

REQUEST FOR DEPUTY MAYOR FOR FIRE & RESILIENCE DECISION – DMFD60

Title: Electricity and Gas Contracts

Executive Summary:

Report LFC-0309 seeks approval for the London Fire Commissioner to enter into a contract for the supply of gas and electricity, at an expected annual cost of £814,000 for gas and £1,650,000 for electricity, with an annual allowance for inflation and market conditions, to ensure the continuity of gas and electrical provision to the LFC estate. The contract will run for an initial two-year term with an option to extend for a further three years.

The London Fire Commissioner's (LFC) framework agreement with Crown Commercial Services (CCS) for the provision of electricity and gas expires on 1 April 2020, following notification that they will be unable to meet the increased service provision of certified green energy as part of the wider London Energy Project (LEP) requirements and that of carbon reduction through the LFC's Carbon strategy and the Mayor's London Environment Strategy (LES).

Following an evaluation by LEP members, LASER (a wholly owned subsidiary of Kent County Council) was selected to deliver a pan-London energy supplier framework due to their capability, resource capacity and market experience, and lower fees for supplier procurement

This paper proposes new energy suppliers for the provision of electricity and gas, which are certified under the Electricity Guarantee of Origin (REGO) and the Green Gas Certified Supply (GGCS) schemes.

The London Fire Commissioner Governance Direction 2018 sets out a requirement for the London Fire Commissioner to seek the prior approval of the Deputy Mayor before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...".

Decision:

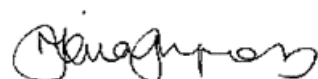
That the Deputy Mayor for Fire and Resilience authorises the London Fire Commissioner to enter into a contract for gas and electricity contracts for up to five years, expected to incur estimated expenditure of £814,000 and £1,650,000 per annum respectively, with an annual allowance for inflation and market conditions, to ensure the continuity of gas and electricity provision to the London Fire Brigade estate.

Deputy Mayor for Fire and Resilience

I confirm that I do not have any disclosable pecuniary interests in the proposed decision.

The above request has my approval.

Signature:



Date:

7 April 2020

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE DEPUTY MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 Report LFC-0309 to the London Fire Commissioner (LFC) sets out the background for the request to approve expenditure on gas and electricity contracts. The Mayor's London Environment Strategy was published in May 2018 with the support of the former London Fire and Emergency Planning Authority (LFEPA) (FEP 2797). This reinforced the Greater London Authority (GLA) group-wide aim of a 60% CO₂ reduction target and set a further carbon-zero target for 2050. Additionally, it set out a policy aim that more is done to increase the amount of available renewable energy, through both onsite installations and the grid, with the GLA group leading by example.
- 1.2 The LFC's Carbon Strategy (LFC-0256) sets out an action plan to deliver the carbon reduction targets through a combined approach of improving building energy efficiency, moving to 100% certified renewable electricity supply, and the use of Power Purchase Agreements to support new renewable generated electricity. An aim of the carbon strategy is to achieve certifiable renewable electricity/gas supplies as a means of achieving the 2025 target.
- 1.3 The LFC is a member of the London Energy Project (LEP), as is Transport for London, the Metropolitan Police Service, 29 London boroughs, six other authorities and 36 NHS sites.
- 1.4 The LEP is a collaborative category management resource, supporting collaborative best practice in purchasing energy through aggregation of demand volumes with other public sector organisations.
- 1.5 The LFC is part of the LEP CCS contract that will expire on 1 April 2020 and, therefore, the LFC's utility supply contracts for an agreed (p/Kw) contract rate for electricity and gas will expire on 1 April 2020 and will revert to a default (p/Kw) contract rate, which will be less favourable than an agreed contract rate under a supplier framework agreement.

2. Objectives and expected outcomes

Energy procurement market

- 2.1 During 2016/18, LEP members recognised that the existing CCS framework had not been delivering their organisational objectives and service level requirements, such as providing certified renewable energy suppliers and that of managing the suppliers SLA of providing accurate and timely billing. Given the above, LEP members engaged the market with the aim of identifying the best route to market for purchasing energy needs to optimise the price (p/Kw), address service level concerns and obtain certifiable renewable energy.
- 2.2 At that point, the LFC was (and still is) a member of the CCS framework (and continues to be until the 1 April 2020 after notice was given). The LASER contract which LFC wishes to join was carrying out negotiations over an 18-month period parallel to the CCS framework with interested parties who required certified green electricity and gas to work towards the Mayor's directive of carbon reduction.
- 2.3 Following an evaluation by LEP members, LASER (a wholly-owned subsidiary of Kent County Council) was selected to deliver a pan London energy supplier Framework due to their capability, resource capacity and market experience, and lower fees for supplier procurement.
- 2.4 LASER issued an open supplier contract notice in April 2019 on behalf of the LEP members for the provision of electricity and gas. This was unsuccessful so an alternative OJEU compliant approach was identified to address LEP members' requirements for transactional efficiency, online portal, budget tools, customer service and wider strategic objectives including social value and certified green

energy. These enhanced requirements were tendered through a mini competition within LASER's existing framework of suppliers. The successful suppliers were:

- **Gas Y18002** – Corona Energy
- **Electrical Y18003** – NPower Ltd

- 2.5 An advantage of using the LASER framework is that aggregate energy volumes of LEP members will achieve a very competitive market price for (p/Kw) in a complex and fast-moving wholesale energy market. In addition, the LASER suppliers are certified under the Renewable Electricity Guarantee of Origin (REGO) and the Green Gas Certified Supply (GGCS) to supply green (renewable) energy.
- 2.6 The initial LASER framework contract term for both the gas and electricity suppliers expires in March 2022 but can be rolled over annually until 2025 unless terminated in accordance with the contract provisions. Supply volumes will be purchased 12 months forward of buying commitments, providing intervals to remove sites from the contract that have been sold, closed or leased without penalty.

Revenue Budget

- 2.7 Table 1 shows the current CCS Framework energy costs, with Table 2 showing the projected energy costs under LASER framework, both tables use a 3% increase per annum.

Table 1 – Forecasted gas/electrical revenue budget under CCS Framework

Year	19/20(£)	20/21(£)	21/22(£)	22/23(£)	23/24(£)	24/25(£)
Electricity	1,511,190	1,960,447	2,057,754	2,161,754	2,320,754	2,320,754
Gas	760,014	783,014	806,014	829,014	829,014	829,014
Total	2,271,205	2,743,492	2,863,769	2,990,769	3,149,769	3,149,769

Table 2 - Forecasted gas/electrical revenue budget under LASER Framework

Year	19/20 (£)	20/21(£)	21/22(£)	22/23(£)	23/24(£)	24/25(£)
Electricity	N/A	1,649,867	1,699,363	1,750,343	1,802,854	1,856,939
Gas	N/A	813,562	837,968	863,107	889,000	915,670
Total	N/A	2,463,429	2,537,331	2,613,450	2,691,854	2,772,609

- 2.8 The above forecasting includes for the future provision of Green Gas, which will not be immediately available, but will be applied as it becomes more readily available during the contract term, this aligns with the strategies of the wider GLA family, due to current cost of green gas.
- 2.9 The cost of the proposed LASER framework is lower than the current CCS Framework. This is on the qualification that consumption remains as 2019/20 and the target of 12% self regeneration is achieved through the use of on-site renewables.
- 2.10 In addition to the energy cost the ongoing metering costs need to be considered. These are £65,000 per annum plus inflation. This needs to be deducted to give a true reflection of this proposal. Table 3 demonstrates the forecasted saving.

Table 3 – Forecasted saving from April 2020

Year	20/21(£)	21/22(£)	22/23(£)	23/24(£)	24/25(£)
Metering Costs	(65,000)	(66,950)	(68,958)	(71,027)	(73,158)
Potential savings	280,032	326,437	377,318	457,914	377,159
Adjusted savings	215,032	259,487	308,360	386,887	304,001

- 2.11 The LFC's ability to deliver savings and move to more sustainable energy may be impacted by needing to revert to default contract rates between 1 April 2020 and the start of the new contract which is forecast for Q2 2020/21. The quickest time that the contracts can be signed with LASER is one month but depending on timing it may stretch to two months if any issues occur. Contracts will begin on the first of the month (either May or June 2020).

3. Equality comments

- 3.1 The London Fire Commissioner and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
- 3.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 3.3 The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.
- 3.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
- (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.5 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it (;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

- 3.6 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 3.7 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—
- (a) tackle prejudice, and
 - (b) promote understanding.
- 3.8 An Equality Impact Assessment (EIA) has not been undertaken as the proposals in this report will not have a disproportionately adverse effect on any persons with a particular characteristic, given this is a procurement contract for utilities.

4. Other considerations

Workforce comments

- 4.1 No workforce implications are foreseen.

Sustainability implications

- 4.2 Report LFC-0309 proposes the award of new energy supply contracts under the LASER Frameworks that will enable the LFC to take forward one of the aims of the Mayor's LES, to establish a PPA through its utility provider for the supply of new renewable energy generation in the UK and contributing towards the LFC's carbon reduction target.
- 4.3 The Frameworks also include social value elements such as paying employees the London Living Wage and apprenticeship opportunities that are not included in the existing CCS frameworks. This will further enhance the LFC's implementation of the GLA Group Responsible Procurement policy.

5. Financial comments

- 5.1 Report LFC-0309 recommends that the LFC delegates authority to the LFC's Head of Property to enter into a two-year contract for the provision of electricity and gas, with the option to extend for a further three years. This is at an estimated cost of £1,650,000 for electricity and £814,000 for gas in 2020/21 with a 3% increase per annum forecast thereafter. It should be noted that actual spend will vary according to demand and will be reported on as part of the regular financial position reporting.
- 5.2 The budget requirements set out in report LFC-0309 are below current forecasts and will result in an average ongoing saving of £215,000 over the current four-year planning period for 2023/2024. This budget reduction has been included in the LFC's final March 2020/21 budget report.
- 5.3 The out of contract rates could be in the region of 35% higher; it is dependent on market conditions at the time. However, to give a better indication of the costs, the LFC has contacted its current suppliers EDF (Electricity) and Corona (Gas) who have provided both out of contract cost details below as of 1 April 2020:
- EDF Electricity costs per month based on present usage circa **£35,000 extra a month**
 - Corona Gas costs per month **£101,805 extra a month**

6. Legal comments

- 6.1 Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
- 6.2 By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").
- 6.3 Paragraph (b) of Part 2 of the said direction requires the Commissioner to seek the prior approval of the Deputy Mayor before "[a] commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices...".
- 6.4 The statutory basis for the actions proposed in this report is provided by sections 7 and 5A of the Fire and Rescue Services Act 2004 ("FRSA 2004"). Section 7 (2)(a) FRSA 2014 the Commissioner has the power to secure the provision of personnel, services and equipment necessary to efficiently meet all normal requirements for firefighting and section 5A allows the Commissioner to procure personnel, services and equipment they consider appropriate for purposes incidental or indirectly incidental to their functional purposes.
- 6.5 The LFC's General Counsel also notes that the proposed energy supply service has been procured in compliance with the Public Contracts Regulations 2015 and the Commissioner's Scheme of Governance, and the use of renewable energy supplies assists the GLA's aims on carbon reduction targets.

Appendices and supporting papers:

Appendix 1: LFC-0309 – Gas and Electricity Contracts.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? Yes**

If YES, for what reason:

The commercial interests of the London Fire Commissioner require deferral of the decision until after the cooling off period for the contract award has expired.

Until what date: 1 August 2020

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

Richard Berry has drafted this report with input from the LFC and in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service

Niran Mothada has reviewed the documentation and is satisfied for it to be referred to the Deputy Mayor for Fire and Resilience for approval.

✓

Advice

The Finance and Legal teams have commented on this proposal.

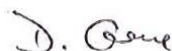
✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 6 April 2020.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature**Date**

7 April 2020