

	Cabinet 11 December 2023
	Report from the Corporate Director Finance and Resources
	Lead Member – Deputy Leader & Cabinet Member for Finance, Resources and Reform (Councillor Shama Tatler)
Authority to Award Contracts for the Purchase of Gas and Electricity (October 2024 to September 2028)	
Wards Affected:	All Wards
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt - Appendices B and C are exempt from publication in that they contain exempt information as specified in Paragraph 3, Part 1, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information).
List of Appendices:	Three Appendix A: Sites Supplied Through These Contracts Appendix B: (Exempt) LASER Framework Fees Comparison Appendix C: (Exempt) Forecast annual average electricity and gas prices to 2030
Background Papers:	None
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1.0 Executive Summary

- 1.1 This report is seeking approval from Cabinet to award a four (4) year contract to Total Energies for the supply of gas to the Council via LASER Energy

Framework Y22008 (Gas Flex 2024-2028) to cover the period of the 01/10/2024 – 30/09/2028.

- 1.2 This report is also seeking approval from Cabinet to award a four (4) year contract to Npower for the supply of Electricity via LASER Energy Framework Y22009 (Electricity Flex 2024-2028) to cover the period of the 01/10/2024 – 30/09/2028.

2.0 Recommendation(s)

That Cabinet:

- 2.1 Approves entry into an Access Agreement with Kent County Council trading as LASER Energy to enable its participation and purchase of gas and electricity from their frameworks referenced in 1.1 and 1.2.
- 2.2 Approves the award of call-off contracts for the period of four (4) years via the two previously mentioned frameworks to Total Energies and Npower for the supply of gas and electricity to the Council, including corporate buildings, streetlights, housing estates' communal areas and gas to a heat network, and Borough schools who contract for energy through the Council.
- 2.3 Approves the utilisation of a Purchase In Advance (PIA) energy buying strategy to be undertaken by LASER Energy on behalf of the Council and other contracting authorities who purchase energy through the frameworks.
- 2.4 Approves the utilisation where applicable of a 'Fully Managed service (FM)' from LASER Energy as opposed to a 'Procurement Only Service Option (POSO)'.
- 2.5 Notes that, as a key part of the Council's commitment to net zero by 2030, the key objective to procure green energy is addressed in Section 8 of this report, via a 'Green Tariff' (REGOs), the 'Green Basket' energy option, and/or a Power Purchase Agreement (PPA), all of which are available via the LASER contract. All three options will be assessed based on the provision of 'additionality' i.e. additional renewal power generation and a viable business case.
- 2.6 Notes Brent's ongoing engagement with the "Renewable Power 4 London Action Plan" work stream, which aims to procure public sector energy for London Public Sector Bodies that is 100% renewable, through collaboration, with the ultimate aim of having a Power Purchase Agreement in place that Boroughs can procure renewable energy from, with the expectation that this option may become available during this next contracting period.

3.0 Detail

Cabinet Member Foreword

- 3.1 Brent has used LASER as its energy buying organisation since 2012. The Council's corporate buildings, street lighting, communal housing areas, and

many of Brent's schools are included in the current contract, which expires on 30th September 2024.

- 3.2 Brent Council commissioned an independent consultant (Cornwall Insight) to review the Council's energy procurement strategy and review the ability of our current energy buying organisation LASER to secure value for money. They have concluded that LASER's procurement is fit for purpose, is achieving prices significantly better than market average, and is offering a range of additional services that are proving valuable to the Council. LASER has used sound judgement in deciding when to buy tranches of energy, to outperform the market average prices.
- 3.3 Cornwall Insight's research found that for Local Authorities already supplied by LASER Energy, there is unlikely to be a material advantage to be gained from moving to another provider.
- 3.4 The Council will again be procuring at a time of ongoing high wholesale energy prices and market volatility. The same LASER strategy that we used last time (Purchase In Advance) is considered to continue to be the best option to mitigate against the risk of further energy price rises in the short-medium term to achieve significant cost avoidance. LASER require an extended buying window, so whilst our contract expires on 30th September 2024, LASER require agreement to start purchasing energy as soon as possible to mitigate for the ongoing energy price volatility.
- 3.5 There is a further recommendation in this report, to note a continuation of Brent's active engagement with the "Renewable Power 4 London Action Plan" work stream. This aims to procure energy for London public sector bodies that is 100% renewable, utilising a Power Purchase Agreement that Boroughs can use to procure renewable energy from, which is likely to become available during this next contract period.

Contribution to Borough Plan Priorities & Strategic Context

- 3.6 The proposals support the Cleaner, Greener Future priority area of the Council's Borough Plan through the continued work being undertaken by Council officers in investigating with other Local Authorities in London the feasibility and sustainability of Power Purchase Agreements (PPA). In addition, Council Officers will further investigate the utilisation of the 'Green Tariff' option to purchase REGOs if they are shown in future to facilitate 'additionality' i.e. additional renewal power generation, and the 'Green Basket' energy option through the LASER Energy Frameworks if and when it becomes available in the future (the Council can change its energy option during the contract period based on currently at least six months' notice being given to LASER Energy). This would enable the Council to commit to purchase agreed volumes of sustainably generated electricity through LASER that is directly traceable to those generating the electricity.
- 3.7 The proposals support both The Best Start in Life and A Healthier Brent priority areas of the Council's Borough Plan through the ability of the Council to sign

up for possible sustainability and environmental focused workshops delivered in Borough schools. The Frameworks also include an annual social value fund of £130,000 across LASER's customers which will be used to support apprenticeships and social value initiatives (allowing the Council to target sustainability-based schemes / programmes in the Borough).

- 3.8 The proposals support the Council's Climate & Ecological Emergency Strategy's commitment to achieve net zero carbon emissions from the Council's own estate and operations by 2030. To achieve this, there are three stages: improving energy efficiency, installing renewable energy and procuring green energy for the remaining demand. Whilst the Council progresses with the first and second stages to reduce energy demand and cleaning its energy supply (with Heat Decarbonisation Plans already written for its corporate estate and schools, and an energy efficiency programme having been rolled out across 16 corporate buildings and 17 schools), the third stage is addressed in Section 8 of this report, and may be achieved where 'additionality' i.e. additional renewal power generation and a favourable business case can be achieved, via green tariffs (REGOs), the 'Green Basket' energy option, and/or PPAs, all of which are facilitated via the LASER contract.

Background

- 3.9 The total Brent energy contract spend in the 2022/23 financial year, the forecast for the 2023/24 financial year and the projected spend calculation for the procurement period 2024-28, are as follows:

Type	Actual spend 2022/23	Forecast spend 2023/24	> Projected spend calculation 2024-28*
Corporate	£1.77m electricity + £0.46m gas = £2.23m	£2.1m electricity + £0.6m gas = £2.7m	£10.8m
Street lights	£1.47m	£1.7m	£6.7m
Housing	£1.17m electricity + £0.71m gas = £1.89m	£1.40m electricity + £1.0m gas = £2.4m	£9.44m
Schools	£1.41m electricity + £0.97m gas = £2.38m	£1.7m electricity + £1.3m gas = £3.0m	£11.9m
TOTAL	£7.96m	£9.7m	£38.9m

*Projected spend calculation 2024-28 is based on electricity and gas prices being the same as for 2023/24, however prices are currently expected to fall considerably in future years, it is not currently known by how much.

- 3.10 The wholesale energy market has seen unprecedented levels of volatility in recent periods, leading to a significant increase in uncertainty surrounding energy prices. This volatility continues to persist in the market, posing challenges for Councils when assessing risks associated with energy procurement and supply contracts. The challenge of securing good value has become increasingly complex due to increased exposure to risks within the energy market, requiring a careful examination of procurement strategies to ensure the best outcomes for billpayers.

- 3.11 Wholesale gas and electricity markets have been dominated by concerns about gas supplies in the EU and Britain following the Russian invasion of Ukraine, with gas pricing for winter 2022-23 rising to all-time highs. Despite Great Britain not being directly connected to Russia via pipelines, the global competition for natural gas and demand from European interconnectors have exposed the country to record-breaking gas prices.
- 3.12 High gas prices have driven up electricity prices, due to the reliance on gas-fired power stations. During the winter of 2022-23, the pressure on electricity prices was intensified by nuclear capacity outages in France which meant Great Britain became a net exporter of electricity for the first time. Gas and electricity prices are expected to remain high compared to historical levels, at least until the end of this decade (2030).
- 3.13 Record high consumer bills prompted heightened levels of government intervention across Europe, the impact of which is uncertain. These range from short-term interventions such as subsidies via bills, to increased support for more fundamental reforms, under the Review of Energy Market Arrangements (REMA), such as splitting the wholesale market so renewables are priced differently from other generation types, and zonal pricing in which electricity prices are split by location to encourage development at sites where the network capacity can best support them. Winter 2022-23 was one of the warmest on record, making it difficult to assess the impact of the short-term measures, with the longer term reform in the initial stages.
- 3.14 The Council has fulfilled its energy requirements through LASER Energy's frameworks for a number of years which has enabled the Council to benefit from energy trading expertise (LASER's energy buying and trading teams purchase energy on the wholesale market on behalf of its customers such as Brent) and economies of scale as LASER's frameworks are one of the major routes to market used by Public Sector bodies in the UK. This for example has allowed the Council to enjoy prices during the current contract year that are at least 50% lower than peak market prices.
- 3.15 At present the Council has a call-off contract in place for gas and another for electricity secured through LASER Energy's current generation of frameworks. Both of these contracts expire on the 30/09/2024.
- 3.16 The call-off contracts supply the following site types:
- The Council's corporate estate (see Appendix A for a list of sites);
 - The Council's street light estate;
 - The Council's housing estate; and
 - Borough schools who contract for energy through the Council (see Appendix A for a list of sites)

Route to Market Analysis

- 3.17 Though LASER Energy's frameworks are a leading route to market for Public Sector bodies Council officers were aware that the Council needed to better

explore the market and other options. To this end the Council joined a consortium with the London Boroughs of Harrow, Hillingdon, Hounslow, Waltham Forest and Surrey County Council to commission Cornwall Insight (an energy research, analytics and consulting firm) in May this year to undertake and deliver a broker options assessment.

- 3.18 Cornwall Insight presented to the Council on the 04/10/2023 their findings from energy market research to provide insight into the market landscape, trends, key players, and services offered by Third Party Intermediaries (TPIs) - also called brokers and Public Buying Organisations (PBOs) - operating in the energy market of Great Britain.
- 3.19 The number of TPIs offering energy services is substantial with some estimates indicating there to be more than 4,000 companies or individuals engaged in sourcing non-domestic energy contracts. Cornwall Insight profiles what they believe to be the most notable TPI competitors in a range of markets on an ongoing basis. They utilise their existing market knowledge, supplemented by customer interviews and information from the public domain including TPI websites, Companies House, public sector tender notices, TPI marketing material, TPI terms and conditions, social media outlets, trade press and the Utilities Intermediaries Association (UIA).
- 3.20 The public sector's collective demand for PBOs and TPIs has remained consistently high given the need to secure energy contracts in a way that ensures value for money. In recent years the public sector has also sought advice from PBOs to facilitate net zero strategies.
- 3.21 When considering a new procurement partner, a Local Authority must assess the resources needed for transitioning. Moving from one energy supplier to another can be challenging and may deter authorities if the expected benefits are minimal. Changing providers involves costs for transitioning data, training staff, and managing the overall process. These costs vary based on the complexity and support required. Despite these considerations, it is crucial to evaluate the long-term benefits and potential cost savings. This evaluation includes improved procurement efficiency, access to specialised expertise, and aligning strategies with specific Local Authority needs.
- 3.22 Selecting a dependable energy buying partner has become increasingly crucial for Local Authorities as it offers the potential to achieve cost savings and valuable guidance. With the complexities of the energy market, having a reliable TPI or PBO can make a significant difference in managing costs effectively and receiving sound advice to support decision-making processes. Overall trends towards improved regulation of the TPI market have yet to materially impact larger energy users, such as Local Authorities, but are indicative of the increased appetite for reliable and well governed energy buying partners in the non-domestic market.
- 3.23 The consortium of Local Authorities provided a Statement of Requirements (SoR) to Cornwall Insight, creating a framework against which the TPIs services were assessed. When assessing the TPI market they used a multi-step process

to filter the most suitable TPIs for selection, creating a long list, developing a shortlist, and then scoring the shortlisted offerings against the Local Authorities' SoR.

- 3.24 Cornwall Insight is an independent energy consultant and has relationships with parties across the energy market, including TPIs. Their research has been designed and carried out in a manner to ensure impartiality.
- Their research found that for Local Authorities already supplied by the PBO LASER Energy, there is unlikely to be a material advantage to be gained from moving to another provider.
 - Several other providers offer similar products, but none with features that would be expected to outweigh the disruption and cost of resourcing change.
- 3.25 Cornwall Insight recognise how useful pricing information is in the procurement process and sought to access the TPI/PBO prices. However, it was not possible to do this for each TPI/PBO. When asked, most TPIs/PBOs advised that they would not reveal pricing, even on an indicative basis. The reasons offered for why prices weren't available had a few variations, but generally the TPI/PBO advised that prices were dependent on too many variables of customer features and service, and so any pricing they provided outside of a tender process could be misleading. Secondary reasons for not sharing pricing were that due to relatively high interest rates and inflation, prices could reasonably be expected to change for any party not immediately in a position to start procurement.
- 3.26 However, Cornwall Insight advised the Council in April 2022 on LASER's performance as our incumbent PBO, which did assess how LASER executed their trading strategy on behalf of Brent, and prices achieved.
- 3.27 Cornwall Insight's analysis indicated that LASER achieved an outcome for the Council that is market-reflective. A "market-reflective" outcome represents a commercially reasonable outcome given market conditions and LASER's collective skills and capabilities.
- 3.28 Their assessment of outcomes under the PIA Strategy indicates LASER had, over the review period, typically achieved prices for the Council that are better than those which it could have achieved with a mechanistic application of the Strategy, showing LASER used sound judgement in when to buy tranches of energy to outperform the market average prices.

Price	Discount (-) or Premium (+) achieved by LASER vs. Calculated (Market average) Price (%)
PIA Gas – 2020/21	-13.2 %
PIA Gas – 2021/22	-21.8 %
PIA Electricity – 2020/21 Baseload	-23.3 %
PIA Electricity – 2021/22 Baseload	-24.5 %
PIA Electricity – 2020/21 Peak	-4.5 %
PIA Electricity – 2021/22 Peak	+10.1 %

3.29 Consequently, the proposal is for the Council to continue to meet its energy needs through LASER Energy and its new generation of frameworks.

Supplier Selection

3.30 The awarded suppliers on the LASER Energy Framework Y22008 (Gas Flex 2024-2028) are:

- EDF;
- Npower;
- SSE; and
- Total Energies

3.31 The awarded suppliers on the LASER Energy Framework Y22009 (Electricity Flex 2024-2028) are:

- Corona; and
- Total Energies

3.32 The frameworks enable the contracting authorities to undertake further competition amongst the framework suppliers or make a direct award on the grounds of continuity of supply (one of the framework supplier's is the organisation's incumbent supplier), to the top ranked supplier on the framework, or where the supplier is the top ranked supplier against one of the framework's award criteria.

3.33 The award criteria used by LASER to award each framework and rank suppliers on the frameworks is as follows:

Award Criteria	Weighting (%)
Supplier Management Fees	15
Product Pricing	12
Billing	12
Procurement and Trading	11
Service	11
Social Value	10
Contract Management	8
Net Zero	7
Innovations	4
Supply Period	2

Volume Requirement	2
Current Portfolio Agents	2
Bureau	2
Service Options	2

3.34 With Npower and Total Energies being the Council's incumbent suppliers and the top ranked suppliers on their respective frameworks (including on price and social value) the proposal is to direct award call-off contracts to these two organisations.

Energy Buying Strategy

3.35 Under the LASER Energy frameworks, the Council can select from one of three energy buying strategies which are then executed by LASER's buying and trading teams. These are:

- Purchase In Advance (PIA);
- Purchase Within Period (PWP); and
- Flex Set And Reset (FSAR)

3.36 The PIA strategy is based on the energy that is required by the Council over a 12 month period being purchased over the course of 24 months prior to this 12 month delivery / consumption period. This enables the Council to benefit from an average price and reduce the risk of a spot price which may be higher than the average market price. Additionally, the Council is protected against market increases during the 12 month delivery period and benefits from fixed rates during the delivery period.

3.37 The PWP strategy involves energy being purchased over a 24 month period but instead of all of the energy being purchased in advance of delivery roughly a quarter of the required energy is purchased during the first six (6) months of the delivery period. This results in a price for the first six (6) months of delivery which is then reconciled (positively or negatively) following the final six (6) months of energy buying the achievement of a final price. This approach would enable the Council to potentially benefit from reduced prices if the market rate falls during the first six (6) months of delivery. However, the Council would need sufficient resource and processes in place to manage reconciliation and variable billing.

3.38 The FSAR strategy operates to the same timescales as PWP but provides the Council with the facility to sell energy back before delivery if market prices fall lower than pre-agreed levels. This enables the Council to benefit from potential savings in a falling market. However as with PWP the Council would need sufficient resource and processes in place to manage reconciliation and variable billing.

3.39 Having considered the energy buying strategies available to the Council and noting the ability of the Council to change its chosen strategy during the call-off contract(s) the recommendation is to utilise a PIA strategy. The reasoning for this recommendation is as follows:

- The Council is protected against market increases during the 12 month delivery window;
- PIA provides the Council with price certainty over the course of each 12 month delivery window which enables annual budget setting in a comparatively straightforward and transparent manner; this is especially important for school sites due to their need to achieve budget certainty in advance of the start of each school year;
- PIA is a well-established approach to procuring energy which LASER have proved effective in implementing; and
- There are limited ongoing management requirements compared to other strategies (i.e., it does not require any of the ongoing monitoring of contracted position, dedicated personnel, or understanding and processing of mid-year reconciliation payments that other strategies do); again, especially important for schools who generally do not have the in-house expertise in energy contract management.

Pricing

3.40 The price paid by the Council will consist of three elements:

- The cost of the energy secured by LASER Energy, which itself consists of two parts:
 - commodity (wholesale) energy prices, and
 - non-commodity tariffs, such as grid transmission and distribution costs, and government levies supporting government low carbon initiatives;
- The prices of Npower and Total Energies for the physical supply of energy, account management and other associated activities; and
- LASER Energy's framework fees which are charged per energy meter through which the Council is supplied. These fees are also subject to annual CPI increases.

3.41 A comparison between LASER's current framework fees and those which will be payable in the first year of proposed call-off contracts are set out in Appendix B (containing exempt information).

Service Levels

3.42 The Council has the option of selecting between a Fully Managed service (FM) from LASER Energy or a Procurement Only Service Option (POSO). As the name suggests the selection of POSO would mean that LASER Energy only purchase energy on the Council's behalf without any further service provision. As part of a Fully Managed service LASER Energy not only purchase energy on behalf of the Council but also provide many services, all of which have proven valuable to Brent Council to date:

- Undertake price validation (energy prices are validated by LASER together with all non-energy costs such as network charges and mandatory environmental levies;

- Provide consolidated billing;
- Receive, validate and pay supplier invoices on behalf of the Council;
- Support the Council with budget accrual;
- Provides the Council with access to LASER's customer web portal where the Council can access its data such as portfolio and site details;
- Have dedicated account and customer service managers;
- Provide a query management service to the Council;
- Hold regular meetings to review account performance;
- Provide monthly account status reports; and;
- Supply monthly market outlook updates including next year price forecasting, and annual forecast tools.

3.43 Cornwall Insight's view of LASER management fees is that they are broadly within the range that they would anticipate for comparable services from a PBO. It is important to note in any case that management fees are typically only 1-2% of the total delivered energy price. Therefore, a provider's management fees are of minor price significance, compared to them achieving good wholesale prices through skilled and experienced purchasing of energy and a sound strategy.

3.44 Within PBO providers, LASER has been classified by Cornwall Insight as a 'Premium Service' provider. This means they provide the most added value services of any PBOs, with much closer ties with customers.

Social Value

3.45 Through the tendering of their frameworks, LASER has secured an annual financial commitment from Npower and Total Energies of £130,000 for Social Value. This pot of money is to be split amongst LASER's customers (such as Brent) and so it is unclear at this stage how much of the pot will be allocated to the Council.

3.46 The suppliers on LASER's frameworks (such as Npower and Total Energies) are due to submit Social Value Plans to LASER in January 2024 which will detail the social value activities that they will support. However, at this stage indications are that apprenticeships and local social value initiatives will be supported.

3.47 In addition to the annual social value funding Npower in partnership with a third party (yet to be confirmed) will be delivering a limited number of workshops in customer schools over the duration of the framework. These workshops are known as 'Learn by Design'. They will be targeted at Year 6 and 7 students with the aim of fostering an interest in science, technology, engineering and mathematics. They will also have a particular focus on sustainability and environmental issues and will look at green energy generation such as solar panels and wind farms. The Council can register its interest in having workshops delivered in its schools should it choose.

4.0 Stakeholder and ward member consultation and engagement

- 4.1 In recognition of the complex nature of energy procurement, and the recommendation in the prior energy procurement Cabinet report (May 2022) 'to begin a full detailed assessment of the energy supplier options available immediately after completion of this procurement process, in consultation with stakeholders', early contact in November 2022 was made with Cornwall Insight along with several other Boroughs to begin the process for commissioning the assessment.
- 4.2 The Council's Energy Team and Cornwall Insight co-presented a meeting on 15/08/23 to the Council's representatives from finance, legal and procurement, to present the findings of the broker assessment and recommend next steps including the preferred procurement method for 2024-28.
- 4.3 This was then shared for comments with representatives from housing and schools on the 19/10/2023.

5.0 Financial Considerations

- 5.1 As set out in table 3.9, there is a £38.9m projected spend for the next 4 years. This cost includes the energy secured by LASER, the prices of Npower and Total Energies for the physical supply of energy, as well as LASER Energy's framework fees.
- 5.2 Cornwall Insight has forecast energy prices to fall steadily through to 2030, as shown in Appendix C (containing exempt information), however the longer-term outlook for gas and electricity prices is still uncertain. Therefore, the £38.9m forecast, which is based on the 23/24 forecast can be taken as a pessimistic estimate.
- 5.3 Street Lighting and Corporate services are forecast to spend £4.4m this year, against a budget of £3m. To manage this gap, £1.4m has been set aside for budget growth in the Medium-Term Financial Strategy (MTFS). A further £1.5m has been allowed for 2024/25 and 2025/26 in the MTFS. The Dedicated Schools Grant (DSG) will fund any increase in schools' energy costs. Housing related increases in energy costs will be funded within the Housing Revenue Accounts (HRA).
- 5.4 LASER has also secured an annual financial commitment from Npower and Total Energies of £130,000 for Social Value. This pot of money is to be split amongst LASER's customers (such as Brent); however it is unclear at this stage how much of the pot will be allocated to the Council and the conditions that could be placed on the funding.
- 5.5 It is important to note that huge complexity now and going forward in the energy markets, coupled with the high level of volatility and susceptibility in market shocks are expected to continue, and therefore impact any possibility to

forecast accurately. Not signing the framework agreements before the end of the existing contract will expose the Council to the volatility in the market.

6.0 Legal Considerations

- 6.1 Alongside Cabinet approval to Call Off from the Frameworks set out in paragraphs 1.1 and 1.2 of this report, Officers also seek approval for Brent Council to enter into an Access Agreement with Kent County Council, trading as LASER, to enable the Council to participate in both Frameworks for the purchase of gas and electricity.
- 6.2 Officers have sought and obtained permission from the Corporate Director of Governance for the Council's use of these third party-let frameworks as required under Contract Standing Order, 86(e) (ii) (Contracts not Subject to Full Tendering Requirements).
- 6.3 Because of Contract Standing Order 86 (e), the Council does not need to conduct a tendering exercise in its own name before placing the Call Off contracts referred to in the recommendations in this report.
- 6.4 According to Regulation 86, and Regulation 33 of the Public Contract Regulations 2015, the Council is nevertheless required to follow the award procedures set out within a framework agreement for the award of a Call Off Contract.
- 6.5 The direct award procedure complies with Regulation 86 in that it reflects the award procedures set out in the LASER Framework Agreements referred to in paragraph 1 of this report. It also complies with the requirements of Regulation 33 for direct awards on a multiple supplier Framework. Therefore, any direct award made as proposed in this report will be compliant with procurement law and the Council's internal Standing Orders.
- 6.6 As detailed in paragraph 3.9, the estimated total value of the Call Off Contracts for which approval is sought is an estimated £38.9m for electricity and gas, over the four-year supply period referred to above. The electricity is the significantly higher value of the two. However, as the value for supply of gas also exceeds the relevant threshold the Call Off contract is classed as a High Value Contract under the Council's Contract Standing Orders.
- 6.7 Pursuant to Contract Standing Order 86 (e)(f), Cabinet approval is required for the award of any High Value Contract as required by paragraph 9.5 of Part 3 of the Council's Constitution.
- 6.8 If Cabinet approves the contract award decisions sought in this report, then the appropriate period must be allowed to elapse for a Call-in of the Cabinet Decision by the Overview and Scrutiny Committee, before any award decision is implemented in accordance with Contract Standing Order 14(d).

7.0 Equality, Diversity & Inclusion (EDI) Considerations

- 7.1 Under Section 149 of the Equality Act 2010, the Council has a duty when exercising their functions to have 'due regard' to the need:
- To eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited under the Act;
 - Advance equality of opportunity; and
 - Foster good relations between those who share a "protected characteristic" and those who do not.
- 7.2 This is the Public Sector Equality Duty (PSED). The 'protected characteristics' are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation.
- 7.3 The purpose of the duty is to enquire into whether a proposed decision disproportionately affects people with a protected characteristic. In other words, the indirect discriminatory effects of a proposed decision. Due regard is the regard that is appropriate in all the circumstances.
- 7.4 Officers believe that the proposals in this report do not have any adverse equality implications.

8.0 Climate Change and Environmental Considerations

- 8.1 LASER Energy's new generation of frameworks offer three options to support the Council in achieving net zero through its energy purchasing: Green Tariff, Green Basket, and Power Purchase Agreements (PPAs).
- 8.2 The most straight forward option to implement and the one that will most likely have the lowest additional cost is the Green Tariff option. Under this scheme the energy supplier matches some or all of the electricity that the Council uses with renewable energy, and in turn the Council receives certificates known as Renewable Energy Guarantees of Origin (REGOs). REGOs demonstrate support for low-carbon energy, and have increasingly become seen as a mechanism to provide support to increase the build out of renewable generation in Great Britain. REGO prices have increased over recent years, and Cornwall Insight forecast them to remain at levels many multiples higher than historical norms, as demand outstrips supply in the near and medium term.
- 8.3 However, the Green Tariff (REGOs) does not yet offer traceability (the Council will not know who, where or how the energy has been generated), nor does it yet directly facilitate additional new renewable generation to be constructed (which is a key concept, called 'additionality'). REGOs are subject to potential legislative reform, which may result in significant changes to prices, and may bring them closer to creating genuine additionality. Until then, REGOs are open to accusations of 'greenwashing', and as such, Cornwall Insight advise that they may not represent an enduring means by which to purchase low carbon energy. Therefore, it is recommended that they are not bought until such time as they are shown to add additionality to renewables generation.

- 8.4 The second option is the Green Basket. Under this scheme the Council would be able to buy traceable electricity directly from renewable generators which is then delivered through the appointed energy supplier. As with the Green Tariff, the Council would receive REGOs and whilst the Green Basket does not directly lead to additional new renewable generation to be constructed, it does directly finance renewable assets. To utilise the Green Basket the Council would have to commit to an agreed volume of energy and maintain this throughout the remaining duration of the Council's call-off contract. The Green Basket would also most likely have a greater cost for the Council than the Green Tariff.
- 8.5 However, at the time of writing, due to the current and significant volatility in the energy markets, the Green Basket renewable energy option under the framework is not presently available. Nor is it known what impact this option will have on pricing. For example, generators of renewable energy from whom the Council may want to purchase traceable green energy are achieving favourable prices via the open market and so are not offering energy through the LASER frameworks at present.
- 8.6 Under the third option, direct energy generation, Power Purchase Agreements (PPAs) are a way for end-users, usually large energy users, to contract directly with at-source renewable energy generators to obtain power. These generators typically provide renewable energy from solar or wind farms. Agreements are usually contracted for longer than five years, with 15 years as a typical period.
- 8.7 The LASER frameworks enable the Council to incorporate energy generated from these separately procured renewable assets directly into the energy call-off contracts. This means that if the Council starts to procure electricity from a PPA supplier at any point during the LASER contract period, it will be added as a new component to the LASER usual monthly billing and does not need to be billed separately by the generator and, furthermore, LASER will not penalise the Council for the resulting reduction in wholesale electricity it supplies.
- 8.8 PPAs have two clear benefits. Firstly, PPAs are both genuinely zero carbon and satisfy the principle of renewable energy 'additionality' because they would not be built without the investment. Secondly, PPAs can facilitate long-term fixed energy price security with little or no upfront capital expenditure, and there is also the potential for them to achieve prices lower than that procured on the wholesale market.
- 8.9 PPAs can involve complex contract negotiations which tend to take from around six months to two years. Contract negotiations include a whole host of factors, such as specific provisions to be agreed regarding the price and the relative sharing of risk across the counterparties. Currently, a relatively small number of UK organisations have a credit rating suitable for a PPA, with this proportion likely to further shrink if the macroeconomic outlook remains poor. PPAs are more common in the USA and in the private sector, but so far are rare in the UK public sector with only one or two authorities procuring electricity in this way.

- 8.10 Brent has been actively engaged for the past two years with the Renewable Power 4 London Action Plan work stream 'Accessing or buying more affordable renewable energy', led by Islington Council, which aims to procure public sector energy for London Public Sector Bodies that is 100% renewable, through collaboration. One of the key issues for this work stream is how to navigate the complexities of multiple-organisation procurement whilst maximising the benefits of public sector collaboration. In the last energy procurement Cabinet paper (May 2022), the stated aim was to have a Power Purchase Agreement in place starting from autumn 2024 or spring 2025.
- 8.11 Much progress has been made, and a group of seven Boroughs has been formed with intentions to jointly procure a multiple-offtaker (i.e., multiple councils) PPA in the near future. The group has however more recently encountered complexities and delays with identifying the best approach to PPA procurement in what is a rapidly evolving energy procurement market.
- 8.12 Cornwall Insight has also questioned whether the current market conditions are right for the Council procuring a PPA. They state that some generators have chosen to engage with the volatile wholesale market in the near-term, seeking the benefits of record high prices rather than the security of lower longer term returns a PPA would provide them with. Aside from PPAs inherent complexity, made more so by the multiple-offtaker process, the price risk of PPAs is currently the overriding main concern. Whilst wholesale energy prices remain high, and as PPA developers will look to profit from the market situation by negotiating for correspondingly high PPA prices, the risk remains high that the Council could lock in to a PPA price for 10-15 years that would end up being higher than the wholesale market price for much of the period, after the wholesale price falls.
- 8.13 Cornwall Insight do however advise that the future outlook for PPAs is thought to be positive. Available renewable energy generation in the UK is expected to outdo demand in the medium and longer term. This could potentially expand opportunities for parties seeking a PPA.
- 8.14 The Council may therefore want to proceed with procuring electricity via a PPA during the next LASER procurement period 2024-28 subject to good progress being made with the Renewable Power 4 London Action Plan work stream and this option proving financially viable. It is therefore an advantage that LASER's frameworks are offering the potential incorporation of procured PPAs into its supply contract.
- 8.15 In addition to purchasing renewable energy, the Council can also source/purchase associated services through the frameworks with the aim of reducing energy consumption and increasing its use of renewable energy. These services include property portfolio assessments for potential projects, site surveys, education & training, demand side response services, etc.

9.0 Human Resources/Property Considerations (if appropriate)

- 9.1 There are no Human Resources implications for Council staff arising from this report. Gas and electricity will be supplied to corporate buildings, housing estates' communal areas and gas to a heat network, and Borough schools who contract for energy through the Council (as well as streetlights). See Appendix A for the Council's corporate estate and Borough schools included.

10.0 Communication Considerations

- 10.1 As part of the contract procurement, all schools who contract for energy through the Council with LASER have been sent an email to provide them with important information regarding the Council's proposed arrangements for the purchase of gas and electricity from October 2024 – September 2028, after the current LASER contract ends. It outlines the steps each school needs to take if it no longer wishes to be included in the Council's LASER procurement arrangements (option to opt out).
- 10.2 The email has also been sent to all other community schools in Brent, detailing the steps required if the school wishes to join the LASER contract from October 2024 (option to opt in).

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources