

Report Title:	Energy Contract Procurement
Contains Confidential or Exempt Information?	NO
Member reporting:	Councillor Gerry Clark, Lead Member for Sustainability, Waste Management and Economic Development
Meeting and Date:	25 th July 2019
Responsible Officer(s):	David Scott, Head of Communities, Enforcement and Partnerships
Wards affected:	None

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REPORT SUMMARY

1. The Council currently purchases gas and electricity through the Crown Commercial Services (CCS) frameworks. The value of the contract is approximately £2 million a year. The framework is compliant with the EU Public Procurement Directives and provides good value for money as the Council are part of a group purchasing over £2 billion a year of electricity and gas.
2. Following a review to ensure compliance with internal and external requirements as well as to ensure best value to residents, it is proposed to continue purchasing gas and electricity through the CCS frameworks.
3. The Council can specify an energy purchasing strategy which reflects its appetite for risk and pricing certainty by specifying the period energy is bought over. Approval is sought to delegate the period over which our energy is purchased to CLT in consultation with the Lead Member to ensure the Council can react quickly to changing circumstances.
4. There is significant public concern surrounding climate change and to demonstrate leadership on the issue, approval is also sought to purchase all electricity from renewable sources.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet notes the report and:

- i) **Agrees to continue using Crown Commercial Services frameworks to purchase electricity and gas**
- ii) **Delegates authority to the Corporate Leadership Team in consultation with the Lead Member on specific purchasing strategies**
- iii) **Commits to only purchasing electricity generated from renewable technologies**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Purchase of Electricity and Gas

- 2.1 The Council purchases approximately £2 million of gas and electricity each year. 87% of this spend is on electricity with the remainder on gas. Currently this is procured through the Crown Commercial Services framework with EDF (Electricity) and Corona (Gas) as the end suppliers.
- 2.2 CCS are owned by the Cabinet Office and purchase £2 billion of energy on behalf of public sector organisations each year. This significant buying power coupled with the expertise in CCS's energy buying team results in competitive unit rates as well as good customer service.
- 2.3 The cost of using the CCS framework are approximately £12,500 a year based on an annual fee per meter. It is estimated that by using CCS, approximately £145,000 a year is saved compared to purchasing as a standalone body. This saving would be lost if we purchased independently, significantly increasing our costs.
- 2.4 Alternatives to the current purchasing arrangements would be to move to an alternative framework or conduct our own OJEU compliant tender.
- 2.5 A different framework is unlikely to result in any savings due to the size of aggregation enjoyed by CCS and would require a change to the end suppliers.
- 2.6 Conducting an OJEU compliant tender would require significant staff time as well as losing the bulk purchasing power and expertise the Council currently enjoy through a framework.
- 2.7 We are currently on a rolling contract with CCS. We can withdraw from the contract as soon as the energy purchase period has come to an end. For part of our portfolio this is April 2020 and for the remainder it's April 2022.
- 2.8 It is recommended that we remain on this contract and undertake a review in 3 years' time to ensure we are still receiving best value.

Delegation of purchasing strategy

- 2.9 Within the CCS framework, the Council can choose the purchasing strategy used to procure the energy based on a number of available options.
- 2.10 There are 3 main 'baskets' that the energy can sit in; Locked 6 (L6), Variable 6 (V6) or Variable 30 (V30).
- 2.11 The benefits of the L6 basket is that all energy is purchased before the delivery date providing a fixed price to help manage budgets. The V6 basket buys energy before the delivery date and through the first 6 months of the delivery period so potentially lower market prices can be accessed. However monthly bills are variable. The V30 basket can purchase up to 30 months before the delivery date as well as throughout the delivery period. This

provides the ability to provide an element of price stability year on year rather than be exposed to short term market fluctuations.

2.12 The half hourly electricity supplies currently sit in the V30 basket, the non-half hourly sites as well as the gas sit in the L6 basket.

2.13 It is proposed to delegate the decision on the purchasing strategy to CLT in consultation with the Lead Member so a more detailed paper can be presented and reviews can be conducted regularly to ensure best value.

Renewable energy tariff

2.14 Currently our electricity is sourced from a variety of sources including nuclear, gas, coal and renewables.

2.15 As part of the CCS framework, we have the option to specify that all our electricity should be generated by renewable technologies such as solar, wind and hydro power. This would be a renewable energy tariff rather than a low carbon tariff which means no energy will be supplied by nuclear power.

2.16 This energy will continue to be supplied by EDF and will result in an increase in cost of 0.24% at current prices and consumption.

2.17 It is recommended that all electricity purchased is through the renewable tariff to demonstrate leadership on tackling climate change as well as providing support to low carbon technologies.

Table 1: Options arising from first recommendation (Agrees to continue using Crown Commercial Services frameworks to purchase electricity and gas)

Option	Comments
Do nothing Not recommended	Whilst the default is to continue using CCS, without formal approval to use CCS, this is a breach of the Council's constitution.
Conduct our own OJEU compliant tender to procure gas and electricity suppliers Not recommended	This would involve large amounts of staff time and would not provide the purchasing power that we currently receive as part of the CCS framework. We would also need to appoint an energy trader to purchase on our behalf.
Use an alternative framework Not recommended	Other frameworks have been reviewed and there is no obvious benefits to moving away from CCS who provide a good service.
Continue using the Crown Commercial Services frameworks to purchase gas and electricity This is the recommended option	The Council remains compliant with the Council's constitution and the EU Public Procurement Directives. The Council continues to benefit from the significant purchasing power of CCS to ensure best value for residents.

Table 2: Options arising from second recommendation (Delegates authority to the Corporate Leadership Team in consultation with the Lead Member on specific purchasing strategies)

Option	Comments
Do nothing Not recommended	The energy purchased would remain under the current purchasing strategy.
All decisions on purchasing strategy to be made by a member led committee Not recommended	This would place an unnecessary burden on committees and prevent the Council from acting as opportunities arose.
Delegate decision making on purchasing strategy to CLT in consultation with the Lead Member. This is the recommended option	This would allow the Council's purchasing strategy to remain agile.

Table 3: Options arising from third recommendation (Commits to only purchasing electricity generated from renewable technologies)

Option	Comments
Do nothing Not recommended	Energy would continue to be purchased from combined generation such as coal, gas, nuclear and renewables.
Purchase energy from a renewable tariff This is the recommended option	This would demonstrate leadership on climate change with relatively little financial impact.

3. KEY IMPLICATIONS

- 3.1 From the 1st October 2019, CCS will begin purchasing the V30 half hourly basket for April 2022-23 as well as purchasing the L6 baskets for April 2020.
- 3.2 If we wish to begin to move our energy supplies to a new framework or change which baskets the Council utilises we will need to inform CCS by September 2019.

Table 4: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
Continuation of use of the CCS frameworks	After 1 st September 2019	1 st September 2019	Before 1 st September 2019	30 th July 2019	1 st April 2021

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 There are no capital financial implications.
- 4.2 Whilst this contract has a high value, the cost to the Council of using CCS is approximately £12,500 with a benefit of £145,000 based on the energy purchased.
- 4.3 The cost of moving to a renewable tariff would increase the overall electricity bill by 0.24%. Based on current costs and consumption this would result in a £3,705 annual increase. This would be added to bills and would be paid for by individual services through existing utility budgets.

5. LEGAL IMPLICATIONS

- 5.1 The value of the contracts means an OJEU compliant tender would be required in order to award a contract(s) directly to an energy supplier. By using the CCS framework, the Council will remain compliant with national and European procurement legislation and regulations.

6. RISK MANAGEMENT

Table 5: Impact of risk and mitigation

Risks	Uncontrolled risk	Controls	Controlled risk
That the Council does not comply with its constitution	High	Work with Procurement to ensure procurement legislation and regulations are followed	Low

7. POTENTIAL IMPACTS

- 7.1 There are no staffing implications to any of the recommendations. An equality impact assessment is not required.
- 7.2 There are positive environmental and corporate image impacts by moving electricity to a renewable energy tariff.

8. CONSULTATION

- 8.1 The Corporate Leadership Team and Lead Member will be consulted on and will decide any changes to the purchasing strategy.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 Implementation date if not called in: Immediately.
- 9.2 The full implementation stages are set out in table 3.

Table 6: Implementation timetable

Date	Details
1 st August 2019	All electricity purchased from this date will be from renewable sources
August 2019	Paper to CLT with recommendations on purchasing strategy
September 2019	Confirm purchasing strategy with CCS

10. BACKGROUND DOCUMENTS

- 10.1 This report is supported by 1 background document:
Royal Borough of Windsor and Maidenhead Constitution

11. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Gerry Clark	Lead Member for Sustainability, Waste Management and Economic Development	27/06/19	28/06/19
Duncan Sharkey	Managing Director	28/06/19	04/07/19
Russell O'Keefe	Executive Director	28/06/19	04/07/19
Andy Jeffs	Executive Director	28/06/19	04/07/19
Rob Stubbs	Section 151 Officer	28/06/19	04/07/19
Elaine Browne	Interim Head of Law and Governance	28/06/19	04/07/19
Nikki Craig	Head of HR and Corporate Projects	28/06/19	04/07/19
Louisa Dean	Communications	28/06/19	04/07/19
Kevin McDaniel	Director of Children's Services	28/06/19	04/07/19
Hilary Hall	Deputy Director of Commissioning and Strategy	28/06/19	04/07/19

REPORT HISTORY

Decision type: Non-key decision	Urgency item? No	To Follow item? N/A
Report Author: James Thorpe, Energy Reduction Manager, energy.manager@rbwm.gov.uk		