

Report To: Cabinet

Date of Meeting: Monday 4 March 2024

Report Title: Energy Procurement - Gas

Report By: Sam Phyll – Senior Programmes Manager

Key Decision: N/A

Classification:

Purpose of Report

To acknowledge the procurement route for the gas supplied to the Council's owned and operated buildings from 1st October 2024 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.**
- 2. Acknowledge the option to include Green Gas in the tender.**
- 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 gas contract with the Laser purchasing group ends on 30th September 2024. A decision needs to be made about procurement options by March 2024 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. The council changed to eEnergy from Laser for the electricity procurement in October 2023 for a period to September 2026.
4. In line with the councils Net Zero target of 2030, as part of the tender process officers will include an option for tendering green gas alongside traditional gas to check competitiveness and procure green gas if it is a financially viable option.
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 gas through Laser is coming to an end.
2. In 2023 officers worked with the Procurement Hub to explore all frameworks available to the council and decided to switch to eEnergy for the electricity procurement.
3. Our gas requirement is currently for 34 domestic premises, and 11 non domestic premises.
4. Officers are looking into options to reduce the domestic costs for the council and so it is planned to only be moving the non domestic supplies across to eEnergy.
5. Of the 11 non domestic properties, one is signed up to a contract outside of the Laser framework and it is not currently planned to bring this site into the framework.
6. Green gas can be produced a number of ways but the most common are methane captured from landfill sites or wastewater treatment plants and biomethane produced by anaerobic digestion of organic matter (controlled decomposition of biodegradable materials by naturally occurring organisms).

Current Situation

7. In Financial Year 2022-2023 the Council used 1,753,574 kWh of gas from non-domestic assets, with a further 315,922 kWh of gas being added from Social Lettings. Our total gas bill (for the core portfolio) was £211,668.
8. In June 2020 the Council agreed a contract with Total Gas and Power Ltd through the Laser framework for the supply period October 2020 – September 2024.
9. The non-domestic assets recorded a 4% drop in gas used compared to the financial year 2021-2022.
10. 2022-2023 still recorded an increase of 16% compared to our baseline year of 2018-2019.
11. This increase can be attributed to a number of factors including the addition of two sites to the portfolio.
12. Boiler replacements have been carried out at two sites which should ease this increase for the next financial year.
13. 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.
14. 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.
15. This fuel price crisis has also caused uncertainty over energy supply company resilience, especially those outside of the 'big six' energy firms.

16. Wholesale energy costs have risen sharply from mid-2021, for example the wholesale cost of gas in February 2021 was 48.29p/therm, in August 2022 it peaked at 592.56p/therm. Across 2023 the price of gas has stabilised in the range of 120-140p/therm.

eEnergy

17. eEnergy acquired Beond Group in December 2020, and in 2022 Beond Group rebranded as eEnergy.
18. Established in 1999 to offer an alternative approach to energy procurement.
19. 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.
20. 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.
21. 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.
22. If the Council is unsure of the best price being received, then we can defer the tender to another day. For reference, in 2023 we deferred the tendering of electricity to ensure best price.
23. In line with the councils Net Zero target of 2030, as part of the tender process officers will include an option for tendering green gas alongside traditional gas to check competitiveness and procure green gas if it is a financially viable option.

eEnergy Bureau Service

24. The Bureau Service from eEnergy offers the following services:
25. Complete portfolio management
 - a. Including meter additions and removals from the contract, change of tenancies, supplier relations management and general day-to-day management.
26. 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.
27. 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.

28. Colleagues at Wealden have advised that the Bill Validation Service offers a reduction in resource requirements from officers in chasing incorrectly invoiced bills.

Gas Contract Duration

29. Officers will target a two-year contract for the gas supply for the following reason:
- The councils electricity contract is due to expire on 30th September 2026 and procurement options will need to be considered in Q4 2025. By signing up for a two-year gas contract this would align the two contracts for renegotiations.
30. Whilst officers will target a two-year contract this does not rule out a one- or three-year contract as offered within the eEnergy service if the rates offered are favourable to the Council.

Public Exemption

31. None.

Risk Management

32. 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.

Environmental Issues & Climate Change

33. By also tendering for the supply of green gas the council will have the option to further reduce its Scope 1 emissions.
34. 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

35. 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.
36. 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

37. 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

38. 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 2024	Chief Finance Officer
Tendering	Carry out the reverse auction of the Councils gas supply	Between 15 May 2024 and 15 June 2024	Chief Finance Officer and Senior Programmes Manager
Sign Agreements	Complete all contracts with eEnergy	30 September 2024 (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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