

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 12 July 2022

TITLE	Electricity Contract Procurement and Renewals	
Ward(s)	Citywide	
Author: David Gray	Job title: Energy Supply Programme Manager	
Cabinet lead: Cllr Kye Dudd, Cabinet Member for Climate, Ecology, Waste and Energy	Executive Director lead: Stephen Peacock, Executive Director Growth and Regeneration	
Proposal origin: BCC Staff		
Decision maker: Cabinet Member		
Decision forum: Cabinet		
Purpose of Report		
<ol style="list-style-type: none"> To note an urgent key decision taken by the Executive Director Growth and Regeneration on 27th May 2022 in relation to electricity contract procurement and renewals. To note the adoption of a 'sleeving' product to deliver the routing of zero-carbon electricity generated from the Council's own renewable energy generation to nominated Council sites. To seek approval in principle for further extensions or alternative contracting arrangements should the sleeving product prove unsuitable or not available in time. 		
Evidence Base:		
<ol style="list-style-type: none"> Energy prices remain at unprecedented levels, due to supply issues and major geopolitical events. Commercial contracts have typically offered better prices than domestic supplies due to the higher volumes involved, but they do not have price-cap protection. Council energy contracts have previously been renewed on a fixed price basis, via a dynamic purchasing system (DPS), the continued use of which was approved by Cabinet in December 2020. In the current market, suppliers have been reluctant to submit tenders via the DPS, and those that have submitted have been very expensive. As reported to Cabinet in January 2022, Officers have been developing alternative procurement strategies to reduce the council's exposure to rising prices. Gas supplies and the majority of electricity supplies are now on 'flexible' procurement contracts. The remaining Council electricity supplies are those for the largest sites, known as half-hourly (HH) supplies. The intent is that these will be supplied through a 'sleeving' mechanism, which was originally approved by Cabinet in February 2021. This allows the routing of zero-carbon electricity generated from the Council's own renewable energy generation to nominated Council sites, along with the new contracting arrangements to recruit local Generators to supply additional electricity. As well as reducing the carbon intensity of the Council's electricity supply, this mechanism would also reduce Council exposure to electricity market prices, by replacing a large element of the Council's grid supply with locally generated sources at a more predictable price. Further detail on Sleeving was provided in an Appendix to the May 2022 Cabinet report. Two tenders for the sleeving contract have now been run, with neither attracting any bids. Officers are now in discussion with a Public Sector Buying Organisation to develop a sleeving product under a framework. The current extensions for the Council's HH supplies expired at the end of May 2022. This meant that a 		

decision had to be taken to put in place new arrangements in advance of Cabinet, because off-contract prices are prohibitively expensive. An urgent key decision was taken by the Executive Director Growth and Regeneration on 27th May 2022 in accordance with the Council's constitutional requirements to procure an extension of the half hourly buildings contract to cover the transition to new arrangement by two months at a gross cost of £1M.

9. The framework sleeving product would only be used with HH supplies. Officers intend to work on an expanded sleeving mechanism, alongside the City Leap partner, ready for deployment when the flexible contract ends in September 2023.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Note the urgent key decision taken by the Executive Director Growth and Regeneration on 27th May 2022 to extend the half hourly electricity supply contract to cover the transition to new arrangement by two months at a cost of £1M.
2. Note the proposed use of a Public Sector Buying Organisation framework product for sleeving as approved by Cabinet in February 2021.
3. Authorises the Executive Director for Growth and Regeneration, in consultation with the Cabinet member for Climate, Ecology, Waste and Energy, and noting that the City Leap Board is to be consulted on all key decisions/arrangements that have a bearing on the City Leap contract, to take all steps required to develop and implement the framework sleeving product at an estimated net cost (after revenue from export sales) of up to £2.6M for 14 months.
4. Authorises the Executive Director for Growth and Regeneration, in consultation with the Cabinet Member for Climate, Ecology, Waste and Energy, and with the Director Finance, to extend current supply contracts as necessary (including individual contract extensions over £500k) to allow sufficient time for the introduction of a sleeving product, or to implement alternative supply arrangements (which may be over £500k) should the proposed sleeving mechanism not be available in time or prove to be not viable (subject to funding).

Corporate Strategy alignment:

1. These initiatives support the transition to the draft Corporate Strategy Priority ENV1 Carbon Neutrality and links to the Priority ED06 Estate Review in helping to reduce energy demand across the Council's own estate and decarbonising essential residual energy supplies
2. These initiatives reduce cost pressures on the council.

City Benefits:

1. These initiatives contribute to delivering One City Goals:
 - a. Goal 81 - Bristol City Council is carbon neutral for direct energy and transport emissions
 - b. Goal 115 - 30% of all electricity consumed in the city is generated from local, renewable sources with communities actively engaged and included

Consultation Details: No

Background Documents:

1. [Future Energy Supply Cabinet Report January 2022](#)
2. [Carbon Reduction Projects Cabinet Report February 2021](#)
3. [Energy Dynamic Purchasing System framework Cabinet Report Dec 2020](#) (Item 20)
4. [Electricity Contract Procurement and Renewals Cabinet Report May 2022](#)
5. [Appendix A to Electricity Contract Procurement and Renewals Cabinet Report May 2022](#) (sleeving and flexible procurement)
6. [OED - Half-hourly \(large\) Electricity Supply Contract](#)

Revenue Cost	£1M (cost of 2-month extension)	Source of Revenue Funding	Energy Service Utilities Purchase/Highways Electricity/HRA/Schools
Capital Cost			

Required information to be completed by Financial/Legal/ICT/ HR partners:

1. Finance Advice: The report seeks to update Cabinet on the recent urgent decision taken by officers to extend the current contract for half hourly energy supplies for the top 175 electricity consuming sites to allow sufficient time to move to a new sleeving arrangement, thus significantly reduces their energy consumption costs.

The report to Cabinet in May 2022 obtained approval to extend these contracts by 2 months, however, the tender process to secure a sleeving arrangement was unsuccessful for reason already mentioned in other parts of this report. At that point it was hoped that the 'sleeving' arrangement would be in place by the start of June 2022.

The tender process was unsuccessful and has resulted in us having to buy additional electricity until this arrangement is in place. It is now anticipated that it will be in place by the end of July. Officers are confident that this new target date will be achieved, however, subject to the value of any future extension and the directorates' ability to fund from within existing resources, any future extension will need to come back to cabinet for approval.

The quantities are based on 21/22 actuals which assumes usage of 37.6m kilo watts pa and generation of 15.7m kw pa.

The new sleeving contract will be for a period of 14 months at which point the contract will be moved onto a broader contract with the new City Leap partner once the flexible arrangements end.

The cost implications of this new arrangement for electricity will Costs an extra £0.72m (net), of which £0.33m will be the extra cost to the General Fund (excluding BHN and other clients that are 100% recharged).

Table 1 below should the revised total cost implications of the emergency decision on Council services:

Costs (£000s)	GF (Net)	HRA	Schools	Total
Contract extension - HH electricity	333	259	123	716
Total Cost	333	259	123	716

- For completeness of the Council position, the Gas costs have been included, but note that the emergency decision was only for electricity. These figures exclude the BHN and other client costs that are recharged.

A comprehensive review of the energy service income and expenditure is being carried out following the various flexible contract arrangements and will be completed after the sleeving arrangement is finally in place. This will result in a budget reset. While majority of the budget increase has been covered during the budget setting process, subsequent increases are being mitigated from measures to be introduced by the "Task force".

The Energy service are currently exploring mitigation measures to address the additional pressure within the General fund and will be using the recent Cabinet approved "Task force" to drive a change in behaviour that should reduce, if not eliminate all the pressure.

It should be noted that these estimates do not include any energy reductions that might result from the recently approved LED street lighting project.

Work is ongoing by the Energy team to review the charging arrangements for our own generated electricity to our internal clients, however, the costs highlighted in this report give a good indication of the costs to housing and schools.

Finance Business Partner: Kayode Olagundoye, Interim Finance Business Partner, Growth and Regeneration, 29th June 2022.

2. Legal Advice:

The procurement process must be conducted in line with the 2015 Procurement Regulations and the Councils own procurement rules. Legal services will advise and assist officers with regard to the conduct of the procurement process and the resulting contractual arrangements.

The report also seeks approval to proceed with contract extensions and alternative supply arrangements, notwithstanding that it may involve contracts valued above the key decision threshold.

Legal Team Leader: Husinara Jones, Team Manager/Solicitor 10 June 2022		
3. Implications on IT: Unless smart metering or some specific IT based electrical management system is needed, no implication upon IT is anticipated.		
IT Team Leader: Iain Godding, Head of Enterprise Architecture 15 th June 2022		
4. HR Advice: I have read the report and can confirm that there are no HR implications evident.		
HR Partner: Chris Hather MCIPD, HR Consultancy Manager - Growth and Regeneration, 10 th June 22		
EDM Sign-off	Stephen Peacock (Executive Director Growth & Regeneration)	24 th May 2022
Cabinet Member sign-off	Cllr Kye Dudd, Cabinet Member for Climate, Ecology, Waste and Energy	20 th June 2022
For Key Decisions - Mayor's Office sign-off	Mayor's Office	13 th June 2022

Appendix A – Further essential background / detail on the proposal	NO
Appendix B – Details of consultation carried out - internal and external	NO
Appendix C – Summary of any engagement with scrutiny	NO
Appendix D – Risk assessment	YES
Appendix E – Equalities screening / impact assessment of proposal	YES
Appendix F – Eco-impact screening/ impact assessment of proposal	YES
Appendix G – Financial Advice	NO
Appendix H – Legal Advice	NO
Appendix I – Exempt Information	No
Appendix J – HR advice	NO
Appendix K – ICT	NO
Appendix L – Procurement	NO