

Harborough District Council

Report 1 to Cabinet Meeting of January 16 2023



Title:	Electricity Supply Contract
Status:	Public
Key Decision:	Yes
Report Author:	Jonathan Ward-Langman, Service Manager, Commissioning and Lifeline
Portfolio Holder:	Councillor Hallam (Finance) and Councillor Bateman (Planning, Environment and Waste)
Appendices:	None

Executive Summary

- i. The Council has procured its energy requirements through Eastern Shires Purchasing Organisation (ESPO) frameworks for several years and this has always proved efficient and cost-effective. Although the Council's current contract does not expire until September 2024, award of a new contract to commence from that date will ensure continuity of supply and allow the Council to benefit from the aggregated, long-term purchasing approach that ESPO employs. This is the procurement method that is most likely to achieve value for money and to reduce the Council's exposure to risk in the context of the current volatile energy market.

Recommendations

1. That the Council awards a contract for electricity supplies commencing October 1st, 2024 to TotalEnergies Gas & Power Ltd. (TotalEnergies) via Eastern Shires Purchasing Organisation (ESPO) Framework Reference 191_24.
2. That authority is delegated to the Council Leader, Portfolio holders and Deputy Chief Executive to opt in or out of the 'green tariff' that is available when charges are reviewed on a six-monthly basis.

Reasons for Recommendations

- i. Electricity supplies are essential to the Council's operation and function; the Council has procured its energy requirements through ESPO frameworks for some time, and this has

proved cost-effective. Procurement of a new contract by the same method will ensure supply and is the preferred means of achieving value for money.

Purpose of Report

1. To recommend award of a contract that will secure the Council's electricity supply from October 2024 to September 2028 at the most advantageous price.

Background

2. Electricity supplies are essential to the Council's operation and function. the Council awarded a contract for electricity supplies that commenced on 1 October 2020, to Total Gas & Power Limited (TGP, now rebranded as TotalEnergies) through ESPO framework 191. This contract expires on 30 September 30 2024.

Details

3. Long term commitment to contracts for energy enables the Council to achieve value for money and security of supply. ESPO traders purchase energy up to 18 months in advance and by opting into this purchasing strategy, the Council is likely to achieve significantly better value for money than through alternative procurement arrangements.
4. The UK Cabinet Office advises that aggregation of public sector energy procurement through a Professional Buying Organisation (PBO) such as ESPO is the best method of reducing energy costs for Local Authorities. The PBO can purchase energy flexibly because of the number of customers it serves, taking advantage of market fluctuations to manage risk and increase the likelihood that customers will secure energy supplies at the best price.
5. Procurement through a Framework agreement is the most cost-effective method available to the Council. The alternative would be a tender under Public Contract Regulations (PCR 2015) which would be unduly onerous; it would also expose the Council to unnecessary risk as it would not allow access to the benefits of aggregation, and because the Council does not have access to specialist energy buying expertise.
6. The ESPO 191 framework agreement is a single provider framework and TotalEnergies is the sole supplier. The tender that established the framework included assessment of suppliers' commitment to actions to add social value and carbon reduction measures.
7. This is a routine procurement exercise that represents 'business as usual' and is essential to maintain the Council's operations and function. Authorisation of the award by Cabinet is necessary because the value of the contract exceeds £200,000 (HDC Procurement SORP, 28.1).
8. The framework offers a 'green tariff' that enables contracting authorities to purchase renewable energy; the Council's Cabinet committed to the green tariff when agreeing award of the current contract in July 2019.
9. In June 2022 ESPO informed the Council that the premium for green electricity was increasing. This was forecast to lead to an additional cost of more than £6,000 per annum, an increase of 700%. It was agreed by the Council Leader, Portfolio Holder, and Interim

Deputy Chief Executive (and section 151 officer) to opt out of the green electricity tariff from 1 October 2022, on economic grounds

10. Energy markets are exceptionally volatile at present: the global situation has led to increased energy costs and significant fluctuation over relatively short timescales; demand for renewable energy has also increased dramatically. The current advice from ESPO is that it is difficult to predict either charges in general or the additional premium that the green tariff will incur even in the relatively short term. It is therefore recommended that the relative costs of the green tariff are reviewed on a six-monthly basis when ESPO update their charges and that authority to opt in or out is delegated to the Leader of the Council in consultation with officers.

Implications of Decisions

Corporate Priorities

11. The recommendations will enable the Council to secure value for money and financial sustainability, whilst acknowledging the importance of creating a sustainable environment and carbon reduction and allowing action to support these goals throughout the term of the contract.

Financial

12. The recommended actions offer the best means of achieving value for money and financial sustainability.

Legal

13. Procurement of electricity supplies through the ESPO framework will ensure compliance with procurement regulations (PCR2015).

Policy

14. None.

Environmental Implications including contributions to achieving a net zero carbon Council by 2030

15. Implementation of the recommendations will support the Council's commitment to become a net zero carbon Council by 2030 insofar as is possible within financial constraints. However, it should be noted that greater energy efficiency and exploration of the use of localised renewable energy, for example, installation of solar panels on Council buildings is likely to be more effective in achieving these goals in the longer term.

Risk Management

16. There would be a risk that the Council would incur significant unnecessary expenditure if no contract for electricity supplies to commence after September 2024 were to be secured.

Equalities Impact

17. None.

Data Protection

18. None.

Summary of Consultation and Outcome

19. The Service Managers for Finance and Property, and the Environment Co-ordinator, have been consulted about this decision, as have the relevant portfolio holders.

Alternative Options Considered

20. The Council could delay decisions regarding electricity procurement until nearer the expiry of the current contract, however, this would risk incurring increased costs as by failing to secure the better prices that will be achieved through advanced purchase.

21. The Council could opt for the green tariff for electricity supply immediately, however this might incur excessive and unaffordable costs.

Background papers

22. None