

REPORT TO: POLICY & RESOURCES COMMITTEE - 21ST APRIL 2003
REPORT ON: TENDERS RECEIVED FOR ELECTRICITY & GAS CONTRACTS
REPORT BY: DIRECTOR OF ECONOMIC DEVELOPMENT
REPORT NO.: 281-2003

1 PURPOSE OF REPORT

- 1.1 To report on the tendering exercise to renew Dundee City Council's major electricity and gas contracts.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Committee agrees to renew the Agreement with Scottish & Southern Energy plc for supplies of electricity and award the contract for supplies of natural gas to Vector Gas, trading under the name, V-is-on Gas.

These recommendations are made following the recent tendering exercise carried out in accordance with EU Regulations by Perth & Kinross Council under the terms of the existing Service Level Agreement on energy purchasing for the Tayside Energy Consortium.

The new energy contracts will come into force on 1st April 2003 as 5 year Agreements with unit cost prices fixed for Years 1 and 2 and to be negotiated for years 3, 4 and 5.

3 FINANCIAL IMPLICATIONS

- 3.1 The new contract energy prices (as amended under 6.7) would provide annual savings to Dundee City Council of £235,000 (11%) for supplies of electricity and £24,000 (2%) for supplies of gas.

These savings are based on current levels of consumption.

- 3.2 Under the SLA with Perth & Kinross Council, a one-off fee of £1,250 for their legal services would be chargeable to Dundee City Council.

4 LOCAL AGENDA 21 IMPLICATIONS

- 4.1 As part of the tendering exercise, the Energy Consortium required suppliers interested in tendering for electricity to make available a proportion of the total load as electricity generated from renewable sources.

Scottish & Southern Energy plc have allocated approximately 30% of the total load as renewable energy, (10,970,177 kWh).

Sites selected to receive such supplies are:-

Tayside House
Olympia Leisure Centre
Caird Hall Offices
Baldragon Academy
Happyhillock Housing Office

No carbon dioxide is to be released to the atmosphere from the generation of electricity from renewable sources, thus benefiting the environment and complying with a key objective of Local Agenda 21.

It should also be noted that renewable energy is exempt from the Climate Change Levy and the CCL exempt allowance for the above sites will produce a further annual revenue saving of £23,000.

5 EQUAL OPPORTUNITIES IMPLICATIONS

5.1 None.

6 REPORT

- 6.1.1 The Energy Consortium was put in place following the reorganisation of Local Government, the members comprising Perth & Kinross Council, Dundee City Council, Angus Council, Tayside Contracts, Tayside Police and Fire Authorities and recently Tayside Chamber of Commerce and Industry.
- 6.2 The main energy contracts expire on 31st March 2003 and to maximise economies of scale, the Consortium members sought 5 year Agreements with prices fixed for Years 1 and 2 and subject to further negotiations for Years 3, 4 and 5.
- 6.3 All OFGEM registered UK energy suppliers were contacted advising them of the tendering exercise.
- 6.4 Scottish & Southern Energy plc were the only company to submit a valid tender for the supply of electricity (contract value £1,876,118).
- 6.5 6 companies submitted valid tenders for suppliers of gas, namely:-

Name of Company	Contract Value
V-is-on Gas	£1,028,142
Mobil Gas	£1,076,746
Atlantic Electricity & Gas	£1,104,146
Powergen	£1,109,248
Scottish & Southern Energy	£1,113,665
Amerada	£1,115,676

Contract values based on gas being traded on 20th January 2003.

- 6.6 The Consortium members proposed that, following credit checks and checking references, V-is-on Gas be selected as the preferred supplier.
- 6.7 Following post tender discussions with V-is-on Gas on terms and conditions and an updated contract price (because gas is traded as a spot market commodity whose unit price varies on an hourly basis), V-is-on Gas have proposed the gas contract at a final contract value to Dundee City Council of £1,124,758, obtained on 28th February 2003. This post tender increase would also have resulted in a similar increase in the other tenders.

7 CONSULTATIONS

- 7.1 The Tayside Energy Consortium members met on a regular basis throughout the energy tendering exercise and consulted where necessary with suppliers and with Perth & Kinross legal division regarding contract terms and conditions.
- 7.2 The Chief Executive, Director of Support Services and Director of Finance have been consulted.

8 BACKGROUND PAPERS

- 8.1 No background papers, as defined in Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.

DOUGLAS A A GRIMMOND

DIRECTOR OF ECONOMIC DEVELOPMENT DATE: 10th April 2003