

Committee Report



PURPOSE: Final Decision Report

KEY OR NON-KEY DECISION: Key decision over £500k spend/save & impacts more than 2 wards

COMMITTEE: Environment and Sustainability Committee

DATE: 25 July 2024

TITLE: Electricity Supplies 2025

Ward(s): City Wide

Officer presenting the report: Helen Reed **Job title:** Head of City Leap Client and Energy Service

Committee Chair: Cllr Martin Fodor

Executive Director lead: John Smith: Executive Director for Growth & Regeneration

Proposal origin: BCC Staff

Purpose of Report:

1. To seek approval to procure and award contracts for the council's electricity supplies from April 2025 to March 2029.

Evidence Base / Options to consider:

1. The council's current electricity supply contracts expire at the end of March 2025. New electricity supply contracts will be required from April 2025 to avoid expensive 'deemed' supply rates that would be incurred if the council continued to use electricity past the end date of the current contracts.
2. The council's electricity supply arrangements have been subject to a number of extensions and short-term contracts since the Energy Crisis from late 2021. The intent now is to stabilise the council's contractual position and enter into longer-term supply arrangements.
3. Current electricity supplies are provided through a framework managed by the Laser Energy (Kent County Council) Public Sector Buying Organisation, which aggregates demand across multiple public sector bodies to leverage buying power in the energy market. Further detail on current electricity supply arrangements can be found in Appendix A.
4. Options considered for new electricity supply contracts from April 2025 include:
 - a. Option 1 - reverting to a conventional grid supply contract, via a Public Sector framework, coupled with an export-only Power Purchase Agreement to sell BCC generated power. This is included as a reference option for comparison. It would ensure the continuation of supply for the council's electricity requirements but would be considered a retrograde step in developing zero-carbon energy supplies for the council. The whole contract value for this option would be £45M, including a BCC cost of £38M.

- b. Option 2 - the continuation of the current Laser Sleeving framework but expanded to cover all BCC electricity supplies. This option could address shortfalls in the current sleeving arrangement, and could be more straightforward to contract for, but has some limitations. This is seen as a contingency option. The whole contract value for this option would be £38M, including a BCC cost of £32M.
 - c. Option 3a - a tender for a new sleeving arrangement based on a new 'split pool' model being developed with City Leap, for BCC generation and supplies only. The current sleeving arrangement was intended as an interim measure ahead of the adoption of the 'sleeved pool' approach, which would support wider renewable energy generation in and around Bristol. Option 3 would build the foundations of a sleeved pool approach, enabling BCC to secure locally generated zero-carbon electricity supplies. Initial studies by City Leap have indicated that a tender based on just BCC's own demand (Option 3a) might not attract much interest from potential bidders, but may be a safer option in limiting the council's commitments to a novel contracting approach. The whole contract value for this option would be £38M, including a BCC cost of £32M.
 - d. Option 3b – as Option 3a, but set up to allow additional non-BCC generation and additional non-BCC demand to be included in generation and supply 'baskets'. This option is seen as building the foundation for a wider expansion of zero-carbon generation in and around Bristol, but will be the most complex to tender and contract for, and relies on securing additional demand to build a pool large enough to attract bidders. This is therefore the most ambitious option, but is also the recommended option. The whole contract value for this option would be £78M, including a BCC cost of £33M.
5. Further detail on these options can be found in Appendix G, including contract values and BCC budget values along with an assessment of each option.

Officer Recommendations:

That the Environment and Sustainability Committee
Contractual:

1. Approves the adoption of Option 3b (wider pool) as the basis for tendering for new electricity supply contracts.
2. Authorises the Executive Director for Growth and Regeneration, in consultation with Chair of the Environment and Sustainability Committee, to procure and award contracts to put in place the approved option within the maximum contract value and budget envelopes outlined in this report.
3. Authorises the Executive Director for Growth and Regeneration to invoke any subsequent extensions/variations specifically defined in the contract(s) being awarded, up to the maximum contract value and budget envelopes outlined in this report.

Notes:

4. Notes that further approval will be sought to enter into specific Power Purchase Agreements for the supply of locally-generated renewable energy bought by BCC from local generators. This will include new renewable energy generation being developed by Bristol City Leap as well as new and existing community energy systems.

Corporate Strategy alignment:

1. These measures support the Corporate Strategy 2022-2027 Theme 3 Priority ENV1 Carbon Neutrality and links to the Theme 7 Priority ED06 Estate Review in helping to decarbonise essential residual energy supplies.
2. These measures support the Mayor’s Climate Emergency Action Plan 2019 to “Commit to the Council being carbon neutral for our direct emissions by 2025”.

City Benefits:

1. These measures contribute to delivering One City Goal 81 - Bristol City Council is carbon neutral for direct energy and transport emissions.

Consultation Details:

1. City Leap has provided technical expertise in developing options included in this report.
2. Bristol City Council Climate Change and Sustainable City Service has been consulted on carbon accounting

Background Documents:

- [Corporate Strategy 2022-27 \(bristol.gov.uk\)](https://www.bristol.gov.uk/corporate-strategy-2022-27)
- [Mayor’s Climate Emergency Action Plan 2019](#)
- One City Plan - [Dashboard - Bristol One City](#) (Goal 81)
- Study in to the Sleeved Pool mechanism by REGEN SW February 2021 - [Feasibility Analysis of Bristol City Council’s Electricity Sleeving Pool - Regen](#)
- [February 2021 Cabinet](#) – which approved the original sleeving approach and contractual mechanism for recruiting generators
- [July 2022 Cabinet](#) – which approved the Laser sleeving arrangement
- [March 2024 Cabinet](#) – approval to progress and negotiate long-term Power Purchase Agreements for renewable energy generation

Revenue Cost	£33M	Source of Revenue Funding	Utilities Purchase
Capital Cost	£nil	Source of Capital Funding	n/a
One off cost <input type="checkbox"/> Ongoing cost <input checked="" type="checkbox"/>		Saving Proposal <input type="checkbox"/> If yes - existing or new saving? Choose an item. OR Income generation proposal <input type="checkbox"/>	

Professional comments section:

1. Finance Advice: This report seeks approval to procure and aware contracts for the Council’s electricity supplies from the beginning of 2025-26 to the end of 2028-29. There is a clear benefit to the Council in a long term contract that would provide certainty on energy prices and protect the organisation from market fluctuations. There is a level of risk in the agreement because the Council’s future levels of demand are challenging to estimate given possible reductions in the size of the estate and planned operational amendments to reduce usage The current model includes large increases in electricity demand created by the planned expansion of electricity charging points and new heat pumps balanced by reductions created

by improved energy management and more energy efficient street lighting. The possible electrification of Canford Crematoria is not assumed and, if the crematoria did require Council-provided electricity, that will represent a significant increase on currently planned demand and require a contract amendment.

Option 3a is likely to be unviable due to insufficient supplier interest based on previous market testing and Option 1 offers no benefit in comparison to Option 2 so seems sensible to discount. Therefore, the choice is between Options 2 and 3b. Option 2, continuing the current Laser Energy/TotalEnergies arrangement, has the lowest level of risk and the lowest cost to the Council at £30.493m. Option 3b will cost the Council £0.9m more than Option 2 but would effectively protect the Council from market fluctuations which may cost substantially more than £0.9m over the coming four years. The cost difference between Options 2 and 3b would also be eliminated if additional generation partners, that are eligible for the levy exemption benefit, were identified. The issue is that our partners have indicated that they will only join the contract if the Council can demonstrate energy prices will reduce and if they do not join the procurement will fail. Some assurance is required in order to obviate this risk and recommend option 3b.

Finance Business Partner: Ben Hegarty – Finance Business Partner: Growth and Regeneration, 2 July 2024.

2. Legal Advice: Whenever the council procures goods, works or services (including energy supplies and services such as the operation and management of electricity pooling arrangements) where the value is above certain thresholds, the council must comply with

- the Public Contracts Regulations 2015 (PCRs); or
- the Concession Contracts Regulations 2016 (CCRs) (if any of the proposed arrangements may constitute a concession e.g. if managers of pools are paid a percentage of sales etc as the procurement could, in that case, be subject to the CCRs rather than the PCRs); or
- the Utilities Contracts Regulations 2016 (UCRs) (if the council is defined as a utility under those regulations); and/or
- its own procurement rules.

It will be key to ensure the various procurements authorised under this report proceed in compliance with the correct procurement regulations and rules. Accordingly, the relevant officers will need to ensure legal advice is sought at the early stages, particularly in view of the complex arrangements that will be procured pursuant to this report. This will also assist with ensuring any contracts entered into offer adequate protections to the council in relation to the various risks that it could be exposed to under such arrangements.

This report (including its appendices) mentions negotiating with potential suppliers. Negotiating is only permitted under the various procurement regulations and the council's procurement rules in limited circumstances, and legal advice will need to be sought to ensure it is permitted in relation to this matter where it is intended to be used. It should be noted that the CCRs and in particular UCRs are more flexible in terms of what is permitted in relation to procurement and negotiation.

Further, the current procurement regulations and rules are due to be replaced in October 2024, and advice should be sought as to whether the existing or new regime would be preferable for the procurements envisaged, particularly if the procurement may commence under the new regime depending on timescales.

Finally, whenever the council procures energy related goods/works or services, it must consider whether under the City Leap arrangements, the opportunity to bid for such goods/works and/or services may need to be first offered to City Leap. As above, legal advice should be sought at a very early stage in relation to

this.

Legal Team Leader: Sinead Willis – Legal Team Manager: Commercial and Governance Team, comments provided on report as 8 July 2024

3. Implications on IT: I can see no implications on IT regarding this activity.

IT Team Leader: Alex Simpson – Lead Enterprise Architect, 21 May 2024

4. HR Advice: Having considered the committee report, I can confirm that no HR implications are evident.

HR Partner: Chris Hather MCIPD – HR Consultancy Manager: Growth and Regeneration, 23 May 2024

APPENDICES

Appendix A – Further essential background / detail on the proposal	YES
Appendix B – Equality Impact Assessment (EqIA)	YES
Appendix C – Environmental Impact Assessment	YES
Appendix D – Risk assessment	YES
Appendix E – Exempt Information	NO
Appendix F – Details of consultation carried out - internal and external	NO
Appendix G – Options appraisal matrix	YES
Appendix H – Business case / financial analysis	NO