

WELWYN HATFIELD BOROUGH COUNCIL
CABINET – 4 JUNE 2019
REPORT OF THE CORPORATE DIRECTOR (PUBLIC PROTECTION, PLANNING
AND GOVERNANCE)

UTILITY PURCHASING ARRANGEMENTS

1 Executive Summary

- 1.1 The Council currently uses LASER Energy (part of Kent County Council) to procure energy of its behalf. This report considers arrangements when the current contract expires in April 2020.

2 Recommendation(s)

- 2.1 The General Procurement Board recommends that Cabinet agrees to extend the agreement with LASER Energy to continue to purchase utilities (primarily gas and electricity and potentially water) on behalf of the council for the period 1st April 2020 until 31st March 2024.

3 Explanation

- 3.1 The council spends about £800,000 on utilities (gas and electricity) per year. For the last 8 years we have used LASER Energy to purchase on our behalf.
- 3.2 LASER energy are one of the largest procurement and energy management organisations in the country, buying energy purely for the public sector, currently purchasing on behalf of 150 public bodies. LASER Energy was established in 1989 to manage Kent County Council's energy purchasing and has grown to be one of the leading energy procurement and energy management service providers in the UK. With 30 years' experience it has both the expertise, systems and bulk purchasing power to negotiate better utilities pricing.
- 3.3 LASER have professional dedicated buyers who buy off of a forward purchasing system. This means that they would aggregate the demand of all customers and purchase a percentage of this demand up to the supply period.

The table below shows an example of how LASER may purchase our requirements:

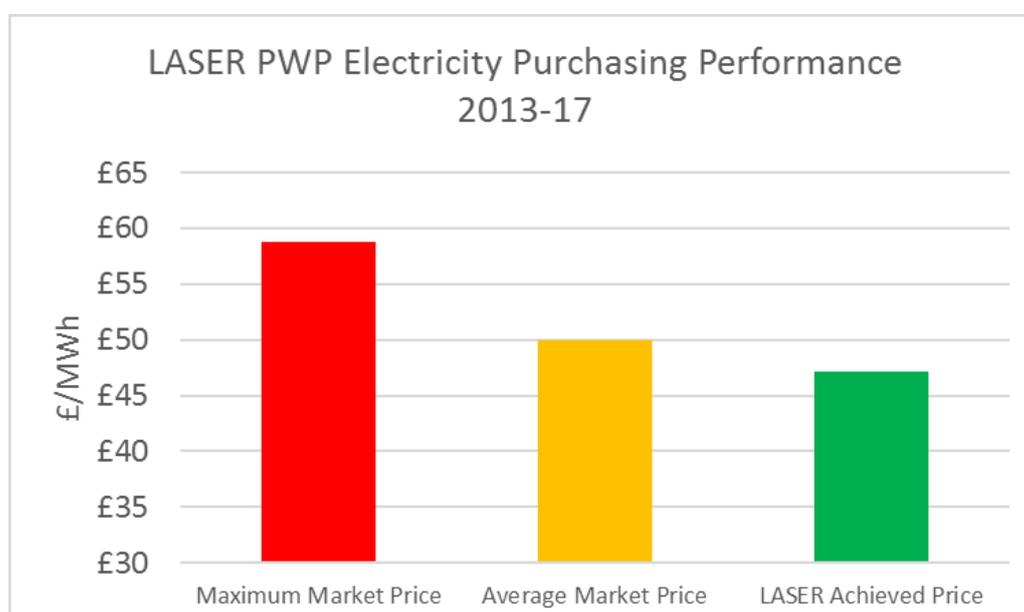
- The price column shows an example cost of electricity (£ per megawatt hour) in the relevant month
- The number of units purchased is the amount of our requirements that LASER may purchase in that particular month
- If our expected usage was 100 megawatt hours per year then in the example below they purchase 2% of our requirements (2 megawatt hours) in May 19
- In May 19 the cost is £57.44 so for this 2% we would pay a total of £114.88.

- In the example we would purchase all the units by the end of April 2020 at a total cost of £5,272.45 (£52.72 per unit). For the supply period (the next 12 months) we would pay £52.72 per unit
- This compares with an average price of £53.58 for the period

Date	Price	Number of units purchased	Price x units
May-19	57.44	2	114.88
Jun-19	55.39	5	276.95
Jul-19	52.4	15	786
Aug-19	54.73	10	547.3
Sep-19	56.6	12	679.2
Oct-19	55.11	10	551.1
Nov-19	53.81	5	269.05
Dec-19	51.88	10	518.8
Jan-20	47.71	20	954.2
Feb-20	53.68	2	107.36
Mar-20	52.53	3	157.59
Apr-20	51.67	6	310.02
average price	53.58		
Total units purchased		100	
Total price (100 units)			5272.45
Price per unit			52.7245

Note – this is shown as an example only and not based on actual data. In reality LASER are likely to purchase on a daily basis and in smaller quantities.

- 3.4 This method of purchasing reduces the risk and has proven to be better than the market rate. The following chart shows that LASER have performed better than the average electricity market price by 5.5%:



- 3.5 LASER also utilises the Major Energy Users Council (MEUC) benchmarking service. The MEUC is a consumer organisation representing large energy users in the public sector, industry and commerce. Their benchmarking service collects energy trading information from their members and ranks all purchases made for each season in ascending price order. Using the most recent year as an example, LASER's average purchase prices for gas and electricity were in the lowest 25% and 30% respectively of all energy purchased (i.e. 75% of all gas purchases made by MEUC members were at a price above LASER's average).
- 3.6 The reason a decision needs to be made nearly 12 months in advance of the supply period is to enable LASER to start procuring our requirements in advance. If we leave it to later in the year then they will have a smaller window to purchase the utility meaning less opportunity to spread out and diversify the purchases.
- 3.7 Now that the water industry is deregulated, there is now the opportunity to also purchase water through LASER as well. This would be considered in a future report.
- 3.8 The General Procurement Board considered a report on Utilities procurement at their meeting on 1st April 2019

Implications

4 Legal Implication(s)

- 4.1 This recommendation is in accordance with the Public Contracts Regulations 2015.

5 Financial Implication(s)

- 5.1 The Council has a budget of around £887,000 for gas and electric, which is broadly comparable to spend.
- 5.2 Utilities are a volatile market, and no certainty can be given to future costs. However, LASER have demonstrated an ability to perform well in the market and this provides assurance that Council will achieve value for money in the purchase of these utilities.

6 Risk Management Implications

- 6.1 This method of procurement reduces the financial risk of procuring in a volatile market.

7 Security and Terrorism Implication(s)

- 7.1 None associated with this report

8 Procurement Implication(s)

8.1 This recommendation is in accordance with the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules. The Contract Procedure Rules (section 14d – Alternative Procedures in prescribed circumstances) allows the council to participate as part of a consortium.

9 Climate Change Implication(s)

9.1 The council is continually looking at ways of reducing energy consumption and will continue to do so with the assistance of LASER Energy.

9 Human Resources Implication(s)

9.1 None directly from this report

10 Health and Wellbeing Implication(s)

10.1 None directly from this report

11 Communication and Engagement Implication(s)

11.1 None directly from this report

12 Link to Corporate Priorities

12.1 The subject of this report is linked to the Council's Corporate Priority of achieving value for money

13 Equality and Diversity

13.1 An EqIA was not completed because this report does not propose changes to existing service-related policies or the development of new service-related policies.

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Date	7 th May 2019.