

OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE
1st NOVEMBER 2007

ENERGY CONTRACT- ANNUAL REVIEW**Purpose of Report**

1. To present to Members the Annual Review of the performance of the Corporate Energy Contract and associated contract monitoring including any recommended remedial or performance enhancement measures that may apply.

Background

2. The Cabinet resolved on 24th March 2003 that the County Council enter into a Service Level Agreement with the Office of Government Commerce (OGC) for the procurement of energy supply requirements with effect from 1st October 2003. The initial agreement for electricity was for a fixed 3 year term with the option of “rolling” annual contracts.
3. All these contracts, or Service Level Agreements, have been operating well since that time. A general overview of performance and a number of key issues are discussed below.

Main Considerations for the Council**Scope**

4. Under the arrangements with the OGC there are four contracts and these are outlined in the table below. The County Council arranged with OGC to purchase six months of electricity in order to align the electricity contracts to expire on 31st March, along with the gas contract. Although this means six months of electricity is purchased during the winter months, at its most costly, it is preferable to align all the contracts to start on the same date and a spring start date is easier for budget preparations.

Service	Finish Date	Provider
Gas	31 st March 2008	Corona Energy
Over 100kw sites (OH)	31 st March 2008	EDF Energy
Street Lighting and Unmetered Electricity (UM)	31 st March 2008	EDF Energy
Under 100kw sites(UH) (half hourly)	31 st March 2008	British Gas

Performance

5. Although prices have been coming down over the course of the year (approximately 21% for gas and 9% for electricity), relatively high energy prices are now permanent. In April 2007 savings averaging 30% were achieved for the gas procurement, while savings of 19% are anticipated for the October 2007 procurement of electricity. These savings are against prices achieved at the same period last year.
6. The size of the OGC buying power has helped control the prices paid by the County Council and has ensured continuity of supply in a volatile market.

Finance

7. Detailed breakdowns of the performance under each contract are as follows:

Financial Year 2006-07

Service	Consumption kilowatt hours	Spend £
Gas	43,356,490	1,048,600.54
OH electricity	9,976,233	894,439.29
UH electricity	16,378,686	1,156,926.79
UM electricity (street lighting)	TBA	TBA
Totals	69,711,409	3,099,966.62

Financial Year 2007-08 from April to September 2007

Service	Consumption kilowatt hours	Spend £
Gas	7,483,075	125,721.92
OH electricity	3,868,048	328,148.00
UH electricity	4,262,882	42,291.02
UM electricity (street lighting)	TBA	TBA
Totals	15,614,005	496,160.94

Environmental Impact of the Proposal

8. The County Council is continuing its work to assess the Authority's carbon emissions and look at ways of reduction. The consumption for the first quarter of this year indicates a 14% decrease in electricity usage over the same period and a 32% decrease in gas usage.
9. Under its contract with the OGC, the County Council purchases "green energy" and this has significant benefits to the environment not only in Wiltshire but at a national level. Currently all street lighting and a significant proportion of building stock are powered using this green energy source.

10. The County Council is looking to trial “Smart Meters” for gas and electricity which aim to provide more accurate and prompt data.

Risk Assessment

11. The Government-backed guarantee provided as part of the contract arrangements eliminates the risk of supply fluctuations in a volatile market.
12. OGC has developed two purchasing methods which they call **Basket 1** and **Basket 2**:
 - **Basket 1** procures product in the same way as currently - i.e. during the five month period prior to the commencement date of the contract. The remaining month leading up to the commencement date is for confirmation of pricing and any savings realised and communication of this information to the site managers and schools.
 - **Basket 2** aims to achieve 5%+ savings over and above those achieved on the Basket 1 method and the procurement is slightly different. Month and day ahead markets are utilised which allows a greater window of opportunity to purchase product. OGC advises us that PaSA achieved a 17% saving on their gas purchase using Basket 2, and Wiltshire County Council Schools, following their forum on 28th June 2007, agreed to commit to Basket 2. Notice has been given to OGC that the County Council would like to utilise Basket 2 from April 2008.

Options Considered

13. During the four years the County Council has had its Service Level Agreement with OGC there have been a number of evaluations of the service that OGC provide as well as some soft market testing to prove that OGC offers the best value for money that the County Council can obtain at this time.
14. The County Council does not have the in-house energy expertise to tender this complex requirement, and liaison with other authorities in the region which do have such staff has shown that they have not achieved more competitive prices than the County Council.
15. The County Council continues to monitor the OGC performance and consider other procurement options but would very carefully evaluate any proposal for alternative provision so as to ensure it would give the same or improved service.

Proposed Developments

16. Work to educate staff and end users to develop awareness of more efficient energy use is ongoing. In future all new buildings will be designed with energy efficiency as a key performance criterion.
17. The continued use of OGC Framework Contracts such as energy contracts is a key factor in the County Council meeting the recommendations of the recent Gershon Efficiency Review and any subsequent targets for imposed efficiencies that are likely to be developed.

18. The Sustainable Energy and Climate Change Act 2006 includes a duty on Councils to "have regard" to sustainable energy when "exercising their functions". The County Council has programmes in place to promote energy efficiency particularly in its non-school buildings. Over the past year, systems to improve energy monitoring have been upgraded. Officers in the Property Services Department have been working with staff and building managers to encourage energy saving. This includes the management of an energy conservation fund. Building energy efficiency projects are included within the County Council's overall Carbon Management Programme. Progress with this programme is covered in a separate report to this Committee on energy efficiency activities and performance.

Reason for Proposal

19. To acknowledge the performance of the energy contracts in a volatile marketplace and to consider whether the Committee endorse the development of energy efficiency strategies for energy use in County Council buildings in the light of current and forthcoming regulations.

Proposal

20. That Members:
- (i) Acknowledge the continued value for money performance of the Service Level Agreement with Office of Government Commerce and note the rebates achieved in the contracts.
 - (ii) Continue to support the development of corporate strategies to encourage better and more efficient use of energy in County Council services and buildings through the work with the Carbon Trust, the Wiltshire Energy Efficient Centre and the Wiltshire and Swindon Renewable Energy Forum and by continually assessing the Council's carbon footprint.
 - (iii) Consider any comments and recommendations this Committee would wish the Cabinet Member for Procurement ICT and Partnerships to take into account when receiving this report.

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The following unpublished documents have been relied on in the preparation of this Report:

Contract documents and monitoring information provided in support of the arrangements with the OGC.