

Finance and Resources Committee

10.00a.m., Thursday, 15 August 2019

Contract Award for the Supply of Electricity to Council Properties

Routine
Wards
Council Commitments

1. Recommendations

That Committee;

- 1.1 Notes that, through the national agency agreement which the Council is a party to, the Scottish Government have, on behalf of the Council, awarded a contract to EDF Energy Customers Ltd for the supply of electricity to the Council, for the period 1 April 2019 to 31 March 2021.

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Report

2. Executive Summary

- 2.1 A new Scottish Government Framework Agreement (Framework) for the Supply of Electricity for the Scottish Public Sector was awarded, on 1 April 2018, to EDF Energy Customers Ltd.
- 2.2 On 21 June 2019, a 2-year contract for the Council's electricity supply was awarded by the Scottish Government through the Framework for the period 1 April 2019 to 31 March 2021. The contract has an estimated value of £22,301,000 for the full contract period. Based on the Council's consumption, the forecast cost avoidance savings through the use of this framework are estimated at £590,000 over the 2-year contract period.

3. Background

- 3.1 On 20 March 2012, the Finance and Resources Committee approved an Agency Agreement between the Council and the Scottish Ministers allowing the Scottish Government to procure both gas and electricity on the Council's behalf and on the behalf of all other participating public sector organisations.
- 3.2 A new framework for the Supply of Electricity to the Scottish Public Sector was then awarded on 1 April 2018 by the Scottish Government to EDF Energy Customers Ltd for a period of three years with the option to extend for three 12-month periods to 31 March 2024, at the sole discretion of the Scottish Government.
- 3.3 As the first year of the framework was only available to the Scottish Government to enable forward buying of electricity, the Framework became available for wider public sector on 1 April 2019.

4. Main report

- 4.1 The Scottish Government followed a robust tendering process in accordance with Public Contracts (Scotland) Regulations 2015 to award the 2018 framework. Three compliant bids were received and a price: quality ratio of 50:50 was used to ensure that best value was achieved, with EDF Energy Customers Ltd being the successful bidder.
- 4.2 The Scottish Government utilised the first year of the framework for wholesale trading using a flexible purchasing model to ensure that advantageous rates were available to the Scottish public sector at contract start. Pre-purchase of energy continues throughout the life of the framework via a robust process and is overseen

by a Risk Management Committee (comprising of representatives from Central Government, Local Authorities, NHS and others), adhering to strict rules of exposure limits and their risk management strategy. The flexible purchasing model smooths out the peaks and troughs of market fluctuations and avoids payment of a 'risk -premium' to suppliers, whilst improving budget predictability, in order to keep cost down.

- 4.3 As per the Agency Agreement between the Scottish Ministers and the Council, the Scottish Government carried out the tendering of electricity supply on the Council's behalf.
- 4.4 On 21 June 2019, the Scottish Government, on behalf of the Council, awarded a contract for the supply of electricity to the Council for a 2-year period (from 1 April 2019 to 31 March 2021).

5. Next Steps

- 5.1 The new contract pricing will take effect immediately for sites within the Council estate currently registered with EDF Energy Customers Ltd. New sites requiring transfer will be processed for registration and access to the contract rates within the first 12 months of the contract.

6. Financial impact

- 6.1 The UK has recently been subject to significant energy price increases. Year 1 of this contract will result in an approximate price increase of 12%, and year 2 with an additional increase of approximately 6%.
- 6.2 Based upon the Council's electricity consumption, the 2-year contract is valued at approximately £22,301,000.
- 6.3 Through the framework the Scottish Government have made cost avoidance savings by flexible trading of wholesale electricity, removal of third party intermediaries (commission payments) and favourable management fees for the contract duration.
- 6.4 Based on the Council's consumption, the forecast cost avoidance savings are estimated at £590,000 over the 2-year contract period.
- 6.5 The billing rate for 1 April 2019 to 31 March 2020 has been fixed. Year 2 wholesale energy is still currently being traded and therefore is a forecast. It should be noted that figures are subject to change due to the nature of the commodity.
- 6.6 The Council's budget framework includes provision to recognise the impact of increasing energy tariffs on its expenditure. When account is taken of both the net impact of the ending of the Carbon Reduction Commitment scheme and parallel changes to Climate Change Levies, the overall level of provision contained within the framework is anticipated to be sufficient to meet the tariff increases set out within this report.

- 6.7 Utilisation of the Agency Agreement with the Scottish Ministers remains the best route to market for utility supplies through aggregated Public Sector spend and continues to offer best value to the Council.
- 6.8 The costs associated with procuring this contract are estimated to be up to £10,000.

7. Stakeholder/Community Impact

- 7.1 The Scottish Government engaged with the market by publishing a Request for Information on Public Contracts Scotland in 2017, with six suppliers responding which were considered when formulating the Procurement Strategy.
- 7.2 EDF Energy Customers Ltd:
- are Living Wage Foundation accredited;
 - do not operate Zero Hours contracts; and
 - are signed up to the Scottish Governments Scottish Business Pledge.
- 7.3 Sustainability benefits achieved as a result of the framework include a range of Energy Efficiency Services available as additional services;
- 7.4 Community Benefits are available via the framework and engagement is set to begin in the coming months, Benefits will be recorded and measured using the benefits system. The Community Benefits available via this framework are as follows:
- apprenticeship training programmes including apprentice schemes for EDF Energy's renewables business in Scotland;
 - work experience placements for school pupils, funding transport and lunches to enable children from deprived areas to take part;
 - work with local authorities to register schools with EDF Energy's online schools programme 'The Pod' - focusing on energy, Science, Technology, Engineering and Mathematics (STEM); and
 - support for schools to engage in EDF's supported education and training schemes including the Engineering Education Scheme (EES) and Go4SET programme with the Engineering Development Trust (EDT) Scotland in local high schools.

8. Background reading/external references

- 8.1 Finance and Resources 20 March 2012, seeking approval for the Council to adopt The Scottish Government Agency Agreement - [Item 18 Agency Framework Agreements for the Purchase and Supply of Electricity and Natural Gas on Behalf of the City of Edinburgh Council](#)
- 8.2 Finance and Resources 20 March 2012 Minutes of approval (refer to No. 16) – [Minute 20 March 2012](#)

9. Appendices

- 9.1 N/A