



The newsletter for ESPO's energy customers

# PRICE PREDICTIONS?

Don't even ask, says David Kwiatek, ESPO's energy team leader

**ENERGY prices have rocketed since the turn of the year amid concerns over gas supply and the rising cost of oil – now around 500% higher than in 1999. They stayed high as Europe coped with a cold winter and speculative trading. The new Emissions Trading market began to bite. What next?**

## ECONOMY HIT BY HIGH OIL PRICES

Brent blend crude oil soared to a record \$56.51 per barrel, driven by demand from China, concerns over availability, fuelled by industrial unrest in Nigeria's oil producing region, an explosion at a Texan refinery and low reserves of gasoline and heating oil in the US. Rising oil prices are having

it appears that industry is absorbing the pressure – but for how long? At the same time, UK consumer spending is slowing following interest rate rises and increases in fuel and utility bills.

## SAME IN AMERICA

It's the same story in the US, where the economy grew at its slowest pace for two years from January to March

meet summer demand.

By contrast, energy prices did not merit a mention in a UK election campaign dominated by other issues.

## GAS SUPPLY FEARS

Record oil prices have pushed up gas and, in turn, power prices.

Gas prices were also driven up by concerns over supply - UK reserves in the North Sea are declining, increasing our reliance on imports through interconnectors from Europe and in the form of Liquid Natural Gas (LNG).

Two years from now, the UK's capacity for imports should increase if all the projects 'in the pipeline' come to fruition. In the meantime, there is little prospect of prices falling.

Supply prices for gas and electricity are currently some 30% up on this time last year and up to 77% higher than two years ago.

## OUTLOOK GLOOMY

Spring usually signals an easing in winter prices but this year we saw the opposite effect thanks to nine power stations being off line at the end of March.

A forecast of lower global demand, increased output by OPEC and news of higher inventory levels in the US helped oil ease from its peak back towards \$50 in early May. However, drastic falls in oil and gas are now needed to



David Kwiatek

give any meaningful fall in power prices – which appears unlikely.

The respite may only be temporary anyway, as some analysts believe oil prices could reach \$105. To add to the sense of gloom, the International Energy Agency has published measures that governments can use 'to save oil in a hurry' if supplies fall by as little as one million barrels a day.

Against this background, and the failure of regulators to identify the more dubious reasons for high gas prices, the only light at the end of the tunnel is the promise of additional interconnector capacity and LNG storage. That, however, is some way off. According to the Commons Trade and Industry Select Committee, gas consumers can expect price spikes for another two years and we at ESPO see no reason to disagree.

How far will prices go up? Better and wiser industry figures than I have been made fools of in the last year, so I'm making no predictions!

## IN BRIEF

### The power of silence

POWER demand drops dramatically whenever there is a nationwide silence. The three-minute silence in early January, in memory of the victims of the Asian tsunami, saw a drop of 1.3 gigawatts. However, this was nothing compared with the silence on 14 September 2001 after the attack on the World Trade Centre, when a fall of 2.7 gigawatts was recorded.

### Fuel production down

UK production of both oil and gas continues to decline year on year, according to the latest market report by the Royal Bank of Scotland. To December 2004, oil production fell by 11.6% and gas by 12.2%.

### All change at the top

FOLLOWING the general election in May, Malcolm Wicks now has ministerial responsibility for energy.

### No role change for Ofgem

CALLS from some sectors of the energy industry to widen Ofgem's powers, to include the offshore as well as the inland gas market, were turned down by the former Energy Minister, Mike O'Brien.

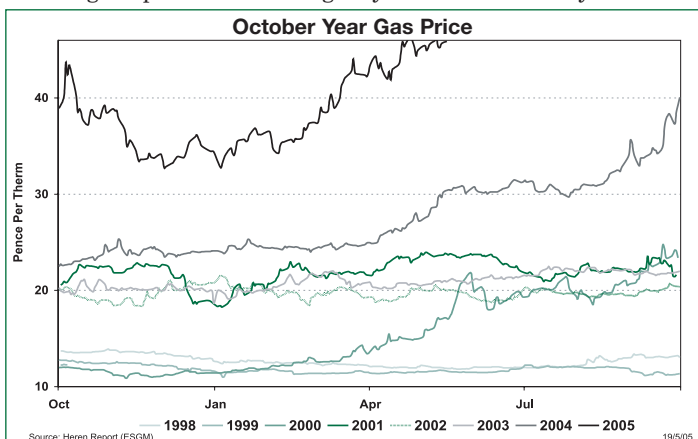
### Alarming rise in CO2

EMISSIONS of CO2 rose by 2.2% in 2003 and 1.5% in 2004, according to the DTI, so the Government will be forced to rethink its policy if the target of 20% by 2010 is to be met.

David Kwiatek, ESPO's energy team leader, says: "Nearly all the measures to reduce emissions have targeted business consumers rather than the domestic sector, which must be tackled more aggressively if real inroads are to be made. Domestic consumers have a vote – do politicians have the will?"

### Nuclear v renewable

NUCLEAR power is back on the agenda following a report by energy consultants Oxera. It claims that a programme of new nuclear build could be around one-third cheaper than the cost of a comparable level of renewable generation.



This snapshot of anticipated wholesale gas prices from October each year shows a stable situation in 1998/9, a sharp rise in summer 2004 and three more reasonably stable years. Forward prices from October 2004 show a steep rise through this summer, with October 2005 onwards erratically but steadily climbing off the graph.

an economic impact. In the UK, manufacturers' costs rose in March by 11.5% compared with last year, the fastest rate in 20 years. However, as retail price inflation (excluding volatile sectors such as oil, tobacco and food) was simultaneously at 2.4%,

2005, as rising petrol prices stifled consumer and corporate spending.

As opinion polls suggested voters were increasingly worried about fuel prices, President Bush pledged to find ways of helping US refineries increase output to

## A truly EPIC achievement

A GROUNDBREAKING business centre in Nuneaton, Warwickshire, has been designed to use half the energy of conventional buildings, reduce CO2 emissions by up to two-thirds and generate up to 20% of its own electricity.

Standing on a former landfill site, the Eliot Park Innovation Centre (EPIC) provides office space for around 50 small companies. It is supported by steel pipes recycled from North Sea oil rigs and was built using recycled aggregates and locally made bricks and blocks.

Energy consumption is reduced by using hi-tech air handling equipment to cool and heat the building, coupled with high efficiency gas heating modules and very low building leakage rates.

Thanks to 'high thermal massing' (heavy structure, state of the art windows and intelligent lighting), Warwickshire County Council estimates that CO2 emissions will be around 52kg per square metre of floor space, compared with benchmarks of 86kg/m2 and 148kg/m2 for standard and prestige offices.

Added to all these benefits is a 105kW photovoltaic installation on the roof of the building, which will convert daylight into electricity.



Little wonder, then, that EPIC has gained an 'Excellent' BREEAM (Building Research Establishment Environmental Assessment Method) rating.

ESPO was called in to advise WCC on arranging the physical supply connection and negotiating the terms of supply, and is still involved in discussing prospects for potential 'exports' of surplus electricity.

## No let up for 2 years

HIGH gas and electricity prices are here to stay for at least two more years, says the Commons Trade and Industry Select Committee.

In March, the Committee published its findings following a five-month enquiry into the unprecedented increases in the wholesale price of gas during 2004. It found that rising demand, coupled with declining domestic gas production, leaves too small a surplus of gas in winter – leading to seasonal price spikes.

Over this and perhaps the next two winters, the UK will be in the same uncomfortable position. Measures may be taken to decrease demand and customers on interruptible supply contracts may find their gas supply temporarily cut off.

The Committee Chairman, Martin O'Neill, said: "There are failures in the market arising from significant problems with physical supply, the lack of information about supply, the difficulties caused by operating a liberalised market in the UK alongside a relatively unliberalised market in Continental Europe and the dearth of traders willing to sell gas into the forward market.

"These problems are serious enough for us to conclude that the autumn 2004 price spike, and the recent spike in late February 2005, will be repeated over the next two years."

Nevertheless, the Committee reported some encouraging signs. Planned construction of import and gas storage capacity, provision of more information to traders by production companies and the belief that the EU Commission is taking the competition issue more seriously, all point to an eventual improvement.

In the meantime, customers – especially those in industrial and commercial markets – will get no respite from high gas and electricity prices.

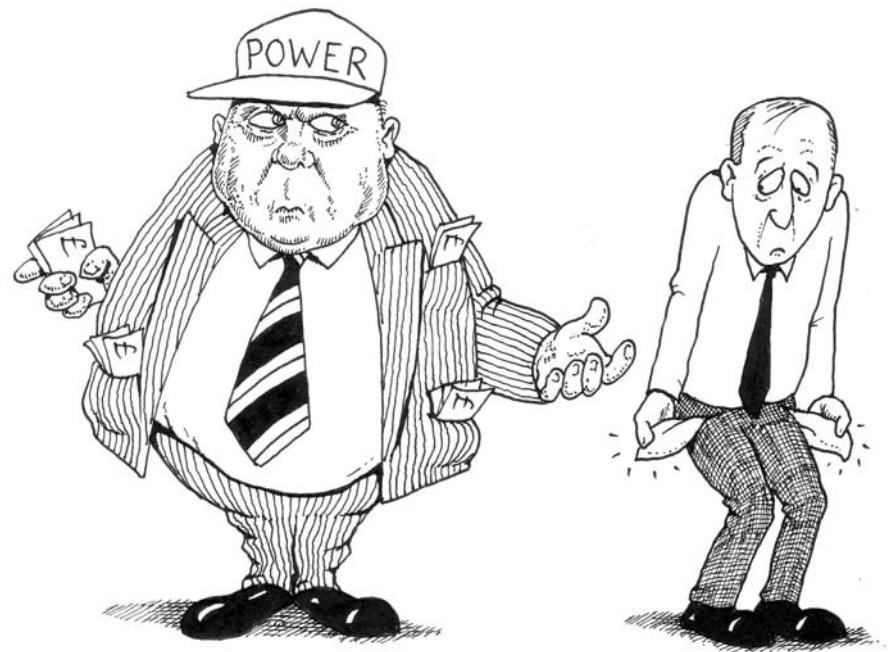


# Consumers pay the price – power companies get the profit

- WHILST rising oil prices and spiralling energy costs are hitting both domestic and commercial/industrial consumers hard, many power companies made monster profits in 2004.
- Scottish Power reported an 11.5% jump in third-quarter pre-tax profits, bolstered by a large increase in UK customers
  - BP posted record results for last year, up 26% on 2003
  - Exxon Mobil announced profits of £13.4 billion, the largest ever made by a public company anywhere in the world
  - Shell produced a £9.3 billion surplus, the biggest profit ever made by a UK company
  - Centrica announced an operating profit of £1.23 billion on a turnover of £18 billion, amid accusations of profiteering and despite British Gas losing over a million residential customers.
- Latest results show the trend continued in the first quarter of 2005, with BP posting an increase of 29%, Exxon 44% and Shell 28%.

Allan Asher, chief executive of the consumer watchdog, Energywatch, was enraged by Centrica's news. "Clearly, British Gas has passed the risk and burden of the wholesale gas price on to its customers," he said.

The only contrast came from British Energy, which lost £349 million for the year to date, reporting an operating cost of £21.50 per megawatt-hour against revenue of only £20.80 and blaming, in part, costly outages at two power stations.



## Energywatch files 'super-complaint'

INCOMPETENCE in billing by energy suppliers has led to the consumer watchdog, Energywatch, filing a pan-sector complaint to the regulator, Ofgem.

The super-complaint – the first ever in the energy sector – accuses suppliers of a litany of billing problems, including:

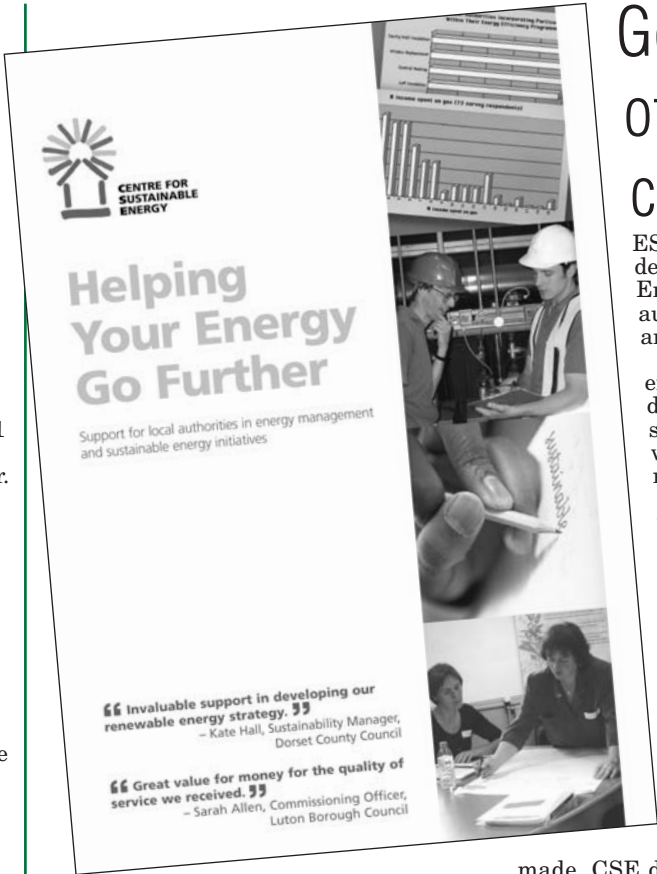
- Failing to send out bills for months, or even years
- Not bothering to read meters but relying on estimates
- Ignoring actual meter readings provided by customers
- Stopping customers switching where there is any debt over £1
- Complicated billing formats that leave customers confused and unable to make a decision on who is the cheapest supplier.

Although the super-complaint is about domestic bills, the issues ring just as true with industrial and commercial customers.

Ofgem has until early July to investigate the claims that suppliers' poor handling of bills leaves consumers in misery and debt. Last year, the Energywatch helpline handled 40,000 complaints (nearly two-thirds of all calls) relating to billing problems. Even more shocking, suppliers themselves received around 60 million calls which, had they been forwarded to Energywatch, would have cost a minimum of £90 million just to answer, let alone deal with or resolve.

Energywatch's chief executive, Allan Asher, said: "Billing is the single biggest problem that consumers have with energy suppliers. The industry has consistently resisted any reform which is why we hope Ofgem will force through a radical overhaul of the billing process."

Meanwhile, Energywatch is backing a move by the European Parliament to force energy companies to provide accurate and detailed bills, giving consumers the information they need to regulate and monitor their energy consumption.



made, CSE devised a tailor-made staff training and energy awareness programme.

To obtain a copy of the leaflet describing the services on offer as a result of the ESPO-CSE partnership, email James Trotter at [j.trotter@espo.org](mailto:j.trotter@espo.org) or call him on 0116 265 7924.

## Good deal of help for councils

ESPO has concluded a partnership deal with the Centre for Sustainable Energy (CSE) to support local authorities in energy management and sustainable energy initiatives.

The framework agreement covers energy auditing services, policy development, feasibility studies and staff training. Councils can opt for whichever service(s) they need, at reasonable cost.

One local authority which has recently taken advantage of the CSE's expertise is Fenland District Council. An energy audit of 30 council-owned buildings identified energy efficiency improvements which could achieve potential savings of over £50,000 a year – 17% of the existing spend. The measures suggested should also cut current harmful emissions by 13%, equivalent to 400 tonnes of carbon dioxide per annum.

To underpin the technical energy improvements to be

## DIY power

AFTER much theoretical talk about the potential of possibly generating power on a domestic scale . . . you will soon be able to buy your own micro-wind-turbine for just under £1,000 and start producing your own electricity.

Green Alliance is promoting the case for home-generation: small, affordable, roof-mounted wind turbines, solar panels and heating systems that can produce renewable, low (or even zero) carbon heat and power. They say a micro-wind-turbine, no bigger than a TV aerial or satellite dish, will supply local needs and link into the national grid via a two-way gate and one meter – and it should be on sale by the end of 2005.

For more information on roof-mounted systems, and also ground-source heat pumps, go to [www.greenalliance.org.uk](http://www.greenalliance.org.uk)

### SCHOOLS ARE A FIRST-CLASS EXAMPLE

In Leicestershire, the team which designs new County Council property has been looking into ways of building green elements into new schools.

Steve Holliday, Principal Engineer, says: "Whilst it's very plausible to make a new school as environmentally-friendly as possible, a balance has to be struck between 'greenness' and cost."

"Amongst the most cost-effective installations are solar panels on roofs and increasing the amount of insulation to reduce the need for heating. Add to that low-energy lighting and you're well on the way to saving money."

All these ideas have been put into practice at Orchard Primary School in Castle Donington, Leicestershire, where another innovative scheme is also helping to protect the environment. Steve adds: "Water is going to become an increasingly important issue, so we are harvesting rain which runs off the roofs, storing it in tanks and using it to flush the toilets."

Other schools in ESPO's area have switched from traditional heating installations to biomass systems, including wood-burning boilers.

### IS YOUR SCHOOL EARNING TOP MARKS?

Please write and tell us about your own DIY energy project and we'll try to feature it in the next issue of *Energy Matters*.

## OFGEM consults on green power

THE energy regulator, Ofgem, is currently consulting on revised guidelines for the supply of electricity from renewable sources.

Most of the UK's major energy suppliers offer 'Green Deals' to customers who want to use electricity generated from renewables. Ofgem's original guidelines, published in April 2002, are to be updated in the light of recent developments. These include the discontinuation of Future Energy (an accreditation scheme for renewable energy), the industry's experience in the first two years of the Renewables Obligation, the introduction of Renewable Energy Guarantees of Origin (REGOs) and the requirements of the new Fuel Mix Disclosure Directive (see *Better billing on the way*, page 4).

## Brown ups fuel duty

IN HIS March Budget, the Chancellor, Gordon Brown, announced fuel duty increases in line with inflation but deferred them until September 1 because of continuing volatility in the oil market.

Fuel	New price	Increase
Sulphur free petrol/diesel	48.32 p/litre	+ 1.22 p/litre
Ultra low sulphur petrol/diesel	48.32 p/litre	+ 1.22 p/litre
Biodiesel	28.32 p/litre	+ 1.22 p/litre
Bioethanol	28.32 p/litre	+ 1.22 p/litre
Rebated gas oil (red diesel)	6.44 p/litre	+ 1.22 p/litre
LPG (Autogas)	12.70 p/kg	+ 3.70 p/kg
Natural Gas (road fuel)	10.80 p/kg	+ 1.80 p/kg

## Takeover for UK Coal?

THE UK's largest coal producer is the subject of takeover speculation after receiving a tentative approach from a prospective buyer. It is thought that UK Coal's property portfolio, following a spate of colliery closures which could provide development land, is part of the attraction.

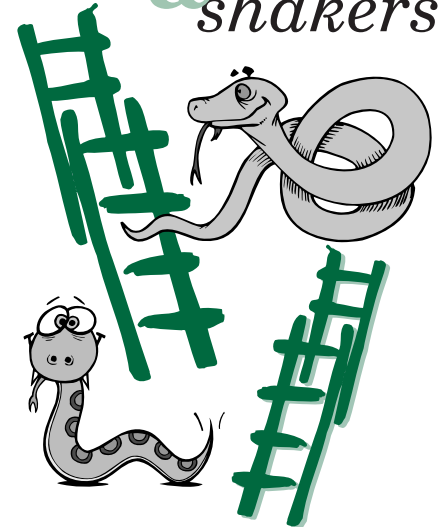
Whilst there is no further news as *Energy Matters* goes to press, UK Coal's share price is rising and its new chief executive, Gerry Spindler reports 'significant progress' in reshaping and structuring the business as he attempts to lead it back into profitability by 2006.

UK Coal operates 15 deep and surface mines, including the highly productive Daw Mill Colliery in Warwickshire, which supplies washed singles for ESPO contracts.

## EDF puts all Energy into one name

THE names of three energy supply companies - London Energy, SWEB Energy and Seeboard Energy – were dropped in April in favour of one single name, that of their parent company EDF Energy. The only change customers will see, says EDF, is the name at the top of their bill.

## Movers & shakers



## Economy drive

POWERGEN'S parent, E.ON UK, has bought Economy Power's small and medium sized enterprise portfolio for an undisclosed sum, reinforcing its position as a leading energy supplier to UK businesses.

The deal, still to be cleared by the Office of Fair Trading, will add 40,000 sites to Powergen's SME customer base and bring to 700,000 the combined number of small and large commercial and industrial customers supplied by Powergen and E.ON Energy.

## 'Water safe' says Ofwat

SOUTH Staffordshire Water, bought by Bahrain-based First Islamic Investment Bank last November, is in safe hands despite the remoteness of its new owners, says the industry regulator. Ofwat affirms it will ring-fence SSF's water business from other FIIB activities and bring it into line with other water companies in England and Wales, so that customers are protected from any risks associated with the parent company.



## UK on target – at a price

THE UK is on course to hit its target of obtaining 10% of the country's electricity from renewable sources by 2010, says the National Audit Office.

That's the good news. The bad news is that it will cost the taxpayer over £1 billion a year by the end of the decade, increasing the price of electricity by around 5%.

## Wind farms in the doldrums

MAJOR energy player E.ON has pulled the plug on two wind farm schemes it was developing in the UK, blaming planning objections and escalating costs.

## In deep water

THE world's first deepwater wind farm is to be sited in the Moray Firth, about 70km north east of Inverness. Two five-megawatt turbines, standing in 45 metres of water, will form part of a demonstration programme to prove the technical and commercial viability of deepwater offshore wind energy.

Further south and closer inland, work is about to start on a 30-turbine off-shore wind power scheme at Scarweather Sands, off Porthcawl in south Wales. The £120 million project could generate enough clean energy to meet the average electricity needs of a city the size of Swansea.

## Boost for biomass

FARMERS are being encouraged to grow trees and plants which can be used to produce energy. Biomass crops such as willow and miscanthus (a tall, woody grass) could make an important contribution to the 15% of electricity which suppliers must obtain from renewable sources.

Larry Whitty, the Food and Farming Minister, has launched a drive to boost production and unveiled a grant aid scheme to help landowners harvest, store, process and supply biomass for power generation. He said: "Biomass energy has the potential to help combat climate change, boost farm diversification and create more rural jobs."

A Government-appointed task force hopes to stimulate supply and demand in a bid to help meet renewable energy targets and boost the rural economy.



Official opening: The Great Yarmouth lifeboat took VIPs for a close-up view of the turbines.

## Scroby Sands operational

ONE of Britain's first commercial offshore wind farms started operating in December 2004 and was officially opened in March by Olympic sailing gold medallist Shirley Robertson and Dr Paul Golby, chief executive of E.ON UK.

Scroby Sands, about 2.5 km off the Norfolk coast, cost £75 million to build and is expected to provide enough electricity for 41,000 homes and save 75,000 tonnes of carbon dioxide from being released into the atmosphere each year.

The information centre in Great Yarmouth, which we reported on in *Energy Matters* 11, June 2004, has already welcomed over 30,000 visitors and is gearing up for an even busier summer season now that the wind farm is up and running.

## Poo plant in the mire

BRITAIN'S first dung-fired power station is on the brink of closure, despite generating enough electricity to light nearly 1,000 homes.

The Holsworthy Biogas plant in north Devon, which has won several environmental awards, was forced into administration in March when the German company that built it went bust. The plant was also having difficulty complying with operational conditions set by the Environment Agency. However, the administrators said they were confident of finding a buyer for the business.

The ground-breaking eco-venture got underway in July 2002, using dung produced by around 5,000 cows on 28 local farms. The slurry is fermented for about 20 days, generating methane for the gas-fired generators, and the waste sludge is treated to remove any deadly spores (such as tuberculosis and foot-and-mouth) before being returned to the farms as fertilizer.

## High hopes from the high seas

ENERGY from the UK's first large-scale sea-based power stations could be fed into the national grid by the end of 2007, said former Energy Minister Mike O'Brien in January as he pledged £42 million from the DTI's Marine Research Development Fund to support the wave and tidal industry.

He added: "Harnessing energy from the seas has terrific potential which, alongside wind and other renewables, will make an increasingly vital contribution towards reducing carbon emissions and diversifying our energy mix."

## UK tops wind power league

ACCORDING to a new report from finance advisor Ernst & Young, Britain is now the global leader in wind generation. Taking current and planned onshore and offshore wind potential into account, we are on course to see the world's largest expansion of renewable energy.

The UK also shares top ranking with Spain as the world's most desirable renewable energy market.

## CTP one year on

EXPERTS from all sectors of the energy industry have been searching for solutions to the problems encountered by customers transferring from one supplier to another. One year since we reported on the proposed Customer Transfer Programme (*Energy Matters* 11, June 2004), several recommendations have emerged.

New processes – to ensure correct meter registration, timely meter readings, the provision of 'core data items' from the old to the new supplier and the provision for either supplier to engage the other, if no opening/closing meter reading has been provided – are now awaiting ratification before being implemented. One small change which should have a positive impact on the speed of transfer, affecting the timescale in which a meter is read, takes effect on June 30.

David Kwiatek, ESPO's energy team leader, says: "There is so much that can go wrong when a customer transfers to a different supplier, even though the actual energy is the same. The whole point of the CTP has been to simplify and formalise the various transfer processes at key stages, to ensure the billing situation is correct within six months."

This proves that, by working together, the industry can make improvements. There are moves to seek a similar initiative in improving billing performance, for which ESPO, together with consumer groups, is lobbying.

## April rules day for BETTA launch

A COMMON set of trading, balancing and settlement rules for the whole British electricity market came into force on 1 April 2005.

Energy Minister Mike O'Brien launched BETTA – British Electricity Trading and Transmission Arrangements – to cover England, Wales and Scotland and create a single electricity market for the UK.

### BUT THE JOKE'S ON ENGLAND AND WALES

In line with BETTA, the DTI is to scrap Hydro Benefit (paid by Scottish

Hydro-Electric to its distributors to defray the high costs of bringing power to the sparsely populated north of Scotland) and replace it with a new tax on all electricity suppliers across the UK.

The levy is expected to be 0.013p/kWh and suppliers are certain to pass this new charge on to consumers. Whilst the majority of ESPO contracts are based on fixed prices, they usually include provision for changes in taxation or duty to be passed on, so the cost of electricity supplied to sites on ESPO contracts is likely to increase by up to 0.3%.



## Norwegians would



A NEW framework treaty between the UK and Norway paves the way for unprecedented co-operation on North Sea projects.

It means that companies from either country bringing forward new ideas for cross-boundary oil and gas deals will be

spared lengthy negotiations for each individual project.

Three projects are already underway: the Langeled pipeline, which could supply up to 20% of the UK's future gas requirements, and two small oil fields: Playfair in the UK and Boa in Norway.

## Need advice on energy efficiency?

ESPO's member authorities have an energy manager or department to help with energy efficiency:

**Cambridgeshire  
Leicester City  
Leicestershire  
Lincolnshire  
Norfolk  
Peterborough City  
Warwickshire**

**Facilities Management Help Desk  
ask for 'energy advice'  
Melvin Harrison  
Nathaniel Dyas  
John Cobb  
Property Services helpdesk  
Jacky Lawrence**

**01223 718044  
0116 254 9922  
0116 265 6896  
01522 836224  
01603 222674  
01733 742424  
01926 736324**

For other areas or LAs please see *Good deal of help for Councils* on page 2, which gives details of the Framework for Energy Management Services arranged with the Centre for Sustainable Energy – or ask ESPO for guidance.

## Customers give thumbs up to ESPO service

BEFORE fuel contracts were renewed in April, the energy team asked over 400 of its customers what they thought about delivery, invoicing and website pricing.

Of the quarter who responded, 74% considered delivery was good or very good and 78% were very satisfied with the timeliness and accuracy of invoicing – comparing favourably with ratings of 59% and 77% after the last survey in 2000.

Of those who answered the newly-added question 'how satisfied are you with ESPO's web site pricing service?', 82% said it was 'good' or 'very good'.

*"I have never experienced any problems in the last ten years. You and your suppliers of fuel oils have acted splendidly."* –

*Northampton  
Theatres Trust*

"However," says energy team leader David Kwiatek, "more than three quarters of the respondents didn't answer this question, leading us to believe they are unaware of the web site pricing service."

"Those who do use it are obviously impressed, so we want to encourage more of our customers to log on for immediate pricing information."

The energy team is currently reviewing the web site and looking at future expansion of ESPO's online service – watch this space!



# Joynal joins ESPO team

THE energy team has a new contract support officer. Joynal Khan joined ESPO in March after two years with on-line bank Cahoot, where he was responsible for all aspects of customer service and training new recruits.

He says: “Cahoot was only set up four years ago and grew very rapidly. When it was taken over by a Spanish bank, which was a very positive move, some customers were unhappy and we had to convince them that a bigger bank meant better service.

“ESPO is a completely different kind of business but the same principles apply. When I came for my interview, I was very impressed by the people and the surroundings here and am looking forward to developing my role in the energy team over the coming months and years.”

Joynal, 28, has a degree in computer science and, after leaving university, had his first taste of the energy industry working as a project analyst for a British Gas agent. He lives in Coventry with his wife and 18-month old son and relaxes playing snooker or park football.



In his new role, he will deal with billing queries and is hoping to reduce the time it takes to resolve them. Team leader David Kwiatek says: “Joynal has hit the ground running and is getting to grips

very quickly with the intricacies of energy.

“His experience of customer service in the banking sector will prove extremely useful as we develop and improve our own service.”

## Coal’s position undermined? Not so, says Minister

COAL usage is set to fall by half within ten years as Britain moves towards cleaner sources of power, such as wind and gas, according to a study by a group of energy consultants.

McGloskey Group reports that reduced demand from EDF, Scottish Power, E.ON and other generators will cut the UK’s annual consumption of coal by 34%, from 48.75 million tonnes in 2005 to 31.95 million tonnes a year, by 2014.

Just over half that reduction will be down to coal-fired power stations that have built, or plan to build, desulphurisation plant – including Europe’s largest, Drax, West Burton, Cottam, RWE’s Aberthaw, E.ON’s Ratcliffe and British Energy’s Eggborough.

At the same time, coal – currently accounting for about 34% of UK power generation – is likely to become more expensive as the Emissions Trading Scheme, part of an EU programme to reduce carbon dioxide emissions by 8% (from 1990 levels) by 2010, sets caps on the heaviest polluters.

Former Energy Minister Mike O’Brien appeared much more upbeat about the future of coal which, as he recently made clear, remains a key element of the generation mix. He added: “Using better technology to achieve a 10% improvement in coal-fired plant efficiency could reduce carbon emissions by 20%.

“Coal will continue to be an important source, provided its environmental impacts can be measured.”

## Transco networks halved

THE sale of four of National Grid Transco’s eight gas distribution networks got the green light in January, nearly two years after the company announced its intention to slim its operations.

Ofgem believes that the resulting increased competition could produce consumer savings worth an estimated £225 million over the next 18 years. Whilst much trumpeted, this works out at only 63p per customer each year and is paltry compared to the £2 bn returned to shareholders!

The four networks to be sold are Scotland, North of England, Wales and West and South of England.

## Water levels to rise

THE water industry regulator, Ofwat, has agreed that water and sewerage companies in England and Wales can increase their prices above inflation levels for the next five years.

From April 1, with the biggest increase occurring in 2005-6, water companies will be charging customers more in order to fund substantial capital investment programmes. Nearly £17 billion needs to be spent on maintaining pipes, sewers and treatment works in order to safeguard essential customer services and protect the environment.

Increases vary between the different water companies. Averages (before inflation) for companies in the Midlands and East Anglia are:

Water company	2005-6 increase	Average to 2010
<b>Severn Trent</b>	11.8%	4.5%
<b>Anglian Water</b>	3.8%	2.4%
<b>Yorkshire Water</b>	5.5%	3.9%



## Better billing on the way

**Where does your electricity come from?**

FROM July 2005, electricity suppliers throughout the EU must disclose to customers the sources of their supply and the effect of generating that electricity on the environment.

The Fuel Mix Disclosure Directive, which came into force in July 2004, requires suppliers to give a breakdown – for example how much of the electricity provided in the previous year was generated by nuclear energy, coal, gas or renewable sources such as hydro, waves and wind. They must also say what impact there may have been on the environment – for example how much long-lived radioactive waste or carbon dioxide has been created in providing the energy.

This information can be included on the supplier’s bill or in an attached leaflet. Most companies appear to be opting for the latter, although some observers believe it should form part of the bill, as is the case in Spain, Australia and America.

**A new era in billing**

ERA – the Energy Retail Association – is campaigning to improve the billing practice and performance of the main domestic energy suppliers. One of the key features is encouraging customers to read their own meters to reduce the number of estimated bills sent out and thereby reduce the number of customer complaints. ERA’s chief executive, Duncan Sedgwick, says the project is already bearing fruit, with complaints to Energywatch down by 22 % last year.

The move could lead to the introduction of a self-regulatory code of practice but is unlikely to bring about standardised bills. Duncan Sedgwick adds: “The bill is one of the few areas of differentiation for companies whose basic product is the same. We want to encourage differentiation because that will drive standards up. We will strongly resist Energywatch’s call for a BSI standard. We don’t believe that is in anyone’s best interest.”

The ERA and Energywatch are clearly at odds on this issue – see *Energywatch files ‘super complaint’* on page 2.

## Where energy saving means tax saving

HOMEOWNERS in Cambridgeshire qualify for a rebate of £25, £50 or £100 on their Council Tax bills if they can prove their homes are energy-efficient.

Fenland District Council is the first local authority in the country to introduce an Energy Tax Credits Scheme. Five hundred applications have already been received and the first rebates are in the pipeline.

Applicants have their homes surveyed by Council technicians to assess how quickly it loses heat and those who score highest, by improving the fabric of their house, qualify for a bronze, silver or gold award. To get gold, the house must also have two sources of renewable energy – for example solar panels, a biomass boiler, combined heat and power, photo-voltaic cells or even a wind-turbine.

Fenland’s energy manager, Bruce Pittingale, says: “Few homes will have two sources at the moment but the whole idea is to encourage people to take up renewable energy.”

The scheme is being underwritten until the end of 2005 by the Energy Savings Trust but the Council hopes it will continue beyond that deadline with funding from a private energy provider.

## James becomes a MCIPS

JAMES Trotter is now a fully qualified member of the Chartered Institute of Purchasing and Supply.

For his final dissertation, James investigated supplier performance management and set out with the provocative hypothesis ‘buyer behaviour has driven down the level of service provided by energy suppliers’.

Five-minute questionnaires were sent out to energy buyers (in both public and private sectors) and suppliers to ascertain the level of satisfaction felt and what efforts are being made to measure customer service. James’ analysis of the responses – 57 from buyers and only seven from suppliers – gave every indication that his hypothesis was right.

After competition was introduced, everyone focused on prices and the former publicly-owned suppliers needed to provide shareholder returns. It is perhaps not surprising, then, that service has been unsatisfactory, especially considering the complexities of the supply chain.

All nine elements of service mentioned on the questionnaire got



poor marks, with ‘timeliness of billing’ coming out worst. Alarming, few suppliers reported measuring the effectiveness of the service they provide.

The emphasis does appear to be changing, however, with service issues becoming increasingly important in supplier selection and (some) suppliers investing in their service support.

Consumers – public or private sector – aren’t entirely blameless either. Many look no further than price, yet complain loudly when service is below expectation! James says: “In many respects the results were revealing but it was gratifying to confirm that ESPO’s approach is up there with the best practice.”

However, there is no room for complacency. Energy team leader David Kwiatek and James were invited to present the findings to the networking and lobbying group LAGUR (Local Authority Government Utility Resource). The results will also form the basis of a weighted evaluation scheme which ESPO plans to introduce later this year, ahead of the new EU Procurement Directive, due in January 2006.

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