

## OPTIONS APPRAISAL

### Procurement Options Appraisal for Supply of Gas

Report prepared by: Melissa Harby

For: Tameside Council

#### 1. Current Situation and Outline of Proposed Requirement

This options appraisal is to outline potential routes to market for Tameside Council;

- Gas

Tameside's current gas contract expires 31/03/2024 but the council must provide 6 months notice (15/09/2023) should they wish the contract to expire. Currently the supply of gas is provided by Total Gas and Power through the CCS framework.

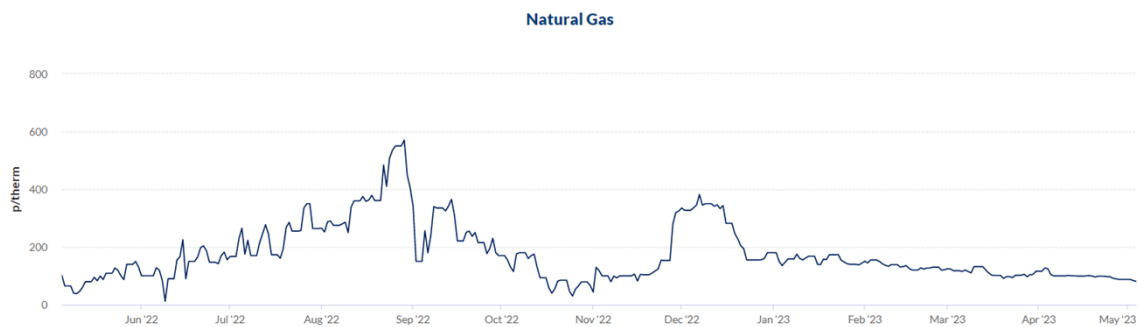
Due to the 2022 energy crisis, local authorities have had to be more flexible in how they procure energy contracts. This includes the possibility of moving from fixed priced contracts to flexible purchasing strategies.

STAR has developed this options appraisal to provide several routes to market for consideration by the council and has highlighted advantages and disadvantages to each option.

#### 2. Current Position of the Energy Market

Gas prices have fallen since significant peaks formed at the end of 2022, and this lower price reflects a drop in wholesale gas prices. This peak formed due to the fear of there not being adequate gas storage to support higher levels of demand if the UK experienced a prolonged cold snap.

However, due to a partly mild winter and efforts to maximise gas storage to mitigate future shortages of Russian gas, prices have fallen by around 60% since December. Please see below.



However, the International Energy Agency cautioned against complacency on Thursday, commenting that the improved outlook for gas markets in 2023 is no guarantee against future volatility and that the global gas supply is set to remain tight this year. This is due to the global

balance being contingent on an unusually wide range of uncertainties, including adverse weather, lower availability of LNG, and the possibility of a further decline in Russian deliveries to Europe via Ukraine.

Prices currently sit at around 80-130 pence per/therm depending on the period you're purchasing. This is down from last year's peak of 800 pence per/therm. However, this is still 43% more expensive than the average price we were paying pre-energy crisis in 2020.

### 3. Identification of Options

Option Number	Description of Option	Process/Suppliers
1	Framework Agreement - <b>Yorkshire Purchasing Organisation (YPO)</b>	Direct Award/1 Supplier (Corona Energy)
2	Framework Agreement - <b>Crown Commercial Services (CCS)</b>	Direct Award/1 Supplier (Total Gas & Power)
3	Dynamic Purchasing System (DPS) - <b>eEnergy</b>	Reverse Auction/11 Suppliers (AvantiGas, British Gas, Brook Green Supply, Corona Energy, Drax, Ecotricity, Good Energy, nPower, Shell Energy, SSE, Total Gas & Power)

### 4. Assessment (including Risk)

Option Title	Advantages	Disadvantages
1 - YPO	<ul style="list-style-type: none"> <li>- Fixed and flexible contract procurement capability.</li> <li>- Pre-Agreed Terms and Conditions.</li> <li>- Direct history excellent customer service.</li> <li>- Pre-determined risk strategy.</li> <li>- Rebate scheme.</li> <li>- Dedicated online portal.</li> <li>- Dispute resolution with monthly reporting to manage debt.</li> <li>- Data Risk Management which creates a meter level asset database to keep all meters on contracts, and remove any disposed sites/meters in a timely fashion to ensure each council only pays for what they use.</li> <li>- Provides new meter connections and disconnections</li> </ul>	<ul style="list-style-type: none"> <li>- Single supplier framework, therefore a further competition process cannot take place.</li> <li>- Do not conduct a risk workshop and if entering a flexible contract, their strategy of flex baskets is to be adhered too (12-month fixed prices).</li> <li>- No ability to apply a price cap.</li> <li>- No flexibility to fix flexible contracts at any point.</li> <li>- Possibility of requiring changing supplier, implementation process required.</li> <li>- No other baskets.</li> </ul>

<p>2 - CCS</p>	<ul style="list-style-type: none"> <li>- Fixed and flexible contract procurement capability.</li> <li>- Pre-Agreed Terms and Conditions.</li> <li>- Set pre-determined risk strategy</li> <li>- Already an established relationship between council, CCS and supplier</li> <li>- Continuity of supplier so no implementation process required.</li> <li>- Basket comparison against other CCS baskets (see comparison below of historic performance against other baskets).</li> </ul> <table border="1" data-bbox="331 633 850 902"> <thead> <tr> <th colspan="4">Customer Name</th> </tr> <tr> <th colspan="4">Tameside Metropolitan Borough Council</th> </tr> <tr> <th colspan="4">Gas</th> </tr> <tr> <th>Current Basket Comparison</th> <th>Total Spend (£)</th> <th>Cost Difference (£)</th> <th>% Difference</th> </tr> </thead> <tbody> <tr> <td>Current Basket Mix</td> <td>£1,289,114.57</td> <td></td> <td></td> </tr> <tr> <td>L6</td> <td>£1,289,114.57</td> <td>£0.00</td> <td>0.00%</td> </tr> <tr> <td>V6</td> <td>£1,412,711.40</td> <td>£123,596.83</td> <td>9.59%</td> </tr> <tr> <td>L12</td> <td>£741,168.84</td> <td>-£547,945.73</td> <td>-42.51%</td> </tr> <tr> <td>V30</td> <td>£905,964.43</td> <td>-£383,150.14</td> <td>-29.72%</td> </tr> <tr> <th colspan="4">Gas</th> </tr> <tr> <th>Future Basket Comparison</th> <th>Total Spend (£)</th> <th>Cost Difference (£)</th> <th>% Difference</th> </tr> <tr> <td>Current Basket Mix</td> <td>£2,210,734.71</td> <td></td> <td></td> </tr> <tr> <td>L6</td> <td>£2,210,734.71</td> <td>£0.00</td> <td>0.00%</td> </tr> <tr> <td>V6</td> <td>£1,893,502.90</td> <td>-£317,231.81</td> <td>-14.35%</td> </tr> <tr> <td>L12</td> <td>£2,297,252.43</td> <td>£86,517.72</td> <td>3.91%</td> </tr> <tr> <td>V30</td> <td>£1,086,003.75</td> <td>-£1,124,730.96</td> <td>-50.88%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>- Dedicated online portal.</li> <li>- Provision of educational market and budget reporting.</li> <li>- Bespoke customer specific reports on request.</li> <li>- No change of supplier.</li> <li>- Dispute resolution with monthly reporting to manage debt.</li> <li>- Data Risk Management which creates a meter level asset database to keep all meters on contracts, and remove any disposed sites/meters in a timely fashion to ensure each council only pays for what they use.</li> <li>- Provides new meter connections and disconnections</li> </ul>	Customer Name				Tameside Metropolitan Borough Council				Gas				Current Basket Comparison	Total Spend (£)	Cost Difference (£)	% Difference	Current Basket Mix	£1,289,114.57			L6	£1,289,114.57	£0.00	0.00%	V6	£1,412,711.40	£123,596.83	9.59%	L12	£741,168.84	-£547,945.73	-42.51%	V30	£905,964.43	-£383,150.14	-29.72%	Gas				Future Basket Comparison	Total Spend (£)	Cost Difference (£)	% Difference	Current Basket Mix	£2,210,734.71			L6	£2,210,734.71	£0.00	0.00%	V6	£1,893,502.90	-£317,231.81	-14.35%	L12	£2,297,252.43	£86,517.72	3.91%	V30	£1,086,003.75	-£1,124,730.96	-50.88%	<ul style="list-style-type: none"> <li>- Single supplier framework, therefore a further competition process cannot take place.</li> <li>- No ability to apply a price cap.</li> <li>- No flexibility to fixed flexible contracts at any point.</li> <li>- Need to give notice if leaving current contract 6 months in advance (by 15/09/23).</li> <li>- Below are the dates as of 04/05/23 if Tameside wanted to move basket.</li> </ul> <table border="1" data-bbox="890 611 1444 763"> <thead> <tr> <th>Basket</th> <th>Today's Date</th> <th>Join Deadline</th> <th>Start Date</th> </tr> </thead> <tbody> <tr> <td>Locked 6</td> <td>04-May-23</td> <td>15-Sep-23</td> <td>01/04/2024</td> </tr> <tr> <td>Variable 6</td> <td>04-May-23</td> <td>15-Sep-23</td> <td>01/04/2024</td> </tr> <tr> <td>Locked 12</td> <td>04-May-23</td> <td>15-Mar-24</td> <td>01/04/2025</td> </tr> <tr> <td>Locked 24</td> <td>04-May-23</td> <td>15-Mar-24</td> <td>01/04/2026</td> </tr> <tr> <td>Variable 30</td> <td>04-May-23</td> <td>15-Sep-23</td> <td>01/04/2026</td> </tr> </tbody> </table>	Basket	Today's Date	Join Deadline	Start Date	Locked 6	04-May-23	15-Sep-23	01/04/2024	Variable 6	04-May-23	15-Sep-23	01/04/2024	Locked 12	04-May-23	15-Mar-24	01/04/2025	Locked 24	04-May-23	15-Mar-24	01/04/2026	Variable 30	04-May-23	15-Sep-23	01/04/2026
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<p>3 – eEnergy</p>	<ul style="list-style-type: none"> <li>- 11 approved suppliers are on the DPS to ensure maximum competitiveness through a PCR-15 compliant tender. This is done through a live reverse auction and provides current benchmarking to ensure value for money.</li> <li>- Three of STAR’s partners are already contracted through eEnergy.</li> <li>- Ability to apply a price cap if the energy market hits a certain level.</li> <li>- Fixed and flexible contract procurement capability.</li> </ul>	<ul style="list-style-type: none"> <li>- Tender period for the reverse auction.</li> <li>- Does not allow for a direct award.</li> <li>- Possibility of requiring changing supplier, implementation process required.</li> <li>- Not directly contracted with eEnergy previously.</li> <li>- Requires additional resource initially to decide on risk strategy/profile.</li> <li>- Lack of performance data available at present for other STAR partners due to contract only commencing in April 23.</li> </ul>																																																																																								

	<ul style="list-style-type: none"> <li>- Risk workshop will be held with all participating councils to understand, develop and agree on a strategy.</li> <li>- Creation of flexible hedging strategies that is tailored specifically to the councils.</li> <li>- Energy volume management will be conducted by eEnergy via volume reforecasting and will protect the councils against volume fluctuations throughout the contract. This is critical over the first 12 months of the new contracts as councils (including schools and leisure facilities) may have to take extreme actions to reduce consumption, alongside with the councils decarbonisation projects (net zero carbon 2038).</li> <li>- Contracts can be fixed at any point.</li> <li>- Full access to eEnergy dedicated online portal for immediate access to your own data plus performance and market numerous reports.</li> <li>- Data Risk Management which creates a meter level asset database to keep all meters on contracts, and remove any disposed sites/meters in a timely fashion to ensure each council only pays for what they use.</li> <li>- Pre-Agreed Terms and Conditions.</li> <li>- eEnergy provide a fully managed service that covers;             <ul style="list-style-type: none"> <li>o Maintaining records of all energy suppliers, MPANs/MPRs and energy contracts.</li> <li>o Bill validation and dispute resolution with monthly reporting to manage debt.</li> <li>o Assigned a highly experience and fully dedicated Account Director who is supported by a team of consultants and analysts. The Account Director will be the designated point of contact.</li> <li>o Hosting periodic calls/review meeting to review performance of the hedging strategy.</li> <li>o New meter connections and disconnections .</li> <li>o For any meter addition or meter removal request, eEnergy will follow</li> </ul> </li> </ul>	
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	<p>the change of tenancy (COT) procedure up with the energy supplier.</p> <ul style="list-style-type: none"> <li>○ Ensuring terminations are issued for both group contracts and all meter additions.</li> <li>○ Current reports to be included (see below table).</li> </ul>																			
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## 5. Fee Structures and Services

None of the frameworks charge the councils directly for services, however the suppliers are charged for being part of the framework agreement. The fees fund the frameworks costs, and the charging structures are different for each option

YPO - 0.12p per KW/h of usage

eEnergy – 0.75% of the contract value

CCS – Dependent on usage, fees are paid via monthly energy invoices incorporated in the standing charge. CCS recover these costs direct from the supplier.

- Gas meters using less than 500,000kwh per year: £36 per meter, per year.
- Gas meters using more than 500,000kwh per year: £240 per meter, per year.

## 6. Next Steps

This options paper has outlined some of the main procurement routes available and once Tameside Council have chosen the most appropriate route to market, a fully signed PID will need to be sent to STAR in order for procurement activity to commence.