

# Chichester District Council

**CABINET**

**3 March 2020**

## **Energy Procurement**

### **1. Contacts**

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### **2. Executive Summary**

This report sets out the contract options for the procurement of electricity and gas supplies for the Council's property, including details of the cost of opting for renewable energy.

### **3. Recommendations**

#### **3.1 Cabinet is recommended to:**

- 3.1.1 Note the Environment Panel's recommendations as set out in paragraph 9.1.**
- 3.1.2 Approve that the Council continues as a participating authority in a tripartite contract with the LASER Energy Buying Group and enter into a new 'purchase in advance' 4 year contract with effect from 1 October 2020.**
- 3.1.3 Subject to Council making funds available when determining the 2020-21 budget spending plans, approve that the Council pays the uplift cost for its electricity supply to become 100% renewable, estimated to be £1,000 per annum.**

- 3.1.4 Subject to Council making funds available when determining the 2020-21 budget spending plans, approve the uplift cost for a 100% renewable gas supply, estimated to be £4,500 for year one of the contract.**
- 3.1.5 Note the Environment Panel's support for an investigation into the use of Power Purchase Agreements relating to renewable energy in relation to future energy procurement.**

#### **4. Background**

- 4.1 Cllr Sharp presented a motion to Full Council on 24 September 2019 as follows:-
- 4.1.1 'We note that the Council has declared a Climate Emergency in the summer. One of the key actions that individuals, businesses and councils can take to reduce their carbon footprint is to source their electricity from renewable sources and change to a Green Tariff. We therefore recommend to the Council:-
- i. That enquiries be made to compare different renewable energy providers to demonstrate the council's commitment to reducing its impact on the environment;
  - ii. That an evaluation of the comparison of prices between a 100% Green tariff and a Brown tariff takes place including consideration of fixed and flexible pricing and the length of the contracts;
  - iii. That the council's energy supply contracts be reviewed;
  - iv. That an energy procurement strategy that supports local community energy providers be created (example: the County Council's Your Energy Sussex <https://www.yourenergysussex.org.uk>)
- 4.2 A counter motion was made by Cllr Plant 'That this matter be referred to the Environment Panel to consider and make its recommendation to the Cabinet as to the council's energy procurement strategy for 2020 and beyond'.
- 4.3 The resolution made by Council was to agree the counter motion and this report sets out the current energy procurement arrangements and proposal for the procurement of energy from October 2020 for the next contract period.

#### **5. Current Position**

- 5.1 The current tripartite energy contracts for the supply of Electricity and Gas are awarded to Kent County Council, LASER Buying Group and energy suppliers Npower and Total GP Gas. The current contract will expire on 30 September 2020. The council will therefore require new energy contracts to be awarded and in place in order to purchase energy, several months prior to this date.
- 5.2 The council has in previous contracts required price certainty and opted for a 'Purchase In Advance' (PIA) agreement. This ensures that the council's energy requirements are purchased prior to the start date of the next contract year at a fixed

price. This type of agreement enables the council to budget effectively on a year by year basis over the 4 year contract. The contract also includes a 2 year break clause should the council wish to terminate the contract.

- 5.3 LASER's published figures on its buying performance have been benchmarked with other large buying organisations to compare market prices. The results confirm that LASER has achieved better than average energy prices when compared with its competitors with electricity and gas prices showing as lower by 15% and 12.5% respectively.
- 5.4 The council currently has sixty three sites with individual electricity supplies. The total electricity consumption from October 2020 is expected to be approximately 1,715MWh per annum. There are five major sites comprising East Pallant House, the Avenue De Chartres multi storey car park, Chichester Contract Services Depot at Westhampnett, the Novium Museum and Westward House Hostel, which account for 64.5% of the councils total annual electrical consumption requirement.
- 5.5 The council has two major sites and a third smaller site with gas fuel energy, namely EPH, the Novium Museum and Florence Road pavilion. The total gas consumption from October 2020 is now expected to be approximately 545MWh per annum. The Works Depot at Westhampnett is heated using LPG and is not included in this LASER contract.
- 5.6 The approximate annual total of corporate energy spend under this contract based on the consumption figures for electricity and gas above under a 'PIA' agreed flexible energy contract using a conventional fuel mix is estimated as follows.
  - Electricity costs £257,000 of which £30,000 are recoverable.
  - Natural Gas costs £18,800

## **6. Green Energy Options**

- 6.1 Flexible energy contracts offer environmentally friendly renewable electricity options and green gas supply options. Both have certificated schemes of origin which meet stringent tracking and procurement procedures and greenhouse gas reporting requirements, with LASER providing those certifications. Details of these schemes and the anticipated cost impact are set out at Appendix 1, along with the total reduction in carbon dioxide equivalent emissions if the renewable options are selected.
- 6.2 Where natural gas is unavailable, the council also uses Liquid Petroleum Gas (LPG) as a fuel gas, notably at the CCS Works Depot. For clarity this fuel gas is procured under a separate contract. The total annual consumption is 195MWh at a cost of £8,300/annum.
- 6.3 There is a green option to substitute LPG for Bio LPG which has a calorific value identical to LPG and is covered under certification schemes in the same way as electricity and gas. To date Bio LPG is mainly used in the automotive industry but will eventually be rolled out for commercial heating purposes. Changing to Bio LPG may require price uplift but no information is available at this time. Officers are in contact with the current LPG supplier and this option is expected to be available with in the period covered by this report.

- 6.4 Changes are already evident in the evolving shape of energy generation in the UK. The share of the electricity fed into the UK's national grid derived from fossil fuels is decreasing as the fuel mix continues to move towards renewable sources and this trend is set to continue.
- 6.5 Electricity generated from renewables now has a 36% share of the market and with nuclear providing 16% this raises the current overall low carbon share of generated electricity to 52%. The percentage of gas generated electricity is now approximately 42% and the remaining 6% of fossil fuel generated electricity is from coal and oil. Therefore, should the council opt for a conventional supply there will be a proportion of the low carbon percentage supplied to its sites.

## **7. Proposal**

7.1 It is proposed that:-

- 7.1.1 The council continues as a participating authority in a tripartite contract with the LASER Energy Buying Group and enters into a new 4 year 'PIA' contract from 1 October 2020.
- 7.1.2 The council commits to procuring 100% green electricity and gas through that contract, subject to consideration of the total cost uplifts.
- 7.1.3 Officers continue to explore the cost implications of changing to Bio LPG in readiness for the renewal of that contract.

## **8. Alternatives Considered**

- 8.1 An alternative would be to seek to procure stand-alone energy contracts directly with energy suppliers. Whilst this could result in a more favourable financial arrangement for the council, the process would require a significant staff resource commitment and the process would be lengthy, without guarantee of a better outcome. In addition, this option could leave the council at risk of exposure to changes in energy security, due to the chosen supplier leaving the energy market.

## **9. Consultation**

- 9.1 The counter motion agreed by Council in September 2019 was considered by the Environment Panel at its January meeting. Following discussion of the issues, the Panel made the following recommendations, which have been accommodated as set out earlier in this report.
- 9.1.1 That the Council continues as a participating authority in a tripartite contract with the LASER Energy Buying Group.
- 9.1.2 That the Council pays the uplift cost for its electricity supply to become 100% renewable.
- 9.1.3 That pending further investigation by officers the Council considers paying the uplift cost for its gas supply to become 100% renewable, given the leadership and commitment that would be demonstrated through becoming a 100% renewable energy council.

9.1.4 That the Environment Panel notes its support for investigation into the use of Purchase Price Agreements relating to renewable energy in relation to future energy procurement.

## 10. Resources & Legal Implications

10.1 The LASER Buying Group completed an OJEU procurement energy tendering procedure in 2018 to procure their new energy framework suppliers for the period 1 October 2020 to 30 September 2024. Npower Business Solutions have been awarded the flexible electricity supply contract and Total Gas & Power (TG&P) have been awarded the flexible gas supply contract. This reflects no change in suppliers from the current framework arrangements. The value of these contracts has an estimated total value of £450m.

10.2 From those companies that responded to the procurement exercise, the 3 remaining that were not selected have been retained as 'back up' should further supplies be required from sources other than from the two selected suppliers.

10.3 The LASER contract arrangements are part of a compliant framework, thereby requiring no additional procurement process and this has been confirmed by Legal services.

## 11. Community Impact and Corporate Risks

11.1 The community impact will include a reduction in carbon emissions from council property.

11.2 The Corporate risks to energy security and excessive cost increases over the 4 year contract are considerably reduced.

## 12. Other Implications

<b>Are there any implications for the following?</b>		
	Yes	No
<b>Crime and Disorder</b>		X
<b>Climate Change and Biodiversity</b> Subject to the decision regarding percentage of renewable/green electricity generation and green gas to be included in the fuel mix there will be a reduction in carbon dioxide emissions as a result of awarding this contract of 587.5 Tonnes/annum.	X	
<b>Human Rights and Equality Impact</b>		X
<b>Safeguarding and Early Help</b>		X
<b>General Data Protection Regulations (GDPR)</b>		X
<b>Health and Wellbeing</b>		X

## 13. Appendices

13.1 Appendix 1 – Energy comparison and cost information