

Committee(s): Resource Allocation Subcommittee, RASC – For Information	Dated: 03/11/2025
Subject: Update for energy cost and savings	Public report: For Information
This proposal: <ul style="list-style-type: none"> delivers Corporate Plan 2024-29 outcomes of Leading Sustainable Environment 	Leading Sustainable Environment
Does this proposal require extra revenue and/or capital spending?	No
If so, how much?	n/a
What is the source of Funding?	n/a
Has this Funding Source been agreed with the Chamberlain's Department?	No
Report of:	The City Surveyor
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Summary

This report presents the proposed information updates to the committee. While utility costs have decreased since the market peaked in 22/23, they have not recovered to pre covid levels. Market intelligence is not expecting costs to lower further. The Power Purchase Agreement (PPA) provided some relief during the energy crisis in 22/23, but as prices have fallen so has the value of the PPA. Thus, we believe it prudent to keep the City informed via these reports on utility costs and consumption patterns. This will also include performance of sites and for the first time, highlight water usage and costs as water is expected to receive the greatest percentage increase in utility cost over the next several years.

Recommendation(s)

- Note the annual reports will include forecasted utility costs and total spend from corporate properties and landlord areas
- Note that the annual report will include performance of the PPA including credits and generation
- Note that the bi-annual reports will include progress updates on consumption and cost
- Note that the bi-annual reports will include progress on energy projects that deliver cost avoidance

Main Report

New Suggested Report & Costs

1. This change in information presented is proposed to ensure financial visibility to utility costs. It is also meant to increase efficiency and reduce duplication of efforts, as the Climate Action Strategy PMO Team currently report on carbon emissions.
2. Utility costs are a significant operational expense. Figures 1-4 in the Appendix demonstrate the historic prices and Figure 5 displays the 24/25 total utilities cost, which was £26.2M according to invoice data.

3. If the City were to apply a 3% per annum uplift to electricity rates from 2020 to today, the current estimated electricity rate would be 12p/kWh. Current rates are 26p/kWh, effectively double what proposed budget uplifts would be. This is demonstrated in Figure 6 in the Appendix.

Climate Action Strategy

4. The CAS team reports carbon emissions annually to the Policy and Resources Committee, using the latest government-published carbon factors, typically released in June/July each year. Historically, quarterly reporting to RASC has introduced inconsistencies due to the mid-year update of carbon factors. This has led to discrepancies between quarterly and annual carbon figures.
5. To mitigate this issue, the current report focuses exclusively on utility consumption and cost, rather than carbon emissions. This approach ensures consistency in reporting and avoids confusion stemming from the timing of carbon factor updates. Carbon reporting will continue to be conducted annually, using the most up-to-date factors available at the time of publication.

Power Purchase Agreement (PPA)

6. The PPA has generated 150,311,466 kWh resulting in a rebate on electricity costs of almost £13M since inception. Assuming the average UK household uses 3700 kWh per year, this generated enough power for over 40,000 homes. It must be noted that credits are in line with market rates, and as electricity prices have dropped, the credits have reduced.
7. Further, the City was able to secure an exceptional rate for Management/Shape and Risk fees from Total Energies during the first 2 years of the contract due to an oversight by the supplier. Costs as of October 2025 are now in line with market rates. Further detail of PPA generation and credits can be found in the Appendix Figure 7.

Water use and management

8. Water prices have historically been stable; however, they increased by 33% in 2025. As the CAS 2040 target includes water use within Scope 3 targets, the energy team has directed Thames Water to complete free of charge audits to support sites with optimal water use. These audits are ongoing, however have led to ~£75k in cashable savings since inception of the program in July 2025. The cashable savings are an estimate using industry averages combined with the data provided at the time of the visit and represent the estimated savings over the full calendar year.

Energy management

9. in addition to the capital projects under the CAS programme the Energy Operations team have made targeted interventions in controls settings starting mid-2024 and small measures that have resulted in predicted annual cost avoidance of ~£77k with details in Figure 8 in the Appendix.

Contract Management

10. The City has entered a 4 year contract with LASER 01 October 2025. Negotiations are ongoing for the Citigen contract, and a new water contract will need to be procured by 2027.
11. The Salisbury Square site only requires 8 water connections rather than 9 as initially quoted. Thames Water initially advised a requote was required, costing approximately £100k. Through negotiations with Thames, this was dropped and instead a rebate will be offered. This is an example of the importance of contract management.

12. The Energy Team successfully challenged Total Energies September PPA rebate. The initial credit was £4.6k due to the incorrect management/Shape and Risk fee and incorrect volume application. Following the request for review, Total Energies acknowledged the error and applied the correct rate, leaving the City with a rebate of ~£330k as demonstrated in Figure 8 in the Appendix.

Corporate and strategic implications

13. **Strategic implications:** Energy performance is linked to resilience and helps ensure business continuity through reduced pressure on the energy infrastructure within the Square Mile. We support a thriving economy by ensuring environmental responsibility in this way. Our energy performance helps to shape outstanding environments through the reduction of CO₂-e emissions and our commitment to procuring clean renewable energy. In this way, our energy performance helps shape the outcome of “Leading Sustainable Environment”.
14. **Financial implications:** The savings in this report detail energy consumption and cost and provide an outline of the costs saved by energy initiatives. For longer sustainable gains the focus needs to be on improving the efficient use of energy, through targeted investment in energy saving measures.

Conclusion

15. Energy cost remains relatively stable, however has not returned to pre-covid prices.
16. Reporting on cost allows for greater knowledge and understanding of utility prices.

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