

TDC Electricity and Gas Supply Tender

Overview and Scrutiny Panel 18th June 2024

By	Matthew Sanham, Head of Finance and Procurement
Cabinet Portfolio	Councillor Rob Yates, Cabinet Member for Corporate Services
Key Decision	Yes
Decision classification	Unrestricted
Ward:	All

Purpose of the Report

This report invites members of the Overview and Scrutiny Panel to review the CMT Cabinet report for the Council to enter into a new contract for the supply of electricity and gas under a LASER managed framework for a four year period.

The Council is required to ensure best value for money when procuring its contracts and as such, the Council is required to re-procure its gas and electricity supply contracts before the renewal date of 1st October 2024.

The value of the estimated contract is detailed in the report and exceeds £750k.

Recommendation(s):

The Overview and Scrutiny Panel is being asked to comment on the report and to review the following recommendations being forwarded to Cabinet:

1. To agree to letting of the contract for electricity and gas supply services as laid out in the report;
2. **Option 1:** Accept NPower for the supply of electricity under framework Y22009 along with Total Energies for the supply of gas under framework Y22008 **including** the transfer of the 246 sites to framework Y22009 for electricity. This option includes the fully managed service as well as the bureau service from LASER.

1. Summary of Reasons

- 1.1 The prospective decision and recommendation is being made to ensure the provision of electricity and gas supplies to Thanet Council sites as this is an essential service to maintain the operations within the sites. This contract also covers the Authorities Housing portfolio

2. Background

2.1 Current Arrangements

2.1.1 Flexible Contract

Flexible contracts are essentially a framework which allows the end user to purchase energy in smaller chunks during the contract period, rather than all at once.

TDC currently use LASER as a managed service for the following Framework Agreement contracts:

- 2.1.2 Gas - supplied by current provider - Contract expires 30.09.2024
Electricity - supplied by current provider - Contract expires 30.09.2024

- 2.1.3 The buildings in scope along with approximate annual consumption and annual costs relating to January to December 2023. Please see Annex One - FLEX Sites usage and costs for CMT report
In summary these are the high demand sites within the TDC portfolio

2.1.4 Fixed term Fixed Price

Fixed pricing is a type of energy contract where the price for each unit of energy is fixed on one day for a set period (typically 12-24 months).

TDC currently use LASER as a Procurement Only Support service for the following Framework Agreement contracts:

- 2.1.5 Electricity - Contract expires 30.09.2024

- 2.2 The buildings in scope along with the approximate annual consumption and annual costs as given in the FTFP exercise. Please see Annex Two - FTFP Sites usage and costs for CMT report
In summary these are in the main, HRA portfolio, toilets, and sites at the Harbour

- 2.3 The difference between a managed service and 'procurement support' is essentially the way that TDC are billed. The managed service means that TDC receives invoices from LASER which encompass the utility provider invoices, which will have been validated. The procurement support option means that TDC receive invoices direct from the utility provider which then have to be validated internally.

3. Relevant Issues

3.1 The role of LASER

- 3.1.2 LASER Energy is a trading style of Commercial Services Kent Ltd - A Company wholly owned by Kent County Council.
LASER was established by Kent County Council in 1989 to collaboratively procure energy on behalf of the public sector. They work with over 200 public bodies and have purchased over £1.5 billion of gas, electricity and water in 2022
- 3.1.3 The Framework Agreement lays out the relationship between the Supplier and the Contracting Authority (KCC LASER) in respect of the provision of the Services from the Supplier
- 3.1.4 The Electricity tender issued by LASER provides a Framework Agreement under which Electricity for Half hourly, Non-Half Hourly Metered and Unmetered supplies could be purchased flexibly.
- 3.1.5 The Gas tender issued by LASER provides a Framework Agreement under which Natural Gas, Daily Metered and Non-Daily Metered supplies could be purchased flexibly.
- 3.1.6 The framework has been structured in such a way that the highest scoring Supplier is noted as the Primary Supplier, and will be given first consideration for the direct award of supply business
- 3.1.7 Framework agreement Y22009 - Electricity - 1st Place Supplier - first place overall and on cost
- 3.1.8 Framework agreement Y22008 - Gas - 1st Place Supplier - first place overall and on cost
- 3.1.9 Benefits of LASER managed service
- Industry leading management - of flexible procurement contracts to minimise energy prices
 - Central purchasing body - no need to run a separate procurement process to use the LASER frameworks
 - Invoice validation - incorrect supplier invoices are held and queried for errors - this is an internal efficiency with in the Payments team
 - Public Sector ethos - transparency of services and fees
 - Continuous improvement - committed to service development and custom satisfaction
 - Aggregated purchasing benefits including low supplier management fees

- Access agreements and call off contract are utilised and tracked
- Assistance along the journey to net zero through bespoke reporting, including carbon reporting

3.1.10 We currently pay approx £20k combined fees for our current service levels. If TDC were to move the fixed supplies to the flex this would increase to £28k. This is an increase in cost but this would significantly reduce the overall admin costs associated with processing the invoices for the FTFP supplies

Moving the FTFP sites to Flex means that TDC will receive the Managed Service for the FTFP supplies going forward i.e., LASER will deal with all the bill process and validation for the 250 invoices processed every month, with the time saved we could use this towards other critical aspects of the council.

3.1.11 In total, LASER's flexible frameworks have reduced the TDC energy spend by £88.4k per annum

3.2 Alternative ways of buying energy

3.2.1 All other suppliers who tendered for the Framework agreements are listed as Secondary Suppliers.

3.2.2 If TDC wishes to make arrangements for our own specific requirements that may not be satisfactorily met by the Primary Supplier, we may do so using a mini competition or direct award process to an alternative supplier

3.3 Movement of existing sites on FTFP to FLEX agreement

3.3.1 Approximately 95% of LASER Local Authority customers have all electricity supplies on a FLEX contract. TDC maybe seen as being slightly behind the times as we have a split between FTFP and FLEX

3.3.2 LASER's purchasing performance - the prices achieved by LASER since the commencement of the current framework are lower than the average market prices over this period - avoided cost to TDC £67.3k

3.3.3 Moving to the FLEX contract for the 246 sites would mean a change in supplier - from Ecotricity to NPower - this switch would be fully managed by LASER

3.3.4 LASER are in the process of exploring different alternative renewable energy baskets/green tariffs, so if at any time during our contract with LASER we wish to swap to this basket once it is implemented, Thanet District Council are able to do so

3.3.5 As part of the contract Thanet District Council have the opportunity to sign up to the fully managed bureau service which offers: portfolio management, site and meter details, online access to systemslink (their portal), data collection, electronic copies of billing, Half Hour Data, data with readings from AMRs, bespoke reporting, government and compliance reporting, and carbon reporting - this would be of great benefit to our Climate Change Manager.

4. Alternative Options

4.1 **Option 2:** Accept NPower for the supply of electricity under framework Y22009 along with Total Energies for the supply of gas under framework Y22008 **excluding** the transfer of other sites to framework Y22009 for electricity

Option 3: Leave the sites on the FTFP contract as is, and renew that contract ready for 1st October 2024

The following options were considered and consequently ruled out due to the timing of the contract alongside resource and current capacity

Option 4: Conduct a mini competition using the alternative suppliers on the FLEX frameworks for both gas and electricity

Option 5: Conduct a direct award to one of the alternative suppliers on the FLEX frameworks for both gas and electricity

Option 6: To seek alternative supply outside of the LASER frameworks

Note -

If we decide to keep our portfolio as it is, then LASER needs the contract signed by 4 July 2024 so that we are able to add the sites already on flex into the basket ready to start buying the volumes.

If we do move the FTFP sites onto Flex (as recommended), this also needs to be completed by 4 July 2024

If we wish to keep the FTFP sites as fixed, we need to agree to this as soon as possible so LASER can begin organising the tender which will take up to 3 months to complete. This takes us up to the end of September when the current FTFP contract ends.

5. Consultation

5.1 There was no requirement for a public consultation for the subject matter in this report.

6. Corporate Implications

6.1 Finance and Resources

- 6.1.1 The value of the estimated contract for the 4 years, for all sites is £8.3 million
- 6.1.2 This cost is based on actual payments made per site January to December 2023 for the current flexible sites - £1,240,000 - rolled up to 4 years - £4,960,000
- 6.1.3 The cost also includes the current fixed price for the 246 sites - £832,000 - rolled up to 4 years - £3,328,000

6.2 Legal and Constitutional

- 6.2.1 In accordance with the provisions set out in Article 6 of the Council's constitution the Overview and Scrutiny Panel may make reports or recommendations to Cabinet in respect of the discharge of any function. Cabinet must then consider and respond to any recommendations made.
- 6.2.2 Procurement of the contract referred to in this report will be in accordance with the Council's CSOs. This will ensure compliance with the Council's best value duty. The Council's legal team should be engaged to advise on the terms of any final contract award.

6.3 Council Policies and Priorities

- 6.3.1 The provision of electricity supplies to Thanet Council sites is an essential service to maintain operations, this contract also covers the Authorities Housing portfolio and links to the following Council Priorities:
- To deliver the housing we need
 - To protect our environment
 - To create a thriving place
 - To work efficiently for you

6.4 Risk

- 6.4.1 To maintain the current contract is deemed not to be an option given the risk this would pose to an increased cost to the Council.

6.5 Climate Change and Biodiversity

- 9.5.1 100% renewable energy
- 9.5.2 100% renewable energy is an energy system where all energy use is sourced from renewable energy sources. The endeavour to use 100% renewable energy for electricity, heating/cooling and transport is motivated by global warming, pollution and other environmental issues, as well as economic and energy security concerns. The best green energy providers offer 100% green electricity sourced from wind, solar and hydro power.

- 9.5.3 First place supplier in this framework - use REGO's to maintain the ability to report electricity consumption as 100% green
- 9.5.4 Renewable Energy Guarantees of Origin (REGO) certificates provide evidence that a specific amount of electricity has been generated from renewable sources. NPower matches the power we consume by securing the corresponding number of REGO certificates, which are usually issued for each megawatt hour (MWh) of renewable generation fed into the UK electricity system.
- 9.5.5 The certificate authenticates to the consumer that renewable sources produce the portion of energy used and thereby provides transparency to consumers. Ofgem is the administrator of the REGO scheme for generation in Great Britain on behalf of the Department for Energy Security & Net Zero
- 9.5.6 This means that they can ensure that the energy we are supplied is backed by certificates from renewable-generated sources. These certificates transfer green credentials to the energy we are supplied. The certificates come from UK-based renewable generation, ranging from solar and wind turbines to anaerobic digestion and biomass plants.
- 9.5.7 For information and comparison:
- 2nd place supplier - The Company's objective is to produce more than 100 TWh/year by 2030, which would place it among the world's top five producers of renewable electricity (wind and solar). For power, they use Renewable Energy Guarantee of Origin (REGO) certificates administered by Ofgem and Guarantee of Origin (GoO) certificates from the EU
 - 3rd place supplier - Renewable options are backed by REGOs (Renewable Energy Guarantees of Origins) and/or GoOs (Guarantee of Origin).
 - 4th place supplier - All the green electricity is backed by Renewable Energy Guarantees of Origin (REGOs).

7. Equality, Equity and Diversity Implications

- 7.1 The Council has due regard to its social responsibility but moreover, its public sector equality duty, which is the need to eliminate unlawful discrimination and consider the potential impact decisions and actions on each of the protected characteristics outlined in the Equality Act 2010. There are no issues identified as a result of the equality impact assessment undertaken as part of this acquisition.

8. Crime and Disorder Implications and Community impact

- 8.1 There are no crime and disorder and community impact implications arising directly from this report.

9.0 Subject History

9.1 There is currently a supply contract that was entered into on 1st October 2020 and will be expiring on 30th September 2024. There is therefore a need to start the process for seeking a new contract within the LASER Managed Service.

Annexes

Annex 1 - FLEX Sites usage and costs for CMT report

Annex 2 - FTFP Sites usage and costs for CMT report

Background Papers

None

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Report Sign Off

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