

BCC Energy Supply Contract renewals 21/22

Appendix 1 - Background

Electricity contracts

See Annex 1 for details, Annex 3 for timeline, Annex 4 for contract sequencing.

By 2018, the two main building electricity supply contracts (HH and NHH) were held by Bristol Energy, whilst RWE nPower held a third contract for the supply to streetlighting (UMS).

The contracts held by Bristol Energy had been extended before the transfer to Yü Energy, using extensions built in to the original contract, to November 2020. In late 2020, a DPS call-off process was started to renew these contracts. However, in the renewal process, it was discovered that the previously unlimited delegated authority given to Director Management of Place had been superseded, and an emergency Cabinet paper had to be raised in [December 2020](#) (item 20) to secure approval for the renewal of these contracts, with authority delegated to Executive Director Growth & Regeneration. As part of the November 2020 renewal, the Energy Service sought to make some structural changes to the electricity supply contracts. In particular, the School supply contracts were separated, with the intent of synchronising the next renewal of these to the school academic year. A separate contract was also set up support the installation of a battery in City Hall. Yü Energy were awarded these new contracts in December 2020.

It was proposed that the council's electricity contracts (Annex 1) would transition to a new sleeving arrangement, so compliant contract extensions were used to maintain a supply pending this transition. The new Corporate HH and NHH contracts were kept relatively short, to allow scope for a transition to the planned sleeving arrangements from Autumn 2021. However, by mid-2021, it was becoming apparent that the sleeving arrangements were not going to be in place within the planned timeframe (see 'Sleeving' below), so the HH and NHH contracts were extended to December 2021, calling off extensions built in to the original contracts.

The schools contracts came to a renewal as planned in August 2021. However, by this point, market prices were approaching an unprecedented £100/MWh (wholesale), twice historic average rates (see Appendix 2). The Energy Service was concerned over locking in a fixed price contract at historic high rates, so a decision was taken to extend the schools contracts, within the scope of extensions in the original contracts, until prices returned to more normal levels. Similar decisions were taken to extend the corporate HH/NHH contracts and the streetlighting UMS contract.

By September 2021, energy prices were rising above historically high prices (Annex 2). Call-off renewals ran at this time either attracted no bids, or bids at twice or more previous rates. This increase in energy prices was thought to be largely due to a post-pandemic rebound by world economies boosting energy demand, so a 'Weather the Storm' procurement strategy was proposed, ie short-term contracts to avoid locking in what were then seen as extraordinarily high rates, with the intent of letting a longer term contracts once energy prices returned to 'normal'. The separate HH contracts for Corporate sites, Schools and City Hall were merged back into a single HH supply contract under this strategy in anticipation of a still expected transfer to a sleeving arrangement, whilst Schools NHH and Corporate NHH supplies were renewed on separate contracts.

By February 2022, energy prices were starting to fall, and a tender for the sleeving arrangement had gone live. About a week later, Russia invaded Ukraine, and energy prices once again shot up, passing previous post-pandemic peaks. This made an already difficult market almost impossible, and no bids were received for the first sleeving tender.

After the second sleeving tender (with reduced scope) had also failed to attract any bids, decision was taken to engage with the Laser Public Sector Buying Organisation to determine if a Laser PPA framework could be adapted to provide a sleeving service. This was still limited to the large HH supplies, as the demand from these almost matched BCC's own generation output. NHH supplies were separately transferred to a Flexible Procurement electricity supply contract to Sept 23 (co-terminating with the interim Sleeved PPA arrangement), at a significantly improved unit rate. In 2016, a Dynamic Purchasing System (DPS) arrangement was set up to recruit a panel of gas and electricity suppliers who could bid for call-off contracts to supply BCC. This arrangement runs to October 2023. This has been used to set up successive gas and electricity supply contracts with various suppliers under the DPS, with contracts that typically run for 2 years with extension options.

Prior to 2020, Director Management of Place had unlimited delegation for Utilities contracts. From early 2020, utilities contracts in excess of £500K were considered to be Key Decisions, so approval was sought at the December 2020 Cabinet for the Executive Director Growth and Regeneration to continue to place contracts under the DPS until its expiry - ([December 2020 Cabinet](#), item 20). It should be noted that Energy Service Officers were unaware of this

change in approval delegations, so the December Cabinet paper was necessary to allow the renewal of contracts that came to the end of their term in November 2020.

The DPS allows flexible or fixed price contracts. BCC has tended to use fixed price contracts under the DPS. These 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 so as to secure the best of the prices offered. This price is then set for the duration of the contract. In a falling market, this can mean that BCC locks in a high price, and pays more than the market value for gas and electricity. Equally, BCC could lock in a low price in a rising market.

BCC owns two large onshore wind turbines and a solar farm at Avonmouth. Electricity generated from these assets was sold to the grid under 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. In February 2021, the Energy Service sought approval to set up a 'Sleeving' arrangement, that would allow electricity generated by BCC itself to be supplied to BCC sites - ([February 2021 Cabinet](#), Item 8).

In August 2020, Bristol Energy's business portfolio (including BCC) was sold to Yü Energy, whilst the export PPA was sold separately to F&S Energy in October 2020. The Highways streetlighting contract (Unmetered supply, UMS) was held separately by RWE nPower, and was not affected by the demise of Bristol Energy.

Gas contracts

As with electricity, the main BCC gas contracts were also held with Bristol Energy from November 2018. These too were extended ahead of the transfer to Yü Energy, to October 2021. On renewal, the intent again was to split the schools gas supply from the main contract, but a DPS call-off ran in September 2021 for both proposed contracts produced no acceptable bids; most DPS suppliers would either not bid, or would bid prices twice or more previous contracts. Market prices for gas were at this time were leading those for electricity (Appendix 2), reaching historic high levels at the time of the DPS call-off. So the same 'weather-the-storm' approach was taken, a short three month extension to allow prices to return to 'normal' levels. However, as it became apparent that prices would not recover, an alternative approach was proposed. Historically, BCC had contracted for gas on a fixed price basis, where a single procurement decision is taken on a single day that sets prices for the duration of the contract. This produces price certainty, but places the whole contract on a single purchase decision, which risks locking BCC in to a high price in a falling market (there is also the possibility of locking in a low price in a rising market). An alternative approach is to spread the procurement over a number of purchase decisions, before or during the supply period. This is known as flexible procurement, and will generally result in a lower-than-market price for the supply. The Energy Service had been considering adopting this approach, and this was now brought forward to address the issue of the continuing rise in energy market prices. This change of approach was noted at the [January 2021 Cabinet](#).

Although flexible procurement options were included in the BCC DPS, the Energy Service was struggling to get registered suppliers to bid. So a review was carried out of Public Sector Buying Organisations, and Laser (Kent County Council) was identified as offering the best match to BCC requirements. BCC gas supplies moved on to a significantly lower transition rate from March 2021, ahead of integrating in to the Laser Summer/Winter flexible procurement cycle from October 2021. The current Laser framework runs to September 2024.

Profiles and Pricing

Electricity is typically contracted for as either mandatory half-hourly metered supplies (known as Half-Hourly, HH, or Profile Class 00 sites), or as non-half-hourly (NHH, or Profile Classes 01-04) sites. HH contracts cover the larger electricity suppliers, NHH small commercial sites (PC03/04) or domestic supplies (PC01/02). Streetlighting falls in to a third category of Unmetered Supplies (UMS), where demand is calculated (by the number and type of streetlights) rather than measured.

Traded electricity supply prices are typically quoted as the cost per Mega-Watt-hour (MWh), eg £100/MWh. However, supply meters measure demand in kilo-Watt-hours (kWh). A £100/MWh market price equates to 10p/kWh or 'unit'. However, this is the wholesale price. In addition to this, there is around 10p/kWh added in network operating costs and Government levies, plus an energy specific tax (Climate Change Levy), plus a VAT rate that differs between domestic or commercial supplies. A 10p/kWh wholesale price equates to about 21p/kWh delivered price.

Sleeving

Development of the sleeved pool concept started in mid-2020, leading to a Cabinet paper in February 2021. Following approval at the February 2021 Cabinet, work began on the procurement of an interim Sleeving arrangement. This was intended as first step towards the wider '[Sleeved Pool](#)' proposal to be developed in conjunction with City Leap. The interim arrangement was intended to allow electricity generated from BCC's own generation capacity to be 'sleeved' to BCC sites.

A supplier engagement event was held in June 2021, with a view to a tender and go-live by October 2021, but soon after that it emerged that the contractual arrangements would be more complex than originally envisaged, due to the need to incorporate exemptions available to small generators such as BCC over the payment of Government levies. A 'Power Purchase and Supply Agreement' (PPSA) was developed with support from BCC and external lawyers, but this delayed the issue of the associated supply tender.

The tender for the sleeving arrangement went live in February 2022, about a week before the Russian invasion of Ukraine. In what was already by then a difficult market, the first tender received no bids. Feedback from the first tender suggested that some suppliers had concerns over sleeving to non-half-hourly and unmetered (streetlight) supplies, so a second descoped tender was run in April 2022 with just the large half-hourly sites, but again this attracted no bids. The Energy Service was also seeing an almost complete lack of response to other contract renewals at this time, so it was decided at this point to engage with the Laser Buying Organisation (Kent County Council), with whom BCC had by now entered in to a flexible gas supply arrangement under their Public Sector framework, to see if their PPA framework could be adapted for sleeving. This proved to be successful, and a sleeving arrangement under the Laser framework came in to effect in August 2022.

Annex 1 to Appendix 1 – Electricity Contract renewals

	Contract No	Procurement	Supply	Original contract From	Original contract To	Extensions	Supplier	Approvals/ Supporting Documents	Comments
1	DN385429	DPS Call-off	HH Electricity	Mar 19	Feb 20	Extended nine months to Nov 20 under extensions in original Bristol Energy contract	Bristol Energy/ Yü Energy	Initial extensions encompassed within original contract. Dec 20 Cabinet (Item 20)	Bristol Energy to Aug 20 Renewal delayed due to change in delegated approval levels Dec 20 Cabinet paper to allow continued use of DPS
2	DN385417	DPS Call-off	NHH Electricity						
3	DN508612	DPS Call-off	HH Electricity Corporate	Jan 21	Jun 21	Two contract extensions taken under original contract to Dec 21	Yü Energy	Oct – Dec 21 – OED 19th Oct 22	Replaced by combined HH contract wef Jan 22
4	DN511370	DPS Call-off	HH Electricity Schools	Jan 21	Aug 21	Extended to Dec 21 under two extensions (Sept/Oct 21, Nov/Dec 21) in original contract	Yü Energy	Oct – Dec 21 – OED 19th Oct 21	Extensions due to impact of pandemic and rising prices. Absorbed back in to a combined HH supply contract wef Jan 22
5	DN571942 (not awarded)	DPS Call-off	HH Electricity Schools				n/a		DPS Call off ran Sept 21, extended tender deadlines due to lack of bids, but most DPS suppliers would not offer bids. Only one bid received from incumbent supplier - 237% increase for six month contract. Proposed short extension to 'weather the storm'.
6	DN508618	DPS Call-off	City Hall Flex	Jan 21	Jun 21	Break clause at six months not taken. Rolling extension to Dec 21	Yü Energy	Feb 21 Cabinet	Included in Feb 21 Cabinet paper Absorbed back in to combined HH supply contract wef Jan 22, in anticipation of sleeving

	Contract No	Procurement	Supply	Original contract From	Original contract To	Extensions	Supplier	Approvals/ Supporting Documents	Comments
7	DN587406	DPS Call-off	HH Electricity Corporate, Schools, City Hall, and Energy Centres	Jan 22	Mar 22	Original contract for three months plus option for three month extensions Extended for two months (Apr 22 – May 22) Extended a further two months (Jun 22 – Jul 22)	Yü Energy	<ul style="list-style-type: none"> 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. 	<p>New contract combining HH supplies</p> <p>Short contract to ‘weather the storm’ while waiting for Sleeving tender.</p> <p>OED required for initial contract as exceed previously approved budget</p> <p>Extended twice following unsuccessful Sleeving tenders until Laser Sleeved PPA could be set up (Aug 22) – one month beyond original contract term</p>
8	DN508623	DPS Call-off	NHH Electricity Corporate	Jan 21	Dec 21	Extended to Mar 22 for PC03/04 under original contract extensions Further extension to July 22 for PC01/02 only	Yü Energy	<ul style="list-style-type: none"> Oct – Dec 21 – OED 19th Oct 21 Jan – Mar 22 – OED 7th Jan 22 	<p>First OED required as costs exceeding approved budgets</p> <p>PC03/04 to Laser Flex contract wef Apr 22</p> <p>PC01/02 were to be separated, moved to Laser Flex wef Aug 22 after unsuccessful DPS call-off</p>
9	DN511373	DPS Call-off	Schools NHH Electricity	Jan 21	Aug 22	Two month extension to cover DPS call-off to Oct 21. Further two month extension to Dec 21 under original contract.	Yü Energy		<p>First extension due to impact of pandemic and rising prices, plus uncertainty over scope of sleeving. Extended two months to allow DPS call-off (DN571965) – not awarded, so further extension to Dec 21.</p> <p>New DPS Call-off (DN587407) ran in Dec 21, leading to new Schools NHH contract from Jan 21 (DN587407)</p>
10	DN571965 (not awarded)	DPS Call-off	Schools NHH Electricity				n/a		DPS Call off ran Sept 21, only one bidder, best offer was 180% increase on a two-year contract. Proposed short extension to ‘weather the storm’.
11	DN587407	DPS Call-off	Schools NHH Electricity	Jan 22	Mar 22	None	Yü Energy	Jan – Mar 22 – OED 7th Jan 22	Replaced by Laser NHH Flex

	Contract No	Procurement	Supply	Original contract From	Original contract To	Extensions	Supplier	Approvals/ Supporting Documents	Comments
12	DN600643 (not awarded)	DPS Call-off	Domestic Electricity supplies (PC01/02)				n/a		Not originally included in new NHH contract as not suitable for sleeving. Call-off in June 22, one bid only, significantly more expensive than Laser Flex for PC03/04 for any extended period, so PC01/02 moved to Laser NHH Flex.
13	DN359558	DPS Call-off	Unmetered Electricity (Streetlighting)	Oct 18	Sept 21	Extended to Dec 21 and Mar 22 under original contract extensions	nPower	<ul style="list-style-type: none"> Oct – Dec 21 – OED 17th Oct 22 Jan – Mar 22 – OED 7th Jan 22 	Replaced by Laser NHH Flex Apr 22
14	DN571085 (not awarded)	DPS Call-off	Unmetered Electricity (Streetlighting)				n/a		DPS Call-off started Sept 21. Not published after no bids received from other contract renewals, extended previous contract instead
15	DN626751	Laser framework (flexible procurement)	NHH and Unmetered Electricity (Streetlighting)	Apr 22	Sept 23	n/a	nPower	<p>OED to move NHH/UMS supplies to a Laser framework contract - 31st Mar 22</p> <p>Noted at May 22 Cabinet.</p>	<p>DPS call-offs run for NHH supplies after failed Feb 22 Sleeved PPA tender and descoping to just HH supplies in sleeving. No responses received for NHH DPS call-off, so NHH supplies (incl Streetlighting) moved to Laser framework</p> <p>Laster bridging rate Apr 22 – Sept 22, PIA flex rate Oct 22 – Sept 23</p>
16	DN632300	Sleeved Power Purchase Agreement under Laser framework	HH electricity and exported generation	Aug 22	Sept 23	n/a	Total Energies	<ul style="list-style-type: none"> 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 	Paired Import/Export contracts with a Matched price mechanism

Gas Contract renewals

	Contract No	Procurement	Supply	Original contract From	Original contract To	Extensions	Supplier	Approvals/ Supporting Documents	Comments
17	DN352351 DN352349	DPS Call-off	Natural Gas for BCC Corporate Buildings	Nov 18	Oct 21	Extended under original Bristol Energy contract to Oct 21 Further extended to Jan 22 then to Feb 22	Bristol Energy/ Yü Energy	Nov 21 – Jan 22 – OED 19th Oct 21	Former Bristol Energy Gas supply contract (10% Green gas) Transferred to Yü Energy Aug 21 DPS Call off ran Sept 21 (DN571995), no acceptable bids – very high market prices at this time, up to 200% increases offered for a 2-year contract. Proposed short extension to ‘weather the storm’. Replaced by Laser Flexible Gas framework Mar 22
18	DN571805 (not awarded)	DPS Call-off	Natural Gas for Schools			Was to be split from Corporate contract under new DPS call-off	n/a	Nov 21 – Jan 22 – OED 19th Oct 21	DPS Call off ran Sept 21, only one bidder offering over 200% increases for a 2-year contract. Proposed short extension to ‘weather the storm’. Replaced by Laser Flexible Gas framework Mar 22
19	DN626730	Laser Framework	Natural Gas	Mar 22	Sept 24	n/a		Move to Laser Flexible Gas framework noted at Jan 22 Cabinet	Bridging rate Mar 22 to Sept 22, PWP on summer/winter cycle from Oct 22
20	DN524199	DPS Call-off	Natural Gas supply for Heat Centres	Apr 21	Mar 22	Single 12 month contract, break point for AQ resolution at six months	Yü Energy	Approved by BHNL Board	To separate out heat centre gas supplies ahead of the transition to City Leap, and to synchronise the contract timetable with BHN’s annual pricing cycle. Gardiner Haskins, Castle Park, 100TS CHP, Broughton/Canyngge added later Replaced by Laser Flex contract
21	DN626745	Laser framework	Natural Gas supply for Heat Centres	Apr 22	Mar 23	n/a	Total Energies	Approved by BHNL Board OED 14th Mar 22	PIA fixed price

Annex 2 to Appendix 1 – Price trends

Data from Laser 'The Big Energy Trilemma!', 9th September 2022

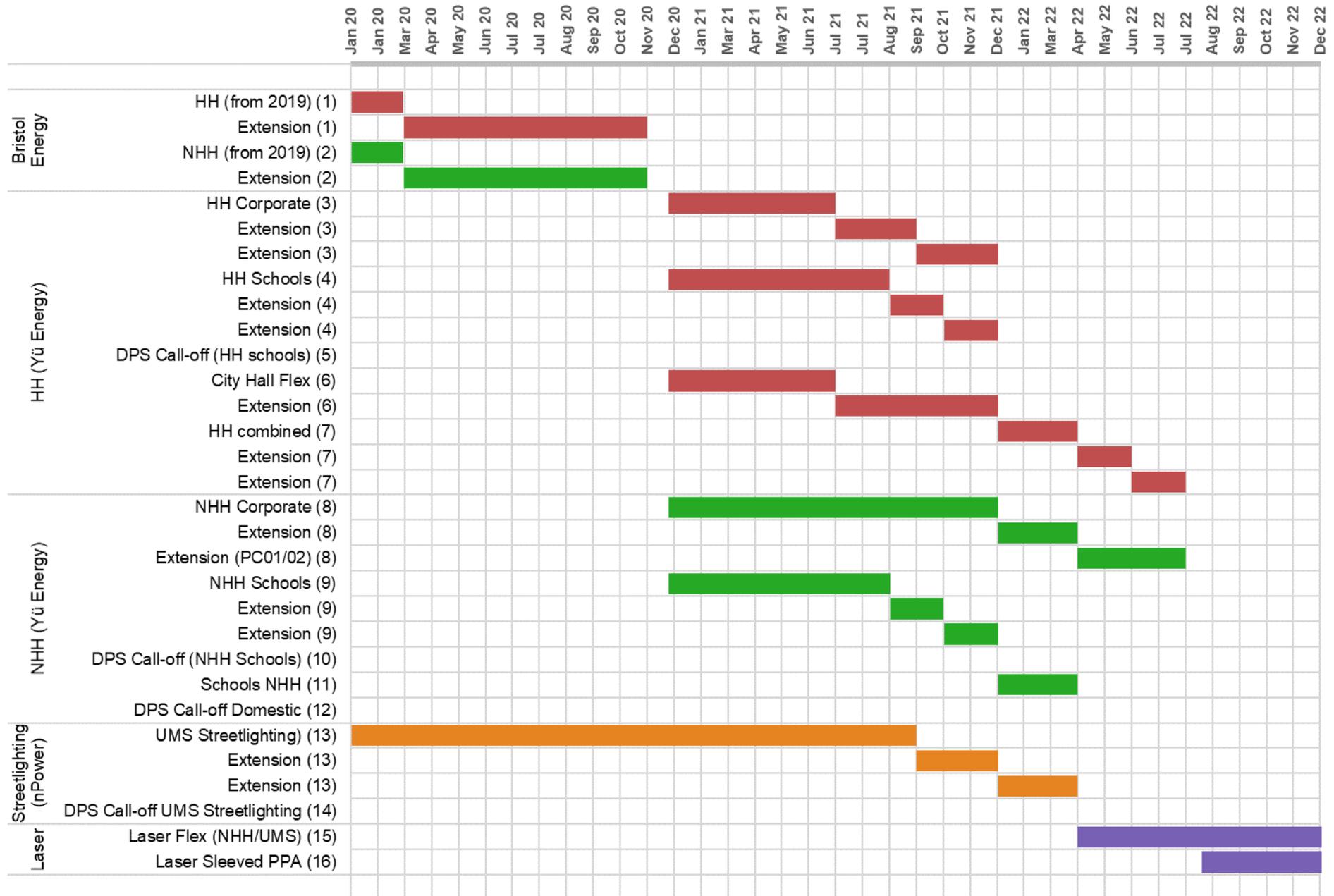
Electricity in £/MWh, divide by 10 to convert to p/kWh (pence per unit).

Gas in pence/Therm, divide by 29.3 to convert to p/kWh (pence per unit)

Wholesale market prices shown, add 10p/kWh to electricity for delivered cost, add 3p/kWh to gas for delivered cost



Annex 3 to Appendix 1 – Gantt Chart

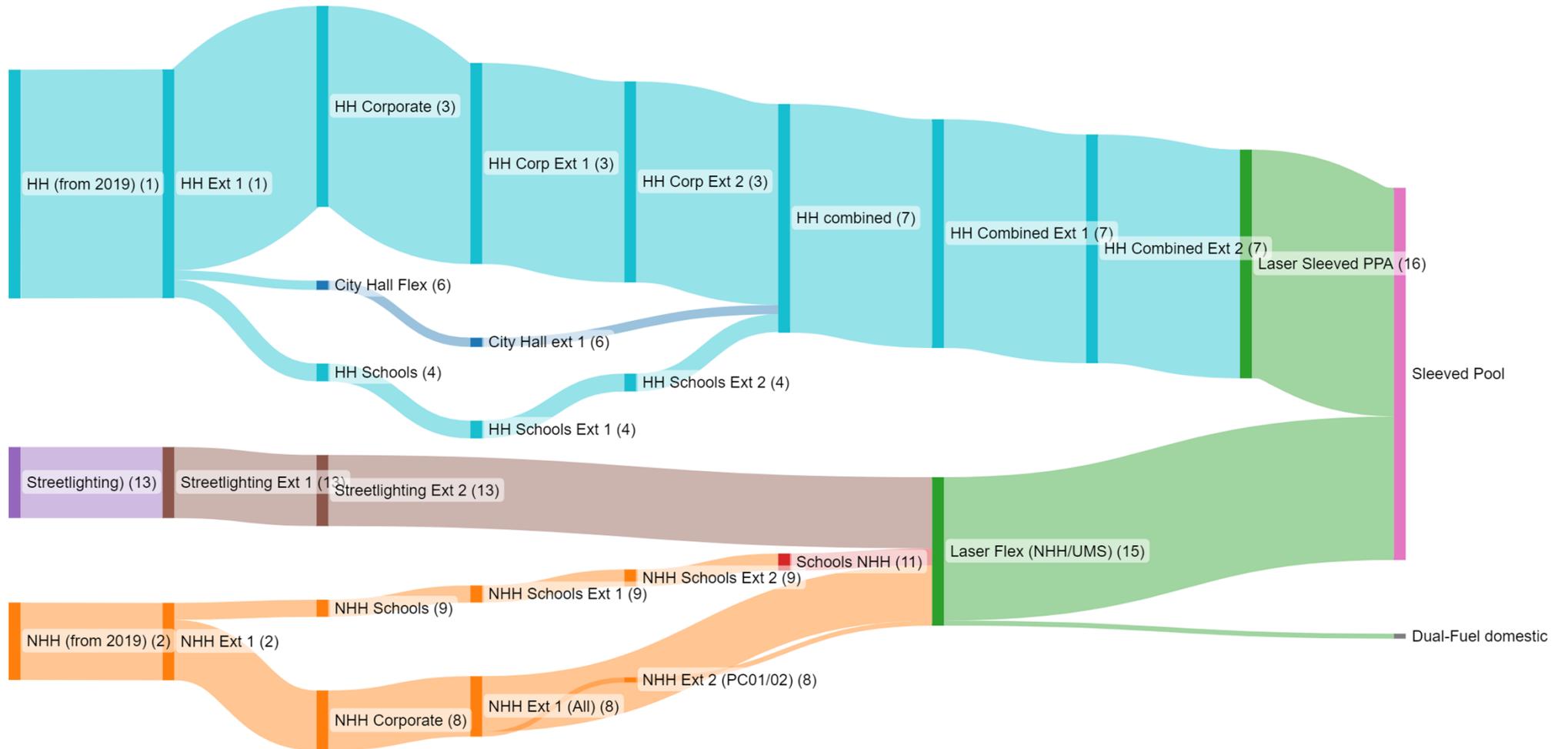


Annex 4 to Appendix 1 – Sankey Flow

Contract sequence (not timeline, see Gantt chart above)

Thickness of line proportionate to electricity demand per contract

(x) refers to line numbers in Appendix 1



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