

BRIEFING NOTE

AGENDA ITEM NO. 8

TO: REGENERATION SCRUTINY & PERFORMANCE PANEL
DATE: 16 AUGUST 2013

RE: GUIDANCE ON SUSTAINABLE ENERGY PROCUREMENT

1. Purpose

- 1.1 To provide guidance to the Regeneration Scrutiny and Performance Panel on Sustainable Energy Procurement.

2. Energy Facts & Figures

- 2.1 Currently the Council including schools spends about £6.56m on the purchase of electricity and gas for its portfolio of approximately 400 properties throughout the borough.
- 2.2 Electricity and gas accounts for 54% and 46% of the energy bill respectively. In terms of energy consumption this is equivalent to 121.7 MWh of energy and accounts for 34,319 tonnes of carbon dioxide (CO₂) emissions.

3. Why Sustainable Energy Procurement

- 3.1 The public sector as a large collaborative purchaser is uniquely placed to play a leading role in sustainable energy procurement and in helping the UK to meet its target of reducing CO₂ emissions. Furthermore, with the UK public sector faced with a growing need to provide greater operational efficiencies as well as to demonstrate their commitment to be among the leaders for sustainable procurement, the need to secure best value through collaborative working has become ever more critical.
- 3.2 Sustainable energy procurement is a process whereby the public sector meets their needs for utilities in a way that achieves value for money on a whole life basis in terms of generating benefits to not only the procuring local authority, taxpayers, our customers, society and the economy, whilst minimising damage to the environment. The tenets of sustainability are incorporated within the energy procurement process entailing supporting wider social, economic and environmental factors.
- 3.3 The relevance of sustainable energy procurement is becoming more and more obvious as the Council's funding shrinks, energy prices continue to rise and the challenges of adverse climate change become more apparent. Generally, sustainable procurement implies adopting a holistic approach to the utilities we buy, how we buy them, and who we buy them from. Purchasing decisions can contribute to the achievement of sustainable development goals that:
- Meet the needs and demands of the Council workforce and stakeholders;
 - Enhances corporate image;
 - Is fair, transparent and responsive;
 - Delivers "*Whole Life Value*";
 - Optimises social and economic benefits;

- Minimises environmental and health impacts;
- Reduces our carbon footprint;
- Adapt to the impact of adverse climate change, and
- Protect frontline services.

4. Sustainable Energy Procurement

- 4.1 Sustainability was recognised by the previous government as a core component of good procurement, and in 2008 significant steps were taken by the Office of Government Commerce (OGC) and other departments to improve their leadership and governance on this issue. A number of developments such as The Pan Government Energy Project (PGE), have kept sustainability at the forefront of current issues in procurement practice.
- 4.2 The Pan Government Energy Project (part of the Cabinet Office), sponsored and chaired by the Ministry of Defence recommended that all public sector organisations adopted aggregated, flexible and risk-managed energy procurement, and developed best practice recommendations for energy procurement in consultation with public sector buying organisations.
- 4.3 The project produced a number of reports supporting the adoption. Also, in addition the Green Report on public sector purchasing identified energy as the only category where the public sector achieved leverage through aggregations, achieving best value.
- 4.4 Flexible purchasing, managed by approved Public Sector Purchasing Consortia, are recommended for all public sector bodies by the PGE. Such organisations are termed “Central Purchasing Bodies” (CPB) in regulation 2 of the Public Contracts Regulations.
- 4.5 Following the recommendations outlined in the PGE, the public sector will benefit from making financial savings through aggregation, because CPBs can purchase larger portfolios of energy and attract lower supplier margins. By following this government recommendation we can take advantage of market prices throughout the duration of the energy contract and have access to greater transparency of costs that make up the delivered energy prices.
- 4.4 The PGE also indicated how the public sector needed to reduce their energy consumption. By purchasing energy using experts in energy procurement we are able to benefit from experienced management of all our portfolio needs as well as access to new products and initiatives, including tools such as Automated Meter Reading (AMR) and advice on the Carbon Reduction Commitment Energy Efficiency Scheme (CRC EES).
- 4.5 Walsall Council currently procures its energy supplies flexibly through Yorkshire Purchasing Organisation (YPO), a “Central Purchasing Body”. Flexible purchasing contracts involve YPO (the buyer) purchasing tranches of energy depending on wholesale market conditions on behalf of the Council, and other consortium members, before the contract start period.

The benefits of flexible/fixed purchasing contracts are:

- Transparency of costs that make up the delivered energy price
- Focus on controllable energy cost element
- Purchasing conducted in real time
- No long- term price lock in
- Reduced forward risk premium
- Responsive to market trends
- Managed supplier transfers

4.6 Purchasing energy in this way mitigates against price rises and delivers sustainable cost savings throughout the duration of the contract period.

4.7 11th September 2013 Cabinet is receiving a report to agree on the extension of flexible electricity supply contract to council owned buildings, traffic signals and street lighting from November 14 – March 15.

5. Green Electricity

5.1 The Council purchases 13.3 MWh of green electricity from accredited renewable sources supplied by npower Limited. The purchase of green electricity not only benefits the environment by reducing the emissions of carbon dioxide it is also exempt from the Climate Change Levy (CCL)

The advantages of purchasing green electricity are as follows:

- Financial savings;
- Reductions in CO₂ emissions to meet agreed environmental and strategy targets;
- Increase in national renewable energy capacity;
- The generation of positive publicity within the Council and wider community.

6. Aim of the Guidance

6.1 One of the key priorities of the Council is leading by example and procuring utilities in a responsible manner such that relevant Environmental, Social and Economic factors are incorporated into all stages of the procurement process.

6.2 The premise of this guidance is to support the embedding of the tenets of sustainable development, energy efficiency and carbon reduction into the Council's procurement and investment decisions by:

- Improving the Council's resilience to volatile energy prices and the risks of adverse climate change;
- Making efficient use of public resources;
- Reducing the Council's carbon emissions, energy and fuel spend; and
- Actively influencing and encourage suppliers to embed the tenets of sustainability.

6.3 This guidance is not meant to be prescriptive, because sustainability and associated issues are diverse and dynamic. Generally, the underlying aim of this guidance is to make sustainability procurement a practicable reality as we deliver our corporate priorities. Consequently, implementing this guidance will give rise to financial benefits and savings realised through:

- The design and construction of buildings with lower whole-life operating costs;
- Better management of energy consumption;
- Exploring government incentives on renewable energy generation;
- Ways of doing business underpinned by resource efficiency; and
- The acquisition of products that efficiently use energy, water and other natural resources.

6.4 It is clear that sustainability and environmental considerations are playing a bigger role in energy procurement decisions. Looking at the economic reasons for the move to sustainable energy procurement, cost savings can be made by establishing a robust and effective energy management policy. In addition, the introduction of the CRC EES scheme stresses the importance of reducing carbon emissions and encourages public sector organisations to improve their energy efficiency, and ultimately save money, which is particularly relevant today, due ongoing challenges in the public sector.

Author

Kwame C. Alex-Eyitene

Energy Manager

☎(01922) 471257

alex-eyitenek@walsall.gov.uk