

PROCUREMENT STAGE 1 – APPROVAL TO PROCEED TO TENDER

This form must be completed for all procurements above the tender threshold (£75,000 - Services and Supplies and £500,000 – Works)

If contract value is over Cabinet approval threshold (£750,000) this form shall be attached with the request to tender report to Cabinet. This form will be “Open” for Publication.

Section A: ABOUT THIS PROCUREMENT	
Title	Procurement of Energy for Council Offices and Premises 2017 (including schools)
Directorate	Environment and Place
Procurement Reference Number	PS/2016/205
Contract Cost (Maximum Spend)	£11.3m over 4 years including schools.
Budget code(s)	DZ200-0592-DZ009-0000 & DZ200-0593-DZ009-0000
Introduction and Background	<p>Thurrock Council presently purchases gas and electricity for its own operational buildings, e.g. offices, public buildings and libraries, and on behalf of some schools, academies, independent charitable bodies and street lighting.</p> <p>The existing, internal, authority for procuring gas will expire at the end of September 2017 and electricity will expire at the end of September 2018.</p> <p>The existing frameworks allows for a seamless continuous process with authority to continue being renewed by members every 4 years subject to a procurement review.</p>
Proposed Contract Term	This is a rolling contract through CCS frameworks, a four year continuation of authority is sought to secure continuation of energy supply.
Political Sensitivity	N/A

Section B: COMMISSIONING REPORT

Business Case	<p>Unless an energy contract is in place deemed rates are applied by the suppliers, this is the most expensive way to receive energy and needs to be avoided.</p> <p>The Office of Government Commerce recommends that an aggregated, flexible, risk-managed framework managed by an energy expert is the best strategy for achieving best value in public sector organisations. This translates to an energy expert securing energy on the wholesale market on the Council's behalf, when the price is at low points.</p> <p>Procurement have undertaken a review of the possible framework suppliers that meet this requirement and the fee structures of CCS is still considered to be the best value provider for the council.</p> <p>The existing Crown Commercial Services (CCS) customer access agreement is evergreen which allows a seamless continuation of the framework contracts subject to member's approval.</p> <p>This continuous process avoids the risk of out of contract rates being incurred by the Council and simplifies future migration between any new framework suppliers appointed by CCS.</p> <p>Due to the continuing structural changes the council is going through flexible contracts which don't lock the council into long term commitments is seen as a key requirement.</p> <p>The continuous nature of the CCS access agreement means leaving the contract only requires a short termination notice, allowing accounts to leave the contract as circumstances change. This is a very flexible arrangement and only possible with the largest energy players.</p> <p>Individual accounts can be migrated on and off the contract given suitable notice is give in the procurement cycle.</p> <p>Independent bodies, schools and academies have their own customer access agreement and model contracts, they exist as independent enteritis responsible for any debt but coordinated by the councils central contract.</p>
Key Deliverables (Draft Specification)	<p>To place a contract for the procurement of gas and electricity for consumption by the Councils portfolio of buildings including schools, public offices, libraries and other public services outlets. Some services, such as schools, have delegated authority to manage their own budgets and, as such cannot be compelled to use the new electricity contract. However, in the past the majority of primary schools have elected to be included in the energy contracts.</p> <p>Existing energy frameworks have been evaluated by Procurement to allow the most appropriate to be selected.</p> <p>The service will be set-up to deliver the following:</p>

	<p>1) An energy framework agreement will be used to deliver fully competitive OJEU compliant procurement process</p> <p>2) The energy expert will secure the energy required from the wholesale energy market in advance to allow a fixed price for the coming year using an aggregated, flexible and risk-managed energy procurement process. The key to this strategy is to buy at the low points of the market.</p> <p>3) Independent bodies, schools and academies who are currently part of the contract have their own customer access agreement and model contracts, they exist as independent enteritis responsible for any debt but coordinated by the councils central contract.</p> <p>4) To allow for sites to migrate on and off the contract the largest portfolio tolerance will be sought; $\pm 15\%$ is typical but $\pm 25\%$ may be possible.</p> <p>5) The payment terms of the suppliers will be explored to obtain the best conditions for the Council. Typically this is 21 days.</p> <p>6) Paper bills will be provided to organisations with devolved budgets. Payment terms will be negotiated to explore a day payment window.</p> <p>7) Spreadsheet data files or Electronic Data Interchange (EDI) files will be provided to finance to allow automated payment of corporate buildings.</p> <p>8) EDI files will be provided to allow automated electronic energy data to be recorded.</p> <p>9) Half Hourly data for the large energy consuming sites is to be provided electronically.</p> <p>10) Energy auditing software is used to operate a query management service to identify any issues and track the resolution through to conclusion.</p> <p>11) The Council's adopted Environment Policy 2000 requires that 10% of the Council's energy requirements be purchased from renewable sources. Since the general mix of renewables now far exceeds this requirement there is no need to include this requirement as much higher mix of renewables is standard at no additional cost.</p> <p>Procuring energy on the energy spot market is a highly specialist field, the framework should have the following key requirements:</p> <ul style="list-style-type: none">• Experience of flexible purchasing in the public sector, with a range of risk products and entry dates• Regular updates on purchases and prices to support budgeting during the purchase window and beyond.• A transparent, not-for-profit charging structure• Managed, prompt and timely site registration• A dedicated single point of contact within organisation, once registered
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	<ul style="list-style-type: none"> • Savings on administration costs/cost to serve through significant aggregation • Professional supplier and contract management • Long-term confidence from a leading edge, EU-compliant procurement process • Access to energy from renewable sources
Quality v Price evaluation	N/A - undertaken by CCS
Social Value	Independent bodies, schools and academies while outside of the councils direct responsibility have been included within the contract to provide a vehicle to allow small less resourced organisations to benefited from the councils corporate procurement expertise and ensure they get best value for their organisation.
Current / Previous Contract details	Electricity PS/2014/822 Gas PS/2013/459

FINANCIAL IMPLICATIONS						
Current / Previous Contract Cost	A 3% inflation factor has been applied. Schools pay from their own budgets and have not included below.					
Cost Breakdown	Breakdown of Estimated Cost	17/18 £000's	18/19 £000's	19/20 £000's	Later £000's	Total £000's
	Total Spend	£1,105	£2,276	£2,345	£2,415 & 1,244	£9,385
Confirm Funding Breakdown Identified	Revenue Budget	£1,105	£2,276	£2,345	£2,415 & 1,244	£9,385
	Capital Budget	£	£	£	£	£9
	Other (Please State)	£	£	£	£	£
	Other (Please State)	£	£	£	£	£
	Total Funding	£1,105	£2,276	£2,345	£2,415 & 1,244	£9,385
Budget Code(s)	List budget codes					
Unsupported borrowing?	NA					
Other Financial Implications	With the decision to leave the European Union has had currency fluctuations, since energy markets operate in \$ there is scope for significant prices rises, there are a number of unknowns yet to be negotiated and how the pound responses to these changes will be decided by the world markets.					

PROCUREMENT ROUTE ABOVE TENDER THRESHOLD (Choose 1(of A, B, C or D) only)	
A. COMPETITIVE PROCUREMENT (complete B if a Framework)	
Procurement Route	N/A
Procurement Justification	N/A
B. FRAMEWORK (Waiver in accordance with Rule 13.1 (c))	
Framework?	Is this a procurement from a Framework? Yes
Title & Reference of Framework	CCS current NHH framework : Provision of electricity supply and ancillary services – ID RM999 (this will be replaced on 1 October 2017) CCS HH Framework: Electricity Supply and Ancillary Services – ID RM1075 CCS framework: The supply of Natural Gas (Daily / Non Daily Metered) and Ancillary Services – ID RM1076
Framework Rationale	Procurement have undertaken a review of the available frameworks and this is considered best value. The existing frameworks allows for a seamless continuous process with authority to continue being renewed. Both frameworks only have one supplier appointed to them, thus allowing a direct award in both cases.
C. REQUEST FOR QUOTE FROM RESTRICTED MARKET (Waiver in accordance with Rule 13.1 (d))	
Restricted Market?	Is this a request for quotes from a restricted market? No
Rationale (only permitted below the EU threshold)	N/A
D. SINGLE SOURCE REASON (Waiver in accordance with Rule 13.1 (a, b or d))	
Single Source	Is this Procurement a Single Source – One Quote/Tender <i>(Exceptional circumstances only and select reason below)</i> No
Single Source justification below EU Threshold	Select reason and explain your rationale N/A
Single Source justification above EU Threshold	If you are seeking a single tender above the EU threshold – using the “Negotiated Procedure without Prior Publication” route, this is only available in very exceptional circumstances. You must select the reason below and explain your rationale. N/A
Single Source Rationale	N/A

PROCUREMENT TIMETABLE, RISK, CONSULTATION AND MANAGEMENT						
Milestones and target dates <i>(Draft)</i>	Key Event				Date	
	Publication of Contract Notice or Advert				Click here to enter a date.	
	Return of PQQs (omit if not applicable)				N/A	
	Issue of Invitation to Tender				Click here to enter a date.	
	Return of Tenders				Click here to enter a date.	
	Notification of Results				Click here to enter a date.	
	Standstill Period (omit if not applicable)				N/A	
	Leaseholder Consultation (omit if not applicable)				N/A	
	Expected date of Award				01 April 2017	
Contract Commencement				01 October 2017		
Risk Management – Set out Main Risks and Mitigating Actions						
Risk	Likelihood (A – E)¹	Impact (I – IV)²	Level of Risk (High to Lower)³	Potential Negative Impact	Management / Mitigation of Risk	Risk
Tender Process Risks						
No contract in Place	E	I	Lower	Out of contract rates can be upto 2 –to 3 times the normal rate	The contract will continue until a termination notice is issued	
Supplier fails	E	II	Lower	Unknown cost with the new supplier, and potentially out of contract rates during the transition process	The current supplier is one of the big six suppliers and is too big to fail without the CCS having time to make alternative plans	
-	-	-	-	-	-	
Contract Performance Management Risks						
Loss of Power	C	II	CII	Buildings close without power	National grid or the local supplier would rectify automatically	
Supplier fails to make transfer	C	II	CII	Out of contract rates incurred	This process is a continuation and avoids the risks involved in switching suppliers	
Schools may not process invoices during holidays	C	V	Level	Late payments charges imposed	Schools know the risks and have to manage their liabilities	

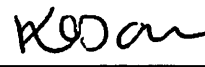
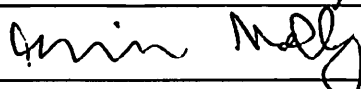
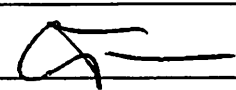
¹ Risk Likelihood: A = Very High, B = High, C = Significant, D = Low, E = Very Low

² Risk Impact: I = Critical, II = Significant, III = Marginal, IV = Negligible

³ Risk Level: High = AI, BI, All, BII, CI, CII, all others lower

Contingency Arrangements	As this is a continuation of an existing framework the process will continue unless a termination notices is sent to stop the current contract process. CCS will continue to provide framework suppliers who have been through their own EU compliant tendering process.
Consultation	This is a continuation of an existing contract all parties expect the process to continue in an uninteruped process, all independent bodies, schools and academies have recently been noved to their own customer access agreement and model contract, during this process the whole process of how the contract works was explained in detail all parties signed up to this process.
Project and Contract Management Proposals	Each EDI billing files will be validated through the Monitoring and Targeting software, any queries are raised with the supplier and any corrections implemented. Validated files will be exported into the finance system to allow bulky payments of the monthly bill. Energy Procurement & Efficiency Manager will manage this contract with all parties.
Procurement Comments	At £11.4m, this contract exceeds the EU threshold for services, it is therefore the intention for the Council to procure using a fully EU compliant CCS framework agreement. In choosing this option the Council is adhering to Council and EU regulation whilst ensuring best value for the Council.

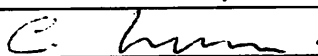
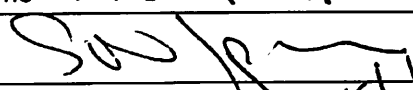
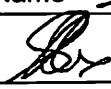
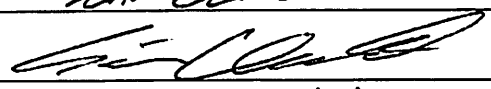
Section C: LEGAL, FINANCE AND PROCUREMENT APPROVAL

Procurement Services	Name	Name K MASON
	Signed (Or obtain email of confirmation)	
	Date	Click here to enter a date. 16/01/17
Legal Services (Insofar as it relates to Legal implications)	Name	Name K MULLOY
	Signed (Or obtain email of confirmation)	
	Date	Click here to enter a date. 16/1/17
Finance (Insofar as it relates to Finance implications)	Name	Name CAROL TOMKINSON
	Signed (Or obtain email of confirmation)	
	Date	Click here to enter a date. 16/1/17

Section D: APPROVAL TO PROCEED VALUE

The Responsible Officer must sign the form, together with the Head of Service as a minimum. Delegated Authority Limits below.

Approval Level	Over £750,000 - Cabinet
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Section E: SIGN OFF APPROVAL TO PROCEED		
Confirmation by the Responsible Officer of Compliance with Contract Procedure Rules	<p>The Responsible Officer Chris Lucioni confirms that the procurement of Procurement of Energy for Council Offices and Premises 2017 (including schools) and PS/2016/205 has been carried out in accordance with Rule 5 of the Council's Contract Procedure Rules (Chapter 9, Part 2 of the Constitution) and in particular the following duties have been met by the Responsible Officer:</p> <ul style="list-style-type: none"> • Compliance will occur with all regulatory or statutory provisions and the Council's decision making requirements • The Contract will be included on the Council's Contract Register • Value for Money will be achieved • Advice has or will be sought from the Director of Finance and Corporate governance as to an appropriate security bond or guarantee • Document Retention Policy has and will be complied with • Financial Evaluation will be made of all the proposed tenders including the recommended bidder • Advice has been and will be sought and followed from Procurement, Legal and Finance as necessary 	
	Signed	
	Date	Click here to enter a date. 16/01/17
Approval to Proceed	In accordance with the Contract Procedure Rules, I/we confirm the accuracy of the information contained within this form and authorise this request to Proceed to Tender including, where relevant, the permitting of a Waiver from the Contract Procedure Rules in accordance with Rule 13	
Head of Service	Name	Name SUSAN SPRAY
	Signed (Or obtain email of confirmation)	
	Date	Click here to enter a date. 15/1/17
Corporate Director <i>I confirm that the Portfolio Holder has been consulted as required</i>	Name	Name SAVE COX.
	Signed (Or obtain email of confirmation)	
	Date	Click here to enter a date.
Director of Finance and IT <i>If waiver required</i>	Name	Name SEAN CLARK
	Signed (Or obtain email of confirmation)	
	Date	Click here to enter a date. 26/1/17
Cabinet	Approval Minute Number	Enter minute reference
	Date	Click here to enter a date.
Now send complete form to Procurement Services signed and scanned (with emails if used)		