

A better deal for your communal energy supply

The information in this pack applies to all Thirteen customers and leaseholders who pay a service charge or an amenity charge for the supply of gas or electricity in communal areas.

You will no doubt be aware that energy prices have risen significantly over the last few years and are set to rise again this year in an ever-changing energy market. The energy that we provide to tenants and leaseholders is for the supply to communal areas. The supply of energy to communal areas is not covered by the domestic price cap set by Ofgem. Thirteen must therefore source energy on the commercial market.

The price of energy can change quickly within a short space of time. To secure value for money and the best possible price for energy, we need to make very quick decisions regarding the purchase of the energy supply. The need for these quick decisions, so that we can keep costs as low as we can, prevents us from applying the Section 20 consultation mechanism (Section 20 of the Landlord and Tenant Act 1985). This type of consultation can take three months or more to complete.

We are proposing to apply to the First Tier Tribunal Property Chamber (Residential Property) for dispensation from the consultation requirements contained in Section 20 of the Landlord and Tenant Act 1985. This simply means that we are planning to apply for an exemption to consult under Section 20, only for the purchase of the communal energy supply, so that quick decisions to change tariffs can be made over a three-year period. The three-year agreement is considered to be a long-term agreement, but this helps us to secure the best rates available before a supply cost increases.

Frequently asked questions

What is the Section 20 process?

This is the process we go through before we award any contracts for services or work. The Leasehold Advisory Service website explains the Section 20 process in detail. You can read more information here <https://www.lease-advice.org/advice-guide/section-20-consultation-private-landlords-resident-management-companies-agents/>

What is dispensation from Section 20?

When we don't have enough time to complete the full Section 20 process, we can ask the Tribunal to give us permission to choose suppliers without undertaking the normal consultation. The Tribunal reviews our application and if they decide that there was no reasonable way to consult everyone in time, they agree that we don't have to comply with the Section 20 process, granting us dispensation.

Dispensation can be used in emergency situations, where contractors can't deliver services or there's major work needed quickly. Most organisations like Thirteen will only use dispensation for energy services.

You can read about the Tribunal process on the government's website: www.lease-advice.org

Will the Tribunal decide how much my service charges should be?

No. The Tribunal won't decide if the contracts we award are reasonably priced, and they won't say that we can or can't recharge these services to you. The Tribunal will only decide if we could comply with the requirements of Section 20 or not. Please note that it is our responsibility to get the best deal for you. We don't make any profit from the purchase of energy, we only recharge what we have to pay.

Will my service charges increase?

We can't say what impact this will have on service charges as the global energy market is volatile, but we want to reduce the risk of service charges increasing by protecting energy rates for as long as possible. That's why we're going through this new procurement process. We want to ensure that we get the best energy rates set for a long time, so that our service charges are as low as possible. The new tariffs will apply from 1 October 2025.

Is this process going to affect the electricity or gas supply, or how I pay?

No. There will be no interruption to either your communal gas or electricity supply, and you will still pay your service charges in the same way.

Why are you securing long term contracts now when energy prices are at an all-time high?

Energy advisors expect that prices will come down, but there's no guarantee when that will happen. Energy contracts lasting two to four years are cheaper than a one-year contract so by entering into longer term contracts we're securing prices for a longer period, stabilising costs whilst the market is so volatile.

Who is responsible for the gas and electricity?

Under the terms of your lease with us, as the building owner or 'freeholder' or 'long leaseholder', Thirteen is responsible for the gas and electricity meters to all landlord services. Landlord services are services such as providing communal lighting, operating door entry systems, operating communal boilers or lifts. Customers who benefit from these services each contribute towards the cost through the service charge.

I pay for gas/electricity myself to a supplier, how does this impact me?

We wish to enter into a longer-term contract only for those energy costs that are supplied to a communal area. The supply to the communal areas will not affect the energy contracts that you have in place at home for your own gas or electric supply.

What is a long-term agreement?

This is an agreement that is to be entered into by the Landlord with a third party, for twelve months or more. For the supply of communal energy, we are looking to enter into a three-year contract and it is therefore a long-term agreement.

How does a long-term agreement relate to Section 20?

Where a contract will make a cost of £100 or more and a customer is asked to pay that cost, and the service will last for twelve months or more, then a landlord is required to carry out a Section 20 consultation. As we've mentioned, this process can take three months or more. Within three months, the cost of energy can change and increase quickly, which is why Thirteen is looking to enter into a three-year agreement to access cheaper rates quickly.

When will Thirteen apply to the First-Tier Tribunal Property Chamber (Residential Property)?

Once we have served a notice of intent to apply for the exemption, we will then make an application into court. A copy of the directions and court order will be made available on our website <https://www.thirteengroup.co.uk/page/a-better-deal-for-your-communal-energy-supply> and be sent by post only on request.

How much will the gas and electricity be?

We are unable to estimate the supply costs at this time. We are looking for a longer-term contract to get the best rate available from the energy market to ensure that leaseholders, shared owners and tenants receive the best value for communal gas and electricity supply costs during the three-year contract term.

Will the cheapest quote be accepted?

Thirteen procures its energy requirements through a specialist energy broker which actively monitors energy markets and prices. This approach ensures that energy is purchased on our behalf at the best possible prices, delivering value for money.

Will a longer term contract save us money?

Longer-term energy contracts typically offer more competitive rates compared to shorter-term contracts, as they allow us to take advantage of market lows over an extended period. While one-year contracts are considered standard and often do not require additional consultation, contracts lasting two to four years provide greater protection against market fluctuations. These longer-term arrangements are generally more cost-effective, as they lock in prices for an extended duration, helping to stabilise costs within the current volatility in energy markets. By opting for longer-term contracts, we can mitigate the financial risks associated with unpredictable price surges.

How will the new costs be allocated?

The newly sourced energy contract will be a block policy covering all properties for which Thirteen is responsible. You will only be recharged under the service charge or amenity charge and as set out in your lease.

I pay my rent and service charge which I understood included gas/ electricity. Am I being asked to pay an additional amount?

You are not being asked to pay another fee. Thirteen is consulting with you to advise that we are looking to secure lower rates for the supply of energy to communal spaces. You already pay these costs under your service charge now, so this is not a new or additional charge.

Contact

If you'd like a paper copy of the application, any other documents or to ask questions about this application please let us know.

- Write to: Energy Management Team, 2 Hudson Quay, Windward Way Middlesbrough, TS2 1QG
- Email: energypurchasingconsultation@thirteengroup.co.uk
- Online: www.thirteengroup.co.uk/page/contact-us