

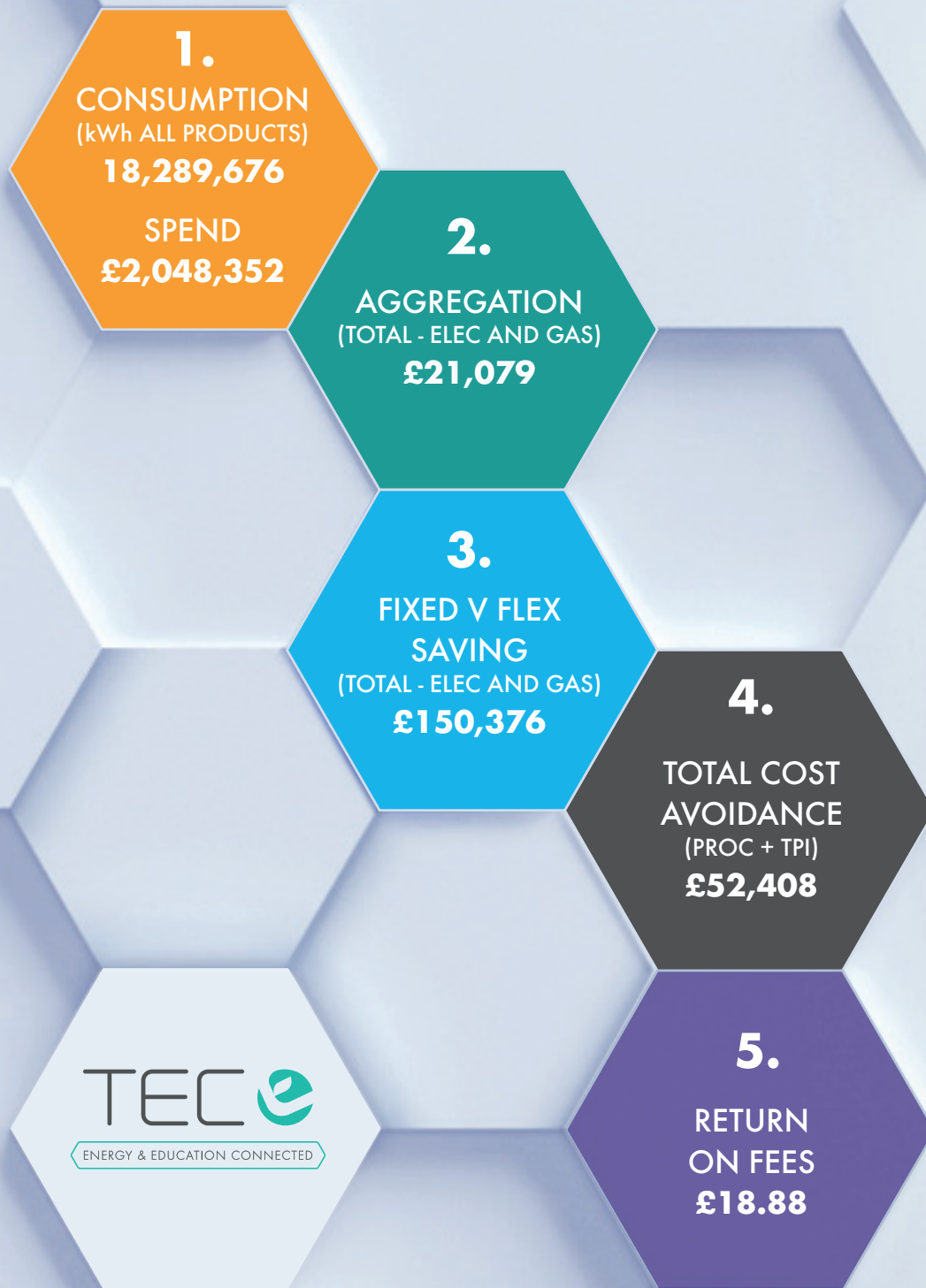


UNIVERSITY OF LONDON

ENERGY BENEFITS STATEMENT 2021/22

Each year TEC provide data to quantify and demonstrate the benefits of using our collaborative frameworks. In Higher Education this is a key part of reporting under the Procurement Value Survey (PVS). We also capture and report contract spend through the frameworks for each Member's financial year.

Our Energy Benefits Methodology establishes the many elements of savings most of which we have defined and captured. The cashable elements of these benefits can, and for Higher Education Institutions should, be reported as a benefit of using a consortium aligned to criteria (Q2A) in the PVS, to demonstrate the value of TEC Membership and use of the frameworks.



SPEND AND BENEFITS STATEMENT 2021 - 2022

- 1.** This is the volume (kWh) and cost of electricity and gas consumed through TEC frameworks during the year, based on supplier returns.

	21/22	20/21
GAS KWH	7,712,534	7,576,748
GAS SPEND	£289,295	£169,157
POWER KWH	10,577,142	9,289,729
POWER SPEND	£1,759,057	£1,390,568
VAT	£290,206	£231,739

- 2.** This is the financial or cost reduction through being part of an aggregated flexible basket and reflects the benefits which suppliers attribute to running a contract with significant volume or to which they can apply cost discounts or remove costs which would otherwise be charged.
- 3.** Using evidence provided by suppliers, we have captured the differences in cost between a flexible contract versus a fixed one. These are made up of reduced or removed premiums, which are applied to fixed contracts but not to flexible agreements.
- 4.** The cost avoided by using TEC frameworks including sector agreed figures for procurement costs, plus the difference in TEC fees versus private sector intermediaries.
- 5.** This figure shows the annual saving secured for each £ paid to TEC in fees. This gives the assurance that TEC fees are completely transparent and demonstrates value-for-money for fees charged.

TO DISCUSS YOUR STATEMENT PLEASE CALL YOUR MEMBER SERVICES ADVISOR: OLLIE ARTHURS ON 07511 700770

BENEFITS STATEMENT EXPLAINED

CONSUMPTION & SPEND

All TEC Members use our flexible frameworks for their energy supply arrangements. As part of the benefits statement TEC includes spend for each member with data taken directly from supplier invoices, this is the full cost of energy supplied during the year exclusive of VAT. We provide both a split of this spend and consumption for power and gas and the total VAT paid separately to allow you to include it in your reporting where appropriate. This spend is used to evidence collaborative procurement across the member sectors served by TEC and is based entirely on invoices provided by suppliers and validated by TEC.

Of the savings, 2 and 3 on the statement are Cashable (you pay less than you would have if not using TEC) while 4 is Non-Cashable since they are avoided costs.

AGGREGATION SAVINGS – COLLABORATION DELIVERING VALUE

The significant aggregated volume available to the suppliers through the frameworks already secures reduced supplier margins or administration charges compared to those you would pay through contracting individually. In addition, sustained growth in member volume on TEC's Flexible Frameworks has seen volume growth discounts applied, a continued benefit of TEC's latest flexible frameworks from October 2020. Suppliers provide margins for standalone contracts which are then compared to the framework margin.

All energy contracts, whether fixed or flexible, are based on prices from quoted wholesale energy markets and there are a number of advantages to purchasing wholesale energy in particular with a large portfolio. Firstly, transacting on large standard tradable "clips" of wholesale energy means we can select a price we are prepared to pay (Bid) rather than simply pay what the sellers want (offer) and hence achieve a lower price for the energy purchased. This is quantified using actual wholesale market data at the time we make purchases. Flexible contracts are offered to individual users, but premiums are added to the cost of traded energy to allow access to traded markets. No such premiums are payable on TEC's frameworks.

FLEX VS FIXED

Suppliers will only offer flexible contracts subject to minimum volumes of energy per customer. As a result many Members will only have a fixed price contract as an alternative to TEC's aggregated flexible contracts. There are elements of a fixed contract price that simply don't apply to flexible contracts. Using information provided by our suppliers, we have established a methodology for quantifying the benefit of using TEC's flexible contract compared to a fixed price contract. Benefits are calculated in the following areas initially as a p/kWh benefit and then applied per Member based on actual billed usage, all of which has been collated by the TEC team as part of our Bill Validation service.

They include;

YOUR BENEFITS STATEMENT EXPLAINED

Fixed Non-Energy Charge Risk Premium An increasing proportion of an energy bill is made up by non-energy charges; transmission, distribution and renewable energy levies and charges. The level of these charges, together with future planned changes, whilst regulated, are often not set until some time after the energy is consumed or contract prices set. As a result, suppliers will only fix with the addition of a premium to cover less predictable increases. Details of these premiums are again provided by our suppliers and are avoided on flexible contracts where these charges are passed through at cost. The avoidance of the premium is therefore calculated and reported as a saving on flexible contracts versus the fixed price alternative.

Price Risk Premium On fixed price contracts, suppliers issue their offers on the morning of the further-competition. These prices are valid until at least 4pm on the same day. As energy markets are volatile, even within a day, suppliers include a premium above the wholesale market prices used for their offer prices so they can be sure the prices can remain valid. Savings include a calculation of this premium which of course is not payable under TEC's flexible arrangements.

Bid versus Offer Prices Energy prices for fixed contracts are always based on the "offer/ask" price on the wholesale market. TEC purchase energy for flexible contracts based on the lower "bid" prices and while we don't always get the full benefit, the prices we do achieve are around 0.5% better than the offer prices (before the price risk premium is added). This too has been captured as a benefit.

Volume Risk and Shaping There are risk premiums added by suppliers to cover the cost to them of an end-user consuming gas or electricity on a differing monthly (or sometimes daily) basis than anticipated, or a different total volume for the whole period of the contract. In addition, minimum and maximum annual consumption limits are applied and often billed for at the end of contracts. On gas in particular, there are costs borne by the supplier in order to provide a fixed annual price whilst facing sometimes significant differences between winter and summer gas costs. Again, such charges are built into a fixed price contract but not flexible arrangements as prices are set monthly, and against revised quantities if necessary.

TOTAL COST AVOIDANCE

The total cost avoided by using TEC frameworks. It includes a figure agreed, among others, with UK University Purchasing Consortia & the Higher Education Procurement Association for savings on procurement process. In addition, we compare TEC's charges with those you would pay if using a private sector intermediary. We do this using commission rates confirmed as paid to intermediaries and provided, in confidence, by suppliers.

RETURN ON FEES

We want to ensure that TEC Members appreciate the value of our low fees we are charge for access to the frameworks so express them as the return derived from these fees in the form of savings. This is expressed as a saving per £1 spent on fees for TEC services. This will assist Members in further distinguishing the benefits of TEC membership and supports the various efficiency measurements across the Education sectors.