

Chichester District Council

Environment Panel

4 March 2024

Energy Procurement

1. Contacts

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2. Recommendations

2.1 That Environment Panel recommend to Cabinet:

- (a) Resolve to continue as a participating authority in a tripartite contract with the LASER Energy Buying Group and enters into a 'purchase in advance' contract for a minimum of 1 and maximum of 2 years with effect from 1 October 2024, with the inclusion of the data and reporting bureau service.
- (b) Delegate authority to the Divisional Manager for Property and Growth in consultation with the Cabinet Member for Property and Regeneration to extend the contract into the second year, with effect from 1 October 2025, if required.
- (c) note that a further report will be brought to Cabinet from officers on completion of a full assessment of the options to procure energy in a way that is likely to lead to greenhouse gas emission reductions from CDC's energy use.

3. Background

- 3.1 The current tripartite energy contracts for the supply of Electricity and Gas are awarded to LASER buying group (through Kent County Council) and

energy suppliers Npower and Total Gas. These contracts expire on 30 September 2024 and the council will require new energy contracts to be in place in order to purchase energy several months prior to this date. The deadline for signing new contracts through LASER is 31st March 2024.

- 3.2 LASER have completed a tender exercise to procure their new energy framework suppliers for the period 1 October 2024 to 30 September 2028. Npower are the first place tenderer for electricity and Total are the first place tenderer for gas. This reflects no change in suppliers from the current framework arrangements.
- 3.3 The council has in previous contracts opted for price certainty through 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 for the year. The proposed contract is for a '1 plus 1' arrangement meaning that the Council is able to terminate the contract on 30th September 2025, provided 12 months' prior notice is given.
- 3.4 The latest estimates from LASER are that energy procured for the year commencing 1st October 2024 will reflect a 22.7% reduction in cost compared to the year commencing 1st October 2023.
- 3.5 At present, the council has 31 sites with individual electricity supplies. There are six major sites comprising East Pallant House, the Avenue De Chartres multi storey car park, Chichester Contract Services Depot at Westhampnett, the Novium Museum, Westward House and Freelands Close, which account for over half of the council's total annual electrical consumption requirement.
- 3.6 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 2024 may decrease following recommissioning of the biomass boiler at the Novium. The CCS Works Depot at Westhampnett is heated using LPG and is procured under a separate contract.
- 3.7 The estimated contract total of corporate energy spend under the proposed contract is as set out at Appendix 1, along with costs for use of the framework and additional data access and carbon reduction reporting.
- 3.8 Whilst the new LASER Framework for 2024-2028 is similar to the current framework, it offers some key additional benefits: -
 - Social value – a social value plan is to be delivered, which will be available to spend across initiatives nominated by LASER customers, such as volunteering days and funding towards LASER customer projects.
 - Net zero – additional services are accessible through the framework for support with net zero projects.

4. Proposal

- 4.1 It is proposed that: -

- 4.1.1 The council continues as a participating authority in a tripartite contract with the LASER Energy Buying Group and enters into a new 'PIA' contract from 1 October 2024 for a period of '1 year + 1 year'. This to include the addition of the 'bureau' service, which gives added data access, as well as energy management and carbon reporting.
- 4.1.2 Officers continue to explore the options and cost implications of identifying and procuring extra renewable energy installations (known as additionality) through switching energy supplier/s with the earliest date for any change being 1st October 2025.

5. Alternatives Considered

- 5.1 Extend under the 2020 – 2024 framework
This option would be similar to the recommend proposal, although would be using the old framework so would be without the additional benefits set out earlier in this report. It would also potentially bring risk of exposure to higher energy costs from October 2025, as no energy could be purchased in advance.
- 5.2 Enter into a 4 year contract with LASER
Work is already underway to explore different renewable energy providers to demonstrate the Council's commitment to reducing its impact on the environment. Committing at this point to a 4 year contract would delay any possible move to source energy from, for example, renewable generators.
- 5.3 Procure stand-alone energy contracts directly with energy suppliers
Whilst this might 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.
- 5.4 Procure energy through a reverse auction model
Advice from the Council's Legal and Procurement officers is that a regular green tariff and reverse auction mechanism would give a clear demonstration of the legal requirement for best value. However, seeking an 'additionality' element by requiring commitment to an energy production condition is much less clear in how that could meet the best value requirement, either by limiting the number of eligible suppliers or the risk of challenge if the additionality was included after the reverse auction had concluded. The financial cost of the 'green additionality' cannot be quantified.

This option is not recommended at this point in time given the uncertainty over quality of service delivery, as well as the risk around procurement tailored to deliver 'green additionality'.

6. Consultation

- 6.1 The Council's Legal and Procurement officers have been consulted on the options and their feedback and advice is as set out in this report.

7. Resources & Legal Implications

- 7.1 The LASER contract arrangements are part of a compliant framework, thereby requiring no additional procurement process and this has been confirmed by Legal services. A direct award can be made to the first place suppliers. The Director of Corporate Services/s151 Officer has approved the use of the new LASER framework as being compliant with the Council's Contract Standing Orders.

8. Community Impact and Corporate Risks

- 8.1 The risks to energy security and excessive cost increases over the contract period are reduced by entering into a PIA contract.

9. Other Implications

Are there any implications for the following?		
	Yes	No
Crime and Disorder		X
Climate Change and Biodiversity Consideration of future procurement options will enable options for green energy supplies to be reported as part of the next decision making process.	X	
Human Rights and Equality Impact		X
Safeguarding and Early Help		X
General Data Protection Regulations (GDPR)		X
Health and Wellbeing		X

10. Appendices

- 10.1 Appendix 1 – Cost information

11. Background Papers

None