

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF CABINET ON 08 FEBRUARY 2021

SUBJECT: Electricity Supply Contract for Corporate and Residential sites.

REPORT AUTHOR: Nat Slade – Group Head Technical Service

DATE: 06 January 2021

EXTN: 37683

PORTFOLIO AREA: Technical Services

EXECUTIVE SUMMARY:

To authorise entering into contract with LASER Framework Agreement, for the Procurement and Managed Service of electricity to the Council's Corporate and Residential sites.

RECOMMENDATIONS:

Cabinet is requested to:

- (1) approve the appointment of LASER for a new electricity supplier by running a Mini Competition from an existing Framework Agreement;
- (2) approve LASER for the managing of the resulting contract with the supplier on behalf of the Council;
- (3) following the initial contract set up with a new supplier of 12 month fixed period, to approve the continued appointment of LASER to negotiate an Evergreen contract for the year on year supply of electric rather than repeating the tender and appointment process ever few years;
- (4) approve the supply contract for an Evergreen Period via LASER; renewable every 12 months following the initial 12 month fixed rate agreement period; and
- (5) give delegated authority to the Group Head of Corporate Support to enter into the necessary contracts.

1. BACKGROUND:

The current electric supply contract for Corporate and Housing sites is due to end 31/3/2021.

The Council has approached existing Framework Agreement (LASER & Crown Commercial Services) to negotiate with energy suppliers on our behalf. The available Framework Agreements were tendered in accordance with OJEU regulations.

On comparison and with consultation with the Group Head of Corporate Support, and the Procurement Officer it was jointly agreed LASER offered the council a better package and support to Arun. CCS did not offer the opportunity to go 100% green in the future. CCS offer bill validation as an additional package to the electrical supply where LASER pay the supplier direct, resolve any bill discrepancies and invoice the council once they have agreed bill validity.

LASER is a procurement organisation wholly owned by Kent County Council whose purpose is the specialist procurement of energy on behalf of other local authorities and public bodies.

It should be noted that this report also seeks authority to extend the electricity supply contract after the initial 12 month fixed period and move to an Evergreen contract. This will also be run and managed by LASER on behalf of the council. The Evergreen contract gives the council the opportunity to extend the existing agreement without the need to keep renewing contracts or sourcing new suppliers every couple of years as we do at the moment.

To assure best market unit prices for the electrical supply LASER will run a mini competition and advise our preferred supplier for the 12 month fixed term.

LASER following the fixed period would review options available for the extended Evergreen contract and automatically switch suppliers.

2. PROPOSAL(S):

- (1) approve the appointment of LASER for a new electricity supplier by running a Mini Competition from an existing Framework Agreement.
- (2) approve LASER for the managing of the resulting contract with the supplier on behalf of the council.
- (3) following the initial contract set up with a new supplier of 12 month fixed period, to approve the continued appointment of LASER to negotiate an Evergreen contract for the year on year supply of electric rather than repeating the tender and appointment process ever few years.
- (4) approve the supply contract for an Evergreen Period via LASER; renewable every 12 months following the initial 12 month fixed rate agreement period.
- (5) give delegated authority to the Group Head of Corporate Support to enter into the necessary contracts.

OPTIONS:

- (1) Procure a new contract directly with electricity suppliers. This was not pursued as Arun has less purchasing power acting alone than if it procures via a Framework which is expected to provide better rates.
- (2) To take no action and run the risk of variable rate supply which will be more expensive than an agreed contract rate.

3. CONSULTATION:.		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		No
Relevant District Ward Councillors		No
Other groups/persons (please specify) Procurement, Finance & Legal	Yes	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	Yes	
Legal	Yes	
Human Rights/Equality Impact Assessment		No
Community Safety including Section 17 of Crime & Disorder Act		No
Sustainability	Yes	
Asset Management/Property/Land		No
Technology		No
Other (please explain)		
6. IMPLICATIONS:		
<p>Financial: If the Council does not enter into a new contract there is a risk of inflated purchase prices due to our limited purchasing power. Existing Frameworks provide greater purchasing power. The Council is not in a position to negotiate with suppliers due to limited resources and limited purchasing powers.</p> <p>The new agreement will be similar to the current supplier in that the tariff will hold sufficient Renewable Energy Guarantees of Origin (REGOs) for green energy. Both REGO & 100% Green come with additional costs over and above standard supply which is not green or renewable.</p> <p>The Framework will run a mini-tender process to ensure best current market prices are obtained for the electrical supply.</p> <p>LASER ensure best value for wholesale energy prices by tendering the market on a periodic basis with the major suppliers. This is to ensure customers are paying the best price available at the time of placing the contract. The market is volatile and ever changing. LASER offer energy users an opportunity to purchase energy at a better rate when the Evergreen renewable anniversary date is due if there is one.</p> <p>Legal: The Council have obligations to ensure that best value is obtained at all times and formal agreements are in place.</p> <p>The new agreement will be signed underhand and electronically using DocuSign.</p>		

Sustainability: The proposed supply contract commencing 01 April 2021 uses electricity generated from Renewable Energy Guarantees of Origin (REGO) sources. REGO is an industry scheme to assure customers that a certain percentage of the energy provided to them comes from a renewable source. The industry issues the certificate from the supplier, but it cannot wholly guarantee its origin. The option for 100% guaranteed renewable energy will be available after 31st October 2021.

7. REASON FOR THE DECISION:

To ensure the Council continues to pay the most advantageous unit price for its electric supply to Corporate and Housing sites. To contribute to the Council's resolution on 15 January 2020, alongside the declaration of a climate emergency, to work towards making the activities of the Council carbon neutral by 2030. If the contract is not renewed, the Council will also pay additional charges for billing and standing charges.

8. EFFECTIVE DATE OF THE DECISION: 17 February 2021

9. BACKGROUND PAPERS:

[Agenda for Full Council on Wednesday 15th January 2020, 6.00 pm - Arun District Council](#)