

<b>Title of Report:</b>	<b>Procurement of Energy Contracts</b>
<b>Committee Report Submitted To:</b>	<b>Finance Committee</b>
<b>Date of Meeting:</b>	<b>13<sup>th</sup> June 2024</b>
<b>For Decision or For Information</b>	<b>Decision</b>
<b>To be discussed In Committee</b>	<b>No</b>

<b>Linkage to Council Strategy (2021-25)</b>	
Strategic Theme	Cohesive Leadership
Outcome	Council has agreed policies and procedures and decision making is consistent with them.
Lead Officer	Chief Finance Officer

<b>Budgetary Considerations</b>	
Cost of Proposal	N/A
Included in Current Year Estimates	<b>Yes</b>
Capital/Revenue	Revenue
Code	
Staffing Costs	

<b>Legal Considerations</b>	
Input of Legal Services Required	No
Legal Opinion Obtained	<b>No</b>

<b>Screening Requirements</b>	Required for new or revised Policies, Plans, Strategies or Service Delivery Proposals.		
Section 75 Screening	Screening Completed:	Yes/No N/A	Date:
	EQIA Required and Completed:	Yes/No N/A	Date:
Rural Needs Assessment (RNA)	Screening Completed	Yes/No N/A	Date:
	RNA Required and Completed:	Yes/No N/A	Date:
Data Protection Impact Assessment (DPIA)	Screening Completed:	Yes/No N/A	Date:
	DPIA Required and Completed:	Yes/No N/A	Date:

## **1.0 PURPOSE OF REPORT**

- 1.1 To inform members of the committee of that council will be in need of a new energy procurement tender process as current contracts expire in March 2025

## **2.0 BACKGROUND**

- 2.1 All energy supplies (electricity and gas) are currently being operated on a multi council contract since 1<sup>st</sup> April 2023.
- 2.2 The current supply contract is a traditional supply contract whereby energy is purchased at competitive tendered rates applicable for a fixed supply period.
- 2.3 The current electricity and gas supply contracts expire on 31<sup>st</sup> March 2025, due to the complexity involved with tendering a volatile marketplace, council should begin preparation of documents now and be ready to offer out the supply contract during the first week of January 2025.
- 2.4 Council have two options for tendering:
- Participate in a multi council fixed price tender offering (currently under discussion with both the energy managers group and the procurement officers group)
  - Tender to engage with an energy broker to forward purchase energy requirements.
- 2.5 A multi council offers a guaranteed supply rate over a fixed term i.e. 24 months, this does however tie council into a rate for the entirety of the contract, the price does not reduce when energy costs are lower, this also works from the perspective that the rate does not alter when there are peaks in the market, a fixed term contract is dependent on suppliers engaging on a term basis.

Risk passes to the supplier during the contract period, however suppliers will include a break clause in the contract to account for market fluctuations in the event that energy rises above the cost submission, suppliers will move council onto a deemed contract, the highest permitted cost of energy contract as previously used during 2022-2023.

- 2.6 An energy brokerage deal works by forward buying energy (Gas & Electricity) when the costs are lowest, the broker buys at the optimum purchase time using the ISEM (Integrated Single Energy Market) for Electricity and NBP (National Balancing Point) for Gas.

Energy broker will charge a fee, most likely within the £9 - £ 11,000 range per year, this fee is absorbed from the savings made with forward energy purchasing, there is risk that the energy market spikes as seen during 2021-2022, forward purchasing in bulk provides a degree of protection against energy spikes, Belfast City Council have successfully used an energy broker for the past number of years.

### **3.0 FINANCIALS**

- 3.1 Previously our spend on energy 2023-2024 was £2,282,722.92, down from the previous year total of £ 2.64m.

### **4.0 OPTIONS**

- 4.1 Council approves officers to move forward and investigate both tendering options and return in September with estimated costs for both a fixed contract and a brokerage contract.

### **5.0 RECOMMENDATION**

- 5.1 **It is recommended that** Committee approve early engagement with the market in order to be prepared to tender for a fixed cost contract or an energy broker contract.