

**For publication**

**To procure a new energy supplier from 01/04/2023 (EG400)**

<b>Meeting:</b>	Cabinet
<b>Date:</b>	13 December 2022
<b>Cabinet portfolio:</b>	Deputy leader
<b>Directorate:</b>	Finance and Economic Growth
<b>For publication</b>	

**1.0 Purpose of the report**

1.1 To appoint a new energy supplier/contract to the council.

**2.0 Recommendations**

2.1 That Cabinet delegate approval to the Service Director - Finance, in consultation with the Service Director for Economic Growth and the Deputy Leader, to carry out the procurement and award of a new energy contract to commence on 01/04/2023.

**3.0 Reason for recommendations**

3.1 The entering of a contract with a value above £100,000 is an Executive function of the Cabinet.

3.2 The procurement of Energy is currently highly variable, with daily market price and supplier fluctuations. Best value for money will be achieved for the Council through being able to make an immediate decision on the tender price offered on the day. It is considered very unlikely that in the current situation a price could be offered and held for the time it would take to make the appropriate representations to Cabinet. An officer delegation is considered the most effective way to secure the best contract available at the time.

**4.0 Report details**

4.1 The current supplier is N Power Ltd for electricity and SEFE Energy Ltd for Gas. This is for both the HRA stock, where CBC pays utility costs and all non-housing properties.

4.2 The contracts for electricity and gas started 01/04/2020 and terminates 31/03/2023.

4.3 The rates under the current contract are very favourable and will not be achievable on the next contract given the current market conditions. Electricity

rates vary between 11ppkw and 13ppkw and gas 2.1ppkw to 3.9ppkw depending on the site usage.

- 4.4 By comparison, the government cap [intervention] rates are for electricity 34ppkw in the domestic market and 21.1ppkw in the commercial sector. For gas, the figures are 10.3ppkw in the domestic market and 7.5ppkw in the commercial sector. The market rates are highly variable and up to double these rates.
- 4.5 As the current contract expires in almost 4 months' time and the market continues to fluctuate significantly, current prices are not always a clear indication of the future prices. Market conditions including some over supply due to mild weather and market "demand" restraint of consumption has had a dampening effect and this has been driving prices down in the short term.
- 4.6 The annual spend on gas for the General Fund and HRA sheltered accommodation is around £300k and £720k for electricity on the general fund. Other areas of spend are more complicated to illustrate due to third party payments and some shared accounts.
- 4.7 The new contract duration will still allow for any government intervention rates that might be brought in beyond 01/04/2023. The new contract will also facilitate any disposal of assets, without the terms of the agreed rates being affected. It is currently anticipated that the duration of a contract is likely to be 2-3 years or possibly 2 years with an option to extend for 1 year. This will be subject to the advice of the energy broker.
- 4.8 The current suppliers are via Countess of Cheshire Framework - Gas Framework current expires 31st March 2023. A new gas framework is now in place – this is with Corona Energy for gas supply – Inspired (the broker and framework manager) have just let this. This will be our initial consideration, but we will look at other frameworks and seek the best position for CBC.
- 4.9 The Electricity framework does not expire until 31st March 2024 – Our options are to go for a further year with N Power until the new Framework is ready and negotiate costs for a further 12 months, seek another framework with a different supplier or look to negotiate a be-spoke contract with N Power. This will ensure we retain maximum flexibility in seeking a new contract to keep all options open. Advice will be provided by our broker.
- 4.10 It is anticipated that a new contract will be arranged in the early part of 2023, though there will continue to be close dialogue with the broker, seeking their advice on the most appropriate time to act. As a result, Cabinet are recommended to delegate approval to the Service Director – Finance, in consultation with the Cabinet Member for Economic Growth, to carry out the procurement and award of a new energy contract to commence on 01/04/2023.

## **5.0 Alternative options**

- 5.1 The default at the end of the contract is that we will be on out of contract rates/deemed tariffs which currently run between 50ppkwh and 70ppkw and

large standing charges depending on the supplier and their market position, this would leave us massively exposed.

- 5.2 The alternative options for a provider will be considered in the advice from inspired, in terms of contract type and duration. The alternative of doing nothing at the end of the current contract is set out above in 5.1

## **6.0 Implications for consideration – Financial and value for money**

- 6.1 We will seek the best value with a cost certainty blend for the council and that will be factored in by the Director of Finance within the MTFP. The cost pressures of energy are already reported in the financial reporting processes of the council.

## **7.0 Implications for consideration – Legal**

- 7.1 There are no legal issues per se in the recommendations of this paper.
- 7.2 The procurement of services at this level is, as stated, an Executive function of the Cabinet and due to the timing required to obtain the best consideration, a delegation to a Director is the logical proposal.
- 7.3 The procurement of supplies and services is controlled by legalisation, and this will comply with our statutory obligations.

## **8.0 Implications for consideration – Human resources**

- 8.1 None from this paper.

## **9.0 Implications for consideration – Council plan**

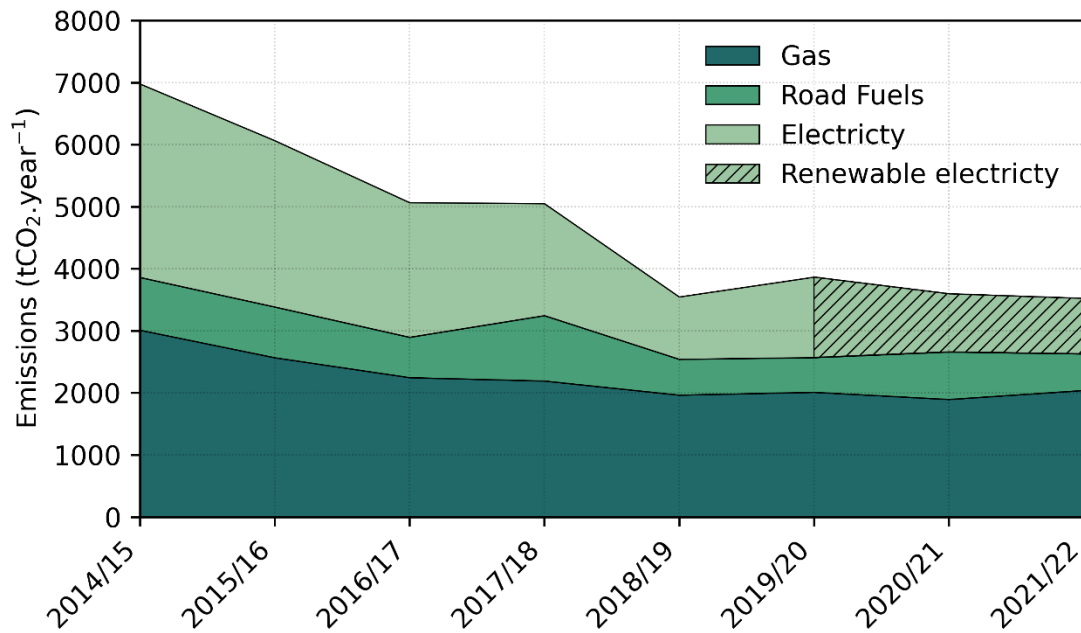
- 9.1 This paper will have no direct impact on the council commitments under the council plan. However, it will strive to provide a green energy supplier and meet the councils' commitments for value for money.

## **10.0 Implications for consideration – Climate change**

- 10.1 Since 2019 when CBC declared a climate emergency our emissions as an organisation have substantially decreased. This is primarily due to the purchase of Renewable Energy Guarantees of Origin (REGO) certificates.
- 10.2 REGOs are a method of ensuring that consumers are using green electricity. Instead of connecting directly to a renewable source, we take electricity from the grid that is the net result of lots of generation methods (including nuclear and fossil fuels). To show that we are purchasing renewable electricity we also purchase a REGO from the producer to show that they have added an equal amount of green electricity to the grid that we have used. Essentially the grid decouples supply and demand for electricity, and REGO certificates are a method to re-link them without a physical connection.

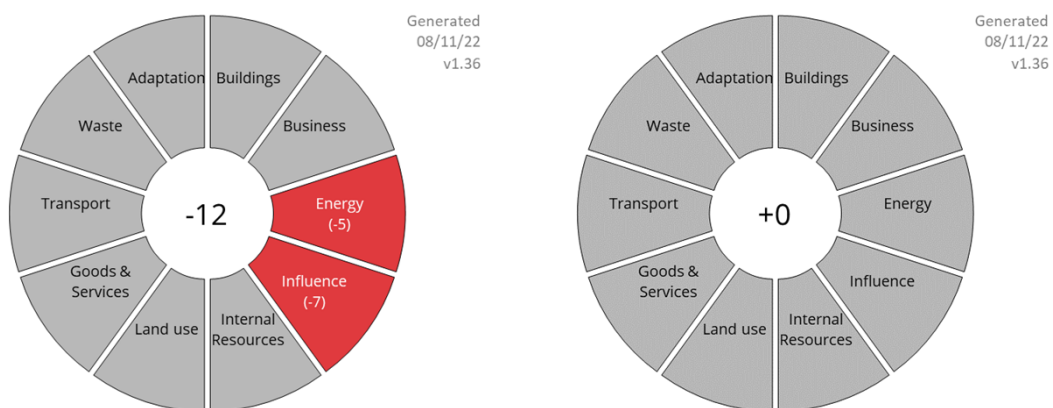
10.3 Purchasing REGOs has been the primary method of decarbonisation implemented by CBC since 2019 and has had a substantial impact on our reportable emissions (the shaded area on the graph below)

10.4



10.5 Reversal of the decision to buy green electricity would result in a 34% increase council reportable emissions. This is shown on the left CCIA infographic. The current position is shown on the right infographic – since we already use a green electricity supply no changes are likely.

10.6



Chesterfield Borough Council has committed to being a carbon neutral organisation by 2030 (7 years and 1 months away).

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## 11.0 Implications for consideration – Equality and diversity

11.1 There are no EIA impacts from the procurement of our energy supplier.

## 12.0 Implications for consideration – Risk management

## 12.1

Description of the Risk	Impact	Likelihood	Mitigating Action	Impact	Likelihood
No new energy supplier and contract	High	Low	This cabinet decision gives authority to procure a new supplier and contract	High	Low
Failure to seek best contract available at the time by maximin delegation flexibility	High	Medium	The recommendation allows for a market wide procurement	High	Low

### Decision information

<b>Key decision number</b>	
<b>Wards affected</b>	<b>All</b>

### Document information

<b>Report author</b>	
Steven Caplan Interim Service Director of Property.	
<b>Background documents</b>	
N/A	
<b>Appendices to the report</b>	
Appendix 1	n/a
Appendix 2	n/a