

Public Document Pack



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4 July 2023

Dear Councillor

NOTICE OF DECISION TAKEN BETWEEN MEETINGS – (DPH02 23) COUNCIL ENERGY CONTRACT

Please find attached details of a decision taken by Councillor Charlotte Zosseder, Portfolio Holder for Community and Corporate Property, to award a four-year contract to LASER Energy for the management and procurement of the Council's gas and electricity supplies.

The deadline for call-in of this decision is **10.00am on Monday, 10 July 2023.**

If call-in is not activated, the implementation date for this decision will be noon on 10 July.

Members of the public who require further information are asked to contact Democratic Services on 01304 872303 or by e-mail at democraticservices@dover.gov.uk.

Yours sincerely

A handwritten signature in black ink that reads "Kate Avery - Smith". Below the signature is a short horizontal line.

Democratic Services Officer

ENCL

1 **NOTICE OF DECISION TAKEN BETWEEN MEETINGS - (DPH02 23) COUNCIL ENERGY CONTRACT** (Pages 2-6)

Decision Notice

Decision Taken Between Meetings

Decision No:	DPH02
Subject:	COUNCIL ENERGY CONTRACT
Notification Date:	4 July 2023
Implementation Date:	10 July 2023
Decision taken by:	Councillor Charlotte Zosseder, Portfolio Holder for Community and Corporate Property
Authority:	Paragraph 12 (General Responsibilities Delegated to all Members of the Executive) of Section 3C (Responsibility for Executive Functions) of Part 3 (Responsibility for Functions) of the Constitution
Decision Type:	Executive Key Decision
Call-In to Apply?	Yes (<i>Call-in will expire at 10.00am on 10 July 2023</i>)
Classification:	Unrestricted
Reason for the Decision:	To enable the Council to secure gas and electricity supplies for its corporate assets and the communal areas of its housing assets at competitive market rates before potential winter rate increases come into effect.
Decision:	To award a 4-year contract to LASER Energy to manage the procurement of supplies and to award contracts to Total Energies and Npower for the supply of gas and electricity by direct award pursuant to the LASER Energy Framework.

1. **Consideration and Alternatives** (*if applicable*)
 - 1.1 See attached report.
2. **Any Conflicts of Interest Declared?**
 - 2.1 None.
3. **Supporting Information** (*as applicable*)
 - 3.1 See attached report.

Subject:	COUNCIL ENERGY CONTRACT
Decision to be taken by:	Councillor Charlotte Zosseder, Portfolio Holder for Community and Corporate Property
Report of:	Frank Thompson, Head of Property Assets
Portfolio Holder:	Councillor Charlotte Zosseder, Portfolio Holder for Community and Corporate Property
Decision Type:	Executive Key Decision
Classification:	Unrestricted

Purpose of the report:

- (1) To award a 4-year contract to LASER Energy to manage the procurement of 'green' gas and electricity supplies for Dover District Council's corporate assets and the communal areas of its housing assets.
- (2) To award contracts to Total Energies and Npower for the supply of gas and electricity respectively by direct award pursuant to the LASER Energy frameworks.

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- Recommendation:**
- (1) To award a 4-year contract to LASER Energy to manage the procurement of 'green' gas and electricity supplies for Dover District Council's corporate assets and the communal areas of its housing assets.
 - (2) To award contracts to Total Energies and Npower for the supply of gas and electricity respectively by direct award pursuant to the LASER Energy frameworks.
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1. Summary

1.1 Since 2020 LASER Energy (part of the Commercial Services Group) which is a trading style of both Commercial Services Trading Ltd and Commercial Services Kent Ltd (companies wholly owned by Kent County Council) has been contracted to provide a service to procure and manage energy supply contracts on behalf of the Council in relation to its corporate assets and the communal areas of its housing assets. This does not account for all corporate assets as some asset operators purchase their energy directly as part of their operating agreement.

1.2 The current contract is due to expire at the end of September 2024, along with the current contracts for the energy supplies themselves. LASER has now awarded its new flexible energy procurement frameworks, covering the period October 2024 to September 2028 and as such this report recommends that the Council awards a contract for four years to LASER Energy to manage the procurement of 'green' gas and electricity supplies for the Council's corporate assets and communal areas of its housing assets. If the council were to seek other procurement options the time involved in such an exercise would mean that the Council would lose the opportunity to benefit from the temporary advantageous energy prices. The cost of the

procurement exercise can be avoided, especially as there is a risk, given LASER Energy are freezing the management fees to those currently levied.

2. Introduction and Background

- 2.1 Previously electricity and gas had been supplied by different energy companies through direct contracts. The management of the contracts, in particular the tasks associated with ensuring timely and accurate meter readings together with reconciliation of anomalous invoices proved to be resource intensive and inefficient.
- 2.2 The Council has limited 'in-house' expertise with respect to negotiating in a complex and dynamic energy market. Hence a decision was taken in 2019 to move the procurement and management of energy contracts to LASER to obtain competitive tariffs and provide a fully managed service.
- 2.3 Established in 1989, to manage Kent County Council's energy purchasing, LASER Energy has grown to become one of the leading energy procurement and energy management service providers in the UK, serving more than 85,000 end users. LASER Energy has the required experience, capacity and collective buying power to help reduce energy costs, manage market risk and provides a compliant procurement route in an increasingly volatile market.
- 2.4 The Council's experience of LASER Energy over the past years has been very positive and whilst energy market prices have increased by 1,200% over the same period to unprecedented levels, LASER's flexible procurement strategies have proven highly effective, with achieved basket prices for the current contract year being 50-85% lower than peak market prices.
- 2.5 The capability to forward purchase energy ahead of the supply period is a key part of any risk managed energy strategy. Having the option to secure electricity and gas volume for the period October 2024 to September 2028 well in advance of delivery is vital in protecting the Council against potential wholesale market price changes. LASER will commence making energy purchases on our behalf as soon as our commitment is received.
- 2.6 The current contract with LASER Energy is due to expire at the end of September 2024 as are the separate contracts with the current energy suppliers, negotiated by LASER. The consequence of not sourcing further energy contracts is that the current contracts would automatically default to standard rates, which are more expensive. For the reasons expounded above it is beneficial to appoint an agent to conduct the procurement negotiations and then manage the energy supply contracts on behalf of the Council. We propose to use LASER as have established frameworks to call off from (tendered in line with PCR 2015 regulations), including the managed service provision. They are also part of a Kent based purchasing organisation.

3. Procurement Process

- 3.1 The Council's Contract Standing Orders makes provision for the use of Purchasing Schemes (such as frameworks, collaborative purchasing arrangements etc.) where the establishment and operation of the respective Scheme is in compliance the Public Contract Regulations 2015 and meets the Council's own requirements. The use of this framework satisfies those criteria.
- 3.2 The LASER Energy Frameworks contain multiple suppliers (Npower, Total Energies, EDF and SSE for the supply of electricity & Corona and Total Energies for the supply of gas). There is the option to Direct Award to any supplier(s) on the framework,

including our incumbent, as well as an option to run a mini competition if we have specific requirements outside of the framework specification.

3.3 The top scoring/awarded suppliers on the frameworks are:

Gas - Total Energies

Electricity – Npower

Both above are our incumbent suppliers and as such we propose a direct award to each.

Sustainable Energy and Climate Change

3.4 The purchase of energy from sustainable sources would be consistent with the Council's Climate Change commitment since it would continue to provide a reduction of the Council's reliance on fossil fuels as well as indicating to the energy market that it's future lies in the production of energy from sustainable sources.

3.5 LASER have the ability to procure energy from renewable sources. Given the nature of the electricity grid and gas distribution network, the Council needs to be assured that the energy received is from a sustainable source. The mechanisms that provide reassurance are the Renewable Energy Guarantee of Origin (REGO) and the Renewable Gas Guarantee of Origin schemes, both of which produce certificates for the end user. Part of the service provided by LASER will be to ensure that such certificates are provided in timely manner to the Council, for use in compiling various statutory reports.

4. Identification of Options

4.1 **Option 1:** To renew the commitment to the procurement and management of energy supplies through a third party and award a 4-year contract to LASER Energy.

4.2 **Option 2:** To decide to procure and manage energy supplies via a different route.

5. Evaluation of Options

5.1 Option 1 will not only provide continuity of an efficient service that has proved beneficial to the Council but will also allow for future flexibility to minimise energy costs. **This is the recommended option.**

5.2 Option 2 effectively reverses the Council's previous decision to use external expertise to procure and manage the most cost-effective energy supplies. That decision recognised that in-house expertise was limited and that the buying power of a single organisation is less than that of a collective. Those factors remain, undermining the argument to manage the service in-house. The only other option is to undertake a procurement exercise to engage another energy supply broker and management company. The time involved in such an exercise would mean that the Council would lose the opportunity to benefit from the temporary advantageous energy prices. The cost of the procurement exercise can be avoided, especially as there is a risk, given LASER Energy are freezing the management fees to those currently levied.

6. Resource Implications

6.1 Total contract costs for 22/23 are as set out below for information. These costs include the managed service fee levied by LASER (£19,746 for 22/23). The managed service fee is calculated taking into account various aspects including the number of supplies, annual contract spend, invoice validation difficulty etc.

Supply	No. of Supplies	Annual Consumption kWh	Total Cost 22/23
Gas - Purchased in Advance (PIA)	19	2,436,584	£264,776
Electricity - Half Hourly (HH) Purchased in Advance (PIA)	7	771,311	£240,162
Electricity - Non-Half Hourly (NHH) Purchased in Advance (PIA)	236	661,123	£249,111
Electricity - UMS Purchased in Advance (PIA)	5	172,024	£58,251
Total Cost 22/23			£812,300

7. Climate Change and Environmental Implications

A contract with Laser offers the immediate ability to purchase 'green' electricity through REGO, and the possibility of 'green' gas through RGGO. Laser are currently developing a framework to obtain 'green' energy direct from the renewable energy suppliers, thus ensuring the energy is 100% green. Therefore, a contract with Laser offers flexibility with regard to the purchase of green energy.

8. Corporate Implications

8.1 Comment from the Director of Finance: Members are reminded that the Council's revenue and capital resources are under pressure and so they will wish to assure themselves that all proposals progress the Council's priorities, are the best option available and will deliver value for money (AC)

8.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted in the preparation of this report and has no further comments to make.

8.3 Comment from the Equalities Officer: This report on the Council Energy Contract does not specifically highlight any equality implications however in discharging their duties members are required to comply with the public sector equality duty as set out in Section 149 of the Equality Act 2010 <https://www.legislation.gov.uk/ukpga/2010/15/section/149>.

8.4 Comment from the Procurement Manager: The Procurement Manager has been consulted in the preparation of this report and has no further comments to make.

9. Appendices

Not applicable.

10. Background Papers

Flexible Procurement Framework 2024 – 2028 Customer Information Pack

Frank Thompson, Head of Property Assets