

REPORT TO: CABINET

DATE: 9 JULY 2020

TITLE: ENERGY PROCUREMENT FRAMEWORK REVIEW

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES

LEAD OFFICER: SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND HEAD OF FINANCE AND PROPERTY (01279) 446228

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This is a Key Decision
It is on the Forward Plan as Decision Number I010693
Call-in Procedures may apply
This decision will affect no ward specifically.

RECOMMENDED that Cabinet agrees:

- A** To extend the current framework arrangement with Energy and Carbon Management for the supply of gas and electricity to March 2023.
- B** To the procurement of 100 per cent renewable electricity up to March 2023

REASON FOR DECISION

- A** The current framework agreement commits the Council to a long term energy supply contract, ensuring that the Council is able to achieve better value for money. In addition, the framework agreement provides added benefits that create operational efficiencies whilst continuing to deliver quality energy supply procurement.
- B** By procuring 100 per cent renewable electricity, the Council is able to continue to meet its goals as set out in the Climate Change Emergency declaration of July 2019.

BACKGROUND

1. In 2017, Cabinet agreed to switch its gas and electricity energy contracts via the Procurement for Housing (PfH) framework, committing itself to a long term contract to achieve value for money.

2. Under the PfH framework, the Council utilises a flexible purchasing method under which an analysis continually tracks changes in the wholesale energy market and subsequently procures blocks of energy when conditions are favourable. These prices are then fixed for the following financial year. Using this method the Council can take advantage of any future fall in wholesale energy prices. The approach also reduces the Council's exposure to any future spikes in energy prices.
3. The current cost to implement the framework agreement is £24,390 per annum. For this, the framework provider procures gas and electricity supply contracts on the Council's behalf, as well as:
 - a) Dedicated Account Management – inclusive of liaising with suppliers on the Councils behalf;
 - b) Bill Validation and reporting outlining any discrepancies that will be raised directly with the supplier;
 - c) Performance, Service Delivery and Supplier Relationship Management of the contract;
 - d) Connections and Metering Support including new meters and change of tenancies etc.;
 - e) Information regarding TRIAD Warnings;
 - f) RAG Analysis – a chart depicting the energy usage of a building throughout a set period of time, usually 24 hours; and
 - g) Period available supply capacity reviews for its Half Hourly electricity
4. The contract period is for an initial three years up to the end of March 2021, with an option to extend for a further two years. It was agreed by Cabinet that the option to extend the contract would be based on a 'value for money' review to be submitted in year three (2020/21).

ISSUES/PROPOSALS

Review of Current Arrangements

5. In order to conduct a comprehensive review of the contract, officers analysed the following:
 - a) Financial savings made against the wholesale energy market;
 - b) Performance of the framework provider;
 - c) Services that provide added value to the contract; and

- d) Contributions to the Council's work following declaration of a Climate Change Emergency

Financial Savings

6. Under the current purchasing methodology, the framework provider has been able to make savings for both gas and electricity against the wholesale market cost. For electricity, savings of £83,051 against the wholesale market high have been realised over the 36 month duration of the contract to March 2021. Similarly for gas, savings of £159,769 have been made over 30 months (Note: Electricity and Gas baskets were procured for contract starts of April and October, respectively, leading to the difference in contract duration).
7. For context, as of 2020/21 the Council pays, on average, 15p/kWh for electricity and 1.8p/kWh for gas, compared to the regional average of 18.9p/kWh for electricity and 3.7p/kWh for gas, further demonstrating the savings provided by the robust procurement methodology agreed with the framework provider.
8. The PfH framework delivers account management and billing queries, and also connections and metering support.

Framework Performance

9. The PfH framework delivers account management and billing queries, and also connections and metering support.
10. Whilst it is noted that there are no performance indicators set within the services agreement between the Council and the framework provider, it is in the opinion of officers that the agreement provides good performance. It is recognised that handling energy queries can become complex and in the majority of cases have been dealt with in a self imposed 28 day period through the framework provider.

Added Value

11. In addition to providing savings, good performance on customer queries and account management requirements, the framework provider has also been able to assist in providing a number of services that have added value to the contract.
12. There are a number of online portals the Council uses to monitor electricity usage for its entire portfolio. This assists with queries and provides evidence to support the Council in achieving carbon reductions targets. Officers are currently working with the framework provider to deliver this for its gas portfolio also, with a trial to be conducted for a limited number of operational sites. All portals are being provided at no additional cost.
13. The framework provider shares weekly and quarterly reporting concerning the procurement of its energy supply against the current market position. Both tools are invaluable in assisting the Council plan for budget forecasting for the following financial year.

14. Additional services outside of the contract can also be procured. Such services include:
- a) Renewable Feasibility Assessments;
 - b) Ad hoc consultancy projects;
 - c) ISO 50001 gap analysis;
 - d) Streamlined Energy & Carbon Reporting (SECR);
 - e) Air-conditioning Inspections (ACI);
 - f) Energy Performance Certificates (EPC);
 - g) Display Energy Certificates (DEC);
 - h) EU Emissions Trading System (EU-ETS); and
 - i) Heat Regulations.
15. The Council, in line with its Contracts and Standing Orders, has procured the services of desktop feasibility studies in relation to the installation of solar photovoltaic panels across its public buildings that has helped inform business case submissions for capital programming up to 2021/22.

Carbon Reduction

16. In 2019/20, the Council's electricity portfolio was supplied with 100 per cent renewable energy. This has had a significant impact on carbon emissions reporting, as defined by the Carbon Management Plan 2016-21, as carbon emissions for electricity consumption across operational buildings have reduced by 553 tonnes. It has been confirmed that 100 per cent renewable electricity will be supplied to the Council's electricity portfolio for 2020/21.
17. The original supply contract did not specify for 100 per cent renewable electricity but the framework provider secured this with the energy supplier and at no additional cost to the Council. The renewable energy supplied complies with Guarantee of Origin (GoO) standards that are recognised by OFGEM.
18. GoO certification is a European tracking instrument as defined in article 15 of the European Directive 2009/28/EC. It provides the customer with certainty that the energy being provided to the importer by the exporter is 100 per cent renewable in origin. GoO's can originate from another country than the country of consumption.
19. The Council has explored procuring 100 per cent renewable energy with a Renewable Energy Guarantee of Origin (REGO) certificate solely from UK sites as a minimum standard. However, it has been advised by the framework provider that there will be an additional cost to procuring this, over and above

wholesale energy costs, whilst delivering a similar standard as GoO certification. This is constantly being kept under review for future energy procurement activities in light of Brexit.

ISSUES/PROPOSALS

20. In light of the above evidence, it is recommended that the Council extends the services contract with the framework provider to March 2023. A procurement exercise will begin in 2022 to determine how the Council procures its energy from March 2023 onwards.
21. In addition to this, it is recommended that the Council seeks to procure 100 per cent renewable electricity for its portfolio as part of the framework agreement with a minimum GoO certification as approved by OFGEM. This will aid the Council in achieving its goals set in its current Carbon Management Plan 2016-21 and the aims set out in the Climate Change Emergency declaration of July 2019.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

This proposal will help to ensure that value for money is achieved and should provide an improved service to the Council's customers.

Author: Andrew Bramidge, Head of Environment and Planning

Finance (Includes ICT, and Property and Facilities)

If approved the extension of the contract will help to ensure that the council continues to achieve competitive market prices for its energy supplies whilst also locking in to supplies that are carbon neutral. Contract support and management have been very good as set out in the report and will give confidence that what can be a very complex exercise in managing specific accounts across the councils extensive and varied property portfolio will continue to run efficiently.

Author: Simon Freeman, Head of Finance and Deputy to the Chief Executive

Housing

The approval of the contract will help to ensure that housing landlord business planning priorities targeting energy efficacy plans for its stock continue, in particular, allowing the process for tenants who are in receipt of District Heating facilities being billed for their individual heating usage.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

None specific.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

The use of a fully EU compliant framework is sufficient to discharge the Council's obligations under EU regulations and its Constitution.

Author: Simon Hill, Head of Governance

Appendices

None.

Background Papers

[Department of Business, Energy and Industrial Strategy publication for 2019 domestic energy data \(published March 2020\)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875777/QEP_Q4_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/875777/QEP_Q4_2019.pdf)

Glossary of terms/abbreviations used

GoO – Guarantee of Origin
OFGEM - Office of Gas and Electricity Markets
PfH – Procurement for Housing
REGO – Renewable Energy Guarantee of Origin