

DMPC Decision – PCD 748

Title: Sourcing Strategy for Energy Services

Executive Summary:

This paper seeks approval for a up to 5 year continuation of the current arrangements for the supply of electricity and gas via the Crown Commercial Services (CCS) framework. The existing arrangement is for the period from April 2016 to 31 March 2021. In addition, the Metropolitan Police Service (MPS) has undertaken a review of the market which has not identified any alternative suppliers who can meet environmental and cost requirements. Given the size of the potential contract and environmental implications any further proposal to use an alternative supplier following subsequent reviews will be subject to a MOPAC decision. The estimated value of a 5 year agreement 2021/22-2025/26 is £102m.

Recommendation:

The Deputy Mayor for Policing and Crime is recommended to:

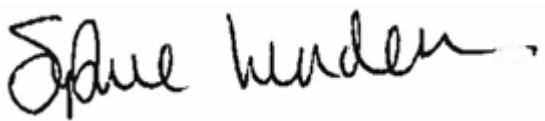
1. Approve authority to continue to source electricity and gas supplies through the CCS Customer Access Agreement (CAA) for up to five years (from 1st April 2021), subject to the identification of a suitable alternative 'green' energy solution mid-period.
2. Note the work to be undertaken to consider alternative providers to be evaluated in order to meet GLA 'green' energy aspirations, recognising the 30 month contracted notice period within the CCS framework.

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature



Date

22/09/2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

1. Introduction and background

- 1.1. MOPAC currently sources its energy requirements via a Crown Commercial Services (CCS) framework which runs from 1 April 2016 to 31 March 2021. There is a annual opportunity each September to issue notice of termination of the Customer Access Agreement (CAA) from the framework.

2. Issues for consideration

- 2.1. The framework includes significant notice periods – upto 30 months – for different types of energy supply. The earliest a termination would take affect for those Customer Access Agreements (CAA) with 30 month notice is therefore March 2023.
- 2.2. The MPS has carried out a review of the market and reported that there is currently no alternative to the CCS framework. The MPS will continue to monitor the market for alternative opportunities.
- 2.3. Any subsequent proposal for a change to supplier following a review will be subject to a further MOPAC decision.

3. Financial Comments

- 3.1. The current annual costs of energy supply is £16.3m.
- 3.2. The estimated value of a 5 year agreement 2021/22- 2025/26 is £102m. This is based on assuming that the estate remains at the current size, rather than the previously expected reduction, to take account of the officer uplift, and includes consideration of fleet changes. The Meropolitan Police Service (MPS) will only pay for the energy consumed.
- 3.3. The costs of energy will be met from within the MPS budget.

4. Legal Comments

- 4.1. The Mayor's Office for Policing Crime is a contracting authority as defined in the Public Contracts Regulations 2015 ("the Regulations"). All awards of public contracts for goods and/or services valued at £181,302 or above will be procured in accordance with the Regulations.
- 4.2. Paragraph 4.13 of the MOPAC Scheme of Delegation and Consent provides that the Deputy Mayor for Policing and Crime (DMPC) has delegated authority to approve all unforeseen variations and extensions to contracts with an original value of £500,000 or above, when the variation or extension is greater than 10% of the original value and/or is for a period of more than 12 months.

4.3. The MPS has confirmed that the original contract was procured in accordance with regulations and that the nature of the original contract allows for the continuation of the agreement.

5. **Commercial Issues**

5.1. This paper deals with the procurement of gas and electricity. This is currently provided via a Customer Access Agreement from the Crown Commercial Services framework. The paper seeks approval for the continuation of the agreement beyond the March 2021 term. The MPS will continue to review the market.

5.2. Any review will include Responsible Procurement and London Environment Strategy requirements.

6. **GDPR and Data Privacy**

6.1. The project does not use personally identifiable data of members of the public, so there are no GDPR issues to be considered.

7. **Equality Comments**

7.1. MOPAC is required to comply with the public sector equality duty set out in section 149(1) of the Equality Act 2010. This requires MOPAC to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations by reference to people with protected characteristics. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

7.2. There are no equality issues associated with this proposal.

8. **Background/supporting papers**

- Appendix 1 MPS Report Sourcing Strategy for Energy Services.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – NO

ORIGINATING OFFICER DECLARATION	<i>Tick to confirm statement (✓)</i>
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
Legal Advice: Legal advice is not required.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.	✓
Commercial Issues Commercial issues are covered in the body of the report.	✓
GDPR/Data Privacy GDPR compliance issues are covered in the body of the report	✓
Director/Head of Service: The interim Chief Finance Officer has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓

Interim Chief Executive Officer

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature

pp:



Date: 17/04/20



MOPAC

MAYOR OF LONDON
OFFICE FOR POLICING AND CRIME

SOURCING STRATEGY FOR ENERGY SERVICES

MOPAC Investment Advisory & Monitoring meeting 2nd April 2020

Report by Vince Fihosy on behalf of the Chief of Corporate Services

Part 1 – This section of the report will be published by MOPAC. It is classified as OFFICIAL – PUBLIC

EXECUTIVE SUMMARY

The MPS has sourced Electricity and Gas through a compliant Customer Access Agreement (CAA) with the Central Purchasing Body (CPB) CCS for a five year period that will conclude in March 2021, an arrangement endorsed by MOPAC in 2015. The endorsement also capped total expenditure for the five year period at £111.4m.

Authority is sought to continue with the existing arrangements for a period of up to a further 5 years whilst a suitable 'green energy' solution is identified and evaluated aligned to the aspirations of the GLA. The anticipated expenditure for the next five year period is forecast at £102.2m however it should be noted that the MPS is required only to purchase the Electricity and Gas utilities that are actually consumed.

The 5 year approval is required in order to maintain continuity of supplies noting the existing CCS arrangements contain a 30 month break clause from the CAA break date (September 2020, and annually thereafter) at which point notice can be given to exit the gas and electricity supplies through CCS. Therefore, there is an annual 'window of opportunity' each September break date to work towards identifying, assessing and making a decision in regard to switching to an alternative 'green' energy sourcing strategy. No alternative has been identified for September 2020.

A 'green' energy option developed by London Energy Project (LEP) in conjunction with LASER currently exists, however market analysis indicates that other opportunities will emerge over the coming months. In order to retain the flexibility and make a valued sourcing decision within the notice cycle, this paper seeks authority to delegate the approval to break current CCS arrangements and enter into a CCA with the new 'green energy' provider to the Director of Commercial Services and Director of Property Services MPS.

Recommendations

The Deputy Mayor for Policing and Crime, via the Investment Advisory and Monitoring meeting (IAM), is asked to approve:

- 1. Authority to continue to source electricity and gas supplies through the CCS Customer Access Agreement (CAA) for up to five years (from 1st April 2021), subject to the identification of a suitable alternative 'green' energy solution mid-period.**
- 2. Authority to break services with CCS once a suitable 'green' energy provider has been evaluated in order to meet GLA 'green' energy aspirations, recognising the 30 month contracted notice period.**
- 3. Delegate authority to break the current CCS arrangement to the Director of Property Services and Director of Commercial Services MPS.**
- 4. Delegate authority to enter into a new 'green' energy Customer Access Agreement (CCA) to the Director of Property Services and Director of Commercial Services MPS.**

Time sensitivity

1. A decision is required from the Deputy Mayor by 30/09/2020.

Non-confidential facts and advice to the Deputy Mayor for Policing and Crime

Introduction and background

1. Electricity and gas utility supplies are essential to the operations of the estate and represent significant unavoidable year-on-year revenue costs (approximately £16.3m during 2018/19).
2. Current Electricity and Gas services are provided through the CCS framework by way of a compliant Customer Access Agreement (CAA). The CAA was endorsed by MOPAC in 2015 for a period of five years concluding March 2021, with a total expenditure not to exceed £111.4m. Forecast out-turn for this period is £86.1m.
3. The anticipated expenditure to continue the provision of Electricity and Gas for the next five year period (the medium term financial plan, April 2021 to March 2026) is forecast at £102.2m, however we are only committed to purchase the utilities that we consume.
4. Utilities cost and demand modelling used industry forecasts of unit cost (taking into account inflation) and the current MOPAC Estate profile, however this is subject to many variables including most recently the announcement of the potential uplift by as many as 5,000 additional police officers.
5. The MTFP currently assumes that the estate will reduce over the next 5 years with PSD making corresponding savings. However as the MPS are currently in

the process of reviewing the estate to understand the impact of officer uplift figures, forecast costs assume the estate remains the same size. The financial impact of retaining a bigger estate will form part of a separate paper also due to be considered at PIB in March.

6. The need to purchase utilities for the next five year period remains fundamentally the same. However, due to the shift in the wider policy landscape (e.g. Mayoral Responsible Procurement, RP, and London Environment Strategy requirements), the future procurement strategy will also need to take account of social and environmental objectives, including the option to buy 'green' energy.
7. Through the CCS Framework the MPS currently purchases Half Hourly Electricity and Gas 30 months in advance notice period, while Non Half Hourly Electricity is purchased 6 months in advance. EDF supplies the Half-Hourly (HH) metered Electricity, BGB the Non Half-Hourly (NHH) Electricity, and Corona the Gas.
8. To date, the new Central Purchasing body (CPB)-managed framework developed during 2019 by London Energy Project (LEP) in conjunction with LASER on behalf the public sector body membership is the only available CPB option that has addressed GLA RP requirements.
9. If an alternative procurement strategy is adopted, then notice will need to be given on the existing framework contracts. The notice periods are due to the forward buying strategy and notice to exit may be given in September only.
10. The notice periods mean that the HH Electricity and Gas supplier contracts will span the current and following five year medium term financial plan cycles as the MPS will remain contractually bound to the CCS supply contracts until at least 31st March 2023.
11. The contract for NHH Electricity contract could be terminated earlier (31st March 2021), however it would be desirable to continue to align this with the HH Electricity and Gas contracts to minimise management complexity.
12. No decision on the future procurement strategy has been taken as yet. With the exception of LEP's public sector LASER framework, other alternative/emerging procurement routes are still in early stages of development, and to date no alternate option is available
13. A Central Purchasing Body (CPB) solution is expected to continue to be the most appropriate procurement strategy as it is an approach that has proved effective over the past 10 years and is aligned with the approach of other Greater London Authority (GLA) group organisations.
14. The key factors that will require consideration and evaluation include but are not necessarily restricted to:
 - Confirming CPB route as best value for money (VfM) strategy;
 - Inclusion of RP social criteria within contracts;
 - Nature of the 'green' energy option (by utility type);
 - Cost uplift associated with 'green' energy (by utility type);
 - Flexibility to offer part 'green' energy option.

Issues for consideration

1. Electricity and gas utility supplies are essential to the operations of the estate, and represent unavoidable costs.
2. The Customer Access Agreement (CAA) with CCS which was endorsed by MOPAC in 2015 for a period of five years concludes in March 2021. Endorsement to continue this arrangement from April 2021 is required due to the advanced buying periods which mean the CCS arrangements will continue into the following five year period.
3. There is a 'window of opportunity' leading up to each September (the date when notice to exit existing arrangements can be given) in which to assess opportunities to source 'green energy' (aligned to GLA aspirations) which will require delegated authority in order to have the flexibility to make decisions in the run up to the notice due date.
4. The Customer Access Agreement (CAA) with CCS which was endorsed by MOPAC in 2015 is an evergreen arrangement. Unless notice is given to leave CCS, the agreement rolls on to the following year. Even if CCS frameworks are retendered the evergreen arrangement remains with CCS and the winning incoming supplier.

Contributes to the MOPAC Police & Crime Plan 2017-2021¹

1. The supply of utilities is fundamental to the operation of the MOPAC estate. Selection of a value for money procurement route supports aspirations to reduce back office costs.

Financial, Commercial and Procurement Comments

2. Utilities expenditure is budgeted for as part of the overall revenue budget within Real Estate Management, which is part of Property Services Department.
3. The anticipated expenditure for the period of the new five year agreement 2021/22 to 2025/26 is £102.2m, however we are committed to only purchase the utilities consumed therefore this paper does not commit the MPS to any level of expenditure.
4. The forecast expenditure takes into account increasing unit costs and increasing building efficiency. Due to the ongoing review of the estate, the forecast assumes that the estate remains the same size.
5. The recommended ongoing approach to procurement, i.e. outsourcing to external expertise through a Central Purchasing Body (CPB), is designed to maintain the value achieved through a flexible and variable risk management approach.
6. The recommendation to delegate authority to the MPS to break the current CCS arrangement and enter into a new 'green' energy Customer Access Agreement

¹ [Police and crime plan: a safer city for all Londoners | London City Hall](#)

(CAA) when a suitable alternative is identified, is aimed at meeting Responsible Procurement (RP) requirements.

Legal Comments

1. There are no significant legal implications.

Equality Comments

2. As this is an extension of an existing service this work does not change any aspects relating to equality or diversity.

Privacy Comments

1. The MPS is subject to the requirements and conditions placed on it as a 'State' body to comply with the European Convention of Human Rights and the Data Protection Act (DPA) 2018. Both legislative requirements place an obligation on the MPS to process personal data fairly and lawfully in order to safeguard the rights and freedoms of individuals.
2. Under Article 35 of the General Data Protection Regulation (GDPR) and Section 57 of the DPA 2018, Data Protection Impact Assessments (DPIA) become mandatory for organisations with technologies and processes that are likely to result in a high risk to the rights of the data subjects.
3. The Information Assurance and Information Rights units within MPS will be consulted at all stages to ensure the project meets its compliance requirements.
4. The project does not use personally identifiable data of members of the public, so there are no GDPR issues to be considered.

Real Estate Implications

1. The report will not lead to changes to the estate, however changes to the estate due to other factors will have a bearing on the utilities supply requirement and associated cost.

Environmental Implications

1. The recommendations will enable the MPS to support the Mayor's Responsible Procurement and Environmental agendas by exploring opportunities to purchase 'green' energy.
2. If a suitable 'green' energy solution is identified, this will reduce the carbon footprint of the estate.

Background/supporting papers

1. None.

Report author: Neil Grange, Head of Energy, Carbon and Sustainability, Tel: 07876 461 882.

Part 2 – This section refers to the details of the Part 2 business case which is NOT SUITABLE for MOPAC Publication.

The Government Security Classification marking for Part 2 was originally marked as OFFICIAL-SENSITIVE [COMMERCIAL]

However Part 2 of Sourcing Strategy for Energy Services has since been confirmed as containing no information that requires to be exempt from publication.