

Report title

Electricity & Gas Contracts

Report to
Corporate Services DB
Commissioner's Board
Deputy Mayor's Fire and Resilience Board

Date
4 February 2020
12 February 2020
24 March 2020

Report by
Head of Property

Report number
LFC-0309
FRB-0110

Protective marking: **OFFICIAL**

Publication status: Published with redactions

Summary

The London Fire Commissioner's (LFC) framework agreement with Crown Commercial Services (CCS) for the provision (Electricity and gas) expires on 1st 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).

The London Fire Commissioner's (LFC) utility supply contracts for an agreed (p/Kw) contract rate for electricity and gas expire on the 1st April 20 and will revert to a default (p/Kw) contract rate, which will be less favourable than an agreed contract rates under a supplier framework agreement.

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

The LFC's Carbon strategy (LFC 256) 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 achieve the 2025 target.

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

Recommended decisions

That the London Fire Commissioner :

1. Gives authority to the Head of Property to enter into a framework agreement with LASER for the provision of energy supplier contracts and for this to continue unless terminated by the London Fire Commissioner;
2. Delegates Procurement Authority to award utility supplier contracts within the LASER framework to ensure the continuity of gas and electrical provision to the LFC estate, of £814k and £1,650k respectively, with an annual allowance for inflation and market conditions.

Background

1. The Mayor's LES was published in May 18 with the support of LFEPA (FEP 2797). This reinforced the Greater London Authority (GLA) groups 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.
2. The LFC's Carbon strategy (LFC 256) 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.
3. The LFC is a member of the LEP, as is Transport for London, the Metropolitan Police Service, twenty nine (29) London Boroughs, six (6) Regional Authorities' and thirty six (36) NHS sites.
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. Both TfL and MPS are LEP members.
5. The London Fire Commissioner's (LFC) utility supply contracts for an agreed (p/Kw) contract rate for electricity and gas expire on the 1st April 20 and will revert to a default (p/Kw) contract rate, which will be less favourable than an agreed contract rates under a supplier framework agreement.

Energy procurement market

6. 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.
7. 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.
8. LASER issued an open supplier contract notice in April 19 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 Lasers existing framework of suppliers. The successful suppliers were:

- **Gas Y18002** – Corona Energy
- **Electrical Y18003** – N Power Ltd

10. 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.
11. 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

12. 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

13. 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.

14. The cost of the proposed LASER framework is lower than the current CCS Framework. This is on the qualification that consumption remains as 19/20 and the target of 12% self regeneration is achieved through the use of on site renewables.
15. In addition to the energy cost the on going metering cost need to be considered. These are £65K 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 20/21

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

16. LFC ability to deliver savings and move to more sustainable energy maybe impacted by needing to revert to default contract rates between April 1st and the start of the new contract which is forecast for Q2 20/21.

Finance comments

17. This report recommends that delegated authority is approved to enter into a two year contract is for the provision of electricity and gas, with the option to extend for a further three years. This is at an estimated cost of £1,650k for electricity and £814k 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.
18. The budget requirements set out in this report are below current forecasts and will result in an average ongoing saving of £215k over the current four year planning period for 2023/24. This budget reduction will be included in the final March 2020/21 budget report.

Workforce comments

19. No workforce implications are foreseen.

Legal comments

20. 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.
21. 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").

22. 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...".
23. 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 2004 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.
24. 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 .

Sustainability implications

25. This report 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.
26. 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.

Equalities implications

27. The London Fire Commissioner and decision takers 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.
28. 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.
29. 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, Sexual orientation.
30. The Public Sector Equality Duty requires us, in the exercise of all our functions (i.e. everything we do), 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.

31. 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.

32. 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.

33. 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.

34. 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.

List of Appendices

Appendix	Title	Protective Marking
1.	None	

Consultation [Note: this section is for internal reference only – consultation information for public consideration should be included within the body of the report]

Name/role	Method consulted
Nicole Fletcher, Sustainable Development LFC	Meetings and draft circulation .