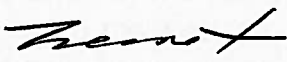




**Haringey Council**

Report for:	Leader of the Council Signing – 30 September 2014	Item number	
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Title:	Energy Contracts Award
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Report authorised by :	Tracie Evans Chief Operating Officer 
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Lead Officer:	Ben Brown 020 8489 2132 Ben.brown@haringey.gov.uk
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Ward(s) affected: None	Report for Key/Non Key Decision: Non-Key Decision
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**1. Describe the Issue Under Consideration**

1.1. This report seeks approval from the Leader of the Council to award contracts for the provision of Half Hourly and Unmetered (HH & UMS) Electricity to EDF Energy, the provision of Non-Half Hourly (NHH) Electricity to British Gas Business and the provision of Gas to Corona Energy. The contracts will run from 01.10.2014 – 30.09.2015, except for the provision of Non-Half Hourly (NHH) Electricity, which will run from 01.10.2014 – 31.03.2015.

**2. Cabinet Member Introduction**

2.1. The Council's energy consumption represents a significant, but necessary cost to the Council.

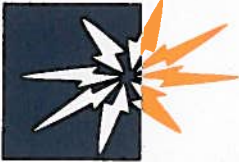


- 2.2. Haringey Council is committed to mitigating these costs as much as possible through flexible and innovative purchasing solutions, transactional efficiencies and energy conservation measures. We have secured a partner to deliver a 'savings-guaranteed' energy efficiency programme across the Councils property portfolio which will take £200k per annum off of our energy bill; and our solar PV programme is going from strength to strength with a new phase of delivery imminent. Once complete, the Council will own 715kWp of solar, making it the largest local authority owned array in London, the electricity from which reduces our dependency on the national grid, again lowering our costs.
- 2.3. However, the Council also recognises that a risk-managed approach to procurement is another measure to help off-set prices in a volatile market, and I am keen to ensure that the Council continues to utilise best value procurement solutions. The flexible purchasing strategy as recommended in this report ensures the Council is less exposed to peaks in prices by spreading our purchasing over several months. In addition, the aggregation of our consumption with other public sector bodies helps reduce costs further, through economies of scale. I therefore approve this contract award as one of the means of controlling costs in a challenging economic climate.

### 3. Recommendations

- 3.1. For the Leader of the Council to approve, in accordance with CSO 9.06.1(d), the award of the following contracts:
  - 3.1.1. A contract for the provision of Half Hourly & Unmetered electricity and ancillary services over the period 01.10.14 to 30.09.15 to EDF Energy Customers PLC at the basket price rates (per MWh) indicated in para. 5.1 of the Part B report;
  - 3.1.2. A contract for the provision of Non-Half Hourly electricity and ancillary services over the period 01.10.14 to 31.03.15 to British Gas Trading Ltd at the basket price rates (per MWh) indicated in para. 5.1 of the Part B report;
  - 3.1.3. A contract for the provision of gas and ancillary services over the period 01.10.14 to 30.09.15 at the basket price rates (per MWh) indicated in para. 5.1 of the Part B report to Corona Energy Retail 4 Ltd.

### 4. Options Considered



- 4.1. Award contracts through the Crown Commercial Services (CCS) energy frameworks (recommended option);
- 4.2. Award contracts through the Kent County Council (KCC) LASER energy frameworks;
- 4.3. Award contracts through a private sector broker;
- 4.4. Award spot contracts for each utility.

5. Background Information

- 5.1. Until 1998, the Council would purchase energy for its operations (including communal supply in Council Housing and schools) through a spot contract. That meant accepting a price on any given day of the year, to provide energy for a fixed period (usually 12 months). The risk was that, there was only a 1/253 (working days) chance that the Council would achieve the best value contract. The likelihood is that the odds were much less, as the district network operator had the opportunity to increase prices if they knew a major contract was approaching renewal.
- 5.2. In 1998, the market deregulated and the Council moved to procure its energy competitively through KCC LASER (now LASER), who had recruited the requisite expertise to undertake complex price evaluations on behalf of the public sector.
- 5.3. In 2006, the Council switched to OGC Buying Solutions (now CCS) as the Council's energy broker which offered a "flexible purchase in advance" arrangement. This solution ensured that the Council purchased its energy on an aggregated basis, in clips over a longer purchasing window. This means the risk of exposure to peaks in price is diluted, and the risk of price premiums due to known contract renewal dates are eradicated. The London Energy Project – a public sector collaboration of 35 London authorities – has benchmarked the CCS offering against a spot purchase and has concluded CCS customers receive prices lower than average market rates of 2.9% for electricity and 0.5% for gas.
- 5.4. As LASER has since diversified its product offering to include flexible purchasing solutions, the Council has recently reviewed its current purchasing strategy. The Council has concluded that remaining with CCS (at least in the short term) is the preferable solution, based on the following:



**Haringey Council**

5.4.1. LASER's commission rates are significantly higher than those agreed with CCS. The costs are added to invoice fixed charges and are incurred irrespective of consumption. There will, for example, be a disproportionate cost to smaller supplies (specifically street property communal supplies) which consume small quantities of electricity, but would incur a £22 increase in fixed charges.

5.4.2. There is likely to be significant disruption to billing for clients if utility accounts are migrated to new providers.

5.4.3. LASER are currently assessing the potential to offer new products to the market, and the Council would be transferring contracts to an organisation in a period of operational change, which could impact on customer services.

5.4.4. It should also be noted that the Council has investigated (and discounted) the potential to access the market through a private broker. We would have to first procure the broker via competitive (EC compliant) tender, and even then, there is no guarantee that a private broker would have access to the wholesale market, and hence the Council runs the risk of incurring retail premiums and additional administrative costs.

5.4.5. Lastly, the Council is working with the London Energy Project to secure a more effective relationship with CCS, including more transparent escalation and site additions procedures.

5.5. EDF Energy, British Gas Business and Corona Energy have all been appointed to single supplier frameworks by CCS. These frameworks were procured via the Official Journal of the European Union ("OJEU") in compliance with European Procurement Directives. As per the contract award notices (refs: 2012/S 20-031587 (Gas), 2011/S 148-245496 (HH & UMS) and 2012/S 160-267219 (NHH) – note that contract award has not yet been issued for NHH electricity), they are available for use by UK public sector bodies including local authorities, which entitles Haringey to access the frameworks. The frameworks were awarded using most economically advantageous tender criteria.

5.6. The CCS prices for the contracts as described in this report (and in comparison to last year) are available in Part B (Exempt Information). However, the indicative budgets for the contract periods are as follows (please note that this is subject to change based on price finalisation and variations in consumption).

Contract	Indicative Cost Range
HH Elec	£1.8 – 2.1m



**Haringey Council**

NHH Elec	£1.2 – 1.5m
UMS Elec	£600 – 800k
Gas	£2.3 – 2.6m

5.7. It should also be noted that the NHH Electricity Contract only runs for six months. This is because CCS are migrating all October contracts for NHH electricity to April. The main reason for this change is to ensure that the non-commodity costs applied to customer invoices are as accurate and transparent as possible because non-commodity price changes occur in April, not October.

6. Comments of the Chief Financial Officer and Financial Implications

6.1. The approval of the recommendations in this report should minimise the Council's exposure to volatility in the energy market and help to control costs over the lifetime of the contracts.

7. Comments of the Assistant Director of Corporate Governance and Legal Implications.

7.1. The report is recommending the award of 3 contracts based on a call off from a framework agreement set up by the Crown Commercial Service. The contracts are for the supply of energy and ancillary services and each is valued above the EU threshold for tendering under the Public Contract Regulations 2006 (PCRs).

7.2. Under the PCRs, a procuring authority may buy supplies or services by a call off from an existing framework agreement that was set up in a compliant manner without the need for any further public tendering. Crown Commercial Service frameworks are widely accepted to be EU compliant subject to the further considerations in the Exempt Information part of this report.

7.3. Under the Council's Contract Standing Order (CSO) 7.01(b), where the Council procures goods or services by selecting a contractor from a framework set up by another public sector body in accordance with EU rules, CSOs do not generally apply. However the contract award must still be done under usual CSO award procedures.

7.4. The award of contracts for the supply of energy is not a key decision regardless of their value. These contracts are specifically excluded from being key decisions under CSO 9.06.1(f). However, as the contracts for award are valued at more than £500,000 they can only be awarded by the Cabinet in accordance with CSO 9.01.1(d) or the decision to award them can also be taken by the Leader under CSO 16.02.



7.5. Subject to the further considerations in the Exempt Part of the report, the Assistant Director of Corporate Governance confirms that there are no legal reasons preventing the Cabinet Member from approving the recommendations in paragraph 3 of this report.

8. Equalities and Community Cohesion Comments

8.1 The recommendations set out herein will minimise the risk of exposure to peaks in the market, and performance analysis suggests achieved prices will be below the market average. This will protect against possible price increases and minimise the cost of utilities for Council operations. This in turn minimises increases in budgetary pressures and contributes to the protection of service delivery.

8.2 A full Equalities Impact Assessment is available on request.

9. Head of Procurement Comments

9.1 Responsibility for energy procurement rests with the Energy Management Unit in Central Procurement.

9.2 The CCS Energy Frameworks have been established on behalf of all UK public authorities and are compliant with EC Regulations and Council Contract Standing Orders.

9.3 Having reviewed the existing offerings in the market, and the formation of the energy procurement strategy, Central Procurement is satisfied that commercial due diligence has been applied and the recommended solution provides best value for the Council.

9.4 Key Performance Indicators are included as contract requirements to ensure contract compliance.

10. Policy Implications

10.1. Corporate Plan 2013-15, A Better Council Priority 12: Strive for excellent value for money. The proposed solution represents best value to the Council. The London Energy Project has assessed the CCS framework to beat the market average by 2.9% for electricity and 0.5% for gas over a three year benchmark (note that this cannot be translated as a financial value as costs are contingent upon consumption and price).



**Haringey Council**

11. Use of Appendices

11.1. None

12. Local Government (Access to Information) Act 1985

12.1. This report contains exempt and non exempt information. Exempt information is contained in Part B and is not for publication. The exempt information is under the following category: (identified in the amended schedule 12 A of the Local Government Act 1972 (3)) information in relation to financial or the business affairs of any particular person (including the authority holding that information).

12.2. External links – Haringey Council is not responsible for the contents or reliability of linked web sites and does not necessarily endorse any views expressed within them. Listing should not be taken as endorsement of any kind. It is your responsibility to check the terms and conditions of any other web sites you may visit. We cannot guarantee that these links will work all of the time and we have no control over the availability of the linked pages.

