

Pricing Policy

1. Introduction

B&D Energy is a wholly owned subsidiary of Barking and Dagenham Council and aims to provide a high quality service for all customers. To achieve this, B&D Energy will be operating on a commercial basis.

B&D Energy provides heating and hot water to your property via a District Energy Network. In some cases, we also supply your electricity via a Private Wire Network. For the supply of heat, this is a feature of your property and cannot be changed although you may still choose your electricity supplier.

You need to sign one of our Residential Supply Agreements when you move into your home and you need to understand that B&D Energy is your sole supplier of heat. For electricity, as you are on a Private Wire Network, if you want to switch supplier, you must contact us as the process is slightly different to normal.

We are very aware of the concerns you may have regarding the monopoly of supply for your heat and how you are 'locked in'.

To address this, B&D Energy will operate an open and fair policy on pricing and tariff as set out in this Pricing Policy to ensure that its customers pay a fair and reasonable price for their energy supplies.

The costs (or tariffs) for your heat and electricity are split into two elements:

- Standing Charge – an equal charge across each month of the year
- Unit Charge – a charge levied per unit of energy used

You can find the tariffs for the Heat Standing Charge, Heat Unit Charge, Electricity Standing Charge and Electricity Unit Charge in your Residential Supply Agreement, by looking at your bill or on our website.

2. Price setting methodology

2.1. Heat

When we develop our charges for heating your home, all charges are contained within a single heat bill. This includes the cost for the fuel, repair and maintenance, metering and billing.

In comparison, a property with an individual gas boiler receives gas from the National Gas Network, which is then used within the property to provide

heating and hot water. The costs of servicing the boiler, repairs, insurance and replacement of a boiler are separate additional costs on top of the gas bill.

It is not accurate to compare the unit charge in a gas bill with the unit charge in a heat bill you will receive from us because they are two methods of heat supply with different associated costs. A fairer method is to compare our total charges with the total cost of gas in a boiler plus annual servicing, repair and replacement of that boiler.

As a general principle, B&D Energy will develop its prices to match and, where possible, show a saving against these total alternative costs for heat that consumers would otherwise pay for heat supplies from a gas-fired boiler in their own dwelling.

This method is also consistent with the way heat charges are set by other schemes across the UK as well as the Heat Trust Price Calculator for residential schemes. The Heat Trust Price Calculator generates a heat price which compares the costs of heat from B&D Energy with the alternative costs which would have otherwise been incurred by the customer, including:

- Natural gas costs
- Boiler operating and maintenance costs
- Boiler repair costs
- Boiler replacement costs

In setting this tariff in this way, we are aware that some customers in council or housing association properties or those in the private rented sector, are not usually liable for some of these costs e.g. they may only pay for the cost of the gas supply, so this comparison may not be wholly valid, but this is the industry standard method of determining a comparable charge which is known as 'price parity'. Furthermore, in such situations, depending on the lease or rental arrangements your landlord may pay some of these costs and pass them on to you in your rent.

If you are a Reside tenant, then you will have a reduced level of Standing Charge as servicing and maintenance of the Heat Interface Unit (HIU), the costs of the maintaining and operating Energy Centre (which is where we generate our heat supplies) and the maintenance of our network are included as part of your rent.

2.1.1. Initial heat tariff

These calculations of total heat costs will enable us to calculate a total annual heat price. From this total heat cost we can calculate a tariff – which you will see itemised on your bill - made up of the Standing Charge and the Unit Charge (for the heat supplied as measured by your meter).

Good industry practice dictates that the level of total standing charges should be set to at least recover all of our fixed operating costs, such as all operation and maintenance, as well as major repair and replacement work of energy equipment over the 25-year contract to ensure a continual service of heating and hot water to all the homes on our network. It also covers any repairs needed on the energy equipment within the properties, such as the HIU, and associated pipework and valves. The Standing Charge also includes the operation and maintenance of the equipment in the Energy Centre and distribution network. The remaining costs include billing and metering, operations and insurance.

However, we know that a very high proportion of the total energy charge being comprised of standing charges will not encourage energy efficiency in customer's premises, because benefits from reducing their consumption will have less impact. Therefore, these considerations were taken into account when setting the specific tariffs in a fair and reasonable manner.

The Unit Charges reflect the amount of energy that has been supplied to your property. As we have explained above, you cannot directly compare the Unit Charge of your heat to the unit charge of gas or electricity.

The initial heat tariff was calculated and set in September 2017.

2.2. Electricity

The electricity price you pay is comparable to the price you may pay to another supplier. We do not claim to be the cheapest available, but we do promise to offer a fair tariff when compared to the 'Big Six' suppliers (British Gas, E.on, nPower, EDF, Scottish Power and SSE).

2.2.1. Initial electricity tariff

The initial tariff was set in September 2017 by using uSwitch comparison website with the following assumptions:

- An annual electricity usage of 2,000kWh for a typical average sized property with 286 kWh used at a night time rate
- That all customers would pay by Direct Debit

We calculated a total annual bill from each tariff and found the cheapest overall from each of the Big Six. These six annual costs were then averaged to give us the average cheapest deal.

We set our initial electricity tariff to be at or below the cheapest average.

You may be able to get a cheaper deal from another supplier, but these deals are unsustainable and often short lived. We believe that by setting our tariff to match (or to be lower than) the average of the cheapest deals available from the Big Six each year, we can be sure that you get a fair deal and we can run our business knowing we supply low carbon energy at a fair rate.

3. Other charges

3.1. Reconnection charges

If we disconnect your supply, we will make a reconnection charge of £120 (indexed annually) to be added to any amount you owe.

3.2. Debt collection charges

We will pass on to you any charges that we reasonably incur in the recovery of money you owe us.

4. Price indexation

Every year in April, we will review the tariffs. This will happen once per year (unless something extraordinary happens) and the calculations we undertake to do this are set and will not change. This way we are open, fair and you can understand how we have arrived at the new costs. This is much fairer than the standard gas or electricity suppliers whose tariffs and price changes are confusing, often seen as unfair and take place when they decide they should.

4.1. Standing Charges

The majority of the elements that go to make up the Standing Charges (for the heat and electricity tariffs) are affected by the cost of employing people to operate, maintain, repair and replace our equipment and the cost of new parts. We will use a mix of two indices to calculate new Standing Charges which reflect movement in these two costs; one that reflects the cost of living and one that reflects the cost of employing people.

4.2. Unit Charges

We have decided to index the Unit Charges in line with the change in the wholesale price of gas (for the heat tariff) and electricity (for the electricity tariff) as this reflects price changes within the energy market.

You should note that as we index our prices then the tariff may go down as well as up. If you require the exact calculation we use to index your charges, please do get in touch and we can supply this to you.

4.3. Market comparison

Every year, when we do the maths to index the prices, we will also check that the new price is competitive with the average of the best dual-fuel tariffs available at that time from the Big Six (or whoever the dominant suppliers are). We will use dual-fuel tariffs as, to many customers, we will be supplying heat and electricity. The new tariff will be set at the lower of either our indexed price or this average. This ensures that you will always be paying a fair tariff.

5. Direct Debit and paperless billing

All our tariffs assume that you pay by Direct Debit and that you do not receive a paper bill. This keeps our costs down.

If you decide that you want to pay by any other method than Direct Debit, then we will remove this discount from your tariff which will result in an additional £30 to your annual bill.