

Summary

When buying gas and electricity, parishes are classed as business customers. This means that:

- Many parishes have contracted with their current supplier, usually for a fixed time period,
- Switching suppliers is possible, but it isn't as easy as for domestic customers.

Gas and electricity are major areas of cost for parishes. This, coupled with volatility in pricing, suggests that it would be good practice to monitor this regularly (at least once a year, unless you are contracted for a longer time period.)

This guide aims to help you manage your electricity and gas effectively.

Five Steps for Successful Utilities Management

1. Know your present situation.

Many parishes are contracted to their current supplier, but don't realise it. Unless you are certain of the nature of your deal with your current supplier, we suggest that you contact them to find out

- ❶ Whether you are in a contract with them
- ❷ How the contract can be terminated - whether it is a fixed term contract, or if it is a rolling contract, the length of the notice period.
- ❸ Ensure that your utility supplier has the correct contact details for the person managing the parish's utilities. This will mean that letters regarding the contract are delivered to the appropriate person promptly.

Note:

Some contracts automatically "roll over" into a new contract period if notice is not given during a specified time-window. This time window can be short, can close three months before the contract ends, and under some contracts, the supplier does not need to write to notify you of this period.

2. Review the market

You should review the market at least annually unless you are in a longer contract. Prices and available tariffs change, and you are advised to review what is available. To do so, you should use the last year's bills to gain an accurate picture of your annual consumption.

- ❶ Many parishes with low daytime use have found that they are better off using a tariff with a low rate for evenings, nights and weekends. There may be a one-off cost for switching tariffs.
- ❷ The importance of the standing charge will vary according to how much energy you are using. If you use relatively little energy, finding a tariff with a low daily standing charge will be important.
- ❸ Fixed-term contracts can often enable you to access prices that are cheaper, but will tie you in for an extended time period. In determining whether this is a good buy, you will need to make a judgement on the future direction of energy prices.
- ❹ Prices do vary by supply region, so check that you are getting a price comparison for your region. You will also need to know your 'Supply Number' as it contains profile

information that will enable you to get an alternative quote, and will be needed to switch supplier if you decide to do this.

⑤ Don't necessarily accept the first quote you are offered. As a business customer, there is considerably more scope for negotiation than on domestic tariffs.

3. **Determine your environmental strategy.**

Every parish is encouraged to audit its activities and have a strategy for reducing its carbon footprint. Choice of the right energy tariff (together with improvements in energy efficiency and managing use of buildings) can produce significant reductions. The best of green tariffs - where the energy supplied is from sustainable or renewable sources - will currently be more expensive than most 'normal' energy tariffs, but are one of the most cost-effective means for parishes to reduce their carbon footprints (e.g. by comparison with micro-generation schemes or offsetting). (For more information visit www.shrinkingthefootprint.cofe.anglican.org).

4. **Decide whether to switch**

If you do decide to switch, you will need to plan it carefully, and ensure that you give your existing supplier appropriate notice as determined by the contract.

For some fixed period contracts which automatically "roll over", the short length of notice period in the interim can mean that there isn't time to go back to the PCC to authorise a change of supplier or tariff. If necessary, gain pre-approval of the PCC to switch.

5. **Ensure you are paying no more VAT than necessary**

Business customers who use more than the monthly equivalent of annual usage of 12,000 kWh of electricity and/or 54,750 kWh of gas, pay a commercial Climate Change Levy (CCL) of 0.456p per kWh. VAT is charged at the standard rate (usually 17.5%, now 15%) on the total (Energy + CCL). These charges apply to all types of fuel; gas, electricity, oil, coal etc. However no CCL is made, (and the VAT remains at 5%) for charitable "non-business" use.

Charities:

The rules distinguish between "Charitable Non-Business Use" and "Business Use".

"Charitable Non-Business Use" is typically church worship and church related activities, where income is by voluntary contributions and donations. "Business Use" is typically use of church or church hall for non-church purposes, and where income is generated from hiring or renting out facilities.

In the absence of a "Customer Declaration Certificate" the supplier will assume all supply is for "Business Use". Where 60% or more of the supply is for "Non-Business Use" and a valid "Customer Declaration Certificate" has been submitted then the whole of the supply will be billed at the 5% rate of VAT and excluded from CCL.

Where less than 60% of the supply is for "Non-Business Use" and a valid "Customer Declaration Certificate" has been submitted then the reduced rate of 5% VAT and zero CCL will be charged on the declared percentage of "Non-Business Use", the remainder will be charged CCL and standard rate VAT.

This guide has been produced by the Procurement Group - a task group representing dioceses and the national church, who seek to enable the church to carry out their purchasing more effectively. Thanks are also acknowledged to Graham Kemp, a treasurer in the Guildford Diocese for the guidance on VAT.

