



EXECUTIVE MEMBER DECISION

REPORT OF: Executive Member for Finance and Governance

LEAD OFFICERS: Director of Finance

DATE: 16 September 2022

PORTFOLIO/S AFFECTED: Departments

WARD/S AFFECTED: (All Wards);

SUBJECT: Energy Procurement Strategy

1. EXECUTIVE SUMMARY

The Council currently procures its energy via Crown Commercial Services (CCS) Frameworks. Those frameworks offer a number of different purchasing strategies. Given the recent volatility in the energy market the Contracts and Procurement team have been reviewing those strategies to see if they still align to the Council's objectives.

2. RECOMMENDATIONS

That the Executive Member:

- a) approves the existing procurement strategy of using the CCS frameworks and buying gas/electricity using a combination of the V6 and L6 strategies;
- b) agrees that this procurement strategy is reviewed in 12 months

3. BACKGROUND

The Council's electricity spend between Apr 2021 and March 2022 was £2,684,893 and used 16,729,502 kwh. The Council's gas spend over the same period was £577,768 and used 17,836,836 kwh.

Recently the Council has seen the price it pays for energy increase by around 50% and the price it pays for gas rise by around 100%. Energy price rises have primarily been a consequence of the Russian invasion of Ukraine and subsequent sanctions on Russia although a number of other market factors had already been pushing prices up prior to that.

The Council will continue to keep the energy purchasing strategy under review including consideration of Power Purchase agreements as a possible future option.

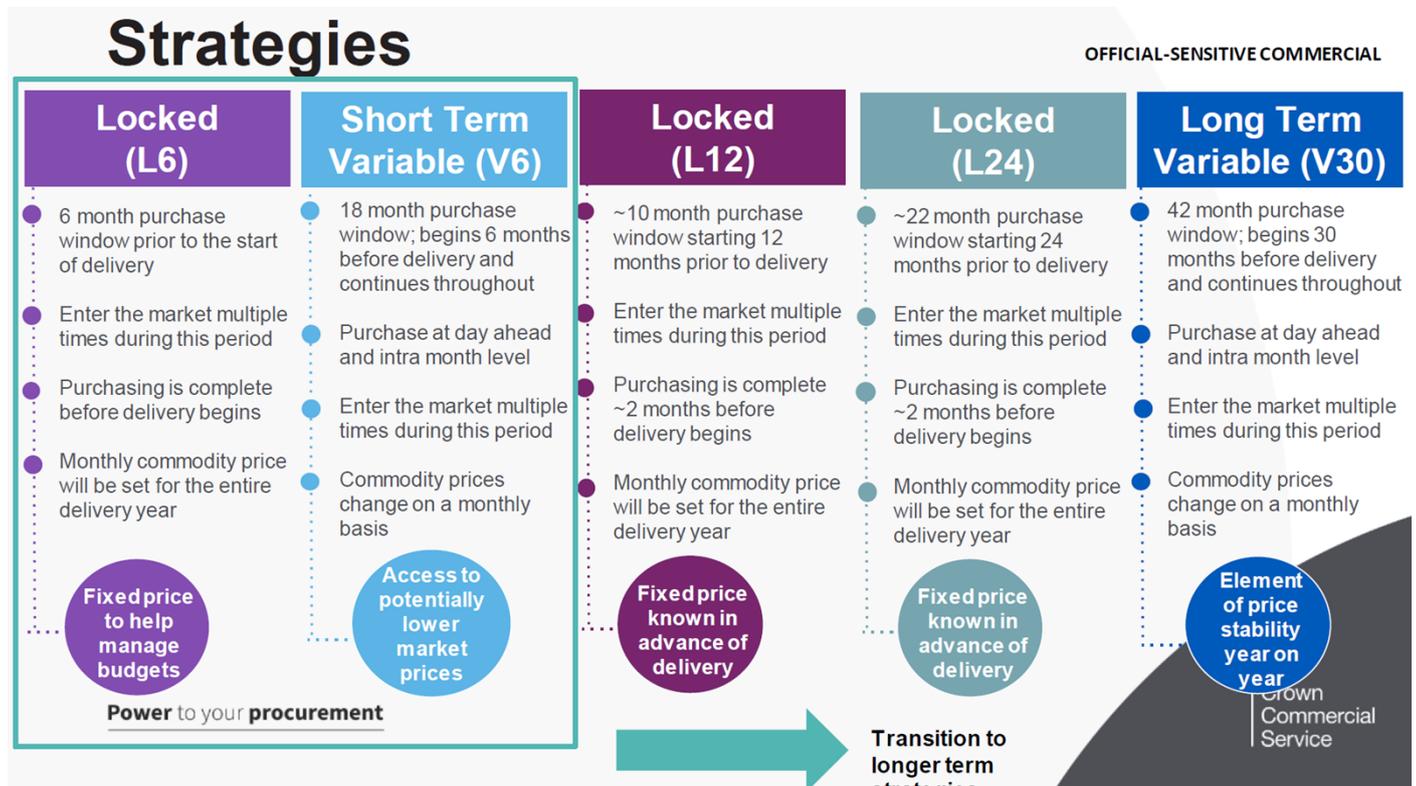
4. KEY ISSUES & RISKS

To take advantage of the combined buying power of the public sector, the Council purchases its energy through CCS Frameworks. In 2021 CCS electricity costs were approximately 13% below the

average price paid by the industrial and non-commercial sector as published by the Department for Business, Energy and Industrial Strategy and just under 3% below for Gas.

Under those frameworks CCS energy buyers make wholesale purchases to meet the needs of the organisations that have on the frameworks. CCS offers a range of different strategies based on different periods of time over which they make the necessary purchases.

A brief summary of the different strategies is contained in the table below.



The Council has primarily used the V6 strategy for its half hourly electricity and the L6 strategy for its non half hourly electricity supplies. The use of V6 in theory gives maximum flexibility as it gives an 18 month purchase window in which CCS energy buyers can make optimum buying decisions but does not require a long term commitment. The downside to this approach is that the price is not known at the start of each year which makes it more difficult to budget.

It should be noted that due to the lead-in times necessary to change strategies a decision to change now would be for energy supplies starting in April 2024 or April 2025 (depending on which strategy that was chosen). Whilst the market is very volatile and difficult to predict at the moment if conditions were to improve then remaining on the shorter term strategies as recommended in this report should see the Council realise those benefits as soon as possible. If the Council switched to a longer term strategy (particularly an entirely locked strategy (L12 or L24)) then the purchases would be made for beyond April 2024 during the next year to two years when, according to the advice from energy experts, prices will remain high.

5. POLICY IMPLICATIONS

These recommendations will help mitigate the financial impact on the Medium Term Financial Strategy and contribute to the delivery of the Council's Procurement Strategy.

6. FINANCIAL IMPLICATIONS

The Council's electricity expenditure between Apr 2021 and March 2022 was £2.258m and gas expenditure over the same period was £0.453m, a combined spend of £2.711m.

In anticipation of increasing gas and electricity prices, the budget for gas/electricity in 2022/23 was increased to £3.8m for the year, an increase of c£1m compared to the expenditure for 2021/22. This reflected an increase in gas prices by 100% and Electricity prices by 50%.

In comparison to the prices for gas/electric in July 2021 to July 2022, the CCS unit price for gas has actually increased by 126% and the standing charge by 108%. Comparing Electricity average half hourly unit prices from April 21 to April 22 have increased by 92.5% for day use and 84% for night time use. Average non half hourly unit prices for the same period increased by 68%. Standing charges vary by site but also have increased significantly. Whilst adopting the Energy Procurement Strategy set out in this report may still lead to increased costs, given the level of volatility currently being experienced, the intention is to mitigate against being locked into higher costs in the future.

7. LEGAL IMPLICATIONS

Procurement via the CCS framework is in accordance with the Public Contracts Regulations 2015.

8. RESOURCE IMPLICATIONS

Management of energy contracts is from within resources in Contracts and Procurement team.

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

10. CONSULTATIONS

Not applicable

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded and published if applicable.

VERSION:	1
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CONTACT OFFICER:	Christopher Bradley
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DATE:	30 August 2022
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BACKGROUND PAPER:	
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