



Title of Report:	Delegate authority to Officers so they can approve the new natural gas and electric contracts commencing 1st April 2022
Committee Report Submitted To:	Environmental Services Committee
Date of Meeting:	8th February 2022
For Decision or For Information	For Decision

Linkage to Council Strategy (2019-23)	
Strategic Theme	Protecting and Enhancing Our Environments & Assets
Outcome	Our natural assets will be carefully managed to generate economic and social returns without compromising their sustainability for future generations.
Lead Officers	Head of Capital Works, Energy and Infrastructure

Budgetary Considerations	
Cost of Proposal	£2.36M
Included in Current Year Estimates	YES/NO – N/A
Capital/Revenue	To be Determined
Code	N/A
Staffing Costs	N/A

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

1.0 Purpose of Report

Officers seek the delegated authority from Members to approve the new natural gas and electric contracts within 24 hours of receipt of tender in order for suppliers to hold and maintain their prices.

2.0 Background

NI Councils (10 off) are currently working together to tender for the next round of renewal of the main energy contracts.

1. Natural Gas – Lot 1 Contract Sites, Lot 2 Tariff Sites, and
2. Power – Lot 1 non half-hourly meters NONHH, Lot 2 half-hourly meters HH.

Officers plan to issue both tenders to suppliers in early February 2020, to be returned late February 2022.

Normally, suppliers would hold their prices for 5 days but they have advised Councils that they can only hold the tendered prices for 24 hours max due to the lack of liquidity in the volatile energy market.

Note, if the normal protocol is followed in that an E.S. Committee report is waiting for full Council ratification, suppliers will build in a substantial margin to allow for this time risk.

A separate report item for information have already been presented which updated Members on

1. Energy market volatility

20220111 ES Committee Report Item Market Volatility 23.12.21.

Appendix A provides Members with an update on Energy Managers Forum procurement process for purchasing electricity and gas contracts for NI Councils which are due to commence 1st April 2022.

3.0 Recommendation

It is recommended that Members grant delegated authority to Officers to approve the new natural gas and electric contracts within 24 hours of receipt of tender prices.

Appendix A

Purpose of Appendix

This Appendix updates Members on the process, that is currently underway on behalf of NI Councils, undertaken by Officers from the Energy Managers Forum*¹ (EMF) to procure the electricity and gas contracts from 1st April 2022.

*¹ The EMF is a collective body of Energy and Procurement Officers from all Councils that collectively share knowledge and seek economies of scale on such matters as Tendering as per their Terms of Reference and have been successfully carrying out this task in excess of 10 years.

Background

Quick Recap of existing contracts procured by EMF on behalf of NI Councils:

The 1st April 2020- 31st March 2022 - Electricity Tender Competition finishes and this was the final 3rd period of a six-year framework. Fixed Price Contracts (Ex NI Authority for Utility Regulation, NIAUR, Changes) for Non-Half Hourly (NONHH) and Half-Hourly (HH) metered supplies were locked in with the successful suppliers for 2 years (NONHH ESBEI), (HH PowerNI).

1st April 2020- 31st 2021 - Gas Tender Competition was the first period of a six-year framework. Gas prices for year 2 of this period were rejected in March 2020 and we only agreed to contract for 1st April 2020- 31st March 2021, on the basis that we saw no justifiable reason from suppliers for the much higher year 2 prices. So we agreed to go back to market and retested for year 2 again in Feb 21 for commencement 1st April 2021 to 31st March 2022. For both Y1 & Y2 periods we had fixed gas prices secured on a “normal falling” gas price curve after the higher winter period prices between November through to February each year (Ex NIAUR Changes).

Year 1, 1.4.20 to 31.3.21 Contract sites (BIG3) SSE Airtricity, Tariff Sites (GoPower)
Year 2, 1.4.21 to 31.3.22 Contract sites (BIG3) GoPower, Tariff Sites (SSE Airtricity)

Procurement process update

Given the current well documented energy crisis and the subsequent volatility with supply pricing, it was agreed with our collaborative colleagues in the EMF on 20th December 2021, that the tender will be a fixed price for a period of one year. Each supplier will also be asked to provide an alternative variable price linked to market rate for wholesale gas on a monthly basis (tracker- based system following the wholesale gas price curve which places the risk on Council but reduces the cost to supply). The further option will then lock-in the price if the wholesale gas price fluctuates too much (future purchases at a fixed price). This contract would also be for a period of one year. This will provide two options for analysis by officers to purchase energy at the most advantageous rate to Councils.

Longer term (within the next year), the EMF collaborative plan to issue a separate tender to engage a third-party organisation to act as an Energy Broker from 1st April 2023. At this stage it is anticipated that all 10 councils wish to avail of the brokerage service.

The conclusion of this process will be brought to Members at a later date.