

Growth and Regeneration Scrutiny Commission

29th September 2022



Report of: Stephen Peacock, Executive Director, Growth & Regeneration

Title: BCC Energy Supply Contract Renewals 2021/22

Ward: All

Officer Presenting Report: David Gray, Energy Supply Programme Manager

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Recommendation:

To note the Officer Executive Decisions and Key Decisions taken to maintain a supply of electricity and gas to BCC sites.

The significant issues in the report are:

Many of the council's energy supply contracts expired in late 2021, coincidentally at the same time as unprecedented price rises in the market. This left the council and schools exposed to very high prices in Winter 21/22. Council Officers took a series of actions in response, some of which required OEDs and subsequent reporting to Cabinet. All supplies are now under long-term contracts at prices significantly lower than the current market rate.



1. Summary

In the light of a difficult energy market, Council Officers undertook a series of short-term contract renewals to “weather the storm”, whilst bringing forward plans to change the Council’s approach to procuring energy supplies.

2. Context

Background

- 2a. The Council’s Energy Service holds the corporate utility budget and buys gas and electricity to supply the council, as well as around 60 maintained schools and some HRA supplies.
- 2b. Total gross spend was around £6.2M pa (20/21), of which £1.9M pa was the General Fund – other supplies are recharged at cost. This increased to a gross spend of £14.5M in 21/22, £5.4M for the General Fund.
- 2c. Until 2022, gas and electricity contracts were procured on a conventional fixed-price basis, typically for 18 months to 2-year durations. A feature of fixed price energy contracts is a requirement to evaluate and award on the same day, so the council used a Dynamic Purchasing System, which holds a pool of pre-approved suppliers whose bids could be evaluated and awarded by a nominated Director under delegated authority from Cabinet.
- 2d. The fixed price contracts used by the council give price certainty, but the cost per unit is set according to market prices on the day of the agreement. This requires a submission of final prices by DPS bidders on the closing date of the call off, which then need to be evaluated, approved, and agreed with the winning supplier on the same day to secure the best of the prices offered. This price is then set for the duration of the contract which gives budget certainty. In a falling market, this can mean that the council locks in a high price and pays more than the market value for gas and electricity. Equally, the council could lock in a low price in a rising market.
- 2e. At the same time, the council generates a significant amount of electricity through its wind turbines and solar farm at Avonmouth – equivalent to 36% of its total demand. Electricity generated from these assets was sold to the grid under a standard arrangement called an export Power Purchase Agreement (PPA). The nature of the energy market means that the export price achieved will always be less than the wholesale cost of buying electricity from the grid, so in February 2021, the Energy Service proposed a novel approach where electricity generated by the council would be supplied virtually to council sites - ([February 2021 Cabinet](#)). This is called sleeving and has three key advantages: 1) the cost to the council overall is lower than conventional arrangements, 2) the renewable generation is counted towards council reduction targets, and 3) in the longer term, the council can buy renewable electricity from community generators, stimulating new local investment and further decarbonising the city.

Changes in 2021

- 2f. By summer 2021, electricity market prices had reached historic highs and the Energy Service did not wish to lock into fixed price contracts for the long term. In any case, attempts to run competitive renewals via the DPS either attracted no bids, or prices at more than twice the previous rate. At the time, market intelligence suggested that the very high prices (see chart below) were due to post covid recovery, a lack of gas storage, and a very poor year for wind generation.



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2g. Consequently, officers' view was that a "weather the storm" strategy of several short-term extensions would give the market time to settle down and implement the sleeving arrangement for electricity supplies (which had to be delayed due to the legal and procurement complexities of the approach). With the benefit of hindsight this was not the correct approach, as the market continued to rise, exponentially so as the prospect of war in Ukraine emerged. The short-term extensions, relevant OEDs and associated key decisions are summarised below and detailed in Appendix 1.

Actions in 2022

2h. Following extensive supplier engagement and legal review, a Sleeving tender was published in February 22, coincidentally one week before the Russian invasion of Ukraine. No bids were received, and based on supplier feedback a second, de-scoped tender was published in April 22 covering only larger council buildings and schools. Again, no bids were received. Given this and an almost total absence of response to call-offs for conventional contracts, officers approached a public procurement framework (Laser – operated by Kent County Council) for other options. Proposals were as follows:

1. All gas supplies to be placed onto flexible contracts – where the supplier aims to forward purchase supplies at times when the market has dropped
2. Smaller buildings and streetlights electricity to be placed onto flexible contracts – as above
3. Larger buildings electricity to be supplied via a Sleeving mechanism

2i. These proposals were subsequently implemented (relevant details and approvals at 'Background Papers' and in Appendix 1) and a summary of prices is provided below:

Contract	From	To	Average unit price	Market unit price
Small electrical and Streetlighting	April 22	Sept 23	36p	53p
Sleeved PPA	Aug 22	Sept 23	17p	53p
Corporate gas	Mar 22	Sept 24	9p	20p
Heat Centre gas	Apr 22	Mar 23	7p	20p

Unit prices are as delivered, including levies, network fees, standing charges, and taxes (CCL), excluding VAT

2j. Please note that the unit prices listed do not account for the price cap proposals published by the Government on 21st September. We anticipate that these will effect a small saving for small electrical and streetlighting supplies.

3. Policy

- a. The contract renewals above are primarily an essential commodity supply issue.
- b. The sleeving arrangement supports the transition to the Corporate Strategy Priority ENV1 Carbon Neutrality.
- c. The sleeving arrangement also supports delivery of One City Goals 81 - Bristol City Council is carbon neutral for direct energy and transport emissions

4. Consultation

a)Internal

The following were consulted as appropriate for the various contract procurements or extensions:

- Cabinet Member for Transport & Energy/Cabinet Member for Climate, Ecology, Waste and Energy
- Cabinet Member City Economy, Finance and Performance
- Chair of Scrutiny: Growth & Regeneration
- Mayor's Office
- Executive Director Growth and Regeneration
- Business Partner, Procurement and Commercial Solutions
- Finance Business Partner, Growth and Regeneration
- Legal Services

b)External

not applicable

5. Public Sector Equality Duties

- 5a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following "protected characteristics": age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;

- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
- tackle prejudice; and
 - promote understanding.

5b) Equalities Impact Assessments and Eco Impact Assessments were carried out for each new procurement as required.

In these Assessments, these contracts were considered not to have any direct impact on any protected group. There would be no direct impact on the Council workforce or Service Users.

As these are energy supply contracts, there is potentially a wider impact on the community in terms of issues addressing climate change.

The consensus from the Equalities and Inclusion Team was that, as this is essentially an alternative way to purchase a commodity already in use, it does not in itself materially affect how the estate is used or those using it. They did not believe this proposal will negatively impact equality groups in the workforce.

Appendices:

Appendix 1 - BCC Energy Supply Contract renewals 21/22 Background

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Contract renewals and associated approvals were as follows (see Appendix 1 for more detail):

Electricity Contracts

	Contract No	Supply	From	To	Supplier	Approvals/Supporting Documents
1	DN385429	HH Electricity	Mar 19	Nov 20	Bristol Energy/ Yü Energy	Initial extensions encompassed within original contract. Dec 20 Cabinet (Item 20)
2	DN385417	NHH Electricity				
3	DN508612	HH Electricity Corporate	Jan 21	Dec 21	Yü Energy	Oct – Dec 21 – OED 19th Oct 22
4	DN511370	HH Electricity Schools	Jan 21	Dec 21	Yü Energy	Oct – Dec 21 – OED 19th Oct 21
5	DN571942 (not awarded)	HH Electricity Schools			n/a	
6	DN508618	City Hall Flex	Jan 21	Dec 21	Yü Energy	Feb 21 Cabinet
7	DN587406	HH Electricity Corporate, Schools, City Hall, and Energy Centres	Jan 22	Jul 22	Yü Energy	Jan - Mar 22 – OED 7th Jan 22 Apr/May 22 – OED 31st Mar 22 Jun/Jul 22 - OED 1st June 22 , noted at May 22 Cabinet .
8	DN508623	NHH Electricity Corporate	Jan 21	Jul 21	Yü Energy	Oct – Dec 21 – OED 19th Oct 21 Jan – Mar 22 – OED 7th Jan 22

	Contract No	Supply	From	To	Supplier	Approvals/Supporting Documents
9	DN511373	Schools NHH Electricity	Jan 21	Dec 22	Yü Energy	
10	DN571965 (not awarded)	Schools NHH Electricity			n/a	
11	DN587407	Schools NHH Electricity	Jan 22	Mar 22	Yü Energy	Jan – Mar 22 – OED 7th Jan 22
12	DN600643 (not awarded)	Domestic Electricity supplies (PC01/02)			n/a	
13	DN359558	Unmetered Electricity (Streetlighting)	Oct 18	Mar 22	nPower	Oct – Dec 21 – OED 17th Oct 22 Jan – Mar 22 – OED 7th Jan 22
14	DN571085 (not awarded)	Unmetered Electricity (Streetlighting)			n/a	
15	DN626751	NHH and Unmetered Electricity (Streetlighting) – Flexible electricity	Apr 22	Sept 23	nPower	OED to move NHH/UMS supplies to a Laser framework contract - 31st Mar 22 Noted at May 22 Cabinet .
16	DN632300	HH electricity and exported generation – Sleeved PPA	Aug 22	Sept 23	Total Energies	Original approval at Feb 21 Cabinet (Item 8) Pilot approved at Jan 22 Cabinet Descoping to HH only noted at May 22 Cabinet . Laser framework Sleeved PPA OED 12th Aug 22

Gas Contracts

	Contract No	Supply	From	To	Supplier	Approvals/Supporting Documents
17	DN352351 DN352349	Natural Gas for BCC Corporate Buildings	Nov 18	Feb 22	Bristol Energy/ Yü Energy	Nov 21 – Jan 22 – OED 19th Oct 21
18	DN571805 (not awarded)	Natural Gas for Schools			n/a	Nov 21 – Jan 22 – OED 19th Oct 21
19	DN626730	Natural Gas	Mar 22	Sept 24		Move to Laser Flexible Gas framework noted at Jan 22 Cabinet
20	DN524199	Natural Gas supply for Heat Centres	Apr 21	Mar 22	Yü Energy	Approved by BHNL Board
21	DN626745	Natural Gas supply for Heat Centres	Apr 22	Mar 23	Total Energies	Laser Flexible Gas framework Approved by BHNL Board OED 14th Mar 22