

**OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE**  
**4<sup>th</sup> SEPTEMBER 2008**

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**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.
2. The scope of this report is the performance of the energy contracts with Office of Government Commerce (OGC) rather than any environmental management issues surrounding energy efficiency, its use or reduction in use.

**Background**

3. The Cabinet resolved on 24<sup>th</sup> March 2003 that the County Council enter into a Service Level Agreement with the OGC for the procurement of energy supply requirements with effect from 1<sup>st</sup> October 2003. The initial agreement for electricity was for a fixed 3 year term with the option of then continuing with "rolling" annual contracts.
4. 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**

5. Under the arrangements with the OGC there are four contracts and these are outlined in the table below. Although the Council intended to align the contracts with an April 1<sup>st</sup> start date OGC Buying Solutions did not carry out the Council's instructions and following advice from Corporate Finance the Council intends to retain the current start dates. This Committee is reminded that the contracts are now annual rolling contracts.

Service	Finish Date	Provider
Gas	31 <sup>st</sup> March 2009	Corona Energy
Over 100kw sites (OH)	30 <sup>th</sup> September 2008	EDF Energy
Street Lighting and Unmetered Electricity (UM)	30 <sup>th</sup> September 2008	EDF Energy
Under 100kw sites(UH) (half hourly)	30 <sup>th</sup> September 2008	British Gas

## Performance

6. In 2007 there was some temporary relief from the high prices sustained over recent years. However since the start of the year and with the price of both gas and electricity linked to the price of oil, the spiralling oil price has adversely impacted on gas and electricity prices, with an increase in the gas price in April 2008 of an average of 35%. Savings of 19% were achieved for the October 2007 procurement of electricity. These savings are against prices achieved at the same period last year.
7. 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. The Council has continued to have a stable source of Green Energy in a market where quotas are now being applied.

## Finance

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

### **Financial Year 2007- 08**

<b>Service</b>	<b>Consumption kilowatt hours</b>	<b>Spend £</b>
Gas	46,281,451	774,276.72
OH electricity	13,559,943	929,783.57
UH electricity	15,169,012	1,219,223.07
UM electricity (street lighting)	14,548,902	969,011.46
<b>Totals</b>	<b>89,559,308</b>	<b>3,892,294.82</b>

### **Financial Year 2008- 09 from April to June 2008**

<b>Service</b>	<b>Consumption kilowatt hours</b>	<b>Spend £</b>
Gas	6,965,297	159,640.95
OH electricity	3,490,735	220,036.29
UH electricity	3,684,488	273,427.44
UM electricity (street lighting)	2,663,421	168,828.93
<b>Totals</b>	<b>16,803,941</b>	<b>821,933.61</b>

## Environmental Impact of the Proposal

9. 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 6.28% increase in electricity usage over the same period and a 7.95% increase in gas usage. These slight increases may reflect the rather colder 07-08 winter.

10. 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.

11. In April 2008 the County Council installed eight electricity Smart Meters at the following premises:

Bradford on Avon Library  
Chippenham King's Lodge Primary School  
Malmesbury Primary School  
Pewsey Sports Centre  
Potterne Five Lanes Primary School  
Salisbury Sarum Centre Beehive Corner  
Semington St. George's Primary School  
Trowbridge Newtown Primary School

It is a little early to get a consistent picture of the data provided by the Smart Meters but they will provide comprehensive data on a monthly or weekly basis. This will allow consideration of targeted energy efficiency activity.

12. The European Energy Performance of Buildings Regulations now requires all buildings with an internal area of 1,000 square metres to display a Display Energy Certificate (DEC). This currently affects 160 of Wiltshire County Council's buildings.

### **Risk Assessment**

13. The Government-backed guarantee provided as part of the contract arrangements eliminates the risk of supply fluctuations in a volatile market.

14. To try to help further manage risk and cost the OGC has developed two purchasing methods which they call **Basket 1** and **Basket 2**:

- **Basket 1** procures the product in the five months leading up to the start of the contract.
- **Basket 2** procures product up to the day before the contract starts.

15. It was originally intended for the Council to purchase its gas and electricity in Basket 2 (which aimed to achieve up to 5% savings over the prices achieved by Basket 1). However, the OGC continued to procure the product under the auspices of Basket 1. In retrospect this has proved to be a benefit for the Council as the anticipated savings against Basket 2 were not achieved, while Basket 1 has continued to perform well in market comparison. The Council has decided to remain in Basket 1 for the foreseeable future, in part to the fact that prices can be confirmed prior to the contract start date and this is a clear benefit in budget preparation and financial management.

### **Options Considered**

16. 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 continues to offer the best value for money that the County Council can obtain.

17. The County Council does not have the in-house technical expertise to tender this complex and volatile commodity. 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.
18. The County Council continues to monitor the OGC performance. However, the Council would also consider other procurement options which would include careful evaluation of any proposal for alternative provision to ensure it would give the same or improved service. Opportunities for collaboration with other authorities and agencies in the region are also kept under review but these do not currently offer any advantage over the OGC arrangement.

### **Proposed Developments**

19. 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.
20. The continued use of OGC Framework Contracts such as energy arrangement is a key factor in the County Council meeting the recommendations of the Gershon Efficiency Review and any subsequent targets for imposed efficiencies that are likely to be developed.
21. 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 Section 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 also included within the County Council's overall Carbon Management Programme. Progress with this programme will be reported to this Committee early in 2009.

### **Reason for Proposal**

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

### **Proposal**

23. That:
  - (i) The continued good value for money performance of the Service Level Agreement with Office of Government Commerce, despite the recent price increases, be acknowledged.
  - (ii) 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 continue to be supported.

- (iii) Any comments and recommendations this Committee would wish the Cabinet Member for Procurement ICT and Partnerships to take into account when receiving this report be considered.

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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.