

Decision Pathway – Report



PURPOSE: Key decision

MEETING: Cabinet

DATE: 06 June 2023

TITLE	Electricity sleeving and supply extensions	
Ward(s)	Citywide	
Author: David Gray	Job title: Energy Supply Manager	
Cabinet lead: Cllr Kye Dudd, Cabinet Member for Climate, Ecology, Waste and Energy	Executive Director lead: John Smith, Interim Executive Director Growth & Regeneration	
Proposal origin: BCC Staff		
Decision maker: Cabinet Member		
Decision forum: Cabinet		
Purpose of Report:		
<ol style="list-style-type: none"> To seek approval to extend Bristol City Council (BCC) electricity sleeving and supply contracts for up to 18 months whilst development work takes place to set up the previously approved Sleeved Pool supply mechanism in conjunction with Bristol City Leap (BCL). 		
Evidence Base:		
<ol style="list-style-type: none"> All BCC electricity sleeving and supply contracts expire at the end of September 2023. The current 'sleeving' arrangement uses BCC's own renewable generation assets (wind turbines and solar farm) to meet around one third of current BCC electricity demand using low-cost zero-carbon electricity. This arrangement has saved an estimated 2,021 tonnes of CO₂ emissions since August 2022 (compared with a conventional grid supply contract). In order to increase the amount of BCC electricity demand met from sleeving, additional local renewable energy generation is required. This is intended to be provided through the 'Sleeved Pool' mechanism, linking local renewable energy generation and BCC demand through a virtual pool, as approved at the February 2021 Cabinet. This mechanism is now being developed in conjunction with the newly appointed City Leap Partner. The detailed timetable for delivering the Sleeved Pool mechanism is being developed. Discussions with the City Leap Partner have indicated that the structures and processes required to operate the proposed 'Sleeved Pool' supply mechanism will not be in place by the time the current supply arrangements expire, due to procurement and operational issues that need to be resolved. Arrangements need to be put in place to maintain an electricity supply for BCC from the end of September 2023 until the Sleeved Pool mechanism is available. Further approval will be sought before joining the Sleeved Pool when this becomes available. An options appraisal has considered a range options for maintaining the BCC electricity supply in the interim (Appendix A). The recommended option is for a 12+6 month extension to the current sleeving arrangement, in anticipation of the Sleeved Pool becoming available from October 2024, with an option for six months contingency. It is also recommended that the small electricity (NHH) and streetlighting (UMS) contracts should be extended by 18 months, in anticipation of joining the Sleeved Pool arrangement once sufficient additional generation becomes available from April 2025. BCC's current sleeving and supply arrangements are managed through the Laser Public Sector Buying Organisation. Laser and their appointed supplier (TotalEnergies) have indicated that they would be willing to extend the current arrangements. The current sleeving arrangement was intended as an interim measure, to bridge the gap until the Sleeved 		

Pool could be developed. It has a number of limitations, especially in that it is limited to BCC's own renewable energy generation, has complex billing arrangements, and BCC is exposed to market prices for the grid top-up element (c15%). Laser and TotalEnergies have indicated that some changes could be made to the current arrangement if a longer extension (min 12 months) is agreed. This would allow some additional generation to be incorporated, and thus an increase in the extent of BCC electricity demand met from sleeving, as well as a review of the pricing mechanism to lock down the currently variable monthly prices.

Cabinet Member / Officer Recommendations:

That Cabinet:

1. Authorises the Executive Director Growth & Regeneration, in consultation with the Cabinet Member for Climate, Ecology, Waste and Energy, to take all steps required to extend and vary the electricity sleeving and supply arrangements for up to 18 months (up to March 2025), in-line with the procurement routes and maximum budget envelopes outlined in this report.
2. Authorises the Executive Director Growth & Regeneration to invoke any subsequent extensions/variations specifically defined in the contract(s) being awarded, up to the maximum budget envelope outlined in this report.

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

City Benefits:

These initiatives contribute to delivering One City Goals:

1. Goal 81 - Bristol City Council is carbon neutral for direct energy and transport emissions
2. Goal 115 - 30% of all electricity consumed in the city is generated from local, renewable sources with communities actively engaged and included

Consultation Details:

None

Background Documents:

1. [February 2021 Cabinet](#) – Carbon Reduction Projects (Item 8) – approval for the Sleeving approach
2. [January 2022 Cabinet](#) – Future Energy Supply (Item 18) – move to Flexible procurement for gas
3. [May 2022 Cabinet](#) – Electricity Contract Procurement and Renewals (Item 17) – move to Flexible procurement for smaller electricity supplies and setting up interim Sleeving arrangements for larger electricity sites

Revenue Cost	Up to £18.3M over 18 months Gross spend before revenue income Up to £15.4M over 18 months Net of anticipated revenue income	Source of Revenue Funding	Energy Utility Purchase
Capital Cost	£0	Source of Capital Funding	n/a
One off cost <input type="checkbox"/>	Ongoing cost <input checked="" type="checkbox"/>	Saving Proposal <input type="checkbox"/>	Income generation proposal <input type="checkbox"/>

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

1. Finance Advice: The report is seeking Cabinet approval to extend the existing Electricity contracts for up to 18

months to allow time to develop a new “sleeving pool” with the Council City Leap partners and come back to Cabinet with an option to Join such pool – provided the original aims and objectives can be clearly achieved.

The current contract arrangements include a “sleeving arrangement” using Council own generated energy to offset some of the energy consumed based on a “Market reflective rate” for all the larger energy consuming site, as well as variable rates for the smaller sites as well as the Street lighting contracts. Similar variable contracts were setup for the Councils Gas supplies and will still be within contract at the time of this extension.

The contracts cover both the Councils Core energy requirements for its corporate building as well as the supplies for HRA, schools and other services that are recharged as they are either traded services or ring-fenced services with their own budget and funding allocations. Table 1 below outlines the cost implications of extending these contracts:

Table 1

	Based on MTFP	Based on Contract extension	Variance	
Electricity				
Values From Detailed Model	Total £k	Total £k		
BCC - Corporate Buildings	3,953	3,512	-	441
HRA	3,217	2,714	-	503
Schools	1,684	1,465	-	219
Client	317	16	-	301
GF- other	-	635		635
BHN Heat Network	-	648		648
not found	11			
	9,182	8,990	-	180
Street Lighting	3,103	2,003	-	1,100
Total Electricity - All	12,285	10,994	-	1,280
Total Electricity - Council GF Only	7,056	5,515	-	1,541
Gas	Total £k	Total £k		
BCC - Corporate Buildings	1,755	1,645	-	110
HRA	3,332	2,821	-	511
Schools	1,497	1,161	-	336
Client	109	3	-	106
GF- other	-	130		130
BHN Heat Network	-	2,093		2,093
	6,693	7,853		1,160
Total Energy - Council GF Only	8,811	7,160	-	1,651

The table above indicates that this extension will not have any adverse financial implications on the current approved budget (including inflation provisions held centrally). This is partly due to the falling prices of energy since the MTFP as well as the current street lighting LED programme which is significantly impacting on the energy consumption.

The contract extension will allow the Council to fix the price of the energy generated to that of the energy consumed, thus creating a nil cost for the first 14m kWh per annum. This will limit the Council exposure to price fluctuations. The extension also allows the council to introduce additional energy generated from new sites (I.e., Hawkfield business site) that have gone live after the original sleeving contract was signed. This should further help to reduce overall Energy costs for the Council. These benefits have not been included in the table above as they are dependent on variable that will only be known at the point of contract agreements being finalised.

Finance Business Partner: Kayode Olagundoye, Interim Finance Business Partner, Growth and Regeneration, 23 May 2023.

2. Legal Advice: Legal services will advise and assist officers with regard to the extension of the current contracts and the resulting contractual arrangements.

Legal Team Leader: Husinara Jones, Team Manager/Solicitor 11 April 2023

3. Implications on IT: I can see no implications on IT in regard to this activity.		
IT Team Leader: Alex Simpson, Senior Solution Architect, 18 April 2023		
4. HR Advice: Having read the report, I can confirm that there are no HR issues evident in these proposals.		
HR Partner: Chris Hather, HR Consultancy Manager - Growth and Regeneration, 5 April 2023		
EDM Sign-off	John Smith, Interim Executive Director Growth and Regeneration	12 April 2023
Cabinet Member sign-off	Cllr Kye Dudd, Cabinet Member for Climate, Ecology, Waste and Energy	24 April 2023
For Key Decisions - Mayor's Office sign-off	Mayor's Office	5 May 2023

Appendix A – Further essential background / detail on the proposal	YES
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