LONDON BOROUGH OF RICHMOND UPON THAMES

REPORT TO:	**Finance, Policy and Resources Service Committee**
DATE:	**20th February 2020**
REPORT OF:	**Director of Housing and Regeneration**
TITLE OF DECISION	**Procurement of Utilities**
WARDS:	**All wards**

KEY DECISION? YES

IF YES, IN FORWARD PLAN? YES

For general release

1. MATTER FOR CONSIDERATION: Procurement of Utilities including sustainable electricity for Richmond Council

1.1 The Richmond Climate Emergency Strategy commits the Council to invest in low carbon technology and procure zero-carbon energy as part of the roadmap to becoming a carbon neutral organisation by 2030, and zero-carbon by 2050. The purchase of sustainable, zero-carbon electricity is essential to meeting these targets. As a result, it is recommended that the Council move to procuring energy via the Central Purchasing Body LASER including the purchase of 100% renewable 'backed' electricity from October 2020 on expiry of the current contract.

1.2 Energy supplies are essential for Richmond to continue operating its premises in a way which is compliant with relevant standards of health and safety. The price paid for energy overall is expected to increase over the medium to long term, driven up by increases in the non-commodity charges, which are set by government regulations. Whilst electricity wholesale prices fell throughout 2019, the volatility of the market, places additional pressure on Council finances, which can be mitigated to some extent by using the expertise of a Central Purchasing Body to buy energy in the wholesale markets when conditions are more favourable.

1.3 This report sets out recommendations arising from assessment of options for the provision of energy and ancillary services to street lighting and premises owned or operated by the Council and options available for purchasing renewable electricity.

.

2. RECOMMENDATIONS

2.1 The Finance, Policy and Resources Services Committee is recommended to:

a) Approve the award of new contracts for four years for the supply of electricity and gas via an access agreement with the CPB, LASER;
b) Award a four-year contract to NPower (electricity) and Total Gas & Power (gas) via the LASER Framework to supply cost-effective utilities from 1 October 2020 with an estimated annual total value of £1.8 million; and
c) Approve the purchase of 100% certified renewable electricity as part of the contract with NPower.
d) Engage with LASER and other stakeholders to support their development of more options to procure low carbon energy

GLOSSARY

CCL	-Climate Change Levy
CCS	-Crown Commercial Services
CDP	-Carbon Disclosure Project
CPB	-Central Purchasing Body
CRC	-Carbon Reduction Commitment Energy Efficiency Scheme
LEA	-Local Education Authorities
LEP	-London Energy Project
OJEU	-Official Journal of the European Union
PIA	-Purchase in Advance
POSO	-Procurement Only Service Option
PPA	-Power Purchase Agreements
PSO	-Procurement Standing Orders
PwP	-Purchase Within Period

3. BACKGROUND

3.1 Richmond Council has purchased energy (both gas and electric) via a framework agreement established and managed by LASER for approximately 14 years. LASER is a public sector energy buying group operated by Kent County Council. The current contract for Richmond has been in place with LASER for three years, with NPower supplying electricity and Total Gas & Power supplying gas. The current contracts are a mix of PIA and PwP which provides a mix of risk and budget certainty, allowing LASER to exploit the market to purchase energy in portions when the price is low.

3.2 The contracts expire on 30 September 2020 and provision for electricity and gas supply is required in advance to provide continuity in supply, allow energy providers to maximise the ability to purchase flexibly, increase the chance of getting favourable market prices and reduce risk.

3.3 Under the Richmond Climate Emergency Strategy carbon emissions across all Council operations must be carbon neutral by 2030. In order to reach this target, emissions reported from all electricity use must be zero. This Report recommends that the Council resolve to purchase from October 2020 electricity that is certified as 100% zero-carbon, from the earliest opportunity to do so.

RICHMOND CLIMATE EMERGENCY STRATEGY

3.4 In July 2019 Richmond Council declared a climate emergency and published a five-year Climate Emergency Strategy, including a commitment to becoming a carbon neutral organisation by 2030. An action plan was published in January 2020 which sets out actions the Council will take to reach and provides for annual action plans to set out how the carbon neutral target will be achieved.

3.5 In 2018/19 electricity usage from buildings and street lighting operated by the Council was 1,210,357 kWh. Work is ongoing in developing a robust carbon emissions baseline for the organisation but work so far indicates that carbon emissions from electricity usage represents a significant proportion of the annual total carbon emissions for Richmond's operations. Shifting supply to a 100% zero-carbon electricity contract, in this case one which is certified as 100% renewable (and therefore zero-carbon), means that the carbon emissions from the Council's electricity usage would fall to zero. This is particularly important as the Council accelerates the electrification of vehicle fleets and the government encourages heating moving from gas to renewable heat generation, which will potentially require increased electricity use. Therefore, purchasing certified renewable electricity is a key step in reducing the carbon emissions of the organisation and reaching the carbon neutral target.

3.6 In addition to purchasing 100% certified renewable electricity, the Council is taking further action to decarbonise its operations, such as:

- carrying out energy audits across its entire estate to identify where energy efficiency measures can be implemented to reduce overall electricity use;
- investigating how to deploy technologies that optimise energy use and reduce demand; and
- installing renewable energy generation where feasible.

3.7 While the potential to generate zero-carbon electricity locally is being actively explored, it is unlikely to be practical across the Council's entire operations and purchase of electricity from providers will continue to be necessary.

3.8 However, it should be emphasised that generation at local level and the purchase of renewable electricity are not mutually exclusive. It is envisaged that over the coming years the Council will generate increasing amounts of its own electricity, exploiting any collective purchasing options with other London boroughs. The electricity purchased from the grid will then make up the remainder. Purchasing 100% certified renewable electricity through the

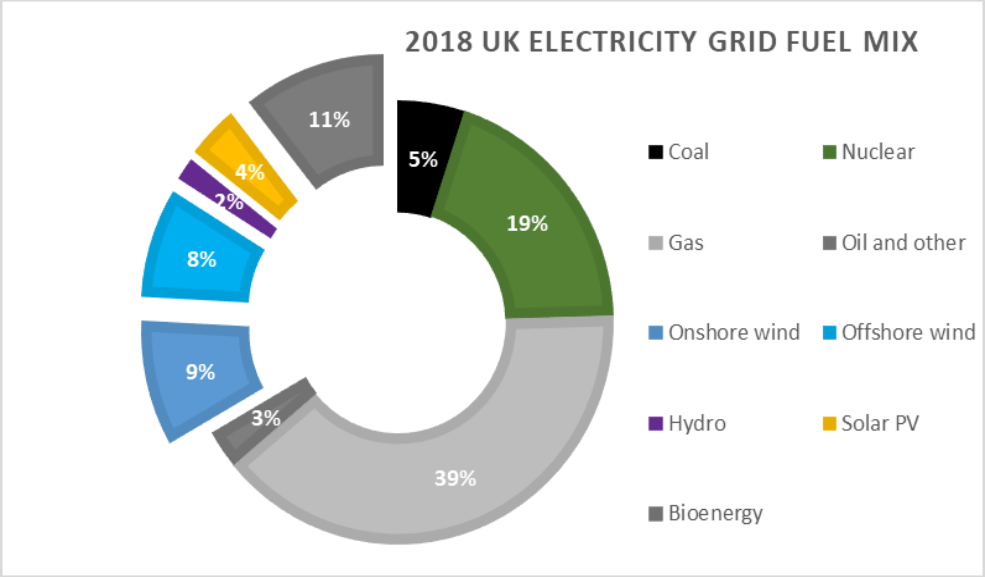
Renewable Energy Guarantees of Origin (REGO) scheme is therefore the starting point and an opportunity that exists now.

3.9 Going beyond its own directly managed operations, Richmond is also supporting decarbonisation across the borough as a whole by, for example:

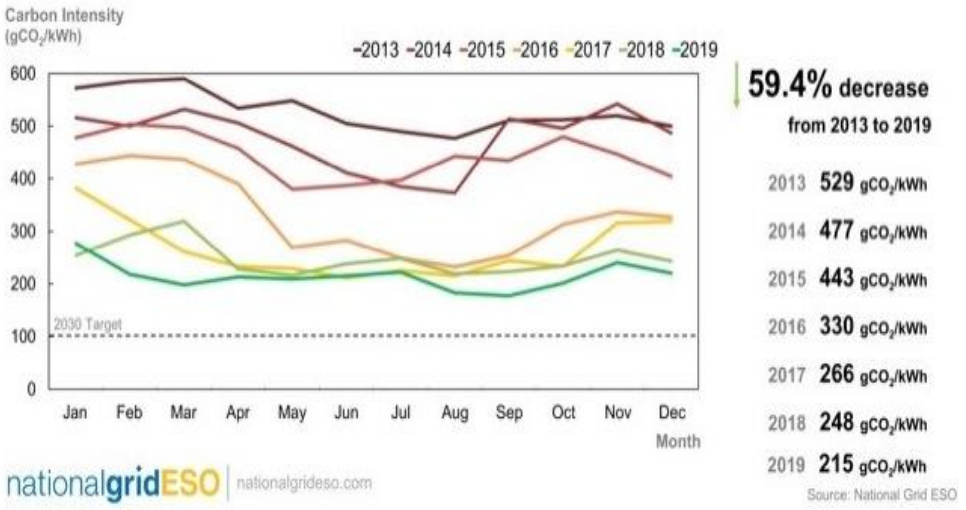
- extending energy audits to the borough's schools to identify where and how energy use can be reduced;
- engaging with schools, producing factsheets and newsletters that will suggest options for purchasing low-carbon electricity (where the school cannot take advantage of the LASER Framework);
- supporting on-site low-carbon generation;
- developing campaigns to engage more actively with residents, businesses and other organisations to encourage their switching to low-carbon electricity. Some of those smaller customers may be able to access a wider range of products than those available for the Council's operations within current pricing and procurement parameters; and
- exploring how to maximise community energy and innovation to support the roll-out of low-carbon technology for businesses and residents

PROVISION OF ENERGY IN THE UK

3.10 To be sustainable, electricity systems must recover operating costs, invest for the future, provide reliable electricity and meet environmental and social objectives. In the UK, electricity is generated in a number of different ways to ensure reliability of supply. This includes electricity produced from coal, gas, other fossil fuels, as well as nuclear, renewables (wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases) and from imports. In 2018, 33% of generation came from renewables, 5% from coal, 39% from gas and 19% from nuclear. Nuclear and renewables are classed as zero-carbon. Carbon emissions from the electricity grid have fallen by almost 60% since 2013 due to coal phase-out and increases in renewable generation. In 2019 the UK's reliance on zero carbon energy sources (wind, solar, nuclear and hydro power) overtook fossil fuels (coal and gas fired power generation) for the first time since the Industrial Revolution



3.11 Fall in overall grid emissions from 2013 to 1019:



Sources: fuel mix data from
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/791297/Press_Notice_March_2019.pdf
Carbon intensity graphic:
https://www.nationalgrideso.com/news/national-grid-electricity-system-operator-data-shows-record-breaking-year-britains-electricity accessed 30.01.20 (N.B. figures are for Great Britain, not UK)

3.12 Meeting national net-zero targets requires substantial electrification of energy and transport and complete decarbonisation of the electricity grid. The grid is decarbonising, and electricity generated by nuclear plants, which is classed as zero-carbon, will continue to form an important part of the fuel mix in 2030 (and beyond). But the fuel mix in the grid will not, under current policy, reach zero carbon by 2030 and more investment in renewable capacity over the coming decade is essential.

3.13 In order for Richmond to reach its 2030 net-zero target, the electricity used must be zero-carbon. Richmond will not be able to generate all of its own electricity by 2030, but by purchasing electricity that comes from a

sustainable, zero-carbon source, even though the Council will still rely on grid electricity, the Council's electricity emissions will be designated as zero-carbon.

3.14 Purchasing zero-carbon electricity eliminates the purchasing of electricity generated from fossil fuels such as coal, oil and gas. The Council can report zero emissions from electricity use, by selecting a contract that is certified as 100% "renewable". There are different types of contract that provide electricity generated from renewable sources and these are explained briefly below.

RENEWABLE ENERGY GUARANTEES OF ORIGIN (REGO)

3.15 To provide a 100% renewable tariff, electricity suppliers need to ensure they either supply to the grid at least as much renewable electricity as their customers on these tariffs consume (either through their own generation or by way of contracts with renewable generators) or they need to purchase Renewable Energy Guarantees of Origin (REGO) certificates to an equivalent amount.

3.16 The REGO scheme is required under the Renewable Energy Directives of 2009 and 2018, which provide targets for the reduction of greenhouse gas emissions and increase in renewable energy production across the EU. "Renewable energy sources" are defined by national regulation to include renewable non-fossil energy sources, that is: wind, solar, aerothermal, geothermal, hydrothermal and ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas and biogases. Nuclear power is a zero-carbon source of electricity, but it is not renewable and does not attract REGO certification. Therefore, when purchasing electricity generated by renewable sources, this does not include nuclear.

3.17 Certified generators are issued with a REGO certificate for every eligible MWh of renewable energy generated that is submitted to Ofgem. The REGO certificates in turn can be transferred to registered purchasers or suppliers of electricity to prove its origin to end consumers. Any renewable energy generator in the UK of any size can apply to the REGO scheme for certification.

3.18 When reporting the Council's emissions, guidelines allow for a reduced emission figure where electricity is generated on-site or a tariff for fully renewable electricity is chosen. Otherwise, reporting is based on the average emissions for the UK grid. Thus, when reporting emissions from a standard contract, electricity emissions are set at around 256gCO2/kWh, compared to 0gCO2/kWh for a REGO-backed contract

FINANCIAL CONSIDERATIONS

3.19 A breakdown of the 2018/19 annual energy costs is shown in the table below. The costs are inclusive of street lighting and all sites owned and managed by Richmond. The figures include the cost of block and estate electricity and shared gas supplies on its housing estates and Council-owned schools.

	SUPPLIER	ANNUAL VALUE (£)
ELECTRICITY	Npower	1.52 million
GAS	Total Gas & Power	0.27 million
TOTAL		1.8 million

3.20 The costs for utilities will be charged against the various relevant codes of the Departments. Budgets are currently devolved with variances being highlighted within services. A small number of school sites in Richmond utilise the contract in order to access better value energy purchasing so whilst they form part of the value of the contract, they are not direct costs to the Council.

3.21 Future prices of energy are hard to forecast given the unpredictable nature of the energy market and will be largely dependent on wholesale prices as well as Government policy and regulatory taxes. Whilst wholesale electricity prices fell through 2019, following a hike in 2018, that trend may not continue in the coming years and the market remains volatile. Whilst supplying renewable electricity, any arrangement must protect against these risks.

OPTION ANALYSIS

Alternative Procurement Options

Option 1- Do Not Renew Contract and Spot Purchase

3.22 The current arrangements through LASER come to an end on 30 September 2020 and if new contracts for energy provision are not entered into, the Council would make spot purchases. Doing so would leave the Council more exposed to the inconsistencies of the wholesale market with the risk of higher off-contract prices until an appropriate contract is in place.

3.23 This proposal is not compliant with either PSOs or public procurement legislation and is not a cost-effective option as it would result in out-of-contract rates being applied to gas and electricity supplies which are much higher than contracted rates. This poses a risk to the Council and is not recommended.

Option 2- Procure from Generators

3.24 Richmond Council could purchase electricity via an OJEU procedure from nominated generators. PPAs typically facilitate the sale of energy from the operators of small scale off site renewable generation assets including Combined Heat and Power (CHP) plant, wind turbines, solar photovoltaics and anaerobic digestion.

3.25 Depending on the type of PPA, this could reduce the impact of power/price volatility on the organisation as it is possible to fix prices on a long-term basis (typically up to five years ahead) as well as provide an element of supply assurance where less demand is sourced offshore. However, this arrangement requires a dedicated resource at the Council to procure and actively manage multiple contracts and has a much longer lead-in time.

3.26 PPAs tend to be more commercially attractive if the electricity can be supplied from the generator directly to the user without involving the national grid (i.e. over 'private wires') as this reduces the amount of transmission and distribution charges payable. This is not a practical consideration for the Council due to the portfolio of buildings spread across the borough and would be subject to substantial start-up costs.

3.27 In addition to the logistical challenge posed by the location of buildings in the portfolio, there would need to be engagement with a conventional supplier to guarantee adequate supply of electricity. It would also remain necessary to make suitable arrangements for the purchase of gas. Due to the logistical difficulties and additional staff resource demands required, this option is not recommended.

Option 3 – Procure via Central Purchasing Bodies (RECOMMENDED)

3.28 The Public Contracts Regulations 2015 define a CPB as a contracting authority which provides centralised purchasing activities, and which may also provide ancillary purchasing activities.

3.29 Purchasing in the energy market is complex and specialised and the vast majority of UK public bodies use a framework agreement led and managed by a CPB. The price of energy fluctuates dependent on external factors such as weather, local economic activity, global financial outlook, resource availability, investment in future resources and government policies. CPBs analyse trends and monitor price drivers to maximise the economy of participating bodies' energy purchasing. By contracting out to established and proven service providers, the Council will be best placed to purchase gas and electricity through a framework that will help mitigate risk and offer financial benefits.

3.30 Framework agreements seek to achieve efficiency gains and greater value for money in the public procurement process using the aggregated purchasing power and expertise of CPBs that creates economies of scale in both supply and demand.

3.31 The option of procuring via a CPB is recommended as it minimises risk and offers better value for money.

Central Purchasing Bodies Options

3.32 The market for OJEU-compliant CPBs is small with four major players identified. These are LASER, The Energy Consortium (TEC), Crown Commercial Services (CCS) and London Energy Project (LEP). It is not easy to make simple direct comparisons between CPBs as they benchmark their own costs and validate the price composition of invoices. An assessment of the services was provided by three of the four aforementioned organisations. TEC were not considered as they specialise in energy procurement for the higher education sector.

Option 3(a): Crown Commercial Service

3.33 Previously known as the Government Procurement Service, the CCS Framework was established in August 2019 with suppliers EDF Energy and Total Gas & Power to supply electricity and gas respectively.

3.34 The Framework offers fewer purchasing baskets and does not include invoice validation, query management or portfolio supervision. This places a greater administrative burden on member organisations which potentially increases the overall cost. Given this, selecting the CCS Framework is not recommended.

Option 3(b): LEP

3.35 The LEP were previously responsible for arranging CRC audits and related training. With the end of the national CRC scheme in 2019, LEP moved into energy procurement by forming agreements with LASER and CCS. LEP claims to offer the aggregation benefits of similar types of "large" customers from London.

3.36 LEP's main experience in the energy market was as an advisory body and they do not have a verifiable market history. Selecting LEP is not recommended due to lack of market history and associated risk factors.

Option 3(c): LASER (Recommended)

3.37 LASER is a public sector energy buying group and part of Kent County Council's Commercial Services division. Services offered include procurement of gas and electricity and dealing with billing services and management, data management and validation. LASER customers include 20 London local authorities and approximately 200 public sector customers across the UK, with the high majority using NPower and Total Gas & Power.

3.38 LASER has established two flexible energy procurement frameworks, covering the period October 2020 to September 2024 with NPower and Total Gas & Power. A further seven suppliers were also awarded contracts on a separate lot of the LASER Frameworks, providing access to a range of procurement-compliant energy services such as battery storage, renewable hardware and energy efficiency hardware. This means that Richmond will have the ability to access suppliers that offer a range of energy management services using the LASER Framework during the course of the 2020-2024 contract, such as adding battery storage solutions to reduce reliance on, and help to reduce overall emissions of, the grid.

3.39 The LASER Framework is largely viewed as the preferred option for purchasing energy for local authorities, emergency services, NHS, registered charities and schools and universities. The LASER Framework is an OJEU compliant Framework which includes several energy suppliers. LASER has delivered savings by purchasing energy at prices well below the market average.

3.40 Selecting LASER is recommended as it offers a track record of achieving value for money in energy purchasing, additional energy management services and a framework. Appendix 1 shows the 2018/19 cost avoidance achieved by the Richmond portfolio using the LASER Framework.

LASER Framework Tender

3.41 LASER's tender process established a framework with NPower, EDF and Total Gas & Power for electricity, and Total Gas & Power and Corona Energy for gas supply. NPower and Total Gas & Power were selected as the preferred suppliers given, they achieved the highest evaluation scores.

3.42 There is not an option to switch suppliers on the LASER Framework without a very specific requirement which would warrant a direct award. LASER have established the preferred suppliers as NPower and Total Gas & Power for electricity and gas respectively.

3.43 All CPBs use a pre-determined evaluation methodology when assessing tenders through an OJEU procurement process. In respect to LASER's tender, the evaluation criteria included:

(a) Meter operations (electricity only)
(b) Service operations
(c) Shape and imbalance
(d) Product strategies
(e) Trading support
(f) Product price assumptions
(g) Billing
(h) Reconciliation rebates and recoveries
(i) Account management
(j) Innovations
(k) Robust supply chains
(l) Supplier management fees

3.44 Price considerations include the actual commodity rate and the various charges, including the supplier management fee. The actual commodity rate is bought in the wholesale market and is agnostic to the provider.

3.45 LASER assessed the supplier management fee in its total evaluation. This indicates that this element was only an indicator of value, and several other evaluated elements were of equal importance. LASER advised the supplier management fee was approximately 1% of the total Richmond spend, highlighting the importance of the other non-price elements.

3.46 NPower and Total Gas & Power achieved the highest ranking for electricity and gas respectively. LASER was not able to share the actual supplier management fees given this was commercial in confident, but advised these rates were competitive between the tenderers.

The contract with LASER

3.47 Under this arrangement, the proposed contract with LASER will be for four years from October 2020 to September 2024 with no break clause. However, the Council would still maintain flexibility on which suppliers it engages under the LASER Framework.

3.48 The main flexible framework being renewed from 1 October 2020 contains multiple basket options for the procurement of gas and electricity, with the currently active ones being PIA, PWP and Flexible Set and Reset (FSAR). The Council will benefit from ongoing support from LASER including reporting and tracking, data capture and in-house expertise who can offer a range of advice.

3.49 The PIA facilitates the purchase of all site volume prior to delivery for a 12-month supply period. The sum of all trades will be used to calculate the aggregate energy price. Pass through charges will be added to arrive at the delivered cost in pence per kilowatt hour. As one of the most popular basket options, PIA has a tried and tested performance strategy and market opportunity for aggregated energy savings.

3.50 With the PWP option, a proportion of the required volume prior to delivery for each 6-month supply period. The remainder is then purchased within this period. A reference price will be set at the beginning of the supply period when open volume is still to be purchased. This reference price will be applied to billing during the 6 months and a reconciliation between the reference price and final achieved price will be carried out at the end of the period. Richmond's current basket option currently employs the PwP basket this with a small proportion of gas and electricity.

3.51 It is proposed that the Richmond portfolio is moved onto PIA only to create greater budget certainty while still achieving savings. It should be noted that this is a decision that can be reviewed periodically on a six-monthly basis.

PURCHASING RENEWABLE ELECTRICITY

3.52 The energy market is complex, so there are several different options available for renewable electricity contracts. These may be grouped into three broad categories:

a) "Dark green tariff": this offers 100% renewable electricity based entirely on direct generation or direct power purchase agreements with renewable generators. This is the clearest, most direct way to purchase renewables and support that market. A very small number of suppliers offer this type of tariff.

b) "Green tariff": these tariffs are 100% renewable, with some direct supply using PPAs or direct generation, but the remainder is made up of REGOs that are purchased on the market to match consumption levels. A number of these tariffs are available for domestic consumers, but fewer are available to large purchasers, such as the Council.

c) "Light green tariff": a renewable tariff that is based on 100% REGOs only with no PPAs or direct generation. Some suppliers of light green tariffs may offer renewable tariffs only, whilst other suppliers have a mixed portfolio of renewable and non-renewable generation but offer 100% renewable tariffs as one of several options. Light green tariffs do not involve purchasing of electricity directly from a renewable generator but can influence the market and provide support for renewable generation. Under the LASER Contract and recommended option this would be the tariff we are signing up to.

3.56 Contracts that are based on any one of the three categories above are designated at 100% renewable and zero carbon.

3.57 As highlighted in the paper, the Council will need to purchase renewable electricity backed by REGOs in order to remove carbon emissions from its electricity use. Under the contract with LASER there are two potential options available because none of the suppliers above offer a "green tariff":

(a) 100% renewable direct supply: dark green tariff based entirely on direct PPAs (with the REGOs attached) provided by Ecotricity
(b) A light green renewable tariff that is based on 100% REGOs only with no PPAs or direct generation provided by NPower.

3.58 Only one supplier on the LASER Framework, Ecotricity, offers a tariff such as (a). Larger suppliers have a mixed portfolio of renewable and non-renewable generation, but also offer renewable tariffs such as (b) as one of several options. These are 100% renewable contracts, backed by REGOs. NPower provides this option under the LASER contract.

3.59 During discussions with Ecotricity the Council was advised that Ecotricity did not have the generation capacity to support the Council's total usage. In addition, indicative costs of purchasing electricity from Ecotricity are significantly higher than purchasing a tariff such as (b -above) and Ecotricity also does not offer flexible procurement options on the LASER contract. As Ecotricity have indicated they do not have capacity to support Richmond's need this option has been ruled out.

3.60 As the recommended option is to procure electricity via LASER, it is proposed that the Council selects option (b), which is the only viable route at present for purchasing electricity that is certified as 100% renewable, zero carbon. The REGO certificates purchased through NPower have an estimated annual value of £7,000.

3.61 REGO certificates relate to renewable generation. Nuclear power is zero carbon, but it does not attract REGO certification. Whilst this means the Council is not actively purchasing nuclear power, this does not represent a specific policy position on nuclear. The Council's policy is to decarbonise its energy use and help decarbonise the grid by removing fossil-fuel generation sources.

3.62 It is acknowledged that the purchase of a REGO certificate in isolation does not directly fund renewable energy generation. However, purchasing REGOs can provide important revenue for renewable generators and drive demand for new renewable generation. The majority of suppliers who offer "green" tariffs do so by using REGOs only for a proportion of the electricity they supply. Moreover, at present the purchase of REGOs via NPower is the only viable solution available to Richmond to secure renewable electricity supply, taking into account the very limited renewable options available and the significant estimated financial benefits of the chosen framework.

3.63 By choosing a REGO-backed contract, the Council is taking a first step to becoming carbon neutral. The Council will continue to explore the possibility of purchasing renewable electricity via PPAs through the LASER Framework during the current contract and press for more options so that the Council and

other local authorities also concerned to tackle carbon emissions can benefit from contracts that have the greatest impact. Reducing overall energy use, during peak energy use, and generating electricity at a local level are all additional, rather than alternative, actions that the Council is already is exploring and intends to implement.

MANAGEMENT AND GOVERNANCE

3.64 The contract will be managed by Property Services within the Housing and Regeneration Directorate. Contract review meetings will be held with LASER and suppliers' representatives every 12 months. There will be a number of key indicators which will monitor performance around the following; Portfolio Maintenance, Query Management, Meter Readings, Invoicing, Rebates and Reconciliation.

COMMENTS OF THE DIRECTOR OF RESOURCES ON THE FINANCIAL IMPLICATIONS

4.1 It is important to finalise new contractual arrangements for the borough as soon as possible so as to give greater certainty over budgets and particularly reduce exposure to market volatility. It should be noted that even within the existing LASER framework price variations can only be mitigated to a limited extent, and electricity budgets (in particular) have still been subject to large inflationary variation in recent years. It is difficult to quantify the overall effects of this and how to compare between different procurement solutions, with mitigation of effects also granted by active pursuing of energy efficiency measures – most notably involving introduction of energy efficient LEDs within the Council's street lighting.

4.2 Finalisation of the purchasing framework is also a first step towards the Council being able to take many other decisions over the way it manages its energy arrangements going forward, and this paper particularly highlights forthcoming decisions on developing strategies on meeting the declared "Climate Emergency". It is noted that the delivery of renewable electricity under the proposed contract mainly relies on the supplier's approach of purchasing REGO certificates as described in the body of the report, which attracts some small additional cost through being placed on a "green tariff" (currently estimated at £7,000 per annum). However potential alternative options for direct supply from renewable energy producers would, at least for term of the contract, likely be prohibitive for the Councils' portfolio of sites and would involve considerable upfront costs. As noted, this will not however restrict the Council's ability to develop wider plans for reducing energy usage through energy efficiency or general reductions or exploring schemes for energy self-generation (for example installation of solar panels on Council buildings). It is also noted that the potential for alternative options may be vastly changed by the time of the next contract renewal.

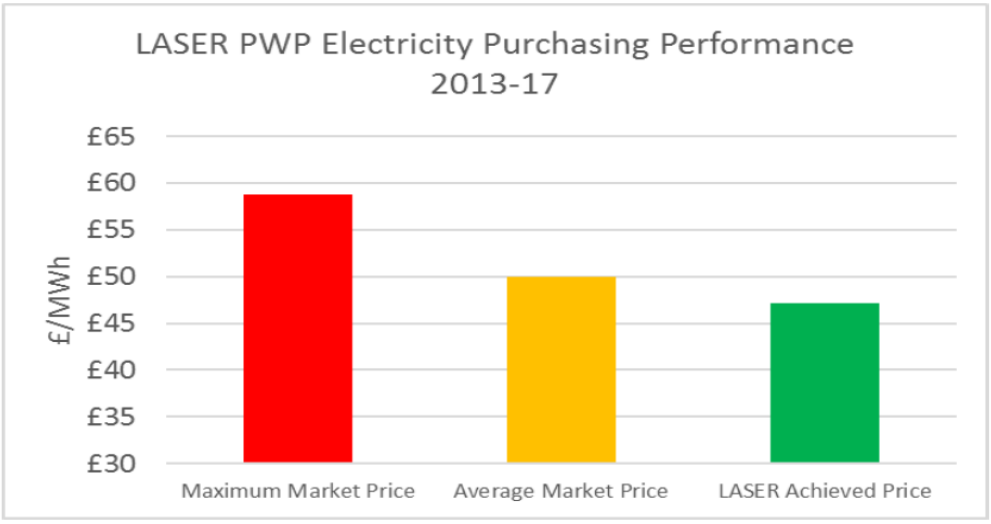
4.3 Awarding of the utility contracts as proposed will have no direct impact on existing budgets as they are effectively continuations of current arrangements. The Council will seek to make prudent provision for future inflationary costs as part of annual budget setting processes and development of the Medium-Term financial strategy.

5. PROCUREMENT IMPLICATIONS

5.1 Value for money in the purchase and supply of electricity and gas should consider the capability of the suppliers, the capability of the broker, the price of the commodity and the value-added services received for the Council.

5.2 When establishing its frameworks, LASER uses several non-price evaluation criteria given the cost of the actual commodity is based on the purchasing performance and capability of the broker. LASER's evaluation criteria are defined in paragraphs 3.41- 3.46 above and was used to established Npower and Total Gas & Power as the preferred suppliers.

5.3 LASER use high volume blocks when purchasing energy, along with volume discounts. LASER's performance in purchasing compared to the market average and the market maximum is between 2013 and 2017 is demonstrated below.



5.4 LASER's average achieved price was more competitive than the market average by 5.5%. In terms of value-added services, Appendix 1 details benefits achieved by LASER for Council. LASER's service includes management of bills and billing to Council tenants and vendors, cost recovery and automated data management which is well beyond the offering of CCS. These services could not be covered without an investment of five or more internal resources, an increase of almost 200%.

5.5 By way of track record, LASER has proven its capability over the last 30 years, which can be attributed to risk mitigation when compared to using new frameworks LEP.

5.6 By purchasing in advance of October 2020, LASER is able to use economies of scale and high purchasing power to achieve competitive commodity rates. If Council waits until the commencement of the contract to advise its usage requirements, there is a risk of higher commodity prices and lower economies of scale. The cost of this risk is up to 20% of the annual contract value.

6. COMMENTS OF THE SOUTH LONDON LEGAL PARTNERSHIP ON THE LEGAL IMPLICATIONS

6.1 Kent County Council (Trading as Laser) has issued an OJEU notice) and award notice listing NPower Limited and Total Gas and Power Limited as lot providers (Both referenced under 2019/S 247-608897). The Council is identified by reference and relevant checks need to be undertaken. Such checks include that the terms of the agreement are acceptable and do not cause undue risk to the Council and that the framework has sufficient available funding to accommodate the call off sum.

6.2 The Council must ensure that it follows the appropriate steps in calling off this framework and documents such compliance in order to establish that the procurement is compliant with the framework and the Public Contracts Regulations 2015 and any notice required under regulation 84 is be published.

7. CONSULTATION AND ENGAGEMENT

7.1 Procurement, Finance, Central Policy and Energy Management have been consulted in the process of collating information for this paper and all comments have been agreed.

8. WIDER CORPORATE IMPLICATIONS

8.1 POLICY IMPLICATIONS / CONSIDERATIONS
The recommendations in this paper support the 'A Greener Borough' priority in the Richmond Corporate Plan. It supports the action of 'Reduce the Council's carbon footprint' and is an action specifically identified in the Richmond Climate Emergency Strategy which is part of the policy framework of the Council.
8.2 RISK CONSIDERATIONS
This item is not on the risk register
8.3 EQUALITY IMPACT CONSIDERATIONS
None required
8.4 ENVIRONMENTAL CONSIDERATIONS
As highlighted in the paper, the recommendations support the delivery of the Environment Strategy, specifically the Energy Management aims and the target for the Council to be carbon neutral in its operations by 2030. By purchasing certified renewable electricity, based on initial calculations of the Council's emissions from electricity use, and before any other energy saving measures are implemented, the Council will be able to reduce its current reported annual carbon emissions by 426 tCO2e

CONCLUSION

9.1 The use of the LASER Framework offers best value for the Council, given the competitive pricing and improved outcomes compared to other options listed in paragraphs 3.22- 3.40.

. The capability to forward purchase energy ahead of the supply period is a key part of any risk managed energy strategy. Having the option to secure electricity and gas volume for the period October 2020 to September 2024 well in advance of delivery is vital in protecting the Council and its stakeholders against potential wholesale market price changes. Undertaking a tender for this service would unlikely yield a better outcome given LASER (and other frameworks) benefit from economies of scale and bulk volumes. The Council benefits from ongoing support from LASER including reporting and tracking, data capture and in-house expertise who can offer a range of advice.

9.2 Switching to electricity supply that is sustainable and generated by zero-carbon sources is essential for meeting the Council's 2030 carbon neutral target and within the LASER Framework, there is only one option for doing so that is practically possible and would not incur prohibitive costs.

10. BACKGROUND INFORMATION:

Useful links / previous reports etc to assist the reader – the danger with links are that if the report is moved are archived that link with not work.

11. BACKGROUND PAPERS

None

12. APPENDICES

Please list any appendices referred to in the main body of the report giving their title/

13. CONTACTS

Jamila Atta
Energy and Sustainability Coordinator
Jamila.atta@richmondandwandsworth.gov.uk
020 8871 8864

David Sharp
Assistant Director (Property Services)
David.sharp@richmondandwandsworth.gov.uk
020 84875108

Jon Evans
Assistant Chief Executive
Jon.evans@richmondandwandsworth.gov.uk
020 871 7815

Mark Glaister
Head of Procurement
Mark.glaister@richmondandwandsworth.gov.uk
020 8871 5828

Cllr Robin Brown
Finance and Resources Lead Member
cllr.r.brown@richmond.gov.uk

Cllr Gareth Roberts
Leader of the Council
Cllr.G.Roberts@richmond.gov.uk

Appendix 1- Richmond cost avoidance

Description	Avoided Cost £/pa for LB Richmond
Lower Supplier Management Fees - reduced fees from your gas and electricity suppliers compared to buying as a stand-alone customer. This has been shown to reduce delivered energy costs by ~4% pa.	£71,158
Shaping Benefits - Aggregating the volumes of multiple customers flattens the overall usage profile, allowing our traders to purchase more as baseload (24/7 energy) and less as peak-load (7am - 7pm energy, which is more expensive).	£9,738
Entire Market Pricing - When LASER submits a bid to buy a block of energy, our suppliers are compelled to put this bid into the open market. This means we receive the lowest price anyone in the entire market is prepared to offer, not just the price our own supplier will sell at	£4,613
Flexibility of Trading - our large energy purchase volumes mean we can buy larger blocks of energy over the market, which come at a discount to buying smaller blocks of energy.	£1,201
Volume Tolerance - penalty clauses appear in most energy supply contracts when usage falls outside ±10% of a customer's contracted usage. LASER's volume tolerances apply at the aggregated customer level (rather than individual customer level). This minimises the risk of volume tolerance penalty charges being incurred. To date, no LASER customer has incurred a penalty charge for using more or less energy than predicted	£848
LASER's track record in monitoring the market and buying at lower than average market prices. This calculation compares the prices achieved by LASER for the period Oct 13 - Sep 17 with the average market price (the average traded price of energy in the 2-years in advance of the supply start date). Savings are annualised.	£45,135
Transparency of pricing – LASER’s flexible frameworks require the suppliers to give a full and transparent breakdown of all energy and non-energy cost components included in contract pricing prior to opening bills being issued. LASER then validates this breakdown, at customer account level, to ensure all cost components are correctly calculated. This typically reduces delivered energy prices by 0.75% per annum	£13, 342