



## Procurement of Contract for Electricity Supply 2024-28

**To:**

Councillor Mike Davey, Executive Councillor for Finance, Resources and Transformation and Non-Statutory Deputy Leader

Strategy & Resources Scrutiny Committee 30/01/23

**Report by:**

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**Wards affected:**

All

Key Decision

### 1. Executive Summary

The Council's current contract for electricity supply ends on 30 September 2024. A new supply contract is required to ensure continued supply at best possible rates.

### 2. Recommendations

- 2.1 It is recommended to approve continuing to purchase electricity via the Eastern Shires Purchasing Organisation (ESPO) energy framework.
- 2.2 It is recommended the next contract period for the provision of electricity should run for four years from 1<sup>st</sup> October 2024 to 30<sup>th</sup> September 2028. Cambridge City Council may terminate this agreement by providing at

least twelve months' notice, prior to the anniversary date of 1 October each year, following the initial 2-year period.

- 2.3 It is recommended to authorize the Strategic Director or Head of Housing Maintenance and Assets to approve the actual electricity price tariff when the procurement is completed by ESPO.

## **Background**

- 3.1 Cambridge City Council spending on electricity is approximately £1.2m per annum excluding VAT based on the current year. The current contract commenced on the 1st of October 2020, procured via an ESPO Framework, with Total Energies as supplier, and expires on the 30 September 2024.
- 3.2 The corporate electricity supply contract supplies a wide range of Council assets with electricity including offices, operational buildings, community centres, communal areas of housing estates, sheltered housing, temporary housing, and a range of unmetered supplies to street furniture and other equipment. We currently purchase electricity that is 100% generated from wind, solar and hydro sources.
- 3.2 The energy supply market can be both volatile and complex and requires specialist expertise to obtain best value. The Council, therefore, currently employs ESPO to procure its gas supply contract and provide support with account management.
- 3.3 ESPO have procured their new Electricity framework, running from October 2024 to September 2028, and Total Energies Gas & Power have been successful following a UK compliant tender process.

Although the Council's current agreement with ESPO expires on 30 September 2024, the deadline to decide if we wish to continue participating in the new ESPO electricity contract is 31st January 2023.

ESPO recommend that to ensure the best prices the Council should renew the contract now to allow effective trading of future electricity volumes. This would mean that the Council's electricity supply is included year 1 of the new 2024 Framework "trading basket" so we should benefit from economies of scale.

However, it should be noted that electricity prices are very volatile and joining a new contract now does not guarantee best prices. It is possible for the Council to do nothing now and make alternative arrangements for procurement of electricity later.

- 3.4** There are alternative options open to the council to procure replacement electricity supplies. These are summarised below:

**Direct procurement.** The Council could procure its electricity supply directly without the involvement of any third-party specialist consultant advice. The market and tariff options available via direct procurement are complex and would involve significant officer time to draft tender documentation and manage a compliant procurement process. There is no guarantee that this option would deliver any significant benefits and, due to the Council's lack of specialist expertise in the market, it is unlikely that the outcome would be the best value.

**Procurement via a consultancy/brokerage.** The Council could use an independent energy consultancy to broker the electricity contract. There would be an additional cost for this and any plan to use a consultant broker arrangement would first require market testing to procure a consultant. This would require specialist expertise and knowledge of the market.

**Use of a Framework agreement.** Procurement organisations are common in the public sector and can deliver significant economies of scale across a range of services and contracts. This is done by combining service requirements of member organisations to secure more favourable pricing than would generally be possible for each organisation acting independently. Such organisations guarantee fully compliant tendering and due to the scale of procurement they provide specialist procurement and market expertise which is especially important when dealing with complex energy markets. The Council already makes use of this solution and procures gas and electricity via an ESPO framework agreements. While past performance is no guarantee of future delivery the Council also benefits from a fully managed account service. It is therefore concluded that this option represents the best option for electricity procurement at the current time.

- 3.5** Energy prices have proved to be unpredictable and while there is uncertainty of future supply costs the use of the ESPO framework will ensure that the Council has access to appropriate specialist market advice and will provide a good degree of certainty about pricing during the contract period.

## **Implications**

### **a) Financial Implications**

Electricity prices fluctuate continuously so it is difficult to predict and run a comparison to existing expenditure. However, it is highly likely that prices will increase.

### **b) Staffing Implications**

Estates and Facilities will deal with this within existing resource with input from the legal and procurement teams. The Energy Manager oversees this contract.

Legal Services will be involved in completion of contracts.

### **c) Equality and Poverty Implications**

Not applicable

### **d) Net Zero Carbon, Climate Change and Environmental Implications**

This decision has a climate change rating of 'nil' as there are no changes to the electricity consumption of the Council or changes to carbon emissions because of the contract being re-procured. This report is only to decide on the method to use to procure the electricity contract.

The Council currently purchases 100% renewable energy, and it is planned that this will continue in the new contract.

**e) Procurement Implications**

Approval of continued procurement via ESPO ensures fully compliant procurement and contractual arrangements. Approval of alternative options described in Options 1-2 would result in additional procurement costs associated with specialist consultancy support required to support in-house resources.

**f) Community Safety Implications**

None

**g) Consultation and communication considerations**

Any significant changes in future supply costs will need to be communicated to Finance team and building / facility managers.

**Background papers**

No background papers were used in the preparation of this report.

**Appendices**

None

**Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Will Barfield, Asset Manager on telephone 01223 457752, email: [will.barfield@cambridge.gov.uk](mailto:will.barfield@cambridge.gov.uk).