

Report To: Cabinet

Date of Meeting: Monday 3 April 2023

Report Title: Energy Procurement - Electricity

Report By: Kit Wheeler – Chief Finance officer

Key Decision: N/A

Classification:

Purpose of Report

To acknowledge the procurement route for the electricity supplied to the Council's owned and operated buildings from 1st October 2023 and to provide delegated authority to the Chief Finance Officer to carry out the procurement tender and sign the contracts with the preferred supplier.

Recommendation(s)

- 1. Acknowledge the change from the Laser Framework to eEnergy, with a requirement of 100% renewable energy, as per the Council's Green Electricity purchase plans.**
- 2. Agree to the Bureau Service from eEnergy, at a cost of £4,800 a year, to supply Portfolio Management, Bill Validation and Bureau management.**
- 3. To delegate authority to the Chief Finance Officer, in consultation with the Finance Portfolio Lead Member, to finalise the agreements.**

Reasons for Recommendations

1. The Council's Constitution, Part 9 Financial Rules Section 3, requires Cabinet approval for expenditure exceeding £200,000.
2. The Council's electricity contract with the Laser purchasing group ends on 30th September 2023. A decision needs to be made about procurement options by March 2023 to ensure a new supplier can secure the Council's energy needs from the energy market, six months in advance of the new supplier commencing.
3. Officers have engaged with the Procurement Hub and investigated three procurement options to buy the Council's electricity from 1st October 2023.
4. All three suppliers offer a slightly different approach to procuring energy, the eEnergy Framework can offer the best chance of receiving a competitive price from a fully green electricity supplier (rather than a Renewable Energy Guarantee of Origin (REGO) backed supply) due to this framework having a higher number of suppliers offering this service.
5. Delegated Authority is required as the tendering process happens within a single day and therefore there is no timeframe to delay the decision.

Introduction

1. The period for purchasing electricity through Laser is coming to an end. Due to the volatility in the energy market a full examination has been carried out with other potential suppliers who offer energy procurement services to the public sector.
2. Working with the Procurement Hub, officers have reviewed the service and process on offer from Laser, CCS, and eEnergy. A summary of each company and their proposal is provided below.
3. The current procurement route through Laser is the Fixed Term Fixed Price Framework that runs until December 2023.
4. Our requirement has changed slightly from previous years' energy procurement due to the introduction of 29 domestic premises into our assets. We also currently have 67 non-domestic assets.

Current Situation

5. In Financial Year 2021-2022 the Council used 871,032 kWh of electricity from non-domestic assets, which cost £237,796, with a further £24,462 being added from Social Lettings. Our total electricity bill was £262,258.
6. In June 2022 the Council agreed a contract with Ecotricity through the Laser framework for the supply period October 2022 – September 2023, the contract value was an estimated £479,770 for the year. This is expected to be a similar figure to the proposed contract for October 2023 – September 2024.
7. The non-domestic assets recorded a 2% increase in electricity used compared to the financial year 2020-2021, however part of this is attributed to the COVID pandemic and reduced usage of our operational buildings.
8. 2021-2022 saw a drop of 32% compared to our baseline year of 2018-2019.
9. The Council is carrying out an asset review that will identify areas where the energy efficiency of the buildings can be improved. This will result in lower energy usage and therefore lower emissions from existing buildings, however any buildings added to the asset register will increase overall energy usage and emissions.
10. At the end of 2021 there was an energy price crisis which significantly raised both wholesale gas and electricity prices and caused a significant number of energy supply companies to cease trading.
11. This fuel price crisis has also caused uncertainty over energy supply company resilience, especially those outside of the 'big six' energy firms.
12. Wholesale energy costs have risen sharply from mid-2021, for example the wholesale cost of electricity in February 2020 was £40/MWh, in October 2022 it was £345/MWh. Due to geopolitical pressures these prices are not expected to reduce significantly in the near term.
13. Because of this significant price rise, comparisons of energy prices previously available are not a reliable tool, however each company has offered similar prices per kWh over the last year.

14. Each company charges a fee for using their procurement service, whilst these fees do vary, they make up a small portion of the overall spend on electricity.
15. The Council also has several Unmetered Supplies that are mostly with British Gas and on varying contracts. We will aim to bring these onto the framework when their existing terms come to an end.

Energy Procurement Companies and their Procurement Routes

16. Below is a summary of each company and their proposal.

Laser

17. Established in 1989 and wholly owned by Kent County Council. Laser have been our energy procurement provider for several years and continue to hold the gas procurement contract until September 2024. They currently manage contracts for over 200 public sector bodies.
18. Ecotricity is our existing supplier for 100% renewable energy. The price is set between three and six months prior to contract start and is based on wholesale market rates at the time of the tender.
19. Laser only have Ecotricity as a 100% renewable provider on the framework.
20. Currently ourselves and Rother District Council use Laser.

Crown Commercial Services (CCS)

21. CCS have been trading since 2001 and are the 7th largest energy procurer in the UK. They have 7% of the entire Industrial & Commercial market and are the biggest buyer outside the industry itself (they buy more than every other Public Buying Organisation combined).
22. With CCS the total volumes from all their customers are aggregated together, allowing more buying opportunities and for customers to benefit from being part of an aggregated portfolio.
23. The procurement of the energy takes place over 6 months prior to the contract start date, it is done in tranches and therefore smooths out the peaks and troughs of the wholesale price market.
24. CCS Currently only procure electricity from EDF. EDF do offer a green tariff which is based on the provision of Renewable Energy Guarantee of Origin (REGO) certificate for the total amount of electricity used by the Council.
25. Whilst these REGO certificates do guarantee the energy used has been matched by generation from renewable sources, they can be traded outside of the supply of electricity. Therefore, we cannot ensure that the charges will go into providing new renewable energy (which is more transparent when using a supplier like Ecotricity).
26. Currently East Sussex County Council use CCS.

eEnergy

27. eEnergy acquired Beond Group in December 2020, and in 2022 Beond Group rebranded as eEnergy.

28. Established in 1999 to offer an alternative approach to energy procurement.
29. eEnergy use a reverse auction approach for tendering energy where the full amount of energy required is tendered in one day and needs signing off on the same day. We will set the date the auction is carried out.
30. A reverse auction works by the volume of energy required is presented to the market and energy supply companies can bid for the contract, with the lowest supply offer winning the tender.
31. The wholesale price market has peaks and troughs daily in wholesale prices; therefore, this approach requires fast initiating when the price market is in a trough. This requires the market to be constantly monitored to ensure best point of entry.
32. If the Council is unsure of the best price being received, then we can defer the tender to another day. For reference, in 2022 we deferred the tendering twice to ensure best price.
33. Currently Wealden District Council use eEnergy, with a further 10 Local Authorities joining in the last year.

eEnergy Bureau Service

34. The Bureau Service from eEnergy offers the following services:
35. Complete portfolio management
 - a. Including meter additions and removals from the contract, change of tenancies, supplier relations management and general day-to-day management.
36. Bill validation
 - a. Every meter within the portfolio will be entered into the automated bill validation system. This will ensure that the council only pays for what it uses.
 - b. This dedicated bill validation platform is accessible through the online portal and will follow up incorrect bills with the supplier and claim back credits where appropriate.
37. Bureau Management
 - a. We will receive wholesale market condition reports and associated market intelligence, along with advice and support for our current contract and future contract renewals.
38. Colleagues at Wealden have advised that the Bill Validation Service offers a reduction in resource requirements from officers in chasing incorrectly invoiced bills.

Electricity Contract Duration

39. Officers will target a one-year contract for the electricity supply for the following two reasons:
 - a. Due to the well-publicised geopolitical factors, energy prices have been significantly inflated since late 2021, these prices are currently predicted to drop into 2024 and so could offer a better rate in October 2024.
 - b. The councils gas contract is due to expire on 30th September 2024 and procurement options will need to be considered in Q4 2023. By signing up for a one-year electricity contract this would align the two contracts for renegotiations.

40. Whilst officers will target a one-year contract this does not rule out a two- or three-year contract as offered within the eEnergy service if the rates offered are favourable to the Council.

Public Exemption

41. None.

Risk Management

42. The risk associated with procuring energy include wholesale price volatility and energy supply company stability. By using an expert procurement service, we will reduce these risks as the supply companies have been thoroughly vetted for the framework agreements.
43. Currently Laser only have one supplier on their framework that can match the Councils requirement of 100% Renewable Energy. eEnergy have seven. By using the eEnergy framework we can ensure competition for the supply and more able to receive a competitive price.

Environmental Issues & Climate Change

44. By continuing our approach to only using green electricity we ensure our Scope 2 emissions for electricity use remains zero (however Transmission and Distribution emissions still apply), and therefore continue to support the Climate Emergency.
45. Likewise, it is vital that the use of energy continues to be decreased in all Council properties, wherever practical, to meet the Council's commitments but also to reduce the increasing costs the Council is now facing.

Economic/Financial Implications

46. Whilst the Council has worked to reduce the effect of recent price increases, and received support from central Government, energy procurement costs are expected to remain high during this next period.
47. Whilst it is impossible to predict the wholesale market rates at the time of tendering, the fact that it is tendered to multiple companies should ensure a lower potential cost compared to procuring from one company only.

Organisation Consequences

48. As the recommendation is to change our procurement method, there may be additional work required in agreeing the contracts. However, this is not expected to be any harder than renewing on our current supplier.

Legal

The legal department will need to review the contract with eEnergy.

Timetable of Next Steps

49. The next steps are as follows:

Action	Key milestone	Due date (provisional)	Responsible
Instigate procurement route	Inform eEnergy of our desire to join their framework	17 March 2023	Chief Finance Officer
Tendering	Carry out the reverse auction of the Councils electricity	Between 15 May 2023 and 15 June 2023	Chief Finance Officer and Senior Programmes Manager
Sign Agreements	Complete all contracts with eEnergy	30 September 2023 (latest)	Chief Finance Officer in Consultation with lead Councillor

Wards Affected - None

Policy Implications

Reading Ease Score:

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	N
Crime and Fear of Crime (Section 17)	N
Risk Management	Y
Environmental Issues & Climate Change	Y
Economic/Financial Implications	Y
Organisation Consequences	Y
Legal	Y
Human Rights Act	N
Local People's Views	N
Anti-Poverty	N

Additional Information

Officer to Contact

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