

Cabinet Meeting	
Meeting Date	14 July 2021
Report Title	Procurement of utility supplies
Cabinet Member	Cllr Roger Truelove, Leader and Cabinet Member for Finance
SMT Lead	Nick Vickers, Chief Financial Officer
Head of Service	Nick Vickers, Chief Financial Officer
Lead Officer	Eva Harris, Business Support Officer
Key Decision	Yes
Classification	Open
Recommendation	Cabinet is recommended to enter into a contract with Laser Buying Group from 1 October 2021 until 30 September 2025 for electricity and on a 1+1+1 basis for the gas supply on the terms set out in the report.

1 Purpose of Report and Executive Summary




- 1.1 This report makes a recommendation to Cabinet regarding purchase of energy supplies for the period 1 October 2021 – 30 September 2025.

2 Background

- 2.1 At the Cabinet meeting in September last year, members agreed to continue to buy gas and electricity from the Laser Buying Group for one further year. Due to the uncertainty surrounding the planned low carbon refurbishment of Swale House, it was decided that a commitment beyond one year was not appropriate at that time.
- 2.2 It was further agreed that green electricity and green gas would be purchased for the duration of the contract. It was reported that the surcharge for green electricity would be 0.06p/kwh which equated to approximately £410 per annum. The surcharge for green gas was reported as 0.9p/kwh which equated to approximately £11,000 per annum.
- 2.3 At the time of the previous report, it had been anticipated that the Swale House low carbon refurbishment project would include the installation of an air source heat pump, meaning that the gas supply would be terminated. Swale House currently accounts for approximately 84% of the gas used across the property portfolio. However, due to budget constraints, it was decided to retain the existing boilers which means that there is still a need for a gas supply at Swale House.

3 Proposals

3.1 In the period since September last year the green electricity market has developed rapidly and there are more options available now than there were then. Laser has responded to the increased demand for electricity from renewable sources and has introduced new options to meet that demand.

			
Important factors to consider to your organisation	OPTION 1 Green Tariff	OPTION 2 Green Basket	OPTION 3 PEPPPA
Volume Commitment	Annual	2-4 years	10+ years
REGOs	Yes	Yes	Yes
Direct Funding of Renewables	Minimal	Yes	Yes
Traceability	No	Yes	Yes
Additionality	No	Unlikely	Yes
Lead time to delivery	Within a year	Within a year	Up to 36 months
Ease of Procurement	Very High	Very High	High

3.2 We are currently on option 1 and it is recommended that we move 50% of our electricity usage to option 2 (the Green Basket) as from 1 April 2022. The key advantage of this option is that the REGO (Renewable Energy Guarantee of Origin) provides direct traceability back to a specific renewable electricity source. This option would also provide us with flexibility in the event that our portfolio reduced without incurring any consumption penalties. We would also have the option to add further volume to the Green Basket in the event of any planned increase to the portfolio (for example, the installation of electric boilers at Swale House).

3.3 The current premium for the directly sourced Green Basket energy is projected at being no more than 2.3% above that of having conventional energy (so about 1.8% above REGO backed energy (option 1)), which includes Laser's Green Basket management fee of 0.1p/kwh. This equates to about £300/annum based on our consumption.

- 3.4 There are no significant changes to the costs and surcharges for green gas. The gas would be supplied with a RGGO certificate (Renewable Gas Guarantee of Origin) but without any direct traceability to a specific renewable source.
- 3.5 It is possible that a decision could be taken before September 2025 to replace the existing gas boilers in Swale House with electric boilers. The proposed contract will therefore allow Swale House to be omitted from the gas supply contract upon 12 months' notice with no penalty payment.
- 3.6 Cabinet is therefore recommended to enter into a contract with Laser Buying Group until 30 September 2025 for electricity and on a 1+1+1 basis for the gas supply.

4 Alternative Options

- 4.1 Conventional energy could be purchased instead of green gas and electricity. This would deliver an annual cost reduction of around £12,000. However, it would not deliver the objectives of the Climate and Ecological Emergency Declaration and is therefore not recommended.
- 4.2 The Council could opt not to renew with any provider and have all meters on general business accounts, allowing each department to choose what supplier they wish to proceed with. This is not recommended as this approach would not allow the council to access the wholesale prices that Laser is able to obtain through aggregating the demand of 150+ public sector customers. This would also not be compliant with Contract Standing Orders.
- 4.3 Alternative energy purchasing frameworks that could be used have been investigated, in particular Crown Commercial Services. From the investigations there is no reason to believe that CCS will provide better value for money than Laser Buying Group. As Laser already has a successful track record of working with SBC it is considered that there would be no benefit to changing to another buying group.

5 Consultation Undertaken or Proposed

- 5.1 No external consultation required.

6 Implications

Issue	Implications
Corporate Plan	This proposal will support the priority to reduce carbon emissions across the Council estate by 2025.

Financial, Resource and Property	Using a buying group to purchase energy provides value for money advantages, both in terms of savings achieved through bulk purchasing, and in much reduced staff time in tendering for supplies for each site.
Legal, Statutory and Procurement	Statutory requirements are met using the Laser framework, as all energy procurement is carried out in line with the Public Contracts Regulations 2015. Use of frameworks for procurements is supported in the council's procurement strategy and approved in contract standing orders.
Crime and Disorder	None identified at this stage
Environment and Climate/Ecological Emergency	This proposal will make a substantial contribution towards the delivery of the Climate and Ecological Emergency Action Plan.
Health and Wellbeing	None identified at this stage
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage
Risk Management and Health and Safety	None identified at this stage
Equality and Diversity	None identified at this stage
Privacy and Data Protection	None identified at this stage

7 Appendices

None

8 Background Papers

None