

**REPORT TO:** CABINET

**DATE:** 27 JANUARY 2022

**TITLE:** ENERGY PROCUREMENT FRAMEWORK RENEWAL

**PORTFOLIO HOLDER:** COUNCILLOR ALASTAIR GUNN, PORTFOLIO HOLDER FOR GOVERNANCE

**LEAD OFFICER:** JANE GREER, DIRECTOR OF COMMUNITIES AND ENVIRONMENT (01279) 446406

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**This is a Key Decision**  
**It is on the Forward Plan as Decision Number I013481**  
**Call-in procedures may apply**  
**This decision will affect no ward specifically.**

**RECOMMENDED that:**

- A** Cabinet agrees to renew the framework arrangement with Inspired Energy for the procurement of gas and electricity via the Procurement for Housing framework from April 2023 to March 2026, with an option to extend to March 2028.
- B** The Council enters into a long term supply agreement for gas and electricity from 1 April 2023 to 31 March 2026, subject to compliance with Section 20 of the Landlord and Tenant Act 1985.

**REASON FOR DECISION**

- A** The renewed 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 robust energy supply procurement.

**BACKGROUND**

1. In 2017, Cabinet agreed to procure its gas and electricity supply contracts via the Procurement for Housing (PfH) framework, committing the Council to a long term contract to achieve value for money. This was subsequently extended to March 2023 by Cabinet in July 2020.

2. Under the PfH framework, the Council utilises a flexible purchasing method under which the framework provider continually tracks changes in the wholesale energy market and 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. Typically, energy prices can move up or down 2-5 percent daily and can move 100 percent over the period of 12 months.
3. The current cost to implement the framework agreement is £25,597.35 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 Council's behalf;
  - b) Performance, Service Delivery and Supplier Relationship Management of the contract;
  - c) Connections and Metering Support including new meters and change of tenancies etc;
  - d) Information regarding TRIAD Warnings;
  - e) RAG Analysis – a chart depicting the energy usage of a building throughout a set period of time, usually 24 hours. This helps users to understand when energy demand is occurring that is outside of usual baselines so that further investigation and rectifications can take place to reduce demand; and
  - f) Periodically available supply capacity reviews for its Half Hourly electricity.

### **Review of Current Arrangements**

4. A comprehensive review of the contract was undertaken by Officers and 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**

5. 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 £72,678.43 against the wholesale market average have been realised over the 60 month duration of the contract to March 2022. Similarly for gas, savings of £69,463.74<sup>1</sup> have been made over 54 months (Note: Electricity and Gas baskets were procured for contract starts of April and October, respectively, leading to the difference in contract duration.)
6. For context, as of 2021/22 Harlow Council pays, on average, 15p/kWh for electricity and 1.7p/kWh for gas, compared to the regional average of 17.8p/kWh for electricity and 3.48p/kWh for gas<sup>2</sup>, further demonstrating the savings provided by the robust procurement methodology agreed with the framework provider.

## **Framework Performance**

7. The PfH framework delivers account management and billing queries, and also connections and metering support.
8. 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 delivers a good standard of 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**

9. In addition to providing savings, and 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.
10. The Council uses an online portal to monitor electricity usage for its entire electricity portfolio. This assists with queries and provides evidence to support the Council in achieving carbon reduction targets. Officers have worked with the framework provider to deliver this for its gas portfolio also, with a successful trial conducted for four of its operational sites. The portals are being provided at no additional cost and consideration is currently being given as to whether to extend the monitoring of its gas sites to the rest of the portfolio.
11. The framework provider shares weekly and quarterly reporting concerning the procurement of its energy supply against the current market position. This is

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<sup>1</sup> The savings quoted include for price forecasting for 2022-23 for gas and electricity based on the amount of energy purchased. As energy has not been fully purchased (approx. 90% and above for both gas and electricity) savings are not 100% correct at the time of writing this report.

<sup>2</sup> Figures acquired from Department of Business, Energy and Industrial Strategy publication for 2020 domestic energy data (published March 2020)

invaluable in assisting the Council plan for budget forecasting for the following financial year.

12. Additional services in addition to energy procurement are also available to the Council to support saving costs and reducing carbon emissions. Such services are offered either at no cost, or reduced rates dependant on the resource commitment required on behalf of the framework provider. These 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.

13. 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 have helped to inform business case submissions for capital programming up to 2021/22 and a successful funding bid for Phase 1 of the Public Sector Decarbonisation Scheme. The solar PV project is still ongoing to be delivered by the end of 2021/22.

### **Carbon Reduction**

14. In 2019/20, the Council's electricity portfolio was supplied with 100 percent renewable energy. This has had a significant impact on carbon emissions reporting since as carbon emissions for electricity consumption across operational buildings have saved 960 tonnes. As part of its commitment to the Climate Change Emergency and as set out in the latest Carbon Management Plan, renewable electricity should continue to be procured as standard as part of future energy contracts.

15. Biogas (also known as "green gas") is also available to be procured via the Procurement for Housing framework, should this be considered feasible by the Council. By procuring biogas with a Renewable Gas Guarantee of Origin (RGGO) certificate, the Council can offset its carbon emissions from its operations as outlined in the latest Carbon Management Plan. However, the cost

to procure biogas is approximately 0.8-1.2p/kWh over and above the current gas tariff of 1.7p/kWh. No biogas is currently procured through current energy contracts.

## **Supply Contracts**

16. Energy contracts for both gas and electricity are currently in place until 31 March 2023. By renewing the energy procurement contract as detailed above, energy supply contracts from April 2023-March 2026 can begin to be procured for the future, subject to compliance with Section 20 of the Landlord and Tenant Act 1985.
17. By purchasing energy for the future (also known as “backwardation”), the Council will be able to secure cheaper wholesale energy beyond 2023, as opposed to buying within the current 12 month window.

## **ISSUES/PROPOSALS**

18. In light of the above evidence, it is recommended that the Council renews the services contract with the framework provider to March 2026 with an option to extend to March 2028. A review of best value is to be presented to Cabinet before the Council exercises its option to extend.
19. To align with this, it is recommended that the Council enters into a long term supply agreement for gas and electricity from 1 April 2023 – 31 March 2026.
20. In addition to this, it is recommended that the Council continues to procure 100 percent renewable electricity for its portfolio as part of the framework agreement with a minimum Guarantee of Origin (GoO) certification as approved by OFGEM. This will aid the Council in achieving its goals set in its current Carbon Reduction Plan 2021-26 and the aims set out in the Climate Change Emergency declaration of July 2019.

## **IMPLICATIONS**

### **Strategic Growth and Regeneration**

As set out in the report, there is also the potential look at how this model/framework can be used to support the Council’s regeneration programme.

**Author: Andrew Bramidge, Director of Strategic Growth and Regeneration**

### **Finance**

As set out in the report.

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

### **Housing**

As outlined in the report.

**Author: Andrew Murray, Director of Housing**

## **Communities and Environment**

As set out in the report.

**Author: Jane Greer, Director of Communities and Environment**

## **Governance and Corporate Services**

The use of a procured framework meets the requirements of Contract Standing Orders. External consultants are supporting housing colleagues in respect of leaseholder requirements. The appointed Consultant has committed to providing social value to the Council, including support and advice around energy efficiency, fuel poverty initiatives and support for local SME's mindful of Net Zero targets.

**Author: Simon Hill, Director of Governance and Corporate Services**

## **Appendices**

None.

## **Background Papers**

None.

## **Glossary of terms/abbreviations used**

Backwardation - When the current price of an underlying asset is higher than prices trading in the futures market

GoO – Guarantee of Origin

OFGEM - Office of Gas and Electricity Markets

PfH – Procurement for Housing

REGO – Renewable Energy Guarantee of Origin

RGGO - Renewable Gas Guarantee of Origin

TRIAD - Triads are the three half-hour settlement periods with highest system demand between November and February between 4pm and 6pm. During this time, transmission charges are higher as it coincides with domestic peak demand. TRIAD warnings help commercial users to reduce demand on the National Grid, as well as reducing transmission charges, thus lowering bills.