

2 November 2021

Agenda Item: 5

REPORT OF THE SERVICE DIRECTOR, PLACE AND COMMUNITIES

RENEWABLE ELECTRICITY TARIFF OPTIONS

Purpose of the Report

1. To recommend moving the County Council to a “green” renewable electricity tariff

Information

Background

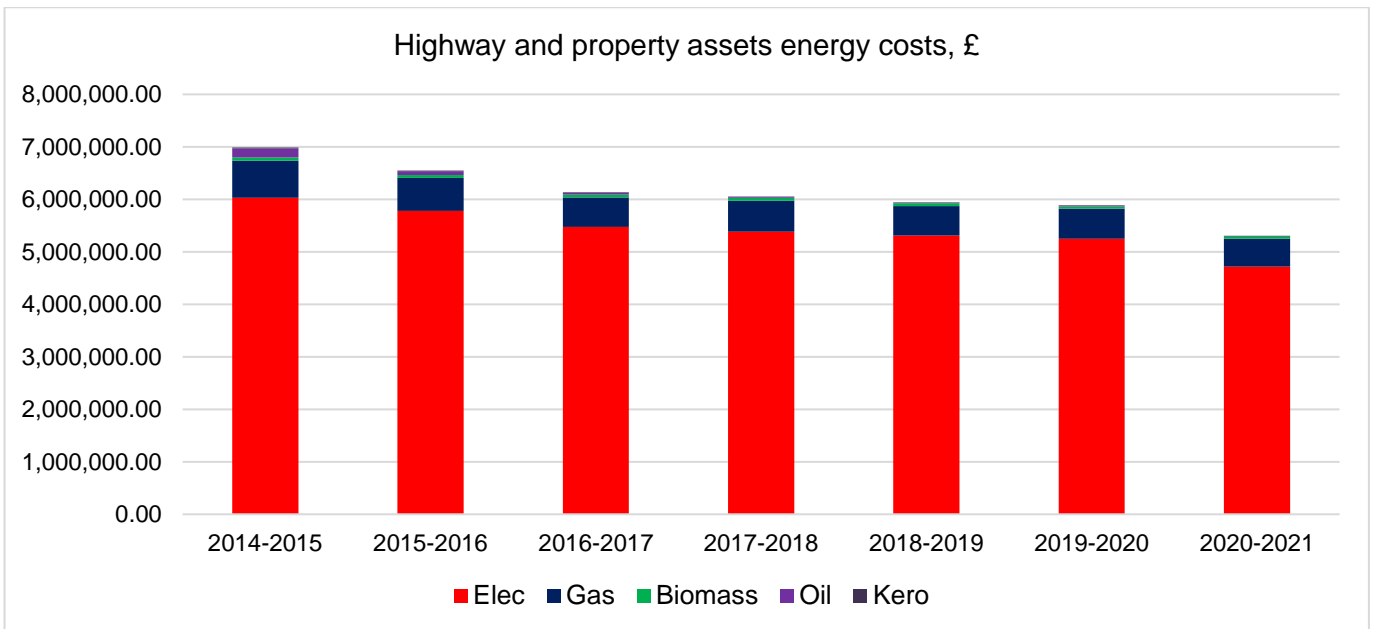
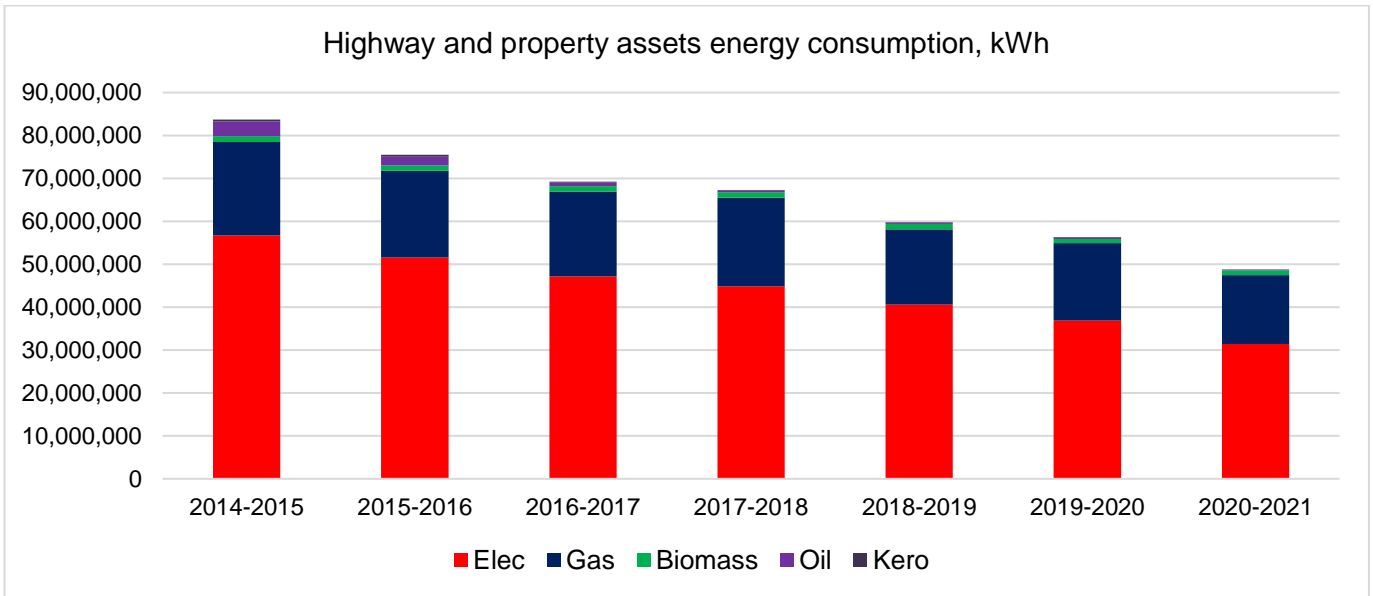
2. Transport and Environment Committee on 19 July 2021 recommended that the County Council moves onto a fully renewable “green” electricity tariff and referred the matter to the Economic Development and Asset Management Committee to consider in more detail.
3. Whilst the UK renewables market does not yet have sufficient capacity to ensure supplies will be from renewable sources at all times, with peaks and troughs in supply and demand currently requiring fossil fuels to supplement renewable generation, moving to a green tariff will help the development of the industry, and ensure the County Council is supporting progress towards greening the grid.

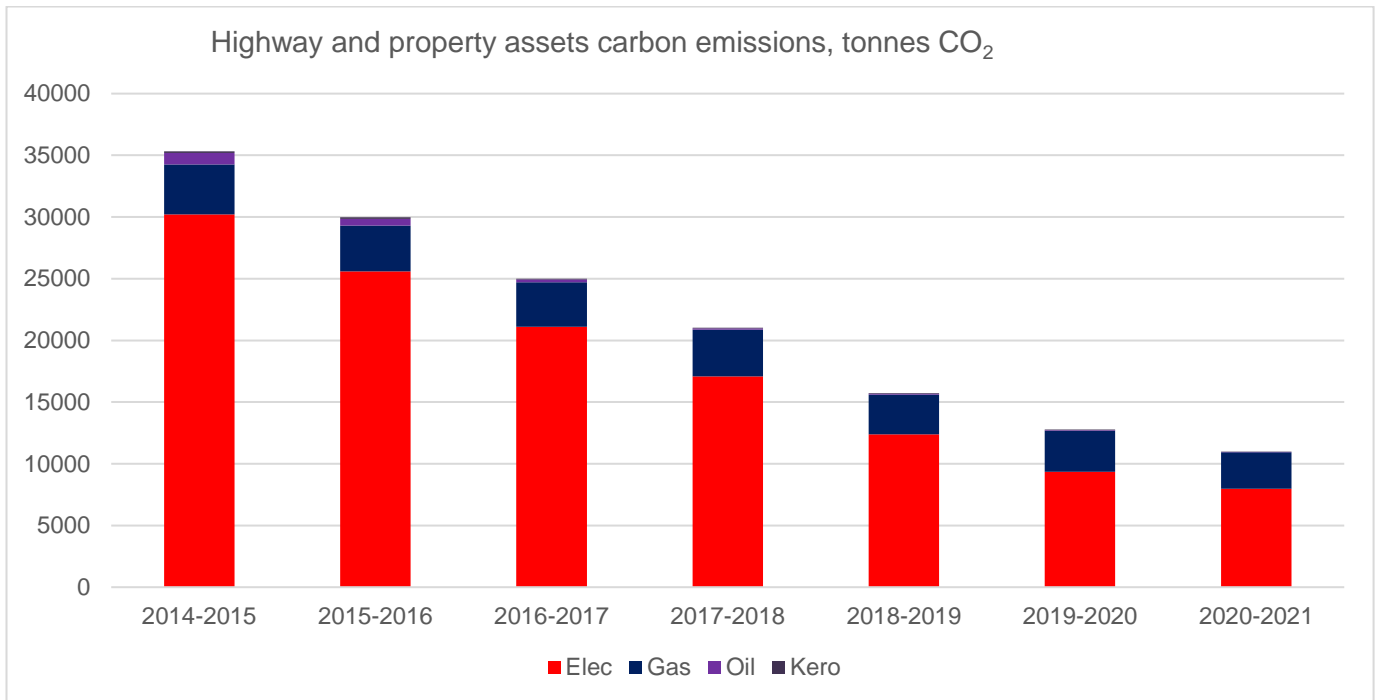
How we Buy Energy

4. Procurement of the Council’s gas and electricity for powering and heating its property and highways assets (including streetlights, signs and signals) takes place through Crown Commercial Service (CCS), a not for profit Government body set up to manage procurement of common goods and services.
5. The Council’s supply contracts for gas and electricity secured through the relevant CCS framework are also made available to state schools in Nottinghamshire through a participation agreement, which most schools take advantage of. A total of 643 sites, nearly 250 of which are schools, are supplied through the Council’s arrangements.
6. CCS offers fully compliant, risk-managed energy procurement in line with best practice as recommended by the Government. CCS purchases and trades gas and electricity from the wholesale market on behalf of its many public sector customers, creating a large aggregated committed volume to take to the supplier market, allowing economies of scale.
7. For both gas and electricity, the Council has opted to place its energy requirements in buying baskets that allow CCS to purchase flexibly over a 42-month period, commencing 30 months before the point of delivery and continuing through the delivery year. This ‘long-term variable

product' limits the impact of market volatility and takes advantage of market lows, giving value for money and an element of year-on-year price stability.

8. It should be noted that non-energy costs, the element of bills that CCS and its framework suppliers cannot control, which includes pass through costs for maintaining and upgrading transmission and distribution networks, now account for approximately 66% of the fully delivered cost for electricity and 25% for that for gas.
9. The charts below show the combined energy performance of the Council's property and highway assets in terms of cost, consumption and carbon emissions over the past 7 years.





10. The chart above shows there has been significant reduction in carbon emissions associated with the Council’s highways and property assets since 2014-15 – a 69% reduction from 35,310 to 10,981 tonnes. Whilst the scope of emissions to be covered as part of the Council’s greenhouse gas emissions report, underpinning its commitment to become carbon neutral by 2030, will extend beyond energy use in property and highways assets, these sources will still form a significant component of the Council’s ‘carbon footprint’.

11. The decrease in carbon emissions from highways assets is due to a combination of the decrease in the carbon intensity of the UK’s electricity supply and the Council’s sustained and significant investment in energy efficient street lighting, leading to 70% of the street lighting, signs and bollards inventory now being lit by LEDs. Further investment in LED street lighting is underway for 2021-22. For property assets, the decrease in emissions is again part due to changes to the carbon intensity of the national grid. This is combined with property rationalisation and investment in energy efficiency measures, such as LED lighting and improved heating controls.

12. The charts show that energy costs have not fallen in quite the same way as consumption, which is particularly due to the sustained above-inflation increases in electricity prices.

Energy Options Available through CCS

13. The market for certified renewable gas is still in its infancy whereas that for electricity is quite mature with a range of available tariffs and this report is therefore recommending the Council switch electricity only at this point.

14. Renewable electricity tariff options available from EDF Energy, the current electricity supplier appointed to the relevant CCS framework, are summarised in the table below, along with the financial impact each option would have, based on 2020-21 prices and electricity consumption for both our corporate properties and highways assets (excluding consumption by Via and Inspire).

Tariff option	Description	Additional cost, 2020-21	Financial impact based on an annual consumption of 27,500 MWh
Renewable for Business	Electricity backed by UK or European certification of origin schemes from a blend of sources including hydro, wind, solar, biomass and landfill gas	£0.50 per MWh	£13,750
Clean Renewable	Electricity generated in the UK from wind, solar and/or hydro, backed by the UK's certification of origin scheme.	£0.70 per MWh	£19,250
Select Renewable	Electricity supply sourced from a particular renewable technology or geographic region.	£0.80 per MWh	£22,000

15. Tariffs are subject to availability and it should be noted that the additional cost would be included in unit rates, and hence would be dispersed to service areas in line with utility budgets.
16. Longer term the move to a Corporate Landlord model will lead to the centralisation of energy budgets allowing monetary savings to be released more easily as building fabric and heating technology investments across the estate improve overall environmental performance and cut energy use and carbon emissions.
17. Schools signed up to the Council's arrangements are already offered the opportunity to choose different tariff options. Inspire and Via would also be given the opportunity to opt for a renewable tariff.

Reasons for Recommendations

18. Purchasing fully renewable electricity is a statement of intent from the County Council and a positive step in becoming carbon neutral in all its activities by 2030.

Statutory and Policy Implications

19. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

20. Moving to a fully renewable electricity supply arrangement will result in increased purchase costs of circa £22,000 per annum (at 2021/22 prices) in the worst-case scenario.
21. These costs are currently dispersed across the Council and met from utility budgets held within services, therefore impacts at an individual budget level will be minimal and no budget pressure is proposed in respect of these changes.
22. Continued investment in energy efficiency measures, improvements in the condition of the property estate, and improved behaviours to minimise energy use will also mitigate these minor increases in costs.
23. As noted above the purchasing arrangements with CCS will also help protect the Council from the current volatility in energy prices (largely driven by gas costs) since around 60% of our gas needs for 2022/23 have already been purchased in advance.

Implications for Sustainability and the Environment

24. Choosing a renewable energy tariff does not in itself cause any new renewable energy generation to be produced. It does however send a signal to the industry that there is a demand for clean energy and allow the Council to report net zero emissions for its electricity use under the market-based accounting approach.
25. This does not negate the pressing need to continue to drive down electricity and other energy consumption and increase on-site renewable energy generation for self-supply across the Council as part of its commitment to deliver reductions in costs and carbon emissions.
26. Not least, reducing demand on the power grid is a major enabler to it becoming a zero-carbon system by 2035, a requirement of all plausible scenarios for meeting the UK's emissions targets.

RECOMMENDATIONS

That the Economic Development and Asset Management Committee:

- 1) Approve the County Council moving its electricity purchasing to a "green" renewable electricity tariff from 2022/23 onwards through the existing Crown Commercial Services purchasing arrangements with EDF Energy.
- 2) Approve the additional worst case scenario costs associated with this change, estimated to be circa £22,000 at 2021/22 prices, be met from existing utility budgets within services.

Derek Higton
Service Director, Place and Communities

For any enquiries about this report please contact: Mick Allen, Group Manager Place Commissioning, Tel: 0115 9774684

Constitutional Comments (LW 14/10/2021)

27. EDAM Committee is the appropriate body to consider the content of the report.

Financial Comments (SES 28/09/2021)

28. The financial implications are set out in paragraphs 20 to 23.

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Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All