

REPORT 2

REPORT TO THE EXECUTIVE MEETING OF 6th June 2016

Meeting: Executive
Date: 6th June 2016
Subject: Procurement of Electricity Supplies
Report of: Jonathan Ward-Langman
Portfolio Holder: Cllr P King
Status: Decision
Relevant Ward(s): All Wards

1 Purpose of the Report

1.1 To seek approval to award a contract for electricity supplies to the Council.

2 Recommendations:

2.1 It is recommended that the Executive:

2.1.1 Approves the authorisation of the Eastern Shires Purchasing Organisation (“ESPO”) to act on the Council’s behalf in all matters relating to the supply of electricity.

2.1.2 Approves award of a new contract for the supply of electricity for the period October 2016 to September 2020 inclusive to Total Gas & Power Limited under ESPO Framework agreement Reference 191 B and C.

2.1.3 Determines whether the Council should commit to pay a premium tariff to secure ‘green’ electricity supplies.

3 Summary of Reasons for the Recommendations

- 3.1 The Council's current contract for electricity supplies was procured through an ESPO framework agreement in 2011; the contract expires on September 30th 2016.
- 3.2 A new framework agreement was established by ESPO in March 2016.
- 3.3 It is considered advantageous to the Council to procure electricity supplies through the ESPO framework as it secures savings through ESPO's energy procurement specialism and capacity to procure on behalf of a number of suppliers, thus achieving economies of scale. The arrangement also provides security as prices are fixed annually. The Council does not have the specialist knowledge or capacity to undertake this specialised procurement independently. Procurement via the ESPO framework represents the most efficient way of procuring the contract as it is compliant with the Public Contract Regulations 2015 and EU procurement regime.
- 3.4 The ESPO framework allows the Council to opt to either access 'green' electricity generated from environmentally friendly sources (wind, solar power et cetera) or conventional, non-renewable 'brown' energy supplies. The 'green' option requires payment of a premium.

4 Key Facts

- 4.1 The council's annual expenditure on electricity supplies is approximately £104,626
- 4.2 Changes to the Council's requirements arising from decisions regarding buildings and assets can be accommodated within the contractual arrangement as and when required.
- 4.3 The Council may opt for a "Pure Green" energy scheme at a premium of 0.02p/kWh. The premium is only applicable for the 1st year of the contract and

will be reviewed annually. Electricity supplied under the “Pure Green” scheme is a mixture of Solar, Wind and Hydro/Wave.

4.4 Under the current framework agreement, the Council has opted for ‘green’ energy, which costs an additional £200 per annum; under the new framework agreement, the premium for ‘green’ electricity supply is unchanged. ESPO calculate that the Council could achieve savings of approximately £5,500 per annum by opting for the ‘brown’ tariff.

4.5 The Council’s Procurement SORP requires that all contracts over £200,000 in value are referred to the Executive for decision before award; the contract that is recommended would be in excess of £416,000 in value.

5 Legal Issues

5.1 Award of the contract through the ESPO framework would ensure compliance with the Public Contract Regulations 2015 and EU procurement regime. Alternative arrangements might not be similarly compliant.

6 Resource Issues

6.1 None; electricity supply is essential to the Council’s operations and the recommended approach would offer the best value for money possible.

6.2 Under the terms of the framework agreement, ESPO set the price to be paid by the Council for electricity supplies each October; ESPO advise that a saving of 5% (approximately £5,500) is anticipated based on current market conditions. However, this would require a decision to accept ‘brown’ electricity generated from non-renewable sources.

7 Equality Analysis Implications/Outcomes

7.1 None.

8. Risk Management Implications

8.1 None.

9 Consultation

9.1 The Service Manager, Property and Assets has been consulted and supports the recommendations.

10. Options

10.1 The Council could determine not to award a contract for electricity supplies; this would risk exposure to high 'out of contract' rates, breach of the Public Contract Regulations 2015 and EU Procurement Regulations, and potential challenges from other suppliers to the legitimacy of its procurement.

11 Background Papers

11.1 None

Previous report(s):

Information Issued Under Sensitive Issue Procedure: N

Ward Members Notified: N/A