

## Heat Tariff Calculation Methodology

### Who is this document for?

1. Primarily for those involved in preparing charges for either tenants or leaseholders so that all are clear on what is, and what is not, included within the heat tariffs. This should prevent residents from being under or over charged through duplicate or missed charges.
2. Anyone else who communicates with residents or leaseholders and needs to explain how the heating tariffs are calculated.

### What are the calculation inputs?

The primary input fields required to calculate the heating tariffs are:

- Gas pricing information (both variable and fixed charges)
- Gas consumption information
- Electricity pricing information (both variable and fixed)
- Plant room electricity consumption information
- Energy management team costs for managing the procurement of the gas and electricity
- Heat metering and billing contract costs
- End user heat consumption

### What is included and excluded for tenants and leaseholders?

	Tenants	Leaseholders
Plant room gas costs	Yes – both fixed and variable elements are included – the fixed element in the standing charge and the variable element in the variable charge	Yes – both fixed and variable elements are included – the fixed element in the standing charge and the variable element in the variable charge
Plant room electricity costs	Yes – both fixed and variable elements are included (in the standing and variable elements of the heating tariff respectively). Where plant room sub-meters do not exist, it is assumed that electricity consumption equals 2% of plant room heat output (as per CIBSE Code of Practice assumption).	No – disaggregating electricity costs between the plant room and other common areas would create unnecessary work and potentially lead to inaccuracy and/or duplicate charging. Instead, all landlords' electricity charges will be picked up as a single element within the annual service charge.
Energy management team costs	Yes – as a fixed cost it is apportioned to the standing charge	Yes – as a fixed cost it is apportioned to the standing charge
Heat metering and billing contract costs	Yes – as a fixed cost it is apportioned to the standing charge	Yes – as a fixed cost it is apportioned to the standing charge
Boiler / plant room planned & preventative maintenance (PPM)	No – under S11 of the Landlord & Tenant Act this is deemed included within the rent	No – this will continue to be calculated and presented as a separate element within the annual service charge
Boiler repair or replacement	No – under S11 of the Landlord & Tenant Act this is deemed included within the rent	No – this will continue to be calculated and presented as a separate element within the annual service charge

**Basic calculation methodology**

- Gas and electricity variable charges are apportioned per kWh of delivered heat
- Gas and electricity standing charges and energy management charges are apportioned per “room unit” (this methodology follows the assumption of 4 default rooms per property plus however many bedrooms there happens to be)
- Heat metering and billing contract and administration charges are apportioned on a per property basis because that is how external providers charge it to the Council. Officer time is also proportional to the number of properties rather than bedrooms.
- The calculated heating standing charges are presented as a value of pence per day, and are rounded to the nearest whole penny
- Variable heating charges are presented as a value of pence per kWh, and are rounded to 2 decimal places
- VAT is applied at the appropriate rate, currently 5%