

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

Report Date: 20/09/2021

**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 Electricity from October 2021.

**Current Provision**

Tandridge District Council currently procure both Gas and Electricity 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

### Electricity

Current Costs	£ 258,331
Annual Quantity kWh	1,713,608

Default Costs	£ 604,666.00
Expected Default Costs **	£ 706,978.00
Annual Quantity kWh	1,713,608

*\*\*Supplier due to release new default rates these are the forecasts of these charges*

## Contract Term 1- 12mths

12 Mth Offers	Total Cost		Annual	%	Notes
SSE					Declined
EDF	£ 527,287.00	Increase	£ 268,955.85	104.11	21 Days DD. 100% Renewable.
Bryt Energy					Partial bid
Corona					Declined
Ecotricity					Only quoted Gas
Haven Power	£ 479,194.50	Increase	£ 220,863.34	85.50	21 Days DD. 100% Renewable.
Total Gas & Power					Declined
Smartest Energy					Declined
Opus					Withdrawing from Sector

**Contract Term 2- 18mths**

18 Mth Offers	Total Cost		Annual	%	Notes
SSE					Declined
EDF	£ 495,837.00	Increase	£ 237,505.85	91.94	21 Days DD. 100% Renewable.
Bryt Energy					Partial bid
Corona					Declined
Ecotricity					Only quoted Gas
Drax Energy (Haven)	£ 444,580.55	Increase	£ 186,249.40	72.10	21 Days DD. 100% Renewable.
Total Gas & Power					Declined
Smartest Energy					Declined
Opus					Withdrawing from Sector

### Contract Term 3- 24 Months

24 Mth Offers	Total Cost		Annual	%	Notes
SSE					Declined
EDF					Didnt offer 24mths
Bryt Energy					Partial bid
Corona					Declined
Ecotricity					Only quoted Gas
Haven Power	£ 432,318.77	Increase	£ 173,987.61	67.35	21 Days DD. 100% Renewable.
Total Gas & Power					Declined
Smartest Energy					Declined
Opus					Withdrawing from Sector

### Contract Term 4- 36 Months

36 Mth Offers	Total Cost		Annual	%	Notes
SSE					Declined
EDF	£ 448,189.00	Increase	£ 189,857.85	73.49	21 Days DD. 100% Renewable.
Bryt Energy					Partial bid
Corona					Declined
Ecotricity					Only quoted Gas
Haven Power	£ 412,103.54	Increase	£ 153,772.38	59.53	21 Days DD. 100% Renewable.
Total Gas & Power					Declined

Smartest Energy					Declined
Opus					Withdrawing from Sector

Our recommendation based on the results of this tender would be to contract with Drax Energy for 18mths and then enter into a flexible contract via Inspired Energy’s compliant Single supplier framework sponsored by the Countess of Chester NHS in order for Inspired to begin trading energy for the period from April 2023 as the market is showing backwardation allowing opportunity to secure good future pricing.

Drax meet all the required criteria. They will provide monthly invoicing, fully renewable power, the required billing terms of 21 days DD and they will upgrade the NHH ‘dumb metering’ within the portfolio to AMR without additional charge.

However if the council don’t believe that mobilisation into the flexible framework can be commenced in the immediate future then the recommendation would be to secure the 36mths fixed contract with Drax as in order to get the benefit out of a flexible contract in order to try and achieve the best prices possible for the future years the new contract would need to be in place with enough time to allow Inspired to begin trading ideally from Q1 2022.

The 36mth option is a good offer as a second recommendation because the market is still showing backwardation which means that the energy rates priced for the 2<sup>nd</sup> and 3<sup>rd</sup> years of the contract offers are at what is considered nearer to usual market normal levels. The market is in a particularly volatile position and the upside risk is now considered to be greater than the downside meaning that although it is possible for the market prices for Winter 22 to Summer 24 to come down it is very unclear as to whether they would come down enough to warrant the increased costs of the 12mth contract compared to the 36mth and would certainly expose the council to a degree of risk if the 12mth contract was agreed and the procurement of the electricity contracts for the period October 2022- Sept 2024 was postponed.

Furthermore 55% of the energy unit rate is made up on non energy industry charges which increase year on year. By contracting for 36 months Tandridge can protect budget by fixing these charges now and the unit costs for the extended duration are lower than for the 24mth term.