



THE POLICE & CRIME COMMISSIONER FOR CLEVELAND

DECISION RECORD FORM

REQUEST: For PCC approval.

Title: North East Procurement Organisation (NEPO) EDF Electricity Supplies

Executive Summary:

Cleveland Police currently purchases its gas and electricity supplies through a CPB (Central Purchasing Body) called NEPO.

NEPO manages a flexible framework agreement for gas and electricity supplies on behalf of approximately 26 local authorities within the North East region, the overall annual value of the electricity contract across the region is approximately £55,000,000.

The current electricity supply contract is due for renewal on the 31st March 2019. Following a NEPO regional procurement exercise, a contract recommendation has been put forward for the supply of electricity to all participating local authorities from 1st April 2019. The successful contractor is a new supplier and has assured a seamless transition of contracts. The contract term will be 4 years with the option to extend for a further 2 years.

It is widely recognised that one of the most cost effective ways for public sector organisations to buy energy is to use recommended frameworks through a central purchasing body (CPB) that have aggregated volumes, can offer flexible purchasing and enable best practice risk management.

The renewal of the Electricity supply contract was undertaken following the NEPO category management process and protocols, a project team was established with full support from the North East region with a cross section of disciplines and member Authorities being represented.

A supplier engagement programme was embarked upon to ensure a competitive number of bids were received, to make certain the structure of the ITT encouraged suppliers to bid and that the project team fully understood the market and the potential of what this procurement could deliver.

A full EU compliant tender process was then undertaken with five suppliers submitting final tender submissions.

The project evaluation team agreed the format and based the tender package on the following criteria: Buying & risk management, Cost, Customer requirement, Implementation plan, Exit strategy, Sustainability and energy efficiency and innovation.

The submissions were evaluated on the following criteria:

- Quality 55%
- Cost 25%
- Quality Demand Side Services 10%
- System Demonstration 5%
- Social Value 5%.

On assessment of the returned tender submissions it was clear that Bidder B provided the most detailed tender response which provided the evaluation team with assurance that the contractor was clearly competent to deliver the specification of requirements.

Bidder	Total Score
Bidder A	57.23%
Bidder B	89.36%
Bidder C	81.93%
Bidder D	61.32%
Bidder E	86.72%.

It is therefore recommended that due to the significant scoring difference between Bidder B and the remaining bidders that the contract be awarded direct to Bidder B.

Decision:

The PCC is asked to approve the NEPO electricity contract.

OPCC Lead Officer: Michael Porter

Contractor Details (if applicable): EDF Energy Customers Limited, 90 Whitfield Street, London, W1T 4EZ

Implications:

Has consideration been taken of the following:	Yes	No
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>

(If yes please provide further details below)

Decision Required – Supporting Information

Financial Implications: (Must include comments of the PCC’s Chief Finance Officer where the decision has financial implications)

Cleveland Police spent £772,211 in 2017/18, volume of 7,031,243 (kWh) on electricity supplies. The budget set for 2018/19 is £823,350. The way that organisations such as NEPO monitor and procure electricity ensures that regular peak and troughs of electricity procurement can be achieved and over the years regular savings can be achieved.

It is not possible to provide electricity rates as NEPO has only traded 40% of 2019/20 power at this stage. NEPO will be trading the remaining 60% both over the next six months and within 2019/20 on the day ahead market.

This method of trading and flexible purchasing approach is used by NEPO as historical analysis has demonstrated purchasing power closer to the period of supply frequency achieves more competitive costs. It does however mean an element of budget certainty is sacrificed as a result.

With regards to non-commodity costs which originate from National Grid (transmission), Northern Powergrid (distribution) and Government (environmental levies etc), the majority are not known with certainty until the March directly prior to the financial year. This is why NEPO issue billing rates within the first couple of weeks in April.

Savings in a falling market can be realised and energy purchased early in a rising market, this strategy ensures that over the years regular cost avoidance savings can be achieved.

Yorkshire Purchasing Organisation (YPO) are currently going through a similar procurement exercise and have compared YPO's current electricity price of 11.50 per kWh to our current price of 11.25 per kWh.

Legal Implications: (Must include comments of the Monitoring Officer where the decision has legal implication)

Having read this report and having considered such information as has been provided at the time of being asked to express this view, the Chief Executive is satisfied that this report does not ask the PCC to make a decision which would (or would be likely to) give rise to a contravention of the law.

Equality and Diversity Implications

All diversity and equality considerations have been taken into account during tender analysis. There are no diversity and equality implications associated with the award of this contract.

Human Rights Implications

There are no human rights implications associated with the award of this contract.

Sustainability Implications

All sustainability considerations have been taken into account during tender analysis with a strong emphasis on sustainability and energy efficiency. Using the NEPO agreement allows for energy conservation initiatives and direct access to schemes such as smart meters and consumption monitoring software; there are no sustainability implications associated with the award of this contract.

Risk Management Implications

Any risk using the NEPO contract is low, as risk is regularly monitored at the contract management meetings.

OFFICER APPROVAL

Monitoring Officer

I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Signed  Date 25/9/18

Police and Crime Commissioner:

The above request HAS my approval.

Signed  Date 27/9/18



Report of the Chief Constable to the Police and Crime Commissioner for Cleveland – September 2018

Status: For Decision

Procurement report for the provision of Electricity Supplies

1. Purpose

- 1.1 The purpose of this report is to advise the Police and Crime Commissioner of the North East Procurement Organisation (NEPO) procurement process undertaken during the recent exercise to award a contract for the supply of Electricity.
- 1.2 The current agreement for Electricity supplies is due to expire on 31st March 2019. NEPO started re-tendering for a new electricity contract during the summer of 2018 with plans to award a new supply contract from 1st April 2019.
- 1.3 The contract term is for 4 years with the option to extend for a further 2 years.

2. Recommendations

- 2.1 That the Police and Crime Commissioner note the NEPO procurement process used to appoint a new contract for Electricity supplies.
- 2.2 The Police and Crime Commissioner accept the NEPO contract recommendation of awarding electricity supplies to Bidder B.

3. Background

- 3.1 The force currently purchases its gas and electricity supplies through a CPB (Central Purchasing Body) called NEPO.
- 3.2 NEPO manages a flexible framework agreement for gas and electricity supplies on behalf of approximately twenty six local authorities within the North East region, the overall annual value of the electricity contract across the region is approximately £55,000,000.00.
- 3.3 It is widely recognised that one of the most cost effective ways for public sector organisations to buy energy is to use recommended frameworks through a central purchasing body (CPB) that have aggregated volumes, can offer flexible purchasing and enable best practice risk management.

- 3.4 The renewal of the Electricity supply contract was undertaken following the NEPO category management process and protocols, a project team was established with full support from the North East region with a cross section of disciplines and member Authorities being represented.
- 3.5 A supplier engagement programme was embarked upon to ensure a competitive number of bids were received, to make certain the structure of the ITT encouraged suppliers to bid and that the project team fully understood the market and the potential of what this procurement could deliver.
- 3.6 The project evaluation team agreed the format and based the tender package on the following criteria: Buying & risk management, Cost, Customer requirement, Implementation plan, Exit strategy, Sustainability and energy efficiency and innovation.
- 3.7 A fully EU compliant tender process was then undertaken with five suppliers submitting final tender submissions.
- 3.8 On assessment of the returned tender submissions it was clear that Bidder B provided the most detailed tender response which provided the evaluation team with assurance that the contractor was clearly competent to deliver the specification of requirements.
- 3.9 Bidder B has also committed as part of their bid to develop a full interactive customer management system, this will enable users of the contract to manage their energy portfolios more efficiently and effectively and more importantly query billing procedures online. NEPO and the member Authorities will play an integral role in this development to ensure it is fit for purpose and delivers further benefits to the region.

Award Criteria	Questions	Weighting
Quality Mandatory Compliance with the Specification	Specification Compliance	Pass/Fail
	Pricing Compliance	Pass/Fail
		Pass/Fail
Quality Supply Side Services	Framework Agreement Management (20%)	2%
	Framework Agreement Implementation	4%
	Framework Agreement Processes	4%
	Framework Agreement Resources	3%
	Supplier Performance	3%
	Metering, Data & Online Systems	2%
	Retention & Growth	2%
	Framework Agreement Exit	
	Electricity Supply Product (20%)	8%
	Load Shaping Product	4%
	Billing Rates	4%
	Non-Commodity Costs	4%
	Trading Product	
Buying and Risk Management (15%)		
Trading Processes	7.5%	

	Trading Resources	7.5%
SUBTOTAL		55%
Cost	Supplier Fees Residual Shaping Pricing	20% 5%
SUBTOTAL		25%
Quality Demand Side Services	Demand Side Response	10%
SUBTOTAL		10%
System Demonstrations	System Demonstrations	5%
SUBTOTAL		5%
Social Value	Social Value Monetary Value Social Value Supporting Statement	3% 2%
SUBTOTAL		5%
OVERALL TOTAL		100%

Tenderer	Total Score
Bidder A	57.23%
Bidder B	89.36%
Bidder C	81.93%
Bidder D	61.32%
Bidder E	86.72%

3.10 It was therefore recommended that due to the significant scoring difference between Bidder B and the remaining bidders that the contract is to be awarded direct to Bidder B.

3.11 Subject to the Police and Crime Commissioner's final approval, the order will be placed with EDF Energy Customers Ltd.

4. Implications

4.1 Finance

4.1.1 Cleveland Police currently spends approximately £772,000.00 per annum on electricity supplies.

4.1.2 The annual budget for electricity supplies that cover the properties of Cleveland Police is £823,350.00.

4.1.3 The way that organisations such as NEPO monitor and procure electricity ensures that regular peaks and troughs of energy market can be avoided as the purchasing strategy ensures that over the years regular cost avoidance savings can be achieved.

- 4.1.4 It is not possible to provide electricity rates as NEPO has only traded 40% of 2019/2020 power at this stage. NEPO will be trading the remaining 60% both over the next six months and within 2019/2020 on the day ahead market.
- 4.1.5 This method of trading and flexible purchasing approach is used by NEPO as historical analysis has demonstrated purchasing power closer to the period of supply frequency achieves more competitive costs. It does however mean an element of budget certainty is sacrificed as a result.
- 4.1.6 With regards to non-commodity costs which originate from National Grid (transmission), Northern Powergrid (distribution) and Government (environmental levies etc.), the majority are not known with certainty until the March directly prior to the financial year. This is why NEPO issue billing rates within the first couple of weeks in April.
- 4.1.7 Savings in a falling market can be realised and energy purchased early in a rising market, this strategy ensures that over the years regular cost avoidance savings can be achieved.
- 4.1.8 YPO are currently going through a similar procurement exercise and have compared YPO's current electricity price of 11.50 per kWh. to our current price of 11.25 per kWh.

4.2 Legal

- 4.2.1 Contract to be awarded under NEPO term and conditions. There are no Legal implications associated with the award of this contract.

4.3 Diversity & Equal Opportunities

- 4.3.1 All diversity and equality considerations have been taken into account during tender analysis. There are no diversity and equality implications associated with the award of this contract.

4.4 Human Rights Act

- 4.4.1 There are no Human Rights implications associated with the award of this contract.

4.5 Sustainability

- 4.5.1 All sustainability considerations have been taken into account during tender analysis with a strong emphasis on sustainability and energy efficiency. Using the NEPO agreement allows for energy conservation initiatives and direct access to schemes such as smart meters and consumption monitoring software; there are no sustainability implications associated with the award of this contract.

4.6 Risk

- 4.6.1 Any risk using the NEPO contract is low, as risk is regularly monitored at the contract management meetings.

5. Conclusions

- 5.1 It is recommended that in order to achieve best value and extend regional collaborative working practices, Cleveland Police commits to the new NEPO electricity agreement from 1st April 2019.
- 5.2 The use of the NEPO electricity agreement would offer savings against the supplier management fee price element of the contract; the actual commodity cost would be secured through the wholesale market in line with the NEPO risk and purchasing strategy.
- 5.3 The NEPO evaluation team are fully confident that the procurement process has achieved best value and the new contract will provide an efficient and cost effective service to Cleveland Police.

Evaluation team:

Representatives of the NEPO Energy Procurement Group.