

WEST DUNBARTONSHIRE COUNCIL**Report by Strategic Director of Transformation & Public Service Reform****Tendering Committee: 19 August 2020**

Subject: Contract Authorisation Report - Supply of Natural Gas and the Supply of Electricity for the District Heating Network**1. Purpose**

- 1.1** The purpose of this report is to seek the approval of the Tendering Committee to authorise the Strategic Lead – Regulatory; to conclude the award of the contracts for the Supply of Natural Gas and the Supply of Electricity for the District Heating Network.

2. Recommendations

- 2.1** It is recommended that the Tendering Committee authorise the Strategic Lead Regulatory to conclude on behalf of West Dunbartonshire Council (the Council):
- a) The award of the contract for the Supply of Natural Gas for the District Heating Network, to Total Gas and Power Ltd. The contract shall be for a period of up to 12 months with the option to extend for a further period of up to 12 months. The total estimated value of this contract is £431 ex VAT for 12 months and £2,514 ex VAT for 24 months. The estimated commencement date of the contract is 01 September 2020.
 - b) The award of the contract for the Supply of Electricity for the District Heating Network to EDF Energy Customers Ltd. The contract shall be for a period of up to 12 months with the option to extend for a further period of up to 12 months. The total estimated value of the contract is £246,000 ex VAT and £888,000 ex VAT for 24 months. The estimated commencement date of the contract is 01 September 2020.

3. Background

- 3.1** The requirement is for the Supply of Natural Gas and the Supply of Electricity to the District Heating Network at Queens Quay, Clydebank; which will enable the water source heat pumps installed within the network to become operational. The result will be the generation of heat for customers of the Network.
- 3.2** The budget for the Supply of Natural Gas and the Supply of Electricity for the District Heating Network was approved at the West Dunbartonshire Council meeting on 23 November 2016. This procurement exercise has been conducted in accordance with the Council's Standing Orders and Financial Regulations and the *Public Contracts (Scotland) Regulations 2015* for Goods. A Contract Strategy document was also approved by the Business Partner - Strategic Procurement (Place) on 22 July 2020.

3.3 The Contract Strategy identified the Scottish Procurement Framework Agreements (FA) (SP-17-031) and (SP-17-004) as the recommended procurement delivery vehicle. The Council currently utilises both FA for the Supply of Natural Gas and the Supply of Electricity to all other Council establishments.

4. Main Issues

4.1 The Scottish Procurement FA for the Supply of Natural Gas consists of a single supplier (Total Gas and Power Ltd). The Scottish Procurement FA for the Supply of Electricity consists of a single supplier (EDF Energy Customers Ltd). These FA therefore, requires that a Direct Award procedure be implemented - application of the terms laid down in the FA without re-opening competition. There is no facility to undertake a further competition as part of these FA.

4.2 It is recommended that the contract for Supply of Natural Gas be awarded to Total Gas and Power Ltd; based in London, England. The contract shall be for a period of up to 12 months with the option to extend for a further period of up to 12 months. The total estimated value of this contract is £431 ex VAT for 12 months and £2,514 ex VAT for 24 months.

4.3 It is recommended that the contract for Supply of Electricity be awarded to EDF Energy Customers Ltd based in London, England. The contract shall be for a period of up to 12 months with the option to extend for a further period of up to 12 months. The total estimated value of the contract is £246,000 ex VAT and £888,000 ex VAT for 24 months.

4.4 The contracts will be placed by the Council and will have the option to be terminated or to be novated by the Council to the Energy Service Company (ESCO) established for the District Heating Network.

4.5 Total Gas and Power Ltd and EDF Energy Customers Ltd have committed to follow the Fair Working Practices identified within the Scottish Procurement FA and both pay above the Real Living Wage (minimum of £9.30 per hour). EDF Energy Customers Ltd is a Living Wage Accredited organisation, whilst Total Gas and Power Ltd are currently progressing formal Living Wage Accreditation.

4.6 Total Gas and Power Ltd and EDF Energy Customers Ltd have committed to a range of Social Benefits at FA level, including:

- Commitment to using local supply chain partners and contractors wherever possible thus promoting opportunities for Small and Medium-sized Enterprises and maximising the benefit to the local economy; and
- Providing FA customers with upskilling opportunities through customer workshops, industry training and educational material.

Social Benefits will be discussed with Total Gas and Power Ltd and EDF Energy Customers Ltd at the pre-start meetings and actions to take these forward will be agreed.

5. People Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 Financial costs in respect of this contract will be met from the approved revenue budgets of the Queens Quay District Heating Funding.

6.2 The estimated cost implications for this Council are:

Total Gas and Power Ltd	Year 1	Year 2
Estimated Usage - kilowatt-hour (kWh)	4,257	1,841
Gas Import Variable Cost	£64	£776
Standing Charges	£350	£1,066
Climate Change Levy	£17	£241
Annual Costs	£431	£2,083
Total	£2,514	

EDF Energy Customers Ltd	Year 1	Year 2
Estimated Usage (kWh)	21,430,086	4,341,237
Electric Import Variable Cost	£191,000	£564,000
Standing Charges	£43,000	£43,000
Climate Change Levy	£12,000	£35,000
Annual Costs	£246,000	£642,000
Total	£888,000	

6.3 This procurement exercise was conducted in accordance with the agreed Contract Strategy produced by the Corporate Procurement Unit in consultation with the Capital Investment Team and the provisions of Contract Standing Orders, the Financial Regulations and relevant procurement legislation.

7. Risk Analysis

7.1 The successful suppliers have no known links to Serious and Organised Crime which would have significant political and reputational ramifications for the Council.

8. Equalities Impact Assessment (EIA)

8.1 Following an initial screening there are no potential negative impacts identified in terms of equality.

9. Consultation

9.1 Consultation has taken place with the Capital Projects Manager, Energy and Compliance, Legal Services and Finance Services.

10. Strategic Assessment

10.1 The Supply of Natural Gas and the Supply of Electricity for the District Heating Network will contribute to the delivery of the Council's main strategic priorities for 2017 – 2022, by supporting the provisions of:

- A Strong local economy and improved employment opportunities;
- Meaningful community engagement with active empowered and informed citizens who feel safe and engaged;
- Open, accountable and accessible local government; and
- Efficient and effective frontline services that improve the everyday lives of residents.

Name: Angela Wilson

Designation: Strategic Director of Transformation & Public Service Reform

Date: 03 August 2020

Person to Contact: David Aitken – Procurement Business Partner, Corporate Procurement Unit, e-mail: David.aitken2@west-dunbarton.gov.uk

Appendices: Not Applicable

Background Papers: Contract Strategy
EIA Screening

Wards Affected: Ward 5 – Clydebank Central