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**Contact:** Jon Holden

Wednesday, 15<sup>th</sup> June 2022

Dear Headteacher

### **Notification of Energy Price Increases, 2022-23**

Further to previous correspondence the Local Authority has now received notification from its energy brokers, YPO, regarding the price increases that will apply for the financial year 2022-23.

The average increase that has been applied to electricity has been confirmed to be 110%. This is in accordance with the increase that was previously notified to schools by the Energy Team. However, this is an average increase so some schools will have smaller and some larger increases. This is due to the bespoke pricing for each supply. You should now be receiving your April bills.

Please be advised that the increase in the price of gas is in excess of that which was previously forecast by YPO. YPO and Corona Energy have estimated price increases for each school that are based upon consumption rates for 2021-22. The estimated increases range from 152%-338%. The first school bills for April 2022 consumption will be arriving in the coming week (w/c 20<sup>th</sup> June 2022) which will provide costs for individual schools.

YPO have advised that the levels of increase have arisen from the extreme levels of volatility within the market for gas. Specifically, this has arisen from a number of factors, including: -

- The previous winter was cold compared to historical averages with a cold April and May. This meant gas storage facilities across Europe were still being called upon to meet demand, instead of being stocked up for this coming winter. Europe Gas Storage levels at present are around 16% below the 5-year average. More supply was expected this summer to bring storage in line with the 5 year average; however, that did not materialise.

- Liquid Natural Gas (LNG) cargo arrivals to Europe have been low this summer. These cargoes have instead gone to the Asian market due to better prices. European prices therefore increase to compete and try to attract some of that LNG supplies back into the European market.
- Heatwaves across Southern Europe, Asia and American have kept gas demand for power generation high due an increase in air conditioning use.
- Historically when prices are high, this has attracted more gas flows into Europe from Russia; this hasn't happened this year.
- Renewable generation particularly from Wind has been low this summer, which has meant gas has been relied on more heavily for power generation.
- Gas prices ultimately feed into electricity prices, as gas used for power generation makes up a large proportion of the UK mix.

You will also be aware that, unlike the domestic market for energy, there is no cap on the level of increase that can be applied for commercial customers.

The Local Authority is working with YPO about the level of increase and associated issues. The Energy Team will provide any updates in respect of pricing that arise during the course of the year.

The Local Authority very much recognises the significant additional financial pressures that the unprecedented increase in energy costs in 2022/23, especially in relation to gas, will have on school budgets. The Schools Finance Team will be working with the Energy Team to analyse the latest position for individual schools and to identify those schools facing the most significant budget pressures.

Schools are advised, through their monthly budget monitoring process, to assess the financial impact of the new additional energy cost increases on their 2022/23 budget position. Where the additional cost increase will result in the 2022/23 school budget moving from a surplus to a deficit, local authority maintained schools are requested to inform the Local Authority of the updated position before the end of the Summer 2022 term. Notification should be provided to the Schools Finance Team at: [schoolsfinancialgovernance@northyorks.gov.uk](mailto:schoolsfinancialgovernance@northyorks.gov.uk). At this stage, given the continued energy market turbulence and future cost uncertainties, schools are advised to assume that energy costs continue at the new increased level for future financial years. Further updates will be provided early in the Autumn 2022 term in respect of the latest position for 2023/24.

Any local authority maintained schools that are experiencing cash flow pressures as a result of the increase in energy prices are able to request a cash advance from the Local Authority. A cash advance request can be made through the NYCC Finance Enquiry Service at: [Finance Enquiry Service \(FES\) | CYPInfo \(northyorks.gov.uk\)](#)

Yours sincerely



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