reduces the carbon emissions and energy costs of these homes.

28. Human Rights Implications – none

29. Ward Implications – Chowdene and Bridges Ward.

Background Information

30. Heat Tariffs 2020-21, Cabinet March 2020.

APPENDIX 2: Tariff Calculation 2021/22

Heat Tariffs

Benchmark	Big 5 electricity – Harlow Green	Big 5 gas – Regent Court
British Gas	16.69	2.91
SSE	16.69	2.91
EDF	16.69	2.91
Eon	16.69	2.91
Scottish Power	16.69	2.91
Average 2021/22 benchmark	16.69	2.91
Average 2020/21 benchmark	16.58	3.31
% change	1%	-12.0%
Heat tariff		
2021/22 tariff (p/kWh)	7.883	3.638
2021/22 bill estimate*	£226	£140

*Note: these bill estimates are based on heat use recorded via customer meters throughout 2020, averaged across the six blocks.

Electricity tariffs

Benchmark	Standing charge	Unit rate
Symbio Energy	19.50	13.25
Neon Reef	14.25	14.34
Green	20.00	14.58
Simplicity	22.03	14.40
Igloo	22.64	14.29
Average 2021/22 benchmark	19.68	14.17
Average 2020/21 benchmark	19.48	14.01
% change	1%	1%
2021/22 tariff (p/kWh)	18.51	13.31
2021/22 bill	£198	

*Note: these bill estimates are based on electricity use recorded via customer meters throughout 2020, averaged across the two blocks.