

Energy buying: Working together for better results



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Introduction

The Pan-Government Energy Project recommends that all public sector organisations adopt aggregated, flexible and risk-managed energy procurement. The Project, sponsored and chaired by the Ministry of Defence, has developed best practice recommendations for energy procurement in consultation with customers and public sector buying organisations.

This document gives an overview of how to access aggregated, flexible, risk-managed energy procurement through one of the public sector buying organisations, acting as a Central Purchasing Body (CPB), engaged with the Project. This document should be read in conjunction with the associated guide *Energy buying: The effective way to manage risk*, which explains what best practice in energy procurement is and offers guidance on how to make effective decisions in your organisation. It can be downloaded at www.ogc.gov.uk/energy

This document provides guidance for those who are responsible for energy procurement in all public sector organisations including, but not restricted to, local authorities, educational establishments, health trusts, central government departments, their non-departmental public bodies and executive agencies.



Promoting best practice across the public sector

To improve the standard of energy procurement across the public sector, the Project has developed a set of best practice criteria which include:

- access to wholesale markets (including multiple purchasing opportunities)
- robust governance and risk management strategies, to minimise price risk
- transparent pricing mechanisms
- minimum volumes for frameworks
- access to future options, such as buying directly from generators, which could reduce long-term price risk and increase the security of supply, including the use of new renewable sources of energy.

More information about best practice energy procurement can be found in *Energy buying: The effective way to manage risk*. The guide and the full list of criteria can be found at: www.ogc.gov.uk/energy

A full list of organisations that have been through the evaluation process can be found in on the OGC website www.ogc.gov.uk/energy

Any CPB not currently engaged with the Project, but wishing to be so, can contact the Project at energy@ogc.gsi.gov.uk

The energy procurement frameworks outlined in this document have been let by the Central Purchasing Bodies (CPBs) which are engaged with the Project. The frameworks are all being evaluated to ensure they meet the best practice criteria and those which meet this standard are defined as recommended solutions by the Project which will be reviewed annually to monitor performance and to ensure they continue to meet the best practice criteria.

The CPBs listed in this guide have frameworks that have been, or are in the process of being, evaluated by the Project and are able to take on new customers. Next to the frameworks listed on each CPB page is a column which indicates if the framework is a recommended solution, having met the best practice criteria, or the date when the framework evaluation is due to be completed.

In line with the Project's recommendations, only the aggregated, flexible and risk-managed frameworks offered by these CPBs are included in this guidance. Please note that fixed-price, fixed-term contracts are not recommended.

Central Purchasing Bodies (CPBs)

What is a CPB?

A CPB is defined in the Public Contracts Regulations 2006 as “a contracting authority which:

- acquires goods or services intended for one or more contracting authorities;
- awards public contracts intended for one or more contracting authorities; or
- concludes framework agreements for work, works, goods or services intended for one or more contracting authorities.”¹

CPBs can only offer services to other contracting authorities. Some CPBs provide national coverage across all sectors including central and local government and the wider public sector. Other CPBs may be area- or sector-specific, for example, they may be limited to providing services to local government or in a particular geographic location.

Different CPBs use various fee structures to charge a (relatively low) fee for their services to recover the costs they incur. The fee type should be agreed with the CPB prior to using its services.

The CPBs currently engaged with the Project offer a range of energy frameworks and services to a range of regional, sector-specific and national customers. Those frameworks which new customers are welcome to join are listed in this document.

There are a number of factors to be considered when selecting the CPB which best meets the organisation's requirements and offers best value for money. Such factors may include: the ability of the organisation to access the framework (for example, depending on how the framework was advertised, there may be geographical- or sector-specific restrictions); the level of service provision (full or intermediate); and the compatibility of their risk management strategies with the organisation's objectives. It is also advisable to take appropriate legal and other relevant professional advice before using a framework.

For more information on the benefits of using a CPB, and what to consider when choosing one, please see *Energy buying: The effective way to manage risk*.

What is the Pro5?

The Pro5 is a group of regional local government CPBs which provide procurement services to the wider public sector, which may include local authorities, schools, other educational establishments and the emergency services. These CPBs work together on procuring common goods and services for the local authorities they serve. To date, the collaborative focus has been on aggregating demand and supply side engagement.

The Pro5 members are:

- Central Buying Consortium (CBC) - represented on energy by Laser which buys energy on behalf of CBC
- Eastern Shires Purchasing Organisation (ESPO)
- North Eastern Purchasing Organisation (NEPO)
- West Mercia Supplies (WMS)
- Yorkshire Purchasing Organisation (YPO).

¹Regulation 2 of the Public Contracts Regulations 2006

Central Purchasing Body summary

The table below details which CPBs offer recommended solutions for each utility, and if they have not completed the evaluation process, when this is due to be completed. Metering services are not evaluated by the Project. More information about each CPB, including contact details, can be found in the following pages.

UTILITY	ESPO	NEPO	Laser	WMS
Electricity NHH	Recommended	Recommended	Recommended	Summer 09
Electricity HH	Recommended	Recommended	Recommended	Summer 09
Electricity UMS	Recommended	Recommended	Recommended	Summer 09
Gas	Recommended	Recommended	Recommended	–

UTILITY	Buying Solutions	YPO	NHS PASA	TEC
Electricity NHH	Recommended	Summer 09	Recommended	Provisionally recommended*
Electricity HH	Recommended	Summer 09	Recommended	Provisionally recommended*
Electricity UMS	Recommended	Summer 09	Recommended	Provisionally recommended*
Gas	Recommended	Summer 09	Recommended	Provisionally recommended*

NHH – Non-Half-Hourly commercial electricity supply consuming less than 100kW maximum demand. Meter Point Administration Number (MPAN) has a Profile Class of 03 to 08.

HH – Half-Hourly commercial electricity supply consuming more than 100kW maximum demand. These sites are fitted with electronic metering, connected to a communications device, which is downloaded remotely on a daily basis by the appointed Data Collector, to record electricity

consumption for every half-hour period. MPAN has a Profile Class of 00.

UMS – Un-Metered Supply. Electricity supply that is not metered (eg, street lighting).

*TEC's frameworks have been provisionally recommended by the Project, conditional on achieving the required aggregated volumes by summer 2009.

Buying Solutions

Background

Buying Solutions is an executive agency of the Office of Government Commerce (OGC) providing a professional procurement service to the whole public sector to enable organisations to deliver improved value for money in their commercial activities.

Buying Solutions has been purchasing aggregated energy volumes via the wholesale markets for more than 10 years. In addition to the standard flexible procurement options, the organisation is constantly broadening the range of risk management solutions on offer in response to ever-changing markets. These provide reduced price volatility through effective risk management over longer forward periods.

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity NHH	British Gas	Flexible	Full	Yes
Electricity HH & UMS	EDF Energy	Flexible	Full	Yes
Gas	Corona	Flexible	Full	Yes

Eastern Shires Purchasing Organisation (ESPO)

Background

ESPO is a local government purchasing and distribution consortium which is jointly owned and operated by seven county and city councils in the East and West Midlands and East of England, which also forms ESPO's main area of operation. ESPO also works on behalf of local authorities, educational establishments and emergency services.

ESPO provides a full range of frameworks for the supply of energy and associated services to customers. Bill validation is also undertaken in respect of gas.

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity NHH	Scottish & Southern Energy	Flexible	Full	Yes
Electricity HH and UMS	Scottish & Southern Energy	Flexible	Full	Yes
Gas	British Gas	Flexible	Full	Yes
Metering Services	Siemens Energy Services	N/A	Intermediate	N/A

Laser

Background

Laser is a local government purchasing consortium operating in the South East and London region. Laser is part of Kent County Council and has responsibility for the energy procurement for the Central Buying Consortium (CBC) customers as well as for its own customers from London and the South East of England.

Currently 60% of member authorities are included within the flexible procurement frameworks. It is anticipated that remaining authorities will migrate to the flexible option as contracts become due for renewal.

Laser's service includes a full billing and bill validation service.

Contact Details

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity HH, NHH & UMS	npower	Flexible	Full	Yes
Gas	British Gas	Flexible	Full	Yes
Metering Services	Various	N/A	Intermediate	N/A

NHS Purchasing and Supply Agency (NHS PASA)

Background

NHS PASA is an executive agency of the Department of Health. The NHS PASA Energy team provides a strategic procurement service for the NHS' energy requirements. The team does so through a robust risk management strategy, as well as supplier management to improve service delivery in the NHS.

NHS PASA is centrally funded and does not charge its members, however customers from other sectors may be subject to a management fee to cover costs incurred.

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity NHH	Scottish & Southern	Flexible	Intermediate	Yes
Electricity HH	Scottish & Southern	Flexible	Intermediate	Yes
Gas	Total	Flexible	Intermediate	Yes

North Eastern Purchasing Organisation (NEPO)

Background

NEPO is a local government purchasing and contracting consortium consisting of 12 full member local authorities and a number of associate members in the North East region. In addition, police and fire authorities, colleges and other public sector organisations benefit from participating in NEPO arrangements. NEPO's current customers cover an area from the Scottish border through to Northumberland, Tyneside, Wearside, County Durham and Tees Valley.

Gateshead Council acts as lead authority for NEPO.

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity HH, NHH & UMS	npower	Flexible	Full	Yes
Gas	British Gas	Flexible	Full	Yes

The Energy Consortium (TEC)

Background

Since its formation in the mid-1990s, TEC has been committed to bringing best value in energy procurement to its wide membership base in the Higher Education and Further Education sectors. The advent of the collaborative pan-government agenda has brought about new dimensions to TEC's approach in achieving savings for education and the wider public sector.

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity NHH	Scottish & Southern	Flexible	Full	Provisionally recommended*
Electricity HH & UMS	Scottish & Southern	Flexible	Full	Provisionally recommended*
Gas	Gazprom	Flexible	Full	Provisionally recommended*

*TEC's frameworks have been provisionally recommended by the Project, conditional on achieving the required aggregated volumes by summer 2009

West Mercia Supplies (WMS)

Background

WMS, a purchasing consortium based in Shrewsbury, is jointly owned by four local authorities: Shropshire County Council, Worcestershire County Council, Herefordshire County Council and the Borough of Telford and Wrekin.

WMS offers a full range of energy frameworks including electricity and gas, to local authorities, schools, colleges and other not-for-profit organisations across the Midlands, North West and South West England and Wales.

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity NHH	npower	Flexible	Full	Evaluation due for completion summer 2009
Electricity HH	npower	Flexible	Full	

Yorkshire Purchasing Organisation (YPO)

Background

YPO is the largest formally constituted local authority purchasing consortium in the country. It is governed by a management committee of elected representatives from various constituent authorities in the Yorkshire, Humber and Lancashire, Greater Manchester, Merseyside and North Midlands areas, which are also YPO's major areas of operation.

YPO is currently putting in place aggregated, flexible and risk-managed frameworks for gas, which will be in place for delivery from June 2009.

YPO's current fixed price electricity contracts will go onto a flexible four-year contract option during 2010.

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Framework	Current Supplier	Procurement Method	Contract Management	Framework Recommended?
Electricity NHH*	not yet appointed	Flexible	Full	Evaluation due for completion summer 2009
Electricity HH*	not yet appointed	Flexible	Full	
Electricity UMS**	npower	Flexible	Full	
Gas	E.ON & British Gas	Flexible	Full	

* Delivery from Oct 2010 but customers are able to sign up now.

** Delivery from Nov 2009 but customers are able to sign up now.

Disclaimer

Any government department or other contracting authority using this guidance should take their own legal and other relevant professional advice in respect of any specific procurement project intending to use any of the frameworks. Whilst OGC shall use reasonable endeavours to ensure that the information contained in this guidance is correct, no warranty, express or implied, is given as to its accuracy. OGC does not accept any liability for loss or damage, which may arise from reliance upon the guidance and use of any of the frameworks is undertaken entirely at the user's risk.

Organisations involved in the Pan-Government Energy Project:

Buying Solutions
 Department for Business, Enterprise and Regulatory Reform
 Department for Children, Schools and Families
 Department of Energy and Climate Change
 Department for Innovation, Universities and Skills
 Department for Work and Pensions
 Eastern Shires Purchasing Organisation
 HM Revenue & Customs
 Laser
 London Energy Project
 Ministry of Defence
 NHS Purchasing and Supply Agency
 North Eastern Purchasing Organisations
 Office of Government Commerce
 Procurement Scotland

Regional Improvement and Efficiency Partnerships
 The Energy Consortium
 Value Wales
 West Mercia Supplies
 Yorkshire Purchasing Organisation

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