

REPORT TITLE: RENEWAL PROCUREMENT OF THE COUNCIL ENERGY SUPPLY CONTRACT

11 SEPTEMBER 2024

REPORT OF CABINET MEMBER: Cllr Martin Tod, Leader and Cabinet Member for Asset Management

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WARD(S): ALL

PURPOSE

The purpose of this report is to seek approval to continue using the LASER Energy Framework for the supply of gas and electric to the council for a 4-year period, commencing April 2025.

By making the correct decision on energy procurement it ensures Winchester City Council is able to secure a competitive energy contract for the coming four years. The previous contract saved over £500,000 against market energy prices.

In addition, through the correct energy procurement strategy it ensures that Winchester City Council continues to purchase green energy. This assists the council with meeting its net zero targets and is addressing the climate emergency.

RECOMMENDATIONS:

1. Approve procurement of electricity and gas via end user agreements with Hampshire County Council, under the LASER Energy Framework.
2. Agree that the energy Winchester City Council consumes is purchased in a flexible manner by Hampshire County Council, using the existing energy purchasing strategy of both “purchase in advance” and “purchase within period”.
3. Agree to continue to purchase green electricity and green gas as per the existing contracts.

4. Agree that the Strategic Director be authorised to enter into call off agreements via the LASER Energy Framework for the duration of the contract (4 years).
5. Agree that delegated authority be granted to the Service Lead: Legal to execute and enter into all necessary contractual agreement.

## IMPLICATIONS:

### 1 COUNCIL PLAN OUTCOME

- 1.1 Tackling the Climate Emergency and Creating a Greener District
- 1.2 The council currently procures renewable electricity through the existing end user agreement with Hampshire County Council (HCC). Green electricity is purchased via Renewable Electricity Guarantee of Origin (REGO) certificates. Green gas is procured through Total Energies via a call off contract on the LASER Framework. Green gas is purchased via Renewable Gas Guarantees of Origin (RGGO) certificates. The purchase of certificated green/renewable energy will ensure the council can continue to report lower carbon emissions.
- 1.3 By continuing to purchase REGO certificates for the council's electricity, the council will save 481 tonnes CO<sub>2</sub>e in comparison to DESNZ's 2024 standard UK grid electricity carbon emissions factor. The forecast annual carbon saving for the purchase of gas RGGO certificates is 331 tonnes CO<sub>2</sub>e. This equates to a saving of 36.8% against our total market-based scope 1 and 2 CO<sub>2</sub>e emissions in 2022-23.

### 2 FINANCIAL IMPLICATIONS

- 2.1 Forecast Energy Cost
- 2.2 The table below shows forecast energy costs by financial year until March 2029 for the duration of this contract. The total energy cost over the four years (April 2025 to March 2029) are forecast to be £3.75 million. Existing baseline budgets are in place and expected to cover forecast costs in 2024/25. Future prices are uncertain but the estimates below show a reduction in costs is expected compared to 2024/25. Budgets are adjusted annually in line with annual forecasts and any increase in costs would be met by contractual inflation budgets as part of the MTFS.
- 2.3 Green energy in the form of RGGOs was introduced in April 2024 and it was agreed that 2024/25 costs would be funded from the climate emergency general fund budget. In order to continue RGGOs from 2025/26 onwards a budget growth bid of £28k and rising to £39k by 2028/29 will be required. This is expected to be proposed in the November MTFS Cabinet paper.
- 2.4 Energy prices cannot be forecast accurately due to volatility in energy markets, variable energy usage, rising non commodity energy costs and the extent of the electrification of energy use (heat pumps/EV charging etc). This table also includes the costs of green energy, management fees and AMR. A breakdown of renewable tariff costs, AMR and management fees can be found below in section 11.6.

WCC Forecast Energy Costs by Financial Year					
Year	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
<b>Electricity (£)</b>	£881,979	£720,712	£762,801	£792,398	£815,377
<b>Gas (£)</b>	£155,679	£155,617	£164,705	£166,253	£171,074
<b>Total Energy (£)</b>	£1,037,658	£876,328	£927,506	£958,651	£986,452

- 2.5 Using 2024-2025 as an example the breakdown between GF and HRA is shown in the table below. A similar percentage split between GF and HRA is likely to continue, assuming no material changes in the council's estate and in building operation.

Utility	GF (£)	HRA (£)	GF (%)	HRA (%)
<b>Electricity (£)</b>	£478,407	£403,572	54%	46%
<b>Gas (£)</b>	£56,156	£99,523	36%	64%
<b>Total Energy (£)</b>	£534,563	£503,095	52%	48%

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 The LASER Energy Framework Agreement to which this report relates was established in accordance with the provisions of Regulation 33 of the Public Contracts Regulations 2015 and is fully compliant with the Public Contract Regulations 2015 and the council's own Contract Procedure Rules.
- 3.2 The council may select one or more contractors from a Framework established by a public body where the council has been identified in the Contract Notice as an approved user. The council is permitted to use the framework without having to run separate tender processes for either the appointment of energy suppliers or contract management services.
- 3.3 Utilising the services of HCC via the Framework agreement enables the council to navigate the complexities of a rapidly evolving energy procurement market whilst maximising the benefits of public sector collaboration.
- 3.4 Npower and Total Energies are the council's incumbent suppliers and are also the top ranked suppliers on the LASER Energy Frameworks including on price and social value. The proposal is to direct award call-off contracts to these two organisations and this is permitted by the Frameworks.
- 3.5 The council will enter into gas and electricity supply third party deeds of agreement with Hampshire County Council. As specified in the agreement this

will be on supplier terms and conditions with framework providers for a 4-year period. This will enable the procurement of energy through HCC who are on the LASER Framework.

#### 4 WORKFORCE IMPLICATIONS

- 4.1 It is proposed that the works will be managed and administered by officers within the Asset Management Team.

#### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 The council's operational properties will benefit from the supply of renewable electricity. These include offices, sheltered housing schemes, communal areas such as stairwells within council housing blocks, public conveniences, sport pavilions, sewage treatment works and car parks.
- 5.2 The Council's properties also benefit in the same way from green gas. Scope 3 properties (where energy use is not under the council's control) are excluded from the procurement of green gas. These sites are Danemark Court, Makins Court, Matilda Place, Milford/Gordon Watson House and Whitewings House. Green gas can be secured for these supplies in the future should it be decided. Having this control is important because green energy costs more, the council can help protect tenants financially during this cost of living crisis by either not securing a green tariff for certain supplies or by choosing not to pass on green energy costs.
- 5.3 Serviced charged properties will also benefit from the council's cheaper energy rates when they are billed. Due to the buying power of Hampshire County Council they have access to an energy contract type they would not typically have access to.

#### 6 CONSULTATION AND COMMUNICATION

- 6.1 Consultation has taken place with Hampshire County Council's energy Framework Manager/wider energy team and WCC's estates team. There is also consultation between WCC Procurement, WCC Legal, WCC Finance and the Carbon Neutrality Action group.

#### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Contracting with Hampshire County Council who are on the LASER Framework would contribute toward fulfilment of the Winchester Climate Emergency Carbon Neutrality Action Plan. Winchester City Council aims to be a carbon neutral organisation by 2024, a key pathway identified to achieve this is to increase the purchase of renewable energy. The plan calls for the

sourcing of 100% of all electricity purchased by the council to come from renewable sources by 2021.

Through the LASER framework the Winchester City Council can purchase Renewable Electricity Guarantee of Origin (REGO) certificates. Through this framework the council are also able to purchase Renewable Gas Guarantees of Origin (RGGO) certificates, this commenced in April 2024 via a call off contract with Total Energies. RGGO certificates can be difficult to source and through this framework there is the benefit of being able to source these independently with local generators or through the council's existing gas supplier Total Energies.

## 8 PUBLIC SECTOR EQUALITY DUTY

8.1 None

## 9 DATA PROTECTION IMPACT ASSESSMENT

9.1 None

## 10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunity</b>
<i>Property</i>	None	
<i>Timescales</i> New energy contract not agreed prior to existing contract expiring in March 2024, resulting in WCC being billed on default energy rates.	This cabinet report recommends the replacement contract with Hampshire County Council is in place prior to expiry. Currently the existing arrangement will be auto renewed with HCC and HCC will continue purchasing energy for WCC using the LASER Framework. This ensures the council are not at risk of being billed on default energy rates which are typically 50% higher.	
<i>Project capacity</i> Insufficient staff resources to implement the contract.	Both WCC and HCC have already allocated resources to implement and monitor the contract. HCC have a dedicated energy team, while at WCC energy purchasing arrangements are managed by the Estates team.	Working collaboratively with HCC reduces the amount of time WCC need to spend on the energy contract. This could mean more time to spend on energy bill validation cost savings or support on renewable energy projects to address the climate emergency.

Innovation	None	
<i>Financial / VfM</i> There is a risk prices will fluctuate as differing factors impact the energy market	A fixed contract is likely to cost more over the course of the duration of the contract. It is likely a flexible contract will be cheaper overall. In addition, flexible energy is typically purchased in smaller volumes enabling the risk to be spread.	Should energy prices continue to fall further, a flexible contract means the council can benefit more quickly from any reductions in wholesale energy costs.
<i>Legal</i> A risk of a challenge on procurement grounds	A direct award contract to an energy supplier may not be possible. The use of a compliantly procured framework reduces the risk of a procedural challenge and speeds up the process to ensure a contract is in place prior to expiry.	
<i>Reputation</i> Disconnection of energy supplies and reputation of energy suppliers.	Typically supplies on a Framework are not disconnected because there is a better relationship between the account manager and customer. Also, the account is billed on a parent account, so debt is typically allocated to the customer, rather than individual supplies reducing risk of disconnection. LASER has already done the necessary checks and has awarded reputable energy suppliers for the Framework.	
<i>Other</i>	None	

## 11 SUPPORTING INFORMATION:

### 11.1 Current Contract

The Councils current energy (electricity and gas) contracts are with end user agreements with Hampshire County Council. HCC enters the framework call off agreements to buy energy for all the councils under their basket (which includes WCC). WCC are then billed for this energy directly by the Framework suppliers. The end user agreement (section 3) with HCC states that WCC must also follow the same terms and conditions as on the Framework. WCC does not have a contractual arrangement directly with the energy suppliers (the only exception to this is the RGGO green gas certificates call off contract between WCC and Total Energies). While there is no contract between WCC and the energy suppliers, the council do maintain a relationship with the Framework energy suppliers, WCC are billed directly

by the energy suppliers for the energy consumed and as a direct customer WCC have an assigned account manager at the energy supplier for queries etc.

Hampshire County Council are under the LASER Framework running for four years from 1<sup>st</sup> October 2020 to 30<sup>th</sup> September 2024. In December 2022 this contract was extended by 6 months to 31<sup>st</sup> March 2025. The default position is that the council's will be auto enrolled for the new energy purchasing arrangements under the LASER Framework which will run from 1<sup>st</sup> April 2025 to 31<sup>st</sup> March 2029. From April 2019 a green REGO (Renewable Guarantees of Origin) certified tariff was secured for all electricity supplies. From April 2024 a green RGGO (Renewable Gas Guarantees of Origin) certified tariff was secured for all gas supplies under classified as scope 1 in the council's greenhouse gas emissions reporting. From December 2022 Winchester City Council began paying automatic meter readings (AMR) charges for all electricity and gas meters.

The council currently procures electricity (green/renewable) and gas via a third-party agreement with Hampshire County Council (HCC). HCC have in turn contracted with LASER Energy Buying Group under an Access Agreement for the supply of energy through a Framework Agreement to administer the purchase of energy supplies. The supplier of electricity is Npower and the supplier of gas is Total Gas. Existing energy costs are outlined in section 11.7 below.

## 11.2 Flexible Energy Contracts

Winchester City Council's contract type is a flexible contract for both electricity and gas. Therefore, the energy used is purchased on the council's behalf by the LASER Framework Manager at Hampshire County Council. The energy volumes are purchased at different times spreading the buying risk with the aim of avoiding market peaks and taking advantage of dips in energy prices. While a flexible purchasing strategy reduces budget certainty, it tends to lead to cheaper energy prices as the energy is often purchased at the correct times. This is particularly true during periods of higher volatility as good decision making by an energy trader often ensures energy is purchased when prices are lower. Whereas when agreeing a fixed contract, the energy may be inadvertently be purchased during a price peak and locked in for a duration of years. In addition, fixed price contacts have a premium added to them to ensure they can be locked in when signed in case of movements in wholesale energy rates.

WCC's electricity contract is also a pass-through contract. For a pass-through contract all the non-commodity distribution, transmission and environmental electricity costs are itemised separately on the billing rather than being fixed in advanced and included in the p/kWh unit rate. As these charges are billed to the council monthly on a flexible basis there is opportunity to gain financially when these charges are below their forecast rate. Non commodity electricity charges are significant and for 2024-25 they comprise over 50% of a typical electricity bill excluding Vat.

Flexible contracts are typically only available to large energy users with an annual volume of over 5GWh for each for gas and electricity. WCC's annual volume is just



over 4GWh. Therefore, WCC are only able to secure this type of contract by being part of a larger basket in the Hampshire County Council portfolio.

This flexible purchasing strategy has yielded significant financial gain to Winchester City Council over recent years by reducing exposure to peaks in global energy markets. In addition, by being on the framework with a large energy supplier, all the council's electricity and gas supplies are billed on one parent account for each of electricity and gas. This ensures one payment and one invoice a month to pay reducing the administrative burden.

### 11.3 Green Energy Procurement

As per section 1.1 above WCC procure renewable electricity and green gas using REGO/RGGO certificates. REGO/RGGO certificates are issued per megawatt-hour of renewable generation fed into the UK's national electricity and gas grids. The electricity is largely generated from wind, hydro, biomass and solar sources. The gas is generated through the anaerobic digestion of organic matter such as plant material or animal waste. The suppliers (Npower for electricity and Total Energies for gas) buy the equivalent certificates from green energy generators and sell the correct volume of certificates matching and retiring them against with the council's energy consumption. The REGOs/RGGOs meet stringent carbon reporting requirements and have been verified by an independent sustainability body. The Green Gas Certification Scheme regulates the issue, transfer and retirement of green gas certificates. The UK REGO scheme is managed by the energy regulator Ofgem.

As per section 1.1 the procurement of green energy has significantly reduced WCC's carbon emissions. Compared to the carbon reporting of 2022-23, not purchasing green energy would increase the council's scope 1 emissions by 331 tonnes (+88%) and scope 2 emissions by 481 tonnes (+327%). Winchester City Council have procured REGOs since April 2019 and RGGOs since April 2024. Therefore, this recommendation will continue the existing purchase of green energy certificates. This illustrates that through energy procurement the council is addressing the climate emergency and creating a greener district.

Winchester City Council declared a Nature Emergency in 2023. Climate change is driving nature's decline, and a thriving natural environment supports our health and wellbeing. The release of harmful carbon emissions is damaging natural habitats. Weather and temperature changes make it harder for many animals and plants to survive.

### 11.4 Automatic Meter Readings (AMR)

Since December 2022 the council have paid for automatic meter readings (AMR) on our electricity and gas supplies. AMR ensures that:

- Actual meter readings are used on council energy billing improving accuracy for both energy consumption and energy cost.

- Half hourly energy usage data is received which helps the council better understand how and when energy is used across the portfolio enabling better energy management practices, supporting energy reduction and supporting energy efficiency projects.

Accurate billing is key for the council not only financially but also environmentally. This is because the energy consumption data taken from utility billing is used for the council's annual carbon footprint reporting.

Having accurate AMR data assists with energy reduction projects such as heat pumps or solar PV installations. Having these hourly demand figures ensures the renewable energy project can be sized appropriately compared to the buildings existing energy demand. This optimises the project in terms of achieving the best payback times.

### 11.5 Energy Supplier Credentials

Having a reputable energy supplier is key consideration for Winchester City Council. The council want to work with energy suppliers with strong green credentials. Therefore, these energy suppliers should not only offer green energy tariffs, but should also be investing in renewable energy projects. On the LASER Framework for the council's current and proposed arrangements the electricity supplier is Npower and the gas supplier is Total Energies.

Npower now part of Eon Group employs 5700 people in the UK. Npower has a portfolio of over 600 generation sites producing 500MW of renewable energy. Eon plans to invest 42 million euros into Europe's green energy transition, focusing on energy networks and infrastructure.

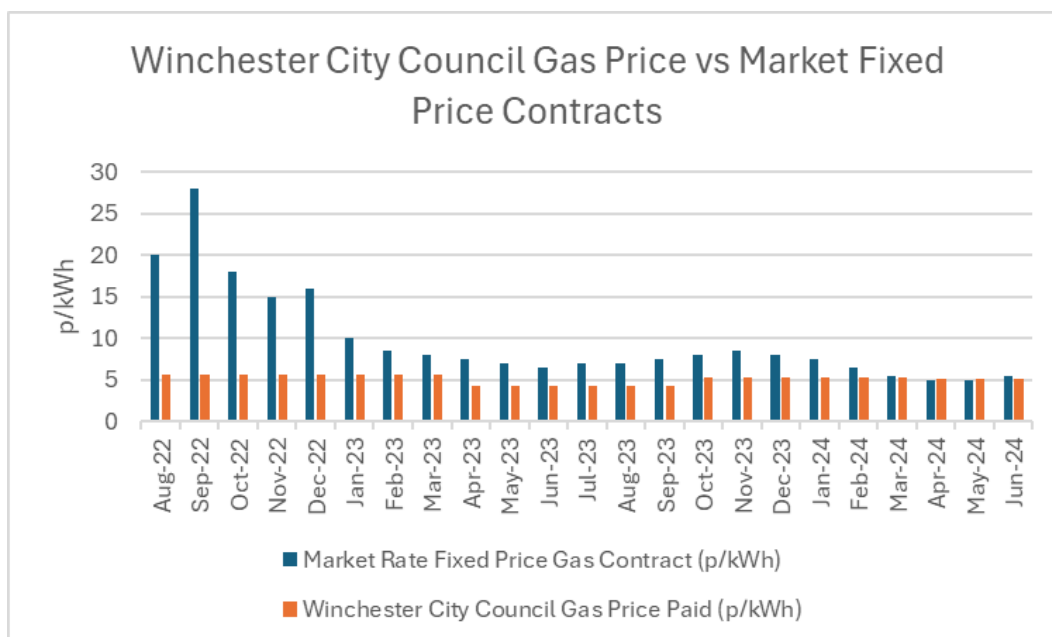
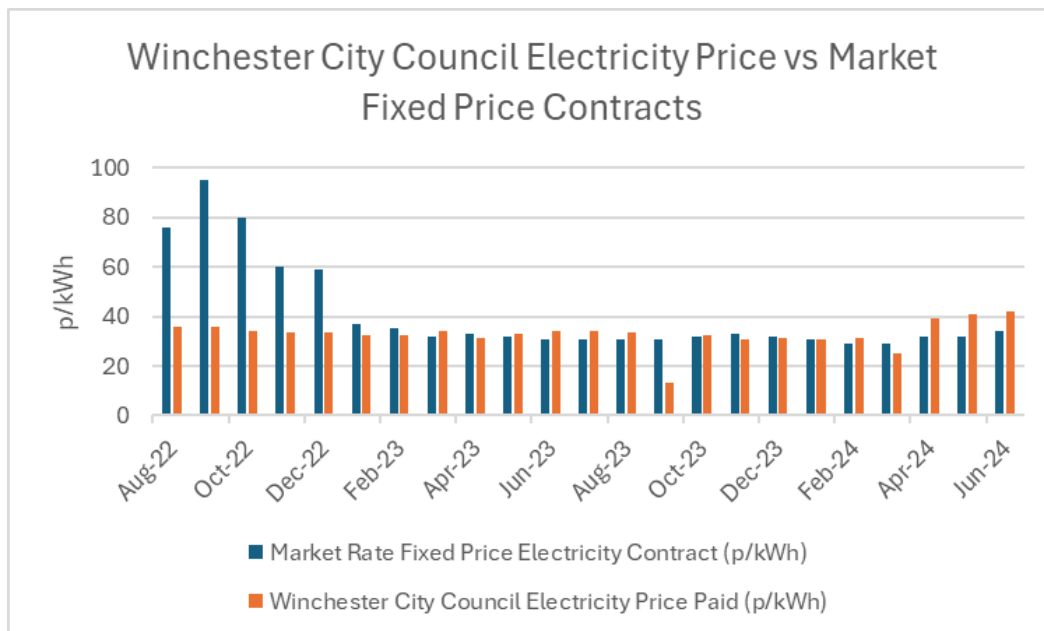
Total Energies the council's existing gas supplier employs 1,800 people in the UK and they are currently investing in over 5GW of renewable energy generation, including the 1.1GW Seagreen offshore wind farm. A large portion of gas supplied to the UK by Total energies comes directly from the North Sea. Total Energies are also investing in green gas and have a target to generate 2TWh of green gas by 2025 globally.

### 11.6 Historical and Forecast Energy Prices

Even though the recommendation is to proceed with a flexible energy contract the contract values are not yet known. This is because the energy the council will be consuming has not yet been purchased, non-commodity energy costs are not all yet published and WCC's energy consumption figures can only be forecast. The council's historical energy costs and energy markets can be analysed to forecast future energy costs and assess the performance of the council's energy contracts over recent years.

While energy markets are far less volatile than in 2022, a lot of variability remains. Please refer to Appendix A for further information on historical wholesale energy costs. Due to high wholesale energy prices in recent years, higher energy costs have been passed on by energy suppliers to their customers and customers have been paying significantly more for their electricity and gas in recent years. In addition to higher wholesale energy prices, non-commodity energy costs have also continued to rise and are forecast to keep doing so. The rise in these non-commodity costs is in the region of 8% each year.

Figures 3 and 4 below show Winchester City Council's monthly energy rates compared to typical one year fixed priced contracts agreed in the same month.



These graphs illustrate how a flexible purchasing strategy has significantly reduced exposure to global energy markets and kept the council's energy prices both steadier and lower. This is due to the fact the council's energy volumes are purchased at different times spreading the risk, as opposed to a fixed price contract where a single rate is locked in for the entire volume of energy. Going back to August 2022 to June 2024 the saving is £363,370 for electricity and £198,525 for gas when comparing the unit rates to the respective months.

The council are currently paying slightly more than market rates in 2024-25 this is because the energy was purchased in the past when prices were higher, this purchasing strategy causes a lag time between energy market prices and the council's energy rates. The savings achieved predominantly in 2022 and 2023 will far outweigh, the increase in energy costs in 2024 and 2025. Note the cost of green gas has been excluded from the graph above to compare like for like. Also note had the council's energy costs been higher, financial support would have received from the government's Energy Bill Relief Scheme (EBRS) and the Energy Bill Discount Scheme (EBDS).

The table below shows the previous energy costs by financial year from April 2020. This table below also includes the costs of green energy, AMR and the management fees, as these charges are incorporated into the council's energy billing.

<b>WCC Energy Costs by Financial Year</b>				
<b>Year</b>	2020-2021	2021-2022	2022-2023	2023-2024
<b>Electricity (£)</b>	£414,106	£571,690	£728,903	£701,046
<b>Gas (£)</b>	£95,258	£102,953	£182,357	£164,295
<b>Total Energy (£)</b>	£509,364	£674,643	£911,260	£865,341

WCC pay an additional cost for the green energy tariffs received. REGO and RGGO certificates are traded and their costs can be volatile. REGO costs have increased in recent years as more green energy users are increasing demand for green electricity tariffs, this is combined with a reduction in imported European Guarantees of Origin (GOOs) certificates. UK demand for renewable REGO/RGGO backed tariffs has more than double since 2015 to over 120TWh. Currently WCC's green energy costs are paid for via the GF or the HRA depending on the properties coding. The exception to this is that RGGO gas costs (for 2024/25 only) are to be paid for from the one-off climate emergency budget.

The costs paid by WCC for REGOs and RGGOs are outlined in the table below. RGGOs have only been secured from April 2024. For 2024-25 while the renewable tariff rate is known, the cost is estimated because it is not yet known how much energy the council will consume in 2024-25. For 2024-25 green energy costs are forecast to comprise 6% of the council's total net energy bill cost (5% of total for electricity, 16% of total for gas).

Historical WCC REGO and RGGO Costs			
Year	2022-2023	2023-2024	2024-2025
<b>REGO Rate (p/kWh)</b>	0.661	1.111	1.735
<b>Annual REGO Cost (£)</b>	£15,213	£25,796	£40,285
<b>RGGO Rate (p/kWh)</b>	n/a	n/a	1.5
<b>Annual RGGO Cost (£)</b>	n/a	n/a	£25,538

The table below shows forecast REGO and RGGO by financial year until March 2029. Given the current supply and demand relationship it is likely high levels of volatility will remain and this is likely to be combined with at least some increase in cost. Much like energy prices these costs are also very difficult to predict. The total cost over the four years (April 2025 to March 2029) for renewable energy is forecast to be £362,500 over the duration of this contract.

WCC Forecast REGO and RGGO Costs				
Year	2025-2026	2026-2027	2027-2028	2028-2029
<b>REGO Rate (p/kWh)</b>	2.2	2.5	2.7	2.9
<b>Annual REGO Cost (£)</b>	£50,060	£55,749	£59,005	£62,108
<b>RGGO Rate (p/kWh)</b>	1.7	2	2.2	2.5
<b>Annual RGGO Cost (£)</b>	£28,364	£32,702	£35,253	£39,259

Winchester City Council currently pay an additional cost for AMR across the council's electricity and gas supplies. AMR readings are used to improve the accuracy of energy billing and the council can access data which can be used to improve energy efficiency. Without this there would be a far greater percentage of estimated energy bills. These are often overestimated by utility suppliers and don't get corrected even after many years. It also reduced the requirement of manually reading utility meters. Having this in place has helped the council identify significant savings in utility billing in 2024. The savings linked to AMR are £49,777 helping towards the council's TC25 target of achieving savings. In terms of energy this equates to 172,586kWh of electricity and 21,500kWh of gas. For carbon, this saving equates to 36 tonnes of CO<sub>2</sub>e. In addition to AMR savings in energy costs can also

be achieved through this framework. LASER can liaise on the council's behalf if required to assist with bill queries such as change of tenancies or unit rate discrepancies.

The historical AMR costs are outlined in the table below, future AMR costs are expected to stay at about the same level.

<b>WCC AMR Costs</b>			
<b>Year</b>	<b>2022-2023</b>	<b>2023-2024</b>	<b>2024-2025</b>
<b>Electricity AMR Rate (£/month)</b>	3.75	3.75	3.75
<b>Annual Electricity AMR Cost (£)</b>	£13,493	£13,493	£13,493
<b>Gas AMR Rate (£/month)</b>	4.17	4.17	4.58
<b>Annual Gas AMR Cost (£)</b>	£1,900	£1,900	£2,090

AMR cost have been stable over recent years and are likely to remain so going forwards. The table below shows forecast AMR costs by financial year until March 2029. The total cost over the four years (April 2025 to March 2029) for renewable energy is forecast to be £62,332 over the duration of this contract. These AMR costs will be kept under review and monitored going forwards.

<b>WCC Forecast AMR Costs</b>				
<b>Year</b>	<b>2025-2026</b>	<b>2026-2027</b>	<b>2027-2028</b>	<b>2028-2029</b>
<b>Electricity AMR Rate (£/month)</b>	3.75	3.75	3.75	3.75
<b>Annual Electricity AMR Cost (£)</b>	£13,493	£13,493	£13,493	£13,493
<b>Gas AMR Rate (£/month)</b>	4.58	4.58	4.58	4.58
<b>Annual Gas AMR Cost (£)</b>	£2,090	£2,090	£2,090	£2,090

The management cost involved is incorporated within the unit price and fixed costs of the council's energy billing. Management fees are charged by both LASER and Hampshire County Council. 2024-25 management fees are outlined in the table below and they should stay approximately the same for the contract duration. The total management fee is £23,784 annually, equating to 2.35% of the forecast contract value. The total cost over the four years is £97,652.

Utility	LASER Management Fee Rate (£/supply/year)	LASER Management Fee Cost (£)	HCC Management Fee Rate (p/kWh)	HCC Management Fee Cost (p/kWh)
<b>Electricity</b>	£35.02	£12,747	0.28	£6,501
<b>Gas</b>	£85.09	£3,404	0.07	£1,761
<b>Total</b>		£16,151		£8,262

### 11.7 Details of the Framework

In 2023 HCC conducted market testing benchmarking exercises by their energy procurement specialists in the HCC Energy Team to ensure the Framework continues to offer good value for money against other types of contract. The new LASER framework offers the good value, strong cost management expertise, access to additional energy efficiency products and services with minimum disruption.

LASER was established in 1989 to manage Kent County Council's energy purchasing and has since grown to become the second largest Professional Buying Organisation in the UK. They have experience in purchasing for the public sector and achieving savings through significant aggregation of over 180 authorities.

Contracting Winchester City Council's energy purchasing with LASER through Hampshire County Council will aid the fulfilment of WCC's Climate Emergency Carbon Neutrality Action Plan. The plan calls for the sourcing of 100% of all electricity purchased by the council to come from renewable sources. LASER can meet the council's aspirations for the purchase of both renewable electricity and gas via Renewable Energy Guarantee Origin (REGO) certificates. The Business Energy product (supplying the REGO's from Npower and the RGGOs from Total Energies) meets stringent carbon reporting requirements and have been verified by an independent sustainability body.

### 11.8 Value for money

LASER offers a service of either managed or unmanaged (procurement only) services. WCC currently has a procurement only service via the end user agreement with HCC. The benefits are that WCC have access to technical expertise at HCC to ensure the contracts are providing value for money. This value for money is illustrated in section 11.6 above. Furthermore, HCC purchases energy for all organisations on its basket, East Hants District Council, New Forest District Council, Test Valley Borough Council, Havant Borough Council and numerous others. Purchasing all Winchester City Council's energy through HCC will allow the council to benefit from HCC's buying power. This can help with lowering energy costs as the

shape of the energy profile is flattened and also opens up new types of contracts. HCC also provides portfolio management and advice. This combined with their active procurement strategy helps reduce the workload for WCC enabling the council to concentrate on our own portfolio, achieving savings committed to support TC25 and concentrating on delivering other energy projects.

LASER is a consortium that tenders and negotiates prices on behalf of numerous local authorities, purchasing energy totalling £2.6 billion between 2020 and 2024. LASER provides a risk-managed approach through flexible purchasing recommended by Government and provides expertise in energy-buying for local authorities. Recently energy markets have been extremely volatile and through this approach LASER estimate to have saved their customers £3.9 billion on their energy bills through their purchasing strategy.

Flexible purchasing options through LASER come via Purchase Within Period (PWP) and Purchase In Advance (PIA). PWP is when a proportion of energy is purchased in advance with the remainder of energy purchased during the 6-month supply window. Energy can be purchased up to three years in advance using this strategy. Energy market prices can often get lower the closer one gets to the point of delivery. However, using PWP does not safeguard one as well as PIA does in times of rising market prices which have occurred in more recent years. PIA facilitates the purchase of estate energy volume prior to the delivery period. Tranches of energy can be purchased in advance when prices are considered favourable. HCC in recent years have moved more toward the PIA strategy. This benefitted WCC financially because energy prices in 2020 were at a 10 year low before increasing to record highs in 2022. The PIA product meant that large amounts of WCC's 2022 and 2023 energy usage was purchased by the Framework Manager when prices were lower, ensuring Winchester City Council were less exposed to the energy price crisis. The purchase within period strategy proved successful in early 2023 when prices were falling as energy could be purchased very close to the point of use.

LASER supports HCC by providing risk management reporting, market intelligence and calls every 2 weeks. This helps ensure decisions taken on energy procurement are always well informed.

As well as offering good value on the energy purchased through this arrangement, the council are also able to achieve good value on green energy certificates and AMR costs. On top of this the contract management fees from Hampshire County Council and LASER are competitive. These costs are forecast above in section 11.6.

WCC's energy suppliers (npower and Total Energies) are the top scoring framework tenderers and hence demonstrate both good financial value and social value.

## 11.9 Conclusion

The recommendation to sign the end user agreements for electricity and gas with Hampshire County Council. This will ensure Winchester City Council continue to procure energy through the HCC contract within the LASER Framework. The



Framework Manager should continue to flexibly purchase energy using the Purchase in Advance and Purchase Within Period strategies. These strategies have given good value to the council and represent the best value for the council moving forwards. This strategy has achieved significant savings during a very turbulent period in energy markets. While this level of energy volatility is not expected in the future, the council are more protected from energy price spikes using this strategy.

Further evidence of good value is indicated through benchmarking exercises energy market prices completed by HCC which determined that LASER presents the best option for itself and its associated partners. The council will also benefit from the purchasing power of a professional buying organisation.

In addition, the LASER Framework offers good value in terms of suppliers, query management, account management and reporting.

## 12 OTHER OPTIONS CONSIDERED AND REJECTED

### 12.1

Option 1 – Leave framework and move on to default energy prices.

This is a very unattractive option because once out of the current agreement with LASER, the council is likely to find itself paying higher off-contract prices for the energy for its buildings from April 2025. Out of contract energy prices are typically 50% higher which would increase the council's annual spend for energy by around £500,000.

Option 2 – Procure energy by direct tender

This option is possible, but it would involve the council undertaking a standalone above threshold tender to secure its own energy independent of a Central Purchasing Body (CPB) such as LASER or any other intermediary.

With this option, the council would be contracting directly with the selected energy provider(s). This approach is unlikely to produce the best results due to the small scale of the Winchester City Council's portfolio compared to a large purchasing organisation and is unlikely to offer value for money. In addition, a direct tender would require the council to engage additional resources (skilled energy traders and potentially additional staff for contract management) and provides greater risk of exposure to energy price fluctuations.

The council could look to procure collaboratively with other councils. However, Central Purchasing bodies are already realising the maximum benefits of joint procurement. Joint procurement is currently the approach at the moment as we are one of a number of organisations within Hampshire County Council energy basket within the LASER Framework.

### Option 3 – Other Frameworks

There are several other organisations that have set up compliant tendered frameworks. Some frameworks are restricted to authorities in specific parts of the public sector such as higher and further education or specific geographical areas which are not available for the council's use.

These frameworks have been reviewed in more detail by Hampshire County council and LASER has been selected as the best value framework, the main reason for which is the flexible purchasing options available. Some of these frameworks offer a full range of brokerage, consultancy, and energy management services which are provided by a separate organisation who partners the framework providers. However, most of these services now managed in house by the Estates team. In addition, as highlighted HCC have procured energy at very competitive rates in recent years. Given other frameworks have different energy suppliers, there would be an administrative burden of switching suppliers. This is particularly true because Winchester City Council have existing AMR contracts with the council's current energy suppliers, which may not be compatible with a new suppliers billing and data collection.

### Option 4 – Third Party Intermediary

A third-party intermediary is an independent energy consultancy who would procure the council's energy requirements on its behalf. The consultancy would be procured via a competitive tender based on a fee for their services, or a gain/share arrangement based on the savings made. This does not bring any advantages and is unlikely to be as competitive as the recommendation. Energy management and utility bill management services are carried out by the Estate's team and appointing an independent energy consultancy via a direct award contract is unlikely to yield value for money.

#### BACKGROUND DOCUMENTS:-

None

#### Previous Committee Reports:-

CAB3238 Energy Supply Contracts 24/06/2020.

#### Other Background Documents:-

None

#### APPENDICES:

Appendix A - Historical Wholesale Energy Prices