

FALKIRK COUNCIL

Subject: NATIONAL CONTRACT FOR THE SUPPLY OF GAS & ELECTRICITY
Meeting: FALKIRK COUNCIL
Date: 14 March 2012
Author: DIRECTOR OF DEVELOPMENT SERVICES

1. INTRODUCTION

- 1.1 Policy & Resources Committee at its meeting on 21st October 2008 agreed to the Council's participation in the Scottish Procurement Directorate's national contract for the supply of mains electricity. The contract commenced on 1st April 2010 and runs until 31st March 2013.
- 1.2 The October 2008 report also drew Members' attention to the ongoing work to establish a national contract for the supply of natural gas. Participation in the gas contract was subsequently agreed at the Policy & Resources Committee meeting of 17th November 2009, and the gas contract runs until 31st March 2014.
- 1.3 The purpose of this report is to seek approval to update the existing agency agreement for continuation of the Council's involvement in these contracts from 31st March 2013 onwards. This agreement allows purchasing in advance of the contract commencement and is governed by the Scottish Procurement Risk Management Committee.

2. CURRENT CONTRACTS

- 2.1 The Council's involvement in the current national contracts provides for all of the Council's energy needs up to 31st March 2013 (electricity) and 31st March 2014 (gas).
- 2.2 The current status of the five contract sections are as follows:
 - Large sites electrical with usage over 100kW – contract ends 31/03/13
 - Small sites electrical with usage under 100kW – contract ends 31/03/13
 - Street lighting and ancillary equipment – contract ends 31/03/13
 - Housing communal lighting and ancillary equipment – contract ends 31/03/13
 - Supply of natural gas – contract ends 31/03/14

3. FUTURE CONTRACT STRATEGY

- 3.1 As noted in section 2.1, contracts are in place for the Council's energy needs until 31st March 2013 (electricity) and 31st March 2014 (gas) when the agency agreements expire. However, in order to obtain the best contract energy prices it is necessary for the Council to agree to participate in the new energy contracts a minimum of a year in advance. The Council, therefore, needs to extend the agency agreement by the deadline of 31st March 2012.

- 3.2 The national contract will operate on a flexible procurement model where natural gas and electricity are purchased in tranches of up to 90%, prior to the start of the contract year. The remaining volume is then purchased in the day ahead markets, allowing the Scottish Public Sector to take advantage of prices which are generally lower than forward purchases. This process will help mitigate financial risk and smooth impacts on budgets.
- 3.3 The new agency agreement will cover an initial supply period of three years (1st April 2013 – 31st March 2016) with an option to extend for a further three years, to be reviewed annually.
- 3.4 Scottish Procurement's current purchasing power of around £200m (electricity) and £110m (gas) will allow the Scottish public sector to exert more influence on suppliers to promote energy efficiency activities and make improvements to levels of service more attainable.
- 3.5 Falkirk Council's estimated spend, based on current energy use, incorporating the five contract sections noted in section 2.2 above is £4m (electricity) and £1.5m (gas), per annum.

4. RECOMMENDATIONS

It is recommended that Members:

- 4.1 **Approve the continuing participation in the Scottish Procurement Directorate's national contracts for the supply of gas and electricity from 1st April 2013 until 31st March 2016 for both.**

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DIRECTOR OF DEVELOPMENT SERVICES

Date: 6 March 2012
Contact Officer: Alan Lamb

LIST OF BACKGROUND PAPERS

1. *Procurement Scotland agency Agreement relating to the supply of Electricity 2008
2. *Addendum to the Agency Agreement relating to supply of Electricity to apply the same terms to the supply of Natural Gas 2009

* Items not for publication on the grounds that they involve the disclosure of exempt information as defined in paragraph 8 of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973.