

SHEFFIELD CITY COUNCIL

EXECUTIVE DIRECTOR KEY DECISION RECORD

The following decision was taken on 16 November 2020 by the Executive Director, Place.

Date notified to all members: Monday 16 November 2020

The end of the call-in period is 4:00 pm on Friday 20 November 2020

Unless called-in, the decision can be implemented from Monday 23 November 2020

1. **TITLE**

Provision of the Council's Gas Supply

2. **DECISION TAKEN**

That the Executive Director Place authorises that:

1) The Council enter a 4 year contract with Total Gas and Power Ltd effective from 1st April 2021 for the Council's gas supply as outlined in the report; and

2) The Director responsible for Transport and Facilities Management be delegated authority to devise and implement the appropriate procurement strategies to purchase gas.

3. **Reasons For Decision**

The Council do not currently have expertise in energy market trading, therefore contracting through a Central Purchasing Body (CPB) offers the Council the best value procurement route.

Following an evaluation of the currently available CPB frameworks the Crown Commercial Services (CCS) CPB is considered to offer the best route for purchasing the Council's gas supply. The nominated supplier of gas for CCS is Total Gas and Power Ltd.

The outcome of the benchmarking exercise supports the Council's decision to switch to CCS and Total Gas and Power for the ongoing provision of its gas supply.

CCS offer their customers opportunity to purchase a mix of variable and locked options within the contract – helpful to the Council in terms of schools becoming academies and giving a choice for housing sites.

4. **Alternatives Considered And Rejected**

- Considerations

- o methods of supplying gas, ie;

- SCC procuring directly from a utility company;
- purchasing via an Energy Broker;
- or purchasing via a framework offered by a Central Purchasing Body (CPB); CPB contract types, ie variable or Fixed

o volatility of the market informing the risk associated with each procurement option

o detailed work for a benchmarking exercise determined how difficult it is to compare suppliers costs due to the different business models and purchasing strategies adopted. This work did however inform costs that can be compared, ie management fees and cost to serve fees

o growing percentage of non-commodity costs which are not affected by market forces. Non-commodity costs include environmental charges, costs for transportation of energy and charges to support the necessary infrastructure.

- Methods of supply appraisal summary

o SCC procuring directly from a utility company – not considered best option as requires

- significant expertise and knowledge to manage energy purchases – expertise/sufficient resource doesn't currently exist in SCC
- ongoing monitoring of energy markets relies on experienced officers going to the market at the right time on the right day
- requires a tender process

o Purchasing via an Energy Broker

- Buy significantly smaller amounts than Central Purchasing Bodies and cannot secure the same economies of scale, potentially operating at greater risk if providing low prices
- Requires a full procurement process

o Central Purchasing Body (CPB) framework

- Recognised as an option providing good value for money potential
- Buying for many customers securing economies of scale and able to spread the risk of buying at variable costs

- Variable / Flexi option – preferred option

o a fixed annual price (on SCC stated volumes) from each April, which is traded/purchased in advance of the delivery period i.e. across the preceding 12/24 months in small 'chunks' of energy, ie known cost per unit for one full

year at a time.

- o allows the energy expert to follow the energy price and anticipate the effect of other drivers and buy at what they believe will be the lowest price.

- o significantly reduces the risk to the Council with experts constantly reviewing prices improving the chances of achieving best value on energy costs

- o gives budget certainty and a known cost for a 12 month period

- Fixed option –

- o a fully fixed price for the Council over the 4 year contract period by trading the entire 4 year volumes at one time, ie known cost per unit for the full 4 year period at single date of purchase

- o Energy bought at one fixed point in time for a protracted period (4 years) – presents much less potential for achieving lower prices when the market dips
Page 8 of 8

- o Subject to addition of a premium on the cost of energy to protect the supplier from unanticipated higher rises in energy unit cost during the period – which may not occur

- o gives budget certainty and a known cost for the full contract period (4 years)

5. **Any Interest Declared or Dispensation Granted**

None

6. **Respective Director Responsible for Implementation**

Executive Director, Place

7. **Relevant Scrutiny Committee If Decision Called In**

Overview and Scrutiny Management Committee