

Derwenthorpe District Heating

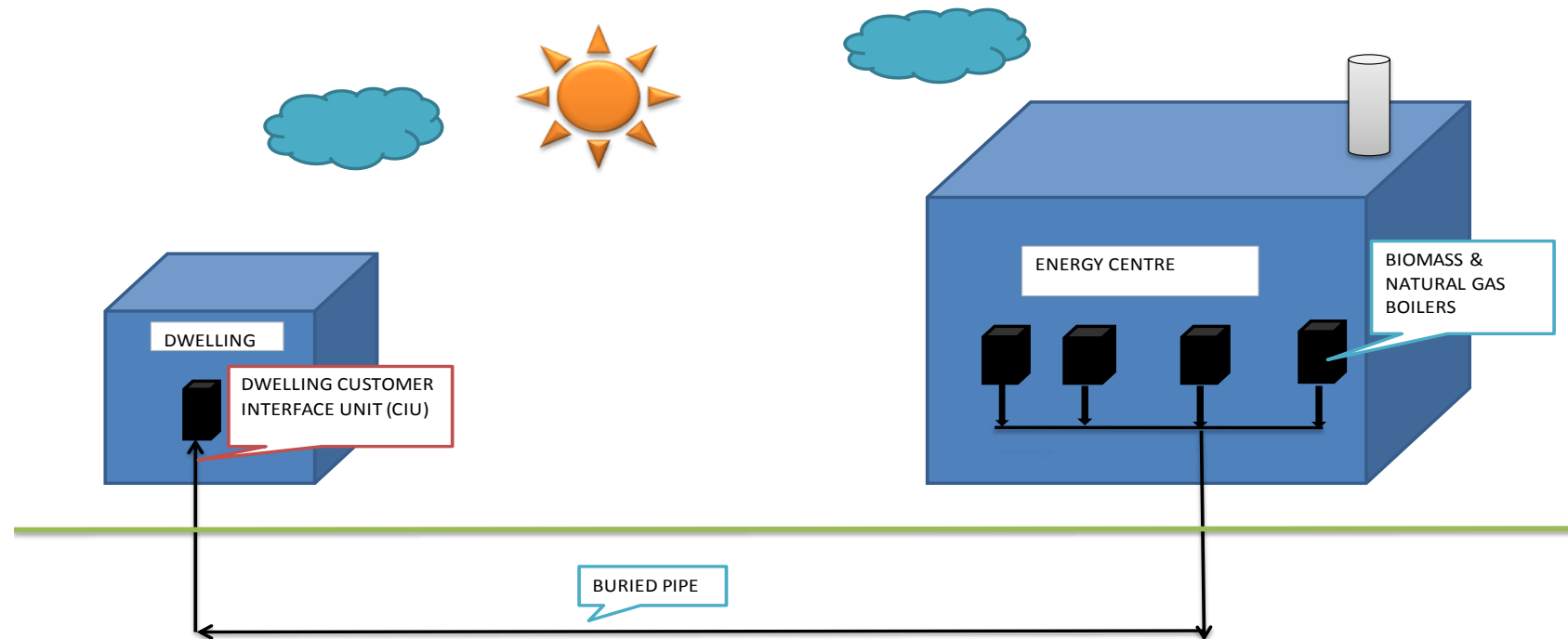
Understanding the changes to heat prices

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The District Heating Scheme

A simple version



District Heating

The Phase One heat charge



Phase One

Heat to the Home Agreement

Owner Occupiers and Shared Owners

Heat to Home Price	Heat Price	Dwelling Charge
7.02p/kWh	4.69p/kWh	£163.10

Rented residents

Heat to Home Price	Heat Price	Dwelling Charge
4.69p/kWh	4.69p/kWh	n/a

District Heating

The charge for the full development



The Initial Energy Services Agreement

- Jan to March 2013: JRHT tendered for developer for phases 2-4.
- At same time, JRHT tendered for “heating concessionaire”
 - Own
 - Operate
 - Maintain
- Dalkia (now known as Veolia) appointed as concessionaire
- Energy Service Agreement charges set as follows:

	Utility Charge	Dwelling Charge
Owner occupied/ Shared owner	4.86p/kWh	£190 per year
Rented	4.86p/kWh	n/a

Why did the Energy Services Agreement change?

- From April 2013 December 2013, JRHT, DWH and Veolia “engineered” the design solution.
- Outcome of this was:
 - Lengths of underground mains required for full build-out greater than anticipated in March 2013.
 - The initial “ Heat to Home Agreement” price was not calculated correctly to provide a sufficient replacement fund.
- To retain the concession agreement, JRHT made an additional capital contribution to Veolia.
- In order for the scheme to be financially viable over the 25 year term, changes would need to be made to prices in the ESA.

The new Energy Services Agreement

	Utility Charge	Dwelling Charge
Owner Occupied/ Shared Owner	5.47p/kWh	£350 per year
Rented	5.47p/kWh	£65 per year

* The £65 charge relates to the metering and billing function provided by Veolia, and excludes all sinking fund contributions.

How does Derwenthorpe's heating system compare to a conventional gas boiler?

	Pence /kwh	Daily standing charge (p)	Annual usage (kWh)	Cost (£)	Boiler replacement	Boiler life expectancy	Boiler cost/year	Boiler Cover (£15.80/month)	Total annual cost
Annual energy/maintenance costs for owning a gas boiler in a UK home	4.49*	14.79	13,500**	£660	£2,000	15	£133.33	£190	£983.46
Annual energy/maintenance costs for owning a gas boiler in a Derwenthorpe home	4.49	14.79	6,727	£356	£2,000	15	£133.33	£190	£679
Your annual energy and maintenance costs for the district heating scheme in a Derwenthorpe home	5.47	96	5,718	£663	Included in standing charge	Replacement covered by standing charge	Included in standing charge	Included in standing charge	£663

*The figures are calculated using the tariff from the cheapest energy provider among the 'big six' gas suppliers on 27/11/14.

**13,500kWh is the average UK gas usage given by Ofgem.

How will prices change in the future?

Within the ESA there are clauses that protect against price rises, other than:

- The dwelling charge will vary annually in line with the Retail Price Index (RPI).
- The utility charge is calculated annually compared to the market price of gas with a 10 per cent discount applied.

The Interim Agreement

- ESAs cannot be activated until Veolia take full ownership of the district heating scheme.
- In the meantime, Phase 2/3 residents have not been charged for heat due to construction related disruptions to heat.
- These difficulties have now been resolved, and all residents (Phase 1,2,3) need to pay for heat through the following agreements:
 - ***Phase One*** remain on Heat to Home Agreement
 - ***Phase Two/Three*** move to interim “Heat to Home Agreement”
- When Veolia take ownership, ESAs will be activated.

ESA Activation and Phasing In

Phase One

63 properties on Phase One, who are seeing increases from JRHT Heat to Home Agreement to ESA, will have the dwelling charge phased in.

Initial dwelling charge 2015: £240

Final Dwelling charge 2020: £350 (+ RPI for 5 years)

Annual increase of approx. £25-£30

ESA Activation and Phasing In

Phase Two and Three

During sales process, 40 phase two and three properties were provided with incorrect ESA's (April 2013 version)

These ESAs need to be terminated, and new ESAs activated to ensure all Derwenthorpe residents are paying the same.

Those 40 properties will also be placed on the “phased” dwelling charge, as per phase one dwellings.

ESA Activation and Phasing In

Phase Two and Three

All other residents have signed to the correct ESAs, and once the handover to Veolia has been concluded, these ESAs will be activated on the basis of a £350 dwelling charge

Any questions?