

Additional Agenda Item 6c

Information from Berneslai Homes to Barnsley Council's Overview and Scrutiny Committee for the meeting on 6th October 2015 with regards to District Heating in response to the Councillor Call for Action

District Heating in Barnsley – Key Facts

- There are 24 District Heating Scheme where 1,213 tenants pay for heat. They all pay through a heat meter. They pay for what they consume.
- In the 14/15 financial year the average paid for heat was £458.
- The Unit charge was 11p this charge had been in place since April 2014. From the 1st October this has been reduced by 1p to 10p. A further 0.5p reduction will be implemented on the 1st of November. Taking the charge down to 9.5p. This will mean that on average each customer will see their bill reduce by £62.51p. The reason we are doing this is because gas and electric fuel costs have reduced. We have also offset some of the higher cost of biomass fuel from Renewable Heat Incentive payments from government. We wanted to pass these savings on to customers as soon as possible.
- The district heating charge is calculated by taking all the running costs from the 24 schemes and recovering the full cost through the heat meter charge. It is a pooled charge.
- A considerable amount of investment has gone into the heating plan over the last few years with old coal or gas plant being converted to biomass for the larger installations and Ground Source Heat Pumps for the smaller schemes.
- Eight schemes run on Biomass (with gas back up)
- Six Schemes Run on Ground Source Heat Pumps
- Ten Schemes run on gas.
- 6 of the biomass schemes and all of the ground source heat pump schemes receive Renewable Heat Incentive Payments from Government for the heat they produce. This is for 20 years.

Consultants Review of Community Heating Schemes for Berneslai Homes (July 2015) – Covering Information

The district heating charge is calculated against the cost to run the schemes based on the previous year's total running costs and with the aim of the district heating budget breaking even each year with no cross subsidy from the Housing Revenue Account (HRA). This is reviewed on an annual basis. The review of the tariff for 2015/16 (carried out in October 2014) initially identified a penny increase from 11 to 12 pence. In early March 2015 we had notification of significant price decreases on gas of 8% and electricity 1.9%. At the same time concerns were being raised by tenants and some Council members about the heating charge. Rather than implement an increase in April which might not be required, it was agreed with the Council that we would carry out a fuller review of the charge over the summer months (when usage is very low) with the outcome being implemented from the 1st of October 2015, the start of the main heating period.

As part of the review independent consultants were engaged to look at the following aspects:

1. Survey and re-measure the communal area percentages, to ensure accuracy of the historic figures feeding into the heating charge financial model.
2. Look at the schemes where costs are highest and make recommendation on measures that might reduce that cost.
3. Look at the likely income from Biomass Renewable Heat Incentive (RHI) over the 20 year period and suggest the proportion of that income that is attributable to the higher cost of operating biomass i.e. fuel cost, daily maintenance etc.
4. At three schemes where unmetered hot water is supplied to dwellings and communal areas by a centralised system, calculate separately the hot water energy consumption/cost through the plant.
5. Take District Heating water samples at each site and send for analysis. From the results make recommendation on water treatment and or flushing.
6. Carry out research by looking at similar housing organisations across the country and compare the charge in Barnsley with those organisations. A similar housing organisation is one that has a similar number of district heating schemes.

The resulting consultant's report is attached at Item 6d.

The technical improvement measures outlined above at 2 and 5 have formed into a works programme for implementation. They are low cost measures.

The research at point 6 showed that our charge at 11p was towards the top end of unit charges (range 2.5p to 16p with an average of 7.1p). Unit charges are calculated by organisations on different assumptions some for example, Leeds, have a lower unit cost but also make a daily standing charge, others do not know accurately if they recover all costs. Other organisations subsidise heating charges.

The research at point 4 is at three sites, which have unmetered hot water supplies and where the residents pay a flat rate charge of £2.50 per week over a 48 week period. It was identified following a series of tests, the estimated gas consumption costs would be significantly higher than the income received over a twelve month period at these sites.

The remaining calculations and recommendations from points 1 and 3 feed alongside the reduced gas and electricity costs into the financial model used to calculate the breakeven charge.