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REPORT TO:	Cabinet Member for Finance & Resources
SUBJECT:	Award of short term contracts for electricity & gas supplies
LEAD OFFICER:	Jacqueline Harris Baker, Executive Director of Resources Mark Norrell, Director of Facilities Management & Support Services
CABINET MEMBER:	Councillor Simon Hall, Cabinet Member for Finances & Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT / AMBITIOUS FOR CROYDON The recommendations are to award contracts that ensure the council secures the best value supplies of electricity and gas to operational buildings, communal areas of housing estates participating schools and electricity for street lighting. The recommendations align with the Corporate Plan theme of Organisational Design through ensuring that the most cost effective supplies of electricity and gas are secured for the council's service.	
FINANCIAL IMPACT Approval of the recommendation to award interim contracts for the provision of energy supply (electricity and gas) will be funded from existing departmental revenue budgets.	
FORWARD PLAN KEY DECISION REFERENCE NO. 4418FR This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.	

The Leader of the Council has delegated to the Nominated Cabinet Member the power to make the decisions set out in the recommendations below

1. RECOMMENDATIONS

- 1.1 The Cabinet Member for Finance & Resources in consultation with the Leader is recommended by the Contracts and Commissioning Board to approve the award of short term electricity and gas supplies to the suppliers named, and for the contract prices specified, in the associated Part B Report for a contract term of 17 months

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2. EXECUTIVE SUMMARY

2.1 This report confirms the procurement process followed and recommends the award of contracts for electricity and gas supplies following an OJEU compliant competitive tender exercise. The procurement strategy for this tender was approved by Cabinet 19/11/18.

- 2.2 The contracts were arranged as four lots
- Half-hourly metered electricity supplies
 - Non half-hourly metered electricity supplies
 - Unmetered electricity supplies
 - Gas supplies

As all-inclusive, fixed price offers were requested for the contract term, the tenders for each lot were evaluated using the criteria of 80% price, 20% quality.

2.3 All schools supplied via the council's existing contracts were consulted on whether they wished to participate in the council's re-procurement of energy supplies. Twenty five schools confirmed their participation and these supplies were subsequently included in the Invitation to Tender (ITT).

2.4 The cost of the recommended contracts will be met by existing centralised budgets for energy supplies. The estimated spend over the contract term to 30/09/20 is within the predicted budget set out in the procurement strategy report submitted to Cabinet.

2.5 The content of this award report has been endorsed by the Contracts and Commissioning Board. Pursuant to Cabinet recommendation 25/3/2019 the Leader has delegated the decision to approve the award of the contract to the Cabinet Member for Finance & Resources in consultation with the Leader.

CCB ref. number	CCB Approval Date
CCB1478/18-19	18/04/2019

3. DETAIL

3.1 Following the approved procurement strategy, the council's contracted energy broker Kinect Energy were authorised to manage an OJEU compliant tender using their own electronic tendering platform. The 'Restricted' two stage tender process was adopted.

3.2 The OJEU contract notice was published on 04/12/18 with the deadline for requests to participate being 03/01/2019. A total of 10 suppliers submitted selection questionnaire (SQ) responses, with the breakdown across the lots as shown in the table below.

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- 3.3 All suppliers that submitted first stage, SQ responses were invited to submit tenders via the Invitation to Tender (ITT) that was issued on 15/02/19. The number of responses received at each tender stage, for each lot are as in the table below.

Lot	SQ responses	ITT responses
Half-hourly metered electricity supply	8	3
Non half-hourly metered electricity supply	6	3
Unmetered street lighting electricity supply	4	3
Gas supply	8	2

- 3.4 The ITT responses were evaluated against the criteria set out in the following table.

Criteria	Weighting	Description
Price	75%	Total unit charge inclusive of all regulated pass-through system charges and levies
	5%	Volume tolerance – impact on price of changes in contracted volume of supply
Quality	10%	Invoicing – provision of electronic billing, provision of full breakdown of charge elements.
	5%	Payment terms
	2.5%	Account management
	2.5%	Query management

- 3.5 Following evaluation, a moderation meeting was held between the council's broker and the council's Sustainable Development and Energy Team Leader on 27/03/19. The tender outcomes for each lot are set out in the table below which shows the ranking of each supplier for each lot.

Evaluation criteria	Supplier A	Supplier B	Supplier C	Supplier D
Half-hourly electricity supply				
Price	72.5	80	42.5	no bid
Quality	12.25	11.75	8.5	
Total score	84.75	91.75	51	
Rank	2	1	3	
Non half-hourly electricity supply				
Price	72.5	80	50	no bid
Quality	12.25	11.75	8.5	
Total score	84.75	91.75	58.5	
Rank	2	1	3	
Unmetered street lighting electricity supply				
Price	80	80	57.5	no bid
Quality	12.25	11.75	8.5	
Total score	92.25	91.75	66	

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Rank	1	2	3	
Gas supply				
Price	72.5	no bid	no bid	77.5
Quality	12.25			15.75
Total score	84.75			93.25
Rank	2			1

4. CONSULTATION

- 4.1 All schools supplied by the council's existing energy contracts were written to in November 2018 informing them of the council's proposed re-procurement strategy for energy supplies. Schools were requested to confirm whether they wished to participate in the new contracts or would be making their own arrangements for energy supplies.
- 4.2 Schools were informed that if they opted to participate in the council's tender, then they would receive energy invoices directly from the contracted supplier and would be responsible for the settlement of these invoices. Twenty five schools confirmed their participation and were included in the tender.

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

1 Revenue and Capital consequences of report recommendations

	Current year 2018/19 £'000	Medium Term Financial Strategy – 3 year forecast		
		2019/20 11 months £'000	2020/21 6 months £'000	2021/22 £'000
Revenue Budget available				
Expenditure				
Income				
Effect of decision from report				
Expenditure		5,081	2,771	
Income				
Remaining budget				

2 The effect of the decision

Securing the recommended energy supply contracts will avoid the risk of the council moving to 'out of contract' rates with the existing suppliers. Such prices are typically more than double those of contracted rates.

3 Risks

The dominant risk associated with energy supply is the volatility of the wholesale energy markets. The recommended contracts are all fixed-price for the contract term. The risk with this type of contract is should market prices fall during the contract term, the council will be unable to take advantage of this. The objective of letting these short term contracts is to align the council's supplies with the commencement of pan-London 'flexible wholesale' contracts being procured by the London Energy Project (LEP). These contracts will provide best practice methods of managing the wholesale price risks.

4 Options

LEP has confirmed (03/04/19) that the first pan-London energy framework will be available from April 2020. The council will therefore have the option of purchasing via these arrangements on expiry of the recommended contracts. This option will be evaluated against the alternatives in the next energy procurement strategy report.

The schools that opted to be included in this tender process will be invoiced directly by the recommended energy suppliers.

5 Future savings/efficiencies

The recommended contracts are for fixed prices over the contract term. The objective of awarding these short term contracts is to align the council's contracts with the commencement of pan-London LEP contracts as highlighted in the Risk section above.

PSP was not included in the Tender. Due to the large volume of supplies and invoices managed, the council requires electronic billing (via the Tradacoms EDI standard) with payments being made by Direct Debit. This form of billing and payment also reduces the cost to serve for the suppliers and attracts a small discount (included within the price offers submitted).

6 Approved by: Ian Geary Department Head of Finance (CCB)

6. LEGAL CONSIDERATIONS

6.1 The Director of Law and Governance comments that the legal considerations are as set out in this report.

Approved by: Sean Murphy, Director of Law and Governance and Deputy Monitoring Officer

7. HUMAN RESOURCES IMPACT

7.1 There is no change to the delivery of energy supply services to the council which must be undertaken by licensed suppliers. There are no employment considerations arising from this procurement project.

Approved by: Gillian Bevan on behalf of the Director of Human Resources

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8. EQUALITIES IMPACT

- 8.1 This procurement is for energy supplies to council operational sites and services, communal services for social housing and participating schools with the objective to secure these supplies at the best prices.
- 8.2 This procurement will therefore not have a significant impact on groups that share a protected characteristic compared to non-protected groups.
- 8.3 Approved by: Yvonne Okiyo, Equalities Manager

9. ENVIRONMENTAL IMPACT

- 9.1 The recommended offer for the unmetered street lighting electricity supplies is from a 100% renewable energy source. However, as highlighted in the original strategy report, it should be emphasised that this does not mean that this contract will deliver additional carbon dioxide emissions reductions that would have otherwise have occurred if this contract was not awarded.

There are no other environmental implications arising from this report.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There are no crime and disorder impacts arising from this report

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 Awarding the competitively tendered contracts will secure cost effective supplies of electricity and gas and will avoid the council being charged 'out of contract' rates by the existing suppliers.

12. OPTIONS CONSIDERED AND REJECTED

- 12.1 Other options to secure electricity and gas supplies through existing public sector buying organisation frameworks were considered and rejected. The recommended strategy was to award fixed term contracts to align the council's contracts with the commencement of new pan-London energy contracts. At the time of agreeing the procurement strategy and tender process, it was not known if these latter contracts would be in place by the intended start date of 1st April 2020. The expiry date of 30th September 2020 was therefore set for the recommended fixed term contracts to allow for contingency.

CONTACT OFFICER: Bob Fiddik, Sustainable Development & Energy
Team Leader

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BACKGROUND DOCUMENTS: None