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Merton Council

Cabinet

5 December 2022

Supplementary agenda

9 Supply of Gas to London Borough of Merton

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Committee: Cabinet

Date: 5 December 2022 Updated Report

Wards: all wards

Subject: Award of contract for corporate gas supply

Lead officer: Mark Humphries - Assistant Director, Infrastructure & Technology

Lead member: Billy Christie - Cabinet Member for Finance and Corporate Services

Contact officer: Corin Freshwater-Turner – Energy and Sustainability Manager

Exempt or confidential report

The following paragraph of Part 4b Section 10 of the constitution applies in respect of information within the appendices and they are therefore exempt from publication:

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

Members and officers are advised not to disclose the contents of the appendices.

Recommendations:

- A. Award a 2+2+2-year contract to bidder A for the supply of gas to sites covered by the corporate utility contract, starting from 1st April 2023.
- B. That authority to take up the 2 optional 2-year extensions on the contract be delegated to the Interim Director of Innovation and Change in consultation with the Cabinet Member for Finance and Corporate Services.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1. The current corporate gas supply contract, which supplies gas to Council buildings and schools which choose to opt in, comes to an end on the 31st March 2023. This report seeks approval for the award of a 2-year contract, with 2 options to extend for 2 further years at the council's discretion, starting 1st April 2023 to Bidder A.

2 DETAILS

2.1. The Council's existing contract for the supply of gas is due to expire on 31st March 2023, and the Council's Procurement Board has approved re-procurement of this contract.

2.2. The total value of the Council's Gas Supply contract is estimated to be around £16,200,000 over the full 6-year term, though the majority of this expenditure will be made up of pass-through charges and the cost of wholesale energy. The actual supplier fees are anticipated to make up less than 0.5% of this value.

2.3. With the assistance of the Council's Energy Consultant / Third Party Intermediary (TPI), Inspired Energy, a competition was run off an agreed framework, ULT/09/2019/IE National Framework Agreement for Provision of Energy to Public Sector, to procure a new corporate gas supplier for the coming years.

- 2.4. The further competition from the framework was released on 14th October 2022 and was made available to all contractors on the framework via the London Tenders Portal.
- 2.5. Ultimately only 1 response was received.
- 2.6. The bid was evaluated by a panel of 3 officers, comprising 2 from Inspired Energy, and the Council's Energy and Sustainability Manager, Corin Freshwater-Turner.
- 2.7. The tender was assessed based on a split of 50% Price / 50% Quality, with quality criteria including questions covering customer service, billing, wholesale trading functions, social value and sustainability.
- 2.8. Bidder A's overall quality score was 31% out of a possible 50%, and scored particularly well in areas such as Onboarding, provision of renewable energy, billing transparency, and trading support. Full details of the quality scoring can be found in exempt Appendix A.
- 2.9. It is therefore the recommendation of the panel that the contract for the supply of power be awarded to Bidder A.

3 ALTERNATIVE OPTIONS

- 3.1. Do not award a contract: This approach would not be compliant with the regulations or CSOs and would result in the supplies reverting to "out of contract" rates from 1st April. This would potentially significantly increase costs for all sites for the term of the contract.
- 3.2. Do not award and re-run the tender exercise: There is no guarantee that a second tender exercise would generate additional interest. Conducting a further exercise would also mean there would only be a very short time between the start of any contract and 1st April 2023, limiting the ability of Inspired to secure wholesale energy at the best price for the Council.
- 3.3. Do not award and run a full tender process: Conducting a further tender exercise would also mean there would only be a very short time between the start of any contract and 1st April 2023, limiting the ability of Inspired to secure wholesale energy at the best price for the Council.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. N/A

5 TIMETABLE

5.1.

DATE	STAGE
15 th November 2021	Procurement Board
6 th December 2021	Cabinet
8 th December 2021	Notification of Intention to Award (issue accept and regret letters)
8 th December 2021	Mandatory Standstill period commences
20 th December 2021	Expiry of standstill period required under Regulation 87 of the Public Contracts Regulations 2015
20 th December 2021	Terms and Conditions agreed between Inspired Energy Solutions and the preferred Supplier(s)
21 st December 2021	Contract Award
22 nd December 2021	Interim Contract Start Date – Electricity Trading Commences
1 st April 2022	Full Contract Start Date - Supply Commences

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1. A credit check was carried out and the recommended contract value is £8,400,000. The comment for recommended total value of contracts for this supplier is that all contracts may be considered.

6.2. £8,400,000 is lower than the estimated total possible spend on this contract and therefore the following notes are considered relevant.

6.3. The total spend value is based on current market rates. It is not estimated that these will climb significantly higher and will potentially fall over the length of the contract, unless unforeseen circumstance occur, therefore total spend is likely to be lower than the maximum.

6.4. The total spend is assuming all possible extensions are taken up on this contract, which is subject to review and further credit checks and financial review will be conducted before any extensions are committed to.

6.5. To minimise risk, the financial position of the company will be review periodically during the contract.

6.6. The vast majority of the contract value is made up of commodity costs for the purchasing of wholesale gas and “pass through charges” added on by the network operator and therefore the actual value sitting at risk with Corona is significantly smaller than the total contract value.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1. Officers are recommending approval to award a call off contract to the Preferred Bidder following the conduct of a mini competition under the United Learning Trust's National Framework Agreement for Provision of Energy to Public Sector ref. number ULT/09/2019/IE (the Framework).

7.2. The details of the conduct of the mini-competition and selection of the Preferred Bidder set out in the body of this report evidence full compliance with the Framework's call off process and the Council's CSOs (Contract Standing Orders) 12.4.

7.3. Once approved, a contract award notice and information about the award of the contract must also be published on Contracts Finder. Once concluded, the details of the completed Contract must be added to the Existing Contracts Register.

7.4. Section 9E of the Local Government Act 2000 permits the recommended delegation.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None identified

9 CRIME AND DISORDER IMPLICATIONS

9.1. None identified

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. None identified

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix A – Pricing (Exempt)
- Appendix B – Quality Scoring (Exempt)

12 BACKGROUND PAPERS

12.1. None identified