

## RECORD OF EXECUTIVE DECISION

Tuesday, 18 September 2012

**Decision No:** (CAB 12/13 8930)

DECISION-MAKER:	CABINET
PORTFOLIO AREA:	CABINET MEMBER FOR RESOURCES
SUBJECT:	ENERGY CONTRACTS RENEWAL - APPROVAL TO FORM CONTRACT
AUTHOR:	John Spiers

### THE DECISION

That the Council continue to engage Kent LASER to procure energy via the replacement flexible framework 2012 -2016, and where appropriate to provide a managed service. The total value of these contracts is Circa £6.9M over this 4 year period.

### REASONS FOR THE DECISION

1. This report is presented as a general exception item in accordance with Rule 15 of the Access to Information Procedure Rules of Part 4 of the Council's Constitution. Amendments to Regulations 5(2) and 9(2), 2012 require 28 days notice to be given to all Key Decisions comes into effect on 10<sup>th</sup> September 2012. It has not been possible to meet the requirement of 28 days notice.
2. The '*best practice*' recommendations from the Pan Government Energy Project advocates the use of aggregated, flexible and risk managed energy procurement through Central Purchasing Bodies (CPBs) offering specialist energy procurement which is the service provided by LASER.
3. The LASER flexible procurement contract offers the greatest aggregation of demand with which to approach the market and a volume which is attractive to providers and promotes the lowest 'cost to serve'. The contract is used by an estimated 120 local authorities.
4. The LASER contract provides flexible procurement which means rather than be tied to the cost of energy at the time of the tender return, LASER buy tranches of energy at the most economical time during the rise and fall in the market. This approach is proven to take advantage of market variation in order to procure at the best price.
5. LASER uses a governance process managed by representatives from its members from London Boroughs, County and District authorities and which provides an audited record of each buying decision.

6. The electricity provided by NPower in these contracts will be 50% from renewable sources of energy, despite market shortages in green energy.
7. The potential to add 3<sup>rd</sup> sector organisations to the SCC portfolio within this contract has been reviewed with the Energy Manager Jason Taylor but it is not currently possible within this contract, as it could lead to the council being obligated under CRC for the emissions of the 3<sup>rd</sup> party. Academies do benefit from using the contract; this is possible as SCC is responsible for their emissions as they operate on behalf of the council. In addition the logistics of making payments for the energy use of other organisations and claiming it back presents a barrier at this time. However, this will be assessed as part of the District Energy Report, currently in preparation by Jason Taylor for presentation to the Leader of the Council in September 2012. Any public sector body is able to join the contract in their own right. SCC will be working with Laser and the 120 member bodies to seek to identify opportunities for addressing fuel poverty. The use of this contract by SCC housing dept ensures that SCC tenants have energy procured in the most efficient manner and pay much lower energy costs than the tenant would be able to buy direct from the energy companies.
8. If the new contract were not to be adopted the tariff for electricity would revert to standard deemed rates which can be twice as much. For example a typical price under the proposed contract for a 03 profile site (low usage site) currently would be 10p /kWh and £5 per quarter standing charge, where the deemed rate would be 21.61p /kWh plus £47.50 per quarter standing charge.
9. The flexible framework contract has a value of £110M for gas and £335M for electricity and the substantial size of this spend means that Laser has considerable clout when it comes to leverage and contract management, SCC receives dedicated account managers and benefits from a level of priority which may not be afforded to lesser contracts.

## **DETAILS OF ANY ALTERNATIVE OPTIONS**

1. The Council to manage its own energy procurements. This has been rejected as this would not enable the Council to gain any benefits in terms of bulk buying leverage.
2. Fixed Term Fixed Price (FTFP) procurement only -  
The risks involved with going to the market on a given day to satisfy the Council's entire energy requirement and fix a price for the next 24 months are considered to be high. Furthermore, this option would also not provide the additional management and control benefits.
3. Alternative providers have been investigated both in the public (Government Procurement Service) and private sector (TEC, EIC, BIU) for the procurement of energy. The cost of procurement via Kent Laser is £42k pa 0.6% of the total final delivered unit cost of the energy. Benchmarking has identified that it could be possible to save up to £8k from that by using an alternative provider however, no other supplier offers the same level of service (GPS require a higher level of user input which is likely to cost more than £8k) or the same degree of aggregation and any reduction in the procurement charges would be false economy, if the purchase price of the energy was negatively impacted. This option has therefore been rejected as a potential saving of £8k is very low in relation to potential risk of increasing the £6.9 M energy cost.

**OTHER RELEVANT MATTERS CONCERNING THE DECISION**

None

**CONFLICTS OF INTEREST**

None

**CONFIRMED AS A TRUE RECORD**

We certify that the decision this document records was made in accordance with the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000 and is a true and accurate record of that decision.

Date: 18 September 2012

Decision Maker:  
The Cabinet

Proper Officer:  
Judy Cordell

**SCRUTINY**

Note: This decision will come in to force at the expiry of 5 working days from the date of publication subject to any review under the Council's Scrutiny "Call-In" provisions.

Call-In Period expires on

Date of Call-in *(if applicable) (this suspends implementation)*

Call-in Procedure completed *(if applicable)*

Call-in heard by *(if applicable)*

Results of Call-in *(if applicable)*