



<u>Committee and Date</u>	<u>Item</u>
West Mercia Energy Joint Committee	10
28 th September 2021	<u>Public</u>

RISK MANAGEMENT UPDATE

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1. Summary

- 1.1 The purpose of this report is for the Joint Committee to receive details of all medium and high risks in accordance with the WME Risk Management Strategy.

2. Recommendations

- 2.1 The Joint Committee are asked to consider and endorse, with appropriate comment the medium and high risks presented.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2 There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3 Given the subject matter of this report, the assessment of risk forms a fundamental part of the risk strategy.

4. Financial Implications

- 4.1 The financial implications of each risk are considered when the impact of the risk is assessed.

5. Background

- 5.1 The WME Risk Management Strategy is reviewed and presented to the Joint Committee on an annual basis. This was presented and endorsed by the Joint

Committee in February. WME Risk Management Strategy states that the Joint Committee are to receive details of all medium and high risks at each meeting.

- 5.2 The risk register is kept under constant review and is formally reviewed by the management of WME twice a year. The current risk register comprises of seventy six highlighted risks.
- 5.3 The majority of the risks within the risk register are operational with controls in place which mitigate the impact of the risks to an acceptable risk level.
- 5.4 The table below identifies the six current high and medium risks, the one medium risk from the last meeting that now has a lower rank and the change in rank levels from the last meeting.

Ref	Risk	Risk Owner	L	I	Status	Rank	Rank Change
Current High and Medium Risks							
1	Market conditions leading to less competitive prices / high year on year price rises	Gareth Maude	4	3	12	Medium	Increase
2	Delays in customers completing new contracts resulting in high year on year price rises.	Nigel Evans	5	3	15	Medium	Increase
3	Breach of product tolerance levels	Gareth Maude	4	5	20	High	Increase
4	Breach of trading risk levels	Gareth Maude	1	5	5	Medium	No change
5	Central government policy or Regulative initiative	Nigel Evans	1	5	5	Medium	No change
6	Loss of key staff	Nigel Evans	2	4	8	Medium	No change
Previous Medium Risk							
1	Loss of external customer contracts due to natural competition	Nigel Evans	3	3	9	Low	Decrease

L – likelihood of the risk
I – impact of the risk

- 5.5 The key driver affecting the increase in rank levels of the first three identified risks is the energy commodity market conditions we have experienced over recent months. Gas and electricity prices have increased significantly since March and are now trading at unprecedented levels. For example , gas prices for the forthcoming winter have increased by 175%, and electricity prices by 116%.
- 5.6 In addition, Day Ahead gas prices (the price of gas for delivery tomorrow) traded consistently above £1 per therm throughout August having only traded at the levels for six separate days since 2011, all of which were during periods of winter demand. In addition we have seen record price levels at a number of European gas hubs, with month-ahead gas prices (the price of gas for delivery in the following month) at the Dutch gas hub (TTF) continuing to hit new highs, all the more remarkable when again taking into account the fact that we are in summer and comparing prices with the most severe of winters.
- 5.7 With the gas Day Ahead prices currently so high, the rank of the risk associated with the gas cash out (Ref 3 in the table above) has been increased. Should

consumed volumes be greater than those procured (e.g. where the winter is colder than the norm) then these additional volumes would be bought at the Day Ahead rates leading to additional costs.

- 5.8 The risk related to external customer contract retention has been reduced due to the positive work conducted over recent months.
- 5.9 Providing customers with the necessary products and support as they progress with their carbon zero ambitions continues to be key focus for the business. The risk associated with not doing so is considered in the risk register and is currently classified as a low risk due to the positive work done in this area to date which will develop further over the coming year.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Joint Committee 2 nd March 2021 – Risk Management Update
Member Councillor Rae Evans of Telford & Wrekin Council (Chair of the Joint Committee)
Appendices None