

Report of the Director of Corporate Resources to the meeting of Regeneration and Environment Overview and Scrutiny Committee to be held on 22 June 2022

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Subject:

Electricity supply contract 2023-2027 procurement

Summary statement:

To explain the process and background of the procurement path for the intended new electricity contract with N-Power.

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Overview & Scrutiny Area:

Regeneration and Environment

1. SUMMARY

This report gives information on the City of Bradford MDC contract for electricity supply between 01 April 2023 and 31 March 2027 as required by Contract Standing Orders for contracts with a value of £2 Million and above.

2. BACKGROUND

The council has historically procured its energy through the YPOs frameworks for gas and electricity. There are a number of reasons for this including the expense and staff time involved in procuring our energy contracts in house, the economies of scale available from the size of the contracts being procured through YPO and Bradford's position as a founder member of the YPO. The methodology used to arrange our energy contract is fully compliant with contracts standing orders.

In recent years the deregulation of the water market means that a water supply contract also runs alongside the same time period as the electricity contract and is available through the same procurement route at YPO. This contract is below the current threshold for scrutiny but given the rate of inflation and how this is affecting utilities in particular officers have included the water supply contract in this paper to ensure that scrutiny will have at least seen the issue.

3. REPORT ISSUES

The YPO have procured a new electricity contract for the period April 2023 to March 2027. The winning tenderer was N-power and this should provide a level of consistency as they are the current supplier. Given the large number of supplies that are part of the project and the long lead in time required for N-power to ensure they are able to properly add or remove supplies to the contract at April 1 2019 the process of preparing the contract for all CBMDC sites will need to be completed through in Q3/4 2022.

Officers consider it is likely that the contract will need to be signed around the end November. The contract would historically have a value to the council built estate of around £8M however due to the recent price instability for delivered energy, standing charges and other costs this value is anticipated to be significantly higher over the coming 4-year period. Further to this will be the value to the council's street lighting supplies which have traditionally been around double the building supply costs but which are expected to reduce significantly as the conversion to LED lamps across the district is rolled out. In addition, schools utilise the YPOs procurement through the council's contracts and this element will be valued at around £9M per year. With the contract being of so high a value it will be required to be signed under seal. There will also need to be inclusion in procurements briefing to the leader of the council.

YPO have also procured a water supply framework over the same period. This is different from the supply of energy in that the only deregulated aspect of the water contract is the administrative function. This means that the utility prices related to supply of water and management of sewerage are the same but there are savings to be made on billing costs and other smaller cost elements. Typically these elements make up less than 5% of the water bills so the overall price differential is minimal. Officers intend to

procure through YPO as this route requires lower internal resources to support and maintain and uses a compliant procurement route that is in line with the other utility procurement arrangements. The overall value of the water contract is lower than the £2M threshold for scrutiny but given wider price instability and high levels of inflation this could increase through the contract period. With this in mind officers have brought the proposed procurement to scrutiny although it should be noted that this is not in line with contract standing orders and should the contract exceed £2M in value a further report will be needed.

4. FINANCIAL & RESOURCE APPRAISAL

The council is regularly approached by energy brokers and other sales people looking to provide our energy contracts. Officers usually carry out soft market testing with these organisations to ensure that the contract rates we are paying are providing value for money. The last such exercise was looking at available pricing on gas supplies and was carried out in July 2018. In the 2021/22 financial year officers sought a price comparison from brokers but the exercise collapsed due to the rapid growth in wholesale energy prices caused the brokers to withdraw from the process as they could not obtain a competitive price for energy.

The YPO procurement strategy offers good risk mitigation during period when prices are increasing because of the focus on procuring the required allocations in advance. This also helps to provide certainty of costs although it does not guarantee certainty. The impacts of cold snaps, unanticipated cold and extended freezes within the winter months can create a requirement for additional supplies to be bought at short notice when the market prices can be high.

Officers have not been able to carry out the normal level of price comparison but have done spot check against other local supplies during the last year and can confirm that the YPO framework has significantly out-performed the supply contracts we have been able to compare with. These were contracts predominately taken up by schools that had exited the YPO framework in previous years and were seeking to return.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

No issues.

6. LEGAL APPRAISAL

➤ No issues

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

➤ N/A

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

- There are no specific impacts arising from the procurement path used for utility procurement however it should be noted that 100% of the electricity bought through the YPO contract continues to be from renewable sources.

7.3 COMMUNITY SAFETY IMPLICATIONS

- N/A

7.4 HUMAN RIGHTS ACT

- N/A

7.5 TRADE UNION

- N/A

7.6 WARD IMPLICATIONS

- N/A

7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

- N/A

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

- N/A

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

N/A

8. NOT FOR PUBLICATION DOCUMENTS

- None

9. OPTIONS

- N/A

10. RECOMMENDATIONS

- 10.1 To note the report and provide comments on the planned contract procurement.