

Wiltshire Council

Cabinet

29th June 2021

Subject: Electricity and Gas purchasing arrangement from 2022

Cabinet member: Cllr Pauline Church: Cabinet Member for Finance, Procurement, Commissioning, IT, Digital and Commercialisation

Key Decision: Key

Executive Summary

The council has undergone a process to assess the market for energy to ascertain the best method for procuring electricity and gas once the current arrangement expires on 31st March 2022. As part of this assessment the key objectives were:

- Quality of service
- Cost
- Accuracy and verification of billing
- Access to green tariffs

Total spend through this contract is approximately £7.3m per annum. Over a 5 year term contract this spend would be £35m plus and it is therefore designated as being a key decision that needs to be approved by cabinet.

There is also a requirement for a management and administration service to be provided as part of the contract to minimise the resource burden on the council and deliver contract management savings.

The market assessment exercise reviewed the ability of all available public sector energy procurement frameworks to meet the council objectives. From initial desktop exercises, 2 nationally recognised public sector frameworks were identified as having the capability and capacity to deliver the service, and both were further assessed on both quality and pricing methodologies to provide a recommendation for award. The result of this process is set out in part 2 of this report in the exempt part of the agenda.

Should this cabinet report be approved, it is proposed the new arrangement will be finalised by 30th September 2021 to allow the ensuring a successful transition period and allow the winning framework provider to begin the advance purchase of energy.

Proposal(s)

1. To approve the winning framework provider (as set out in part 2 of the report) as the method by which we purchase electricity and gas supply from 1st April 2022 for 5 years.
2. To delegate authority to the Director of Housing & Commercial Development, in consultation with the Cabinet Member for Finance, Procurement, Commissioning, IT, Digital and Commercialisation to proceed with award through the framework from 1st April 2022 for 3-year term.
3. Delegate authority to the Director of Housing & Commercial Development, in consultation with the with the Cabinet Member for Finance, Procurement, Commissioning, IT, Digital and Commercialisation, to utilise a 2-year extension option subject to adequate supplier performance and mutual agreement by both parties.

Reason for Proposal

The current energy purchasing arrangement expires on 31st March 2022 and needs to be replaced to enable the council to continue to deliver cost-effective electricity and gas supplies to the corporate, housing, streetlighting and school portfolios.

The strategy for purchasing energy has changed and developed over the previous iterations of this contract and has evolved from a fixed price model to a more flexible strategy that allows the council to cap budgets and return any savings achieved from lower prices directly back to the council.

The council's carbon reduction team have been involved in this process and contributed to the assessment process. As part of the options considered, the project team were able to discount the use of a single green supplier rather than a public sector framework provider. This is because the single supplier would be unable to deliver the managed service required or the price cap and savings potential that is possible with a public sector framework. However, it is hoped the length of this proposed arrangement may allow the market to develop so that the next iteration of this contract may be delivered with all the benefits of the framework as well as a 100% carbon neutral delivery mechanism. Considering the 2030 carbon neutral aim we would like to be in a wholly green contract by 2030 and therefore are committing to a 3+2 term so that, should a product be available by 2025, the council can take this up at the soonest possible opportunity.

This proposed arrangement builds on the flexible purchasing strategy with a budget cap, and also the option to purchase on green tariffs to align with the council's carbon neutral ambitions.

Public sector frameworks for energy have to date provided good value for money with the cost of the raw energy being very competitive as well as providing other

additional services such as billing validation, siteworks assistance, query management and access to billing through a web portal for sites. These enable the energy team to proactively manage energy on behalf of the council without the burden of liaison with energy suppliers and unnecessary administration.

The assessment process considered two public sector frameworks on the basis that these two were the only frameworks that met all the requirements for the effective management of the service including the budget cap and return of savings achieved through the duration of the arrangement. The assessment process robustly considered all quality aspects of the two frameworks, including the pricing mechanisms that would be in place for the duration of the arrangement to ensure the best possible value and service to the council.

The two frameworks considered both provide green electricity backed by Renewable Energy Generation of Origin Certificates (REGO's) that is generated by specific renewable technologies e.g. solar, wind, hydro power, and also non-green (brown) power.

Green gas is not currently purchased by the council as the cost uplift is significantly higher than that of green electricity. The amount of green gas available in the market is variable, depending on demand and current uptake as there is limited availability. However, the council is committed to continue monitoring the marketplace and reviewing this throughout any new contract.

It is anticipated that the market will mature and in future procurements the council will be able to have a wholly green supplier, offering the most rigorous type of green tariff, as well as all requirements met either through a supplier or a framework but at this time only a framework has been able to meet requirements and provide green electricity that is backed by REGOs.

Terence Herbert
Chief Executive

Wiltshire Council

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Key Decision: Key

Purpose of Report

1. To approve the winning provider framework as set out in part 2 of this report in the exempt part of the agenda as the method by which we purchase electricity and gas supply from 1st April 2022 for 5 years.
2. To delegate authority to the Director of Housing & Commercial Development, in consultation with the Cabinet Member for Finance, Procurement, Commissioning, IT, Digital and Commercialisation, to award the contract from April 2022 for 3-year term with a 2-year extension option.
3. To delegate authority to the Director of Housing & Commercial Development, in consultation with the Cabinet Member for Finance, Procurement, Commissioning, IT, Digital and Commercialisation, to extend the contract after year three if required.

Relevance to the Council's Business Plan

4. This energy purchasing strategy will ensure the council is efficient and provides good value for money for Wiltshire residents.
5. The option to purchase REGOs-backed, traceable electricity and gas demonstrates our innovative and effective council and contributes to the council's own carbon reduction.

Main Considerations for the Council

6. The specification of service requirements for the contract are laid out in appendix 1.
7. For the energy management service to run effectively there are several service requirements that can currently only be met through a public sector energy framework.

8. The winning framework provider has been assessed as being the best option for the council, being the highest quality score and delivering all additional services required including the green purchasing requirement.
9. The current contract is due to expire 31st March 2022 and a new contract needs to be agreed by September 2021 so that energy purchasing can begin in time for a contract start date of 1st April 2022.

Safeguarding Implications

10. There are no safeguarding implications.

Public Health Implications

11. There are no public health implications.

Corporate Procurement Implications

12. The options that were considered as part of this paper are all compliant with procurement regulations and Wiltshire Council procurement policy.
13. The recommended route to market is a framework that is publicly owned and focuses solely on energy and associated services for the public sector.
14. The framework provides a cost effective, trusted solution, to all public sector energy needs. The services include fully OJEU/FTS compliant frameworks for electricity and gas alongside key additional services to support council contract management and pricing monitoring and management.
15. The Sourcing Plan setting out all requirements and the options considered was submitted to Commercial Board on 18th March 2021. This paper was approved on the basis of further Commercial Board approval and Cabinet approval prior to award.

Equalities Impact of the Proposal

16. There are no equalities impacts for this proposal.

Environmental and Climate Change Considerations

17. The council's aim to be carbon neutral by 2030 has been considered as part of this procurement and the councils Climate Team has been consulted and support this recommendation.
18. Green electricity backed by REGOs and traceable by the supplier will be procured as part of this contract, and the council intends to explore similar options for green gas. This action means the electricity is zero carbon being made from traceable renewable sources and therefore means that it will

significantly decrease our carbon emissions, even though it does not increase our energy use. The additional requirements as part of the contract assist the council's energy team to run the contract effectively saving time and resource which can be put into carbon reduction programmes and reporting.

19. The council intends as part of this contract to provide green purchasing options to schools who use the contract, which further assists the carbon reduction work required to reduce the carbon impact of schools in Wiltshire.

Risk Assessment

20. The main risk to the council if this recommendation is not utilised would be the potential gap in service for a controlled and managed service and associated costs. If the council did not use a managed flexible capped arrangement, the council would have to use more volatile market dependent energy rates which would not benefit from the aggregation with the public sector framework, or the associated support services to ensure effective management and cost effectiveness.
21. They would also not be able to predict costs leading to ineffective budget management and potential unexpected future costs or budget overspend.
22. Furthermore, without a central arrangement to purchase through, service areas, particularly schools, may miss out on efficient processes and may incur additional costs to manage energy purchasing internally.
23. There is also a risk that the energy arrangements in place for the council will not be carbon neutral by the deadline of 2030 which is the council target. The arrangement duration and optional extension has therefore been carefully considered to ensure as soon as the market is fully capable of delivering these services in a carbon neutral way then the council will be able to utilise these methods in good time for the deadline to be met successfully.

Financial Implications

24. The requirements for this contract, as set out in appendix 1, save the council time and resource in contract management, and also contribute towards financial savings. For example, the current contract billing validation service has saved the council £214k in the last financial year, picking up billing anomalies and errors that may have gone unnoticed.
25. There is an uplift to purchasing green electricity at approx. 0.5% of the final cost, but the benefit of being able to declare this as carbon neutral is seen to outweigh this cost.
26. The council charges schools an administrative fee for schools to use the contract, so if a number of schools chose to not join in 2022 this income would reduce. However, this fee would usually include the cost of school query management so if there are less schools included in the final arrangement, there is less to manage, therefore should not be an increased cost.

27. The cost of energy is on an upward trend mainly due to government levies applied to grid costs that cannot be influenced by a supplier. This would be the case for any route to market chosen by the council. Having the proposed flexible budget cap addresses this as far as possible and manages the risk to the council.

Legal Implications

28. The proposal to procure through a public sector framework involves use of the framework terms and conditions rather than the standard council terms and conditions. For this reason, the council legal team have been involved in reviewing the proposed terms to ensure these are suitable and to include any additional Wiltshire specific terms and conditions as required. As the basis is still a public sector contract then the risk is considered low and has been operated under the current contract without issue.

Workforce Implications

29. There are no workforce implications.

Options Considered

30. Do nothing

The requirement for electricity and gas supply is still required and is vital for the operation of Council corporate buildings and housing estates. Should the council let this managed service lapse, the costs of energy would likely increase as it would be dependent on variable market rates. Also this would breach procurement regulations and internal council procurement policy due to the high value of the aggregated spend. This option is therefore discounted.

31. Open Procedure

This option would involve going to the whole market to request bids. This would be a resource intensive process due to the size of the market. It would also not target those suppliers who can deliver the exact service and benefits that public sector frameworks are proven to provide. The evaluation would also be high risk due to the difficulty in being able to consider like with like and the inability of the market to provide long-term cost-effective options. This option is therefore discounted.

32. Public Sector Framework

There exist multiple public sector frameworks specifically for provision of energy that are proven to provide additional value in support services and the ability to implement budget caps and return additional savings. These benefit from public sector aggregation of spend and years of experience in delivering services specifically to clients such as the council. Assessment has now been carried out which indicates a preferred framework provider who is proposed as the recommended framework to utilise to purchase future energy requirements. This framework is able to deliver the requirements including carbon neutral electricity and flexible budget cap. This option is therefore recommended.

Recommendation

33. The recommendation is to proceed with an arrangement with the proposed framework provider to purchase future energy requirements. This arrangement will have an initial duration of three years, with the option to extend up to a further two years to align with the council's carbon neutral agenda as well as the market's capacity to deliver to those targets.

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Appendix 1

Supply of Gas and Electricity for Wiltshire Council – Specification

1. Specification of requirements for gas and electricity contract

- a. Purchase energy requirements (electricity and gas) for all supplies requested (and any others added at a later date with reasonable notice) in a flexible arrangement, managing the risk strategy required for this, and monitoring usage levels as required.
- b. Provide a budget cap or known tariff rate for flexibly purchased energy that can be reconciled later in the year.
- c. Notification of this maximum tariff rate in advance of each financial year.
- d. Provide consolidated billing for corporate, streetlighting and housing supplies at an agreed frequency (e.g. monthly) that details usage, cost, tariff information etc in a format that can be imported into SystemsLink Energy Manager database for monitoring and Concerto asset management database for payment.
- e. Add an admin fee to billing for each portfolio of supplies as requested.
- f. Operate a customer services contact channel for sites and council energy team to utilise for billing or supply queries.
- g. Assist and manage siteworks queries from inception to completion, working directly with council staff and contractors, keeping the council informed of significant changes to supplies or issues arising.
- h. Validate all billing from the supplier ensuring bills are not passed for payment until accurate and be prepared to report on this.
- i. Attend (virtual or in person) contract meetings as and when required (quarterly or more frequently) and provide reporting at meetings showing progress against any agreed KPIs and discussing any issues.
- j. Monitor frequency of accurate billing and advise where readings may be required to assist billing.
- k. Offer an AMR service as required.
- l. Provide green REGO-backed electricity that is traceable to source showing the type of renewable investment and provide an option for green gas.
- m. Operate a web portal for sites and schools to access energy data and input meter readings or have the ability to use SystemsLink web portal managed by the council.
- n. Manage any additions/removals related to portfolio changes.

- o. Query management – being first point of contact for sites to discuss energy usage or billing issues.
- p. Ability to sleeve renewably generated energy through contract.

Schools Specific Requirement

- q. Invoice schools and academies separately to the main Council consolidated bill.
- r. Add on to invoices any admin fees from the council as required.
- s. Operate a customer services contact channel for schools/sites/energy team to utilise for billing or supply queries.
- t. Query management – being first point of contact for schools to discuss energy usage or billing issues.
- u. Assist and manage siteworks queries from inception to completion, working directly with council, contractors and schools, keeping the council informed of changes to supply.
- v. Contact schools with a newsletter or legislation guidance information as appropriate.
- w. Operate a web portal for schools to access energy data and input meter readings or have the ability to use SystemsLink web portal managed by the council.
- x. Provide quotations for any new school/academy supplies coming on contract mid-term and manage any additions/removals related to portfolio changes