



City of Westminster Cabinet Member Report

Decision Maker:	Cabinet Member for Finance and Corporate Services
Date:	13 December 2016
Classification:	General Release Appendix B – Not for Publication
Title:	Decision to Renew the Model Contracts for EDF and Corona Energy under the Crown Commercial Services Framework
Wards Affected:	All
Better City, Better Lives Summary	Through Crown Commercial Services (CCS) Framework the council has access of below the average market prices for the Electricity and Gas.
Key Decision:	Yes
Financial Summary:	Through the CCS contract the Council pays c£2.5m for electricity and c£700k for gas per annum. The CCS contract generated savings against the average market price of £60k for electricity (2.4%) and £24k for Gas (3.4%).
Report of:	Executive Director of Growth, Planning & Housing

1. Executive Summary

- 1.1 Westminster City Council has sourced its energy requirements through a Customer Access Agreement with the Crown Commercial Services (CCS) since 2012. This Agreement complies with the requirements OJEU procurement process.
- 1.2 In 2015, The London Energy Project (LEP) concluded that CCS procurement performance was still in line with the recommendation of the Pan Government Energy project, providing value for money for the commodity price achieved against the average market prices that were available.
- 1.3 CCS procures energy in the wholesale energy market and uses EDF, British Gas and Corona to supply the energy to WCC. The Council purchases energy from CCS through the suppliers under a Model Contract, the terms of which have been negotiated by CCS. At the moment, the British Gas model contract expires on 2017. However WCC needs to renew the Model Contracts with EDF and Corona-Energy (which expired on

31/03/2016), in order to secure electricity and gas on the terms secured by CCS under its extended contractual arrangement of 4 years with EDF and Corona-Energy.

- 1.4 Under these two frameworks EDF and Corona-Energy will supply the Council with electricity and gas respectively. The Council shall receive these utilities at the agreed rates for a period of 12 months on a rolling basis. If the Council wishes to leave the contract it has until the end of September each year to notify CCS of its intention to terminate its Customer Access Agreement.

2. Recommendations

- 2.1 That Appendix B of this report be exempt from disclosure by virtue of the Local Government Act 1972 Schedule 12A, Part 1, Paragraph 3 (as amended), in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
- 2.2 The recommendation is for the Cabinet Member for Finance and Corporate Services to approve the execution of the Model contracts with EDF and Corona Energy for the period 1st April 2016 to 31st March 2020 in order for the council to use the two supplier frameworks.
- I. *EDF – Framework Agreement for the provision of electricity supply ancillary services and additional goods works and services.* Product: Electricity – Large supplies and Unmetered supplies.
 - II. *Corona Energy – The supply of Natural Gas (Daily/Non Daily metered) and Ancillary Services.* Product: Gas.
- 2.3 The recommendation is for the Cabinet Member for Finance and Corporate Services to delegate the decision as to whether to accept the utilities rates offered (on a 12 months rolling basis) by the CCS framework each September to the Executive Director of GPH who will notify CCS accordingly.

3. Reasons for Decision

- 3.1 The previous Model Contracts with EDF and Corona-Energy have expired on 31st March 2016.
- 3.2 If the council does not sign the model contracts we are at risk of being ejected from the CCS framework and being charged significantly more (+40-100%) for our energy until such time as alternative arrangements can be put in place. It would take the council a significant period of time to secure a new contract with a different energy buying group that follows the government recommendations. Meanwhile, the council could be paying increased electricity and gas rates with no additional benefits. Furthermore, the Council does not have the same buying capability as CCS whom buys energy of behalf of central government and wider public sector organisations.
- 3.3 To continue making use of the CCS' energy procurement services, WCC needs to sign the contracts with EDF and Corona Energy, the sole suppliers under CCS' Framework. CCS procures these frameworks in an OJEU compliant manner.

4. Background, including Policy Context

- 4.1 The Council is currently following the recommendation of the Pan-Government Energy Project (now part of the Cabinet), which advises that public organisations should adopt aggregated, flexible and risk-managed energy procurement.
- 4.2 Flexible purchasing allows the price of raw energy to be fixed over a number of favourable trades in the wholesale market, over a specific period. Some of the main benefits over the traditional fixed-price, fixed-term include:
- A transparent pricing method
 - Purchasing on the wholesale market
 - Adoption of a risk management strategy.
- 4.3 The Council has been using the Crown Commercial Services (CCS) as the Central Purchasing Body and three different suppliers for the different utility products. CCS is an executive agency and trading fund of the Cabinet Office of the UK Government.
- Half-Hourly (HH) Electricity (large supplies) – Supplier EDF energy, c.£2.5m
 - Gas – Supplier: Corona Energy. c.700K.
- 4.4 The Customer Access Agreement was signed with CCS (previously known as Buying Solutions – signed in February 2012) and the prices are renewed every April and the notice should be served by end of September.
- 4.5 The strategy used to procure the Council's energy is known as Flexible Procurement. Under this strategy, volumes of energy are purchased during 6-month and 12-month windows from each October prior to the supply start contract each April. The principal is that with this tactic CCS can procure portions of energy when the prices are favourable – managing the risk, instead of purchasing energy in a single day at higher risk.
- 4.6 To formalise the contracts, the authority has signed with CCS a Customer Access Agreement (CAA) which covers the formal legal agreement between CCS and the Council to use the energy framework.
- 4.7 CCS procures energy in the wholesale energy market and uses EDF, British Gas and Corona Energy to supply the energy to WCC. The Council purchases energy from CCS through the suppliers under the terms of a Model Contract, terms of which have been negotiated by CCS.
- 4.8 At the moment, Westminster City Council needs to renew the Model Contracts with EDF and Corona Energy in order to secure electricity and gas on the terms secured by CCS, as it has extended its contractual arrangement for another 4 years with EDF and Corona Energy.
- 4.9 Under these two frameworks EDF and Corona Energy shall supply the council with electricity and gas respectively. The Council shall receive these utilities against the agreed rates for a period of 12 months in a rolling basis. If the Council wishes to leave

the contract it has until the end of each September to notify CCS if its intention to leave the Customer Access Agreement.

5. Financial Implications
Please see Appendix B – Confidential Information

6. Legal Implications

- 6.1 Procurement of public contracts requires appropriate advertisement which is met by a procurement exercise published in the Official Journal of the European Union. In this case it is for goods in excess of the advertisement threshold.
- 6.2 Provided that compliance with the call off procedures stated in each of the framework terms is established and that there is sufficient available expenditure within the framework such an award will be compliant with the Council's standing orders and the Public Contracts Regulations 2015.
- 6.3 Confirmation from the CCS should be received that the Council has access to the relevant frameworks.
- 6.4 Legal Implications provided by Jonathan Miller Tri-Borough Legal Services (21/09/2016).

7. Staffing Implications

N/A

8. Consultation

N/A

If you have any queries about this Report or wish to inspect any of the Background Papers please contact:

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BACKGROUND PAPERS:

EDF model contract

Corona Energy model contract

Combined Gate 1 & 2 Model Contracts

NB: For individual Cabinet Member reports only

For completion by the **Cabinet Member** Finance and Corporate Services.

Declaration of Interest

I have <no interest to declare / to declare an interest> in respect of this report

Signed:

Date:

NAME: Councillor Tim Mitchell, Cabinet Member For Finance and Corporate Services

State nature of interest if any
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(N.B: If you have an interest you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendations in the report entitled **Decision to Renew the Model Contracts for EDF and Corona Energy under the Crown Commercial Services Framework** and reject any alternative options which are referred to but not recommended.

Signed

Councillor Tim Mitchell, Cabinet Member for Finance and Corporate Services

Date

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:
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If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.

Other Implications

- 1. Resources Implications N/A**
- 2. Business Plan Implications N/A**
- 3. Risk Management Implications N/A**
- 4. Health and Wellbeing Impact Assessment including Health and Safety Implications N/A**
- 5. Crime and Disorder Implications N/A**
- 6. Impact on the Environment N/A**
- 7. Equalities Implications N/A**
- 8. Staffing Implications – see paragraph 4.8, 4.9 and 4.10 of guide N/A**
- 9. Human Rights Implications N/A**
- 10. Energy Measure Implications N/A**
- 11. Communications Implications N/A**

Note to report authors: If there are particularly significant implications in any of the above categories these should be moved to the main body of the report.