

**Recommendation Report for Gas Procurement for
Tandridge District Council**

Report Date: 16/09/2021

Introduction

This contract and price review report has been prepared to inform Tandridge District Council of the available options and offers for the supply of Gas from October 2021.

Current Provision

Tandridge District Council currently procure Gas on a fixed contract basis from Opus Energy under a 36 month term ending 30/09/2021

Energy Market Overview

The energy market is currently experiencing 17 year highs following a bullish summer led by a dramatically under supplied storage system following a cold spring season and minimal storage injections due to a stronger Asian LNG market, post COVID demand returning to normal levels and delays to Nordstream2 project which is the new gas pipeline from Russia to the continent.

Results and Contract Selection Recommendation

Gas

Contract Term 1- 12 Months

Current Gas Costs	£ 89,727
Annual Quantity kWh	2,467,673

12 Mth Offers	Total Cost		Annual	%	Notes
Gazprom Brown	£ 148,101.74	Increase	£ 58,374.33	65.06	AMR and data access. 21 Days DD
SSE					Declined
Gazprom Green Gas					No Offer for 12mth due to workload
Gazprom Carbon Offset					No offer product being reviewed currently
Ecotricity	£ 142,736.69	Increase	£ 53,009.28	59.08	No AMR. 14days DD Only. 96% of volume is carbon offset and 4% green as standard
Opus					Declined- withdrawing from sector
Corona					Withdrew from competition
CNG					No repsonse
TGP					Declined

Contract Term 2- 24mths

Current Gas Costs	£ 89,727
Annual Quantity kWh	2,467,673

24 Month Offers	Total Cost		Annual	%	Notes
Gazprom Brown					No Offer for 24mth due to workload
SSE					Declined
Gazprom Green Gas					No Offer for 24mth due to workload
Gazprom Carbon Offset					No Offer product has been withdrawn for review
Ecotricity	£ 121, 843.25	Increase	£ 32,115. 84	35.79	No AMR. 14days DD Only. 96% of volume is carbon offset and 4% green as standard
Opus					Declined- withdrawing from sector
Corona					Withdrew from Competition after 2 nd round due to workload commitments
CNG					No response
TGP					Declined

Contract Term 3- 36 Months

36 Mth Offers	Total Cost		Annual	%	Notes
Gazprom Brown	£ 106,342. 43	Increase	£ 16, 615. 03	18.52	AMR and data access. 21 Days DD
SSE					Declined
Gazprom Green Gas	£ 127,804. 43	Increase	£ 38, 077. 03	42.44	AMR and data access. 21 Days DD
Gazprom Carbon Offset					No Offer product has been withdrawn for review
Ecotricity	£ 106,679. 82	Increase	£ 16, 952. 41	18.89	No AMR. 14days DD Only. 96% of volume is carbon offset and 4% green as standard
Opus					Declined- withdrawing from sector
Corona					Withdrew from Competition after 2 nd round due to workload commitments
CNG					No response
TGP					Declined

Our recommendation is to contract with Gazprom Energy as the supplier with the most competitively advantageous offer. Gazprom can meet the payment term requirement of 21 Days DD and will also provide a free of charge gas AMR metering rollout with access to the Half hourly data.

The recommendation is to enter a 36mth agreement. Although the gas market prices are high currently this is only affecting Winter 21 and Summer 22. The market is backwardated which means that the energy rates priced for the 2nd and 3rd years of the contract offers are at what is considered market normal levels. The costs are also lower for the extended term.

If a 24mth contract was entered into a second procurement exercise would need to be carried out for the period of Oct 2023 – Sept 2024 with the risk of the market prices for this period increasing from the current market normal we are witnessing for these seasons. The below graph highlights this backwardation with the yellow line showing that currently the price is almost as low for this period as seen in 2019 when we were experiencing normal market conditions.



