
SUBJECT: SCHOOLS ENERGY: CRC, DECS, ENERGY PROCUREMENT

DATE: 18 July 2012

RECIPIENT: Schools Forum

THIS IS NOT A DECISION PAPER

BACKGROUND and BRIEFING DETAILS:

1. The Carbon Reduction Commitment (CRC) requires that all organisations that meet the eligibility criteria of annual electricity consumption maintain detailed records of their fossil fuel based energy consumption, submit annual reports to declare that consumption, and purchase carbon 'allowances' based on the consumption that is liable under the scheme.
2. Currently the local authority is responsible for reporting the energy use and purchasing allowances for schools and academies. The council's Energy Team carries out this function using energy management software ("Systems Link"). The Energy Team also manage the energy procurement contract which is managed through Kent County Council, called "Kent Laser". The majority of our corporate sites and schools procure their energy through this contract.
3. Carbon allowances for schools and academies are paid from central expenditure of the Dedicated Schools Grant, which is funded from a contribution from the Individual Schools Budget. This means that those schools that are being more pro-active in seeking to reduce their energy bills are in effect subsidising those that are less energy efficient.
4. The amount of time required for the Energy Team to both manage energy records for academies, and to analyse the academies' contribution to our overall CRC liability, has grown since their conversion to academy status. This is because they no longer pay energy invoices using the Southampton Council Agresso system, and also due to delays in receiving hard copies of the invoices. This is particularly the case where the academy has left the Laser energy procurement contract.
5. A DECC document that explores options for simplifying the CRC is currently out for consultation. Within the consultation there are four options being considered for a change in the way that academies are treated under CRC. Further information may be requested from the Energy Team, but all options would ensure that all academies and schools would continue to be liable for CRC allowances, although it may be that academies and/or maintained schools will be required to report independently from the council, and to pay allowances proportional to their own energy use.
6. Southampton City Council will renew the Laser energy procurement contract for supply of electricity and gas, and this will run to 2016.

7. There are many advantages to having energy procured through the Laser contract.
 - Generally a lower energy price due to Laser negotiating on behalf of a large number of users. This reduction can be about 30% compared to out of contract supply.
 - Bills are validated to ensure they are correct and correctly reflect meter reads (where these are provided).
 - The Energy Team is better able to manage and further validate your bills, leading to lower costs in maintaining CRC evidence pack. In some cases, this has resulted in rebates due to the identification of incorrect billing.
8. Within the Laser contract there has been a dispute with British Gas over the unit rate of gas leading to a delay in receiving invoices, in some cases going back to September 2011. This has now been resolved and bills are being received. Note that British Gas business customers that are not on a managed service such as the Laser contract would be paying the unit price initially charged by British Gas because the grounds for the dispute would be invisible.
9. A new gas supplier, Total, will replace British Gas from October 2012. We expect that the service will improve as Total intends to provide a dedicated team to deal with the Laser contract. Also Total does not supply gas to the domestic sector, so their service to business and public sector is likely to be of a higher standard.
10. The council, through Capita, are in the process of carrying out annual surveys to produce the Display Energy Certificates, or DEC's. To obtain and display a DEC is currently a statutory requirement for all buildings over 1000m². The DEC is graded from A to G; this grading is derived from actual energy consumption of the site and so has a direct correlation to the operational energy efficiency of the school.
11. Along with the DEC an Advisory Report is provided. This will offer advice on how the energy efficiency of the site may be improved, and is valid for 7 years. It is suggested that the schools' business and site managers review the Advisory Report carefully and consider enacting the measures that are contained in the advice.
12. For those schools and other sites under the Laser contract and others who procure their electricity through Npower, there is currently a large scale roll out of 'smart' meters, which enable the supplier to produce accurate energy bills without the need for a site visit to read the meter. This can also offer the ability to get half hourly data of electricity use which can be useful in identifying energy waste, but obtaining this data does incur additional cost.
13. The Energy Team can offer information, help and advice to maintained schools, and intend to arrange training for site and business managers in improving the energy efficiency of their school, and in carrying out their own energy surveys. There is also the possibility of arranging an interest free, cost neutral loan for energy efficiency works, under the "Salix" programme. The Energy Team should be contacted directly to enquire further about these options.

RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

14. CRC puts a cost to each tonne of CO₂ we emit through our buildings and operations. Carbon allowances will be sold to participants at a fixed price of £12/tCO₂. This price will rise over time, but has been confirmed as remaining at £12/tCO₂ for next year's allowance purchase as well. Allowances will be purchased in July 2012 to cover financial period 2011/12.
15. DECC suggests annual organisational management costs due to CRC of approximately £80 - £120 per site. With greater than 380 sites this would equate to management costs of £30,400 to £45,600 per annum. These costs have not been passed directly to service areas or schools.
16. Final figures to be submitted on the annual report to the Environment Agency show energy consumption for the 2011/2012 financial year as an overall CRC liability to the Council of £209,650; the proportion of this figure that arises from schools and academies energy use is £117,195.
17. Under CRC there are fines and/or penalties for not providing accurate emissions data. Some of the fines could be in excess of £1 million for SCC. This highlights the need for accurate monthly meter readings from all schools and academies to be uploaded via the Systems Link web site <http://www.systems-link.com/webreports/> . If you have meters on your sites not being read and the readings uploaded onto the web site please email energy@southampton.gov.uk if you have not done so already, and let us know what meters you have and who you wish to be set up on the database, and we'll arrange access to the website.
18. In addition, to ease data collection, reduce energy bills, administration and cost of meeting the CRC requirements, we recommend that all energy supplies should be procured via the Laser contract. If you have meters that are not on the contract again contact the Energy Team at energy@southampton.gov.uk.

KEY REQUIREMENTS FOR COUNCIL:

19. We require regular, accurate data to be provided to us to report under CRC. Under the legislation, sites are required to read, record and report data from energy meters to the Southampton Council's Energy Team and to energy suppliers, unless a smart electricity meter has been installed. Those not participating in the Laser energy procurement contract are required to provide full copies of all energy invoices to the Council's Energy Team upon or soon after receipt.
20. We need to ensure that there are permanent human resources available to enable centralised energy data collection, analysis and reporting.
21. The additional expenditure associated with carbon allowances adds weight to the policy that all buildings the Council have responsibility for have reduction targets set to ensure we reduce CO₂ emissions by 40% by 2020 e.g. 4% per annum. This has been underpinned by a Corporate Carbon Reduction Policy.
22. Finance will ensure monies are available to purchase our allowances, and will be responsible for carrying out the process of ordering sufficient allowances to cover our liability, and making the correct payment to the Environment Agency.

23. Any fines accrued by non conformance to the requirements of CRC will be passed to those sites that are responsible for non conformance. This includes schools.

24. **RECOMMENDATION:**

Members are asked to decide whether the unspent amount of £42,805, which is the difference between the actual costs of £117,195 and the provisional amount of £160,000 approved by schools forum, should be delegated:

- directly to schools
- retained within the ISB contingency; or
- added to the intervention fund.

Further Information can be found on the [DECC](#) and [Environment Agency](#) web sites.

Further Information Available From:

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