

Item No. 25.	Classification: Open	Date: 20 October 2015	Meeting Name: Cabinet
Report title:		Gateway 2: Contract Award Approval - Supply of Electricity to all Southwark Council Sites	
Ward(s) or groups affected:		All wards	
Cabinet Member:		Councillor Darren Merrill, Environment and the Public Realm	

FOREWORD - COUNCILLOR DARREN MERRILL, CABINET MEMBER FOR ENVIRONMENT AND THE PUBLIC REALM

The council needs to purchase the supply of electricity and gas to a number of sites across the borough. The Gateway 1 report that was approved in June 2015 presented an approach using a Central Purchasing Body (CPB) for the supply of electricity to all sites within the council.

This report recommends the use of LASER Energy Buying Group's framework agreement, and the supplier they have secured for electricity. As part of a consortium of authorities using this framework contract Southwark Council does not need to go through the OJEU tendering process, and will be able to access cheaper electricity prices through the wholesale market.

This is a route endorsed by the London Energy Project and the Office of Government Commerce. The council will no longer have to closely follow the markets, or take difficult decisions over when to buy, thus saving time and money.

RECOMMENDATION

Recommendation for the Cabinet

1. That cabinet approve the award of the supply of electricity to all council sites to LASER. The estimated value of the contract is £6.4m per annum for a period of four years (with effect from 1 October 2016) making a total contract value of £25.6m. This includes management fees from LASER.

Recommendation for the Leader of the Council

2. That the Leader delegates authority to cabinet member for environment and public realm, throughout the duration of the contract (as detailed in the procurement project plan) to;
 - approve the management option selected for the contract, and consider the flexibility to change the management option (detailed in paragraph 10, 24 and 29), and;
 - amend the purchasing solution (Purchase in Advance or Purchase within Period detailed in paragraph 13).

BACKGROUND INFORMATION

3. The recommendation of this report is that the electricity requirements are secured via a four year framework contract which expires 30 September 2020 on a rolling two year commitment. As electricity is a volatile traded commodity, the 'wholesale' cost of electricity has been excluded from the tender (electricity will be purchased from the wholesale market at different

times both before and during the contract term). This contract has therefore not been awarded on the basis of electricity price. The contract costs set out above are therefore estimates, and actual costs will depend upon market conditions and purchasing decisions taken during the contract.

4. This contract has no extension duration built into the contract.

Procurement project plan

Activity	Date completed
Forward Plan (if Strategic Procurement)	01/04/2015
DCRB/CCRB/CMT Review Gateway 1: Procurement Strategy Approval	DCRB 28/05/2015 CCRB 04/06/2015
Issue Notice of Intention <i>Note: this is for contracts that only affect Leaseholders. This period is for 8 weeks</i>	20/07/2015
Gateway 1: Procurement strategy for approval report	23/06/2015
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	06/07/2015
Completion of tender documentation	These tasks completed by consortia
Advertise the contract	
Closing date for expressions of interest	
Invitation to tenders	
Closing date for return of tenders	
Completion of evaluation of tenders	
Completion of any post-tender clarification meetings	
Council evaluation of consortia	03/08/2015
Council evaluation of purchasing solution	03/08/2015
Issue Notice of Proposal <i>Note: this is for contracts that only affect Leaseholders. This period is for 8 weeks</i>	06/09/2015
Review Gateway 2: Consortia and Contract award report	DCRB 26/08/15 CCRB 03/09/15
Notification of forthcoming decision	09/10/2015
Approval of Gateway 2: Contract Award Report (this report)	20/10/2015
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	27/10/2015
Place award notice in Official Journal of European Union (OJEU)	Completed by consortia
Standstill period observed between award notice and contract award	
Add to Contract Register	

Activity	Date completed
Cabinet member for environment and public realm decision for purchasing option and option to change management solution	31/03/2016
Start date of Southwark buy-in to the contract	01/10/2016
12 monthly contract performance reviews	January
Serve notice of termination (if necessary) – see section 17	30/09/2018
Contract completion	30/09/2020

Description of tender assessment process

5. The selection process undertaken by Southwark Council included evaluating available framework agreements from LASER and Crown Commercial Services (CCS).
6. Although the Council was not obliged to complete a tender evaluation, as explained in the GW1 report, an evaluation of the two frameworks took place to explore the various options available and assess the best value for the Council.
7. Independent literature on past performance, together with details of procurement costs, purchasing options and additional benefits of the frameworks was provided by the London Energy Project (LEP) to help with the evaluation.
8. The LEP was formed In 2007, when London authorities agreed that for the energy market, a collective approach to procurement and price risk management, supply-chain engagement and performance management would only be possible if individual authority influence was strengthened to redress the balance of power within a supplier biased energy market. The London Energy Project was established to take collaboration and aggregated expenditure into tangible benefits for participating authorities.

Description of tender assessment evaluation

9. The evaluation looked at best value options available through the two framework agreements, and also the available purchasing options within those frameworks. There are a number of factors that were considered and scrutinised when selecting the framework agreement available which best meets the council's requirements, and presents value for money. Selection of the appropriate organisation operating the framework agreement was made by using the following criteria, as previously set out in the GW1:
 - the tender process used by the organisation offering a framework agreement and evaluation criteria they used for selecting the electricity supplier;
 - how the managed or unmanaged solution offered by each will work and benefits for the authority;
 - terms and conditions of the framework;
 - communication with the council, provision of information and how that will be managed;
 - delegated authority and decision to purchase on behalf of the Council and the compatibility with the council's internal governance requirements;
 - the transparency of costs levied under the framework agreement;
 - provision of information and how it will help the Council manage energy consumption throughout the estate;
 - additional services that can be provided.

Outcome of the evaluation process

10. The below table provides an overview of the comparison between the available framework agreements:

	CCS	LASER
OJEU compliant framework	✓	✓
Fully managed service	✗	✓
Unmanaged service	✓	✓
Number of purchasing options available	3	7
Delegated authority to purchase	✓	✓
Documented Risk Management Strategy	✓	✓
Procurement costs	£84,730.00	£73,556.80
Service Level Agreement/Customer Access Agreement	✓	✓
Past savings achieved against average wholesale price	2.3% (PIA), 2.7% (PWP)	1.2% (PIA), 4.9% (PWP)

Management options

11. LASER provides two options for the management of the contract. Fully managed and unmanaged. Their fully managed service is charged, and fixed as an addition on the unit energy cost. This is added to the invoice sent to each individual site. The services provided for a fully managed service include;
- Arrangements for the suppliers to send bills to LASER who check for accuracy and act to resolve supply queries
 - Validation of pass through cost e.g. those from network operators
 - Bill payment administration charges
 - Electronic billing information
 - Site contact, central point of contact and support.
12. The unmanaged option is a procurement only option, whereby the above work is carried out by the customer dealing directly with the supplier.
13. CCS offers an unmanaged, procurement only service, and no fully managed option. The unmanaged option means the customer enters into a 'Customer Access Agreement' with the supplier, and after CCS has procured the electricity on the customer's behalf, the customer then deals directly with the appointed supplier regarding invoicing, and any site issues directly.

Purchasing options

14. LASER offer two basic purchasing options:

- Purchase in advance
- Purchase within period

A full explanation of these options, along with other variations to each is contained in Appendix One

15. Both of the LASER options, including the other variations are available as procurement only, or fully managed, and each carry various risk factors. These buying strategies will be analysed by the energy team, with advice from LASER and the LEP prior to contract start and reviewed periodically throughout the contract to ensure value for money is maintained.

16. CCS offer three purchasing options:

- Locked
- V6
- V30

Again, a full explanation of these options is contained in Appendix One

17. The CCS options are available as procurement only, and each carry various risk factors.

Framework Duration

LASER

18. LASER have three variations on their framework duration as follows;

- **Option 1:** Four-Year Commitment - 1 October 2016 – 30 September 2020;

- A four-year flexible supply framework agreement is in place between Kent County Council and the supplier(s)
- Customer authorities enter into a tripartite agreement between the customer, the supplier(s) and Kent County Council for the duration of the four-year framework
- LASER is able to purchase the customer authorities' energy requirements for PIA and PWP risk options for the duration of the four-year agreement
- Customer authorities are not able to issue a termination notice should they wish to exit the agreement. Changes to the portfolio, such as site disposal and change of tenancy and reduction to street lighting operating hours can be accommodated during the four-year agreement

- **Option 2 :** Rolling Two-Year Commitment;

- A four-year flexible supply framework agreement is in place between Kent County Council and the successful supplier(s)
- Customer authorities enter into a bilateral agreement with Kent County Council, which commits the customer to the current suppliers' and LASER framework terms and conditions
- Customer authorities are able to issue a termination notice should they wish to exit the agreement; the first effective termination date is after 2-years has elapsed, i.e. Issue a termination notice by September 2016 and LASER would cease to purchase energy for the supply period 1 October 2018 onwards
- Customer authorities not wanting to commit to future supplier frameworks could at the point of committing to the rolling 2 year forward commitment, issue a termination notice to take effect on 30 September 2018, i.e. coterminous with the 2016-2020 framework expiry date (30 September 2020)

- **Option 3 :** Rolling Two-Year Commitment risk management operation;

- For the two-year rolling option, the contract for the supply period 1 October 2017 to 30 September 2018 would operate as follows:
- A PIA product – the buying window opens 24 months prior to 12 month contract supply period, i.e. purchasing takes place between 1 Oct 2015 and 30 Sept 2017.

- A PWP product - the buying window opens 24 months prior to 12 month contract supply period and continues into the supply period, i.e. purchasing takes place between 1 Oct 2015 and 30 Sept 2018.
- For both options, notice to terminate must be provided the day prior to the buying window commencement, i.e. to ensure that the contract supply period does not extend beyond 30 September 2018, notice should have been served by 30 September 2016.

CCS

19. CCS have two different frameworks in place split by supply size/type as follows;

- **Framework 1:** Half Hourly electricity meters (profile classes 00, the largest supplies with mandatory half-hour meters, such as Tooley Street Offices and larger schools), and unmetered supplies (supplies which have an inventory that is charged against per annum, such as street lighting);
 - A four-year flexible supply framework agreement is in place between Crown Commercial Service and the successful supplier(s) from 1 April 2016 to 31 March 2020
 - Authorities access the energy supply framework by entering into a Customer Access Agreement (CAA), which commits the customer to the terms and conditions of both the framework agreement and the supply contract and sets out the respective rights and responsibilities of CCS and the customer authority
 - Authorities enter into a Supply Agreement (Model Contract) with each supplier that provides energy services
- **Framework 2:** Non Half Hourly meters (profile classes 01-08 which covers domestic size supplies to medium/large supplies such as smaller offices and schools);
 - A four-year flexible supply framework agreement is in place between Crown Commercial Service and the successful supplier(s) from 1 April 2013 to 31 March 2017
 - Authorities access the energy supply framework by entering into a Customer Access Agreement (CAA), which commits the customer to the terms and conditions of both the framework agreement and the supply contract and sets out the respective rights and responsibilities of CCS and the customer authority
 - Authorities enter into a Supply Agreement (Model Contract) with each supplier that provides energy services

Cost Comparisons

20. The council currently has approximately 3,500 sites on its electricity contracts. 30 of those are Half Hourly (HH supplies), which are typically the largest consuming sites, such as the offices at 160 Tooley Street. There are 200 Non Half Hourly (profile 5-8) sites, which are the medium sized supplies, such as smaller offices, medium sized schools etc. There are 3,220 Non half-hourly (profile 3-4) meters, which are mainly smaller supplies such as landlords lighting in stairwells, lifts, and parks lighting. There are also around 50 profile 1-2, which are classed as domestic supplies, such as caretakers houses, bin stores etc. Based on this information, the two procurement only cost options are as follows;
21. LASER charge £224.56 per HH site, £28.20 per profile 5-8, and £19 per profile 1-4.
22. CCS charge £240 per HH site, £24 per 3-8 profile, and £5 per 1-2 profile.
23. Therefore, procurement only costs to the council would be £73,556.80 with LASER and £84,730 with CCS
24. If the Council were to use LASER's fully managed service, the overall cost to each fully managed supply would increase by approximately 1.5%. Sites that were on the fully managed

option on the previous contract saved approximately 3.6% through avoiding erroneous bills, overcharges, late payment charges etc. This meant an overall saving of around 2.1% for those sites that were fully managed. A cost benefit analysis for the fully managed vs unmanaged option for each site will also be presented when deciding on the purchasing options.

25. Southwark has the option to change between a managed and unmanaged service throughout the duration of either framework agreement and it is proposed to delegate this decision to the Cabinet Member for Environment and Public Realm on advice from the Council's energy team.

Previous performance

26. Although previous performance is no guarantee of future performance, this has been evaluated independently by the LEP assessing both framework providers. The results are shown in the table below;

	Benchmarked supply periods	Average Market Price (£ per MWh)	Achieved purchase price	Performance against benchmark (MWh)	Performance against benchmark (%)
LASER (PIA)	Oct 2011 - Sep 2014	£52.23	£51.58	-£0.65	-1.20
LASER (PWP)	Oct 2011 - Sep 2014	£52.23	£49.66	-£2.56	-4.90
CCS (PIA)	Apr 2010 - Mar 2014	£49.62	£48.47	-£1.15	-2.30
CCS (PWP)	Apr 2010 - Mar 2014	£49.62	£48.26	-£1.36	-2.70

27. As shown, the flexible option with LASER has proved the best value over this period, returning a 4.9% saving on the market average of wholesale electricity. It is worth noting that all options offered by both Framework Providers have still returned savings on the market average and rated as Good by the LEP.
28. Management options will be evaluated considering the purchasing solutions proposed/and or adopted, whilst having due regard for the financial benefit to the Council, tenants, leaseholders and schools.
29. The Energy Management Team will undertake the evaluation prior to the 31 March 2016, and throughout the duration of the contract, presented as part of the 6 monthly performance reviews.
30. It is proposed that the decision is delegated to the Cabinet Member for Environment and Public Realm.

Conclusion

31. Due to the above evaluation, it is recommended that the LASER framework agreement is utilised, using the rolling two year commitment for the following reasons;
 - Larger number of purchasing options available to maximise savings to council
 - Good past performance against market benchmark
 - Lower procurement only costs
 - No need to change all account numbers, and continuity of customer service
 - Familiarity with site profiles and billing processes
 - Option of fully managed service where required
 - The CCS option for Non Half Hourly supplies (profile 1-8) only runs until 2017. This would mean a further procurement exercise needing to be undertaken at a cost to the Council

KEY ISSUES FOR CONSIDERATION

Key/Non key decision

32. This report is a key decision

Policy implications

33. There are no policy implications.

Community impact statement

34. This contract covers electricity supplies to Council offices, schools, housing estates and street lighting. Any increase in electricity prices will therefore affect tenants' service charges. However, all sections of the community are equally affected by rising electricity. The aim of the recommended contract is to adopt a flexible purchasing option whereby falls in the market price for electricity can be secured to minimise the overall price to the consumer. This strategy is not an option that is open to individual consumers.

Sustainability considerations

35. This contract is concerned with securing large scale electricity supplies for power and lighting. On-going work is carried out to ensure reductions in use where possible, including using more efficient lighting, and also self generation such as solar panel installation in certain areas where financially viable.

Economic considerations

36. Due to the nature of the energy supply market requirements for suppliers to support local employment would be inappropriate.

Social considerations

37. There are no specific social considerations. The London living wage is not applicable due to the supply nature of this contract.
38. Pursuant to section 149 of the Equality Act 2010 the council has a duty to have due regard in its decision making processes to the need to;
- Eliminate discrimination, harassment, victimisation or other prohibited conduct;
 - Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not
 - Foster good relations between those who share a relevant characteristic and those that do not share it.
39. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The Public Sector Equalities Duty also applies to marriage and civil partnership. There are no equality implications associated with this procurement

Environmental considerations

40. LASER will be asked to present the authority with data and any further solutions to manage energy consumption through the council estate during the contract.

Plans for the monitoring and management of the contract

41. The Energy Team within the Environment and Leisure Department will act as a single point of contact with the supplier to resolve any outstanding queries. Annual performance reviews will be undertaken by the team. There will also be a review panel constructed from representatives from organisations utilising the framework that will meet with the framework provider on a quarterly basis to ensure on-going best value. The London Energy Project will also carry out annual reviews on value for money against benchmarked figures.

Resource implications

42. Letting and managing the contract will be undertaken by the Energy Team. Sufficient resources are in place to ensure effective management

Staffing/procurement implications

43. Client departments are responsible for payment and monitoring of their own invoices. The Energy Team will act as a single point of contact with the supplier to resolve any outstanding queries.

Financial implications

44. The estimated contract costs have been based on current wholesale costs and the existing sites utilising the framework agreement.
45. The estimated contract costs are set out in the table below.

Budget	Current estimated annual cost	4 year cost
HRA	£5,250,000	£21,000,000
General Fund	£750,000	£3,000,000
Schools	£400,000	£1,600,000
Total	£6,400,000	£25,600,000

46. It must be emphasised that this report is recommending a buying method, not a set of fixed electricity prices resulting from a competitive tender. All predicted costs are therefore based on current market conditions. The actual billed costs will depend on the purchasing strategy taken and prices of electricity secured from the wholesale market.

Legal implications

47. Please see legal concurrent.

Consultation

48. Officers in property and regeneration managing the disposal of council offices and the Modernise Programme will be consulted prior to the contract start date in order to finalise a site listing for the contract.
49. For those schools and leisure centres included in the contract notification will be sent to those responsible for paying the bills of the intention to renew the contract and the period covered.

Performance bond/Parent company guarantee

50. A performance bond is not needed for the framework contract. LASER is a local government purchasing consortium and is part of Kent County Council who are a public body.
51. Industry regulators OFGEM are responsible for appointing a new supplier if the supplier in the framework agreement were to cease trading, thus the sites supplied would be protected ensuring a smooth provision of service.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

52. This report seeks approval of the award of a contract for the supply of electricity to all council sites for a period of four years from 1 October 2016.
53. The nature and estimated value of the contract is such that its procurement is subject to the application of the EU procurement regulations. The report advises that officers have undertaken an assessment of the two available frameworks (both of which have been procured in accordance with the EU regulations) and have recommended the use of the LASER framework.
54. The procurement process and contract award is also subject to the requirements of the council's Contract Standing Orders ("CSOs"), which provide that any procurement involving the use of a third party's framework arrangement will not be subject to tendering requirements provided that Gateway 1 and 2 procedures are followed to demonstrate value for money and proper process.
55. CSOs also state that no contract may be awarded unless the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the council. The report confirms that individual client departments will be responsible for payment of the invoices relating to their consumption of electricity.
56. The decision to approve the proposed contract award is expressly reserved to the cabinet under CSOs, and the report recommends that future decisions relating to the choice of management option and purchasing solution under the LASER framework should be delegated by the Leader of the council to the relevant cabinet member in line with Constitutional powers.

Strategic Director of Finance and Governance (FC15/019)

57. The Strategic Director of Finance and Governance notes the recommendation to award the supply of electricity to Laser for a period of four years; with the aim of providing best value for the council for the purchase of electricity.
58. Further it is noted that authority is delegated to cabinet member for Environment and Public Realm, throughout the duration of the contract, to approve the management option and amend the purchasing solution for electricity.

Head of Home Ownership

59. Costs incurred under this agreement will fall within the annual service charges for leaseholders.
60. The agreement is for a term in excess of 12 months, and will generate individual service charge costs that may be excess of £100 per annum. Where this is the case it would be considered to be a qualifying long term agreement under the terms of the Commonhold and

Leasehold Reform Act, and require consultation with leaseholders under S20 of the Landlord and Tenant Act 1985 (as amended). However the nature of the agreement is such that it may not meet the criteria, because the Council is not directly procuring fuel. In any case the consultation requirements of the legislation cannot be met because the fuel costs are not known in advance and therefore cannot be consulted on. Clarification was sought from the First Tier Property Tribunal, who considered the council's application and issued its decision on 9 September 2015.

61. The Tribunal declined to clarify the position regarding whether the agreements fell within the consultation requirements, but instead dispensed with the requirement to consult in this instance. An advert was placed in Southwark News advising leaseholders of the new contract, and of the council's intention to seek clarification from the First Tier Tribunal. No queries were raised in response to this.
62. All affected homeowners have been informed of the proposed procurement outlined in this report via a letter issued with the quarterly statements on 8 October 2015.

Head of Procurement

63. This report is seeking approval of the procurement strategy for the provision of electricity to over 3,500 council sites.
64. The report explains that the council has a need to procure electricity for a range of buildings including communally heated housing estates, schools and municipal sites. The Council's requirement extends beyond just the supply of electricity but also includes pass through charges for transporting the electricity, meter operating billing in administration and compliance with government taxes such as the climate change levy.
65. The two frameworks LASER and Crown Commercial Services that are being considered for this procurement both comply with the Public Contracts Regulations and OJEU.
66. The commercial rationale for seeking to secure gas supplies from either LASER or Crown Commercial Services is that both have a good track record, large customer base and that can offer a range of purchasing options which include fixed and flexible pricing either purchased in advance or within a fixed period which goes some way to mitigating price volatility. Both organisations are considered to be able to secure electricity suppliers that will ensure that best value for money will be achieved.
67. Plans for the management and monitoring of the contract are covered in paragraph 54. Officers within the council's energy team will manage the successful provider and act as a single point of contact for the council.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Purchasing options

AUDIT TRAIL

Cabinet Member	Councillor Darren Merrill, Environment and the Public Realm		
Lead Officer	Ian Smith, Head of Environmental Services		
Report Author	Chris Owen, Corporate Energy Manager		
Version	Final		
Dated	9 October 2015		
Key Decision?	yes	If yes, date appeared on forward plan	June 2015
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought		Comments included
Director of Law and Democracy	Yes		Yes
Strategic Director of Finance and Governance	Yes		Yes
Head of Procurement	Yes		Yes
Head of Home Ownership	Yes		Yes
Contract Review Boards			
Departmental Contract Review Board	Yes		Yes
Corporate Contract Review Board	Yes		Yes
Cabinet Member	Yes		Yes
Date final report sent to Constitutional Team			9 October 2015

Purchasing options

LASER purchasing options;

- **Purchase in advance** - All anticipated electricity requirements will be purchased prior to delivery for each 12 month supply period. The sum of the total energy purchased will be used to calculate the aggregated energy price, to which pass through charges will be added to arrive at the delivered cost pence per unit of energy over the full course of the 12 month supply period. The delivered price for a site will be set annually and will be validated and approved by LASER prior to prices being distributed to customers.
- **Purchase within period** - A proportion or all of the required volume of electricity will be purchased prior to delivery for each 6-month supply period and, if applicable, the remainder purchased within the supply period. A reference price will be set at the beginning of the supply period and this reference price will be applied to billing during the supply period. A reconciliation between the reference price and final achieved price will be carried out at the end of the 6-month period. Volume requirements will be based on forecasted volumes agreed and amended according to portfolio changes on a six monthly basis, or as required. The delivered price for a site will be set six monthly and will be validated and approved by LASER prior to prices being distributed to customers.
- **Flex-lite** - Electricity purchases are completed in advance of the contract year. Supplier cost-to-serve fixed in the contract. LASER purchases energy requirements at its discretion in several blocks prior to the start of a contract year to partially spread market price risk.
- **Forward Lockout** - All purchase volumes to be completed **6 months** in advance of each 12 month supply period. The sum of all trading will be used to calculate the aggregate energy price, to which will be added fixed pass-through-charges, some or all of which may be agreed in advance for a 12, 24 or 36 month period, to arrive at the delivered unit cost of electricity over the full course of the 12-month supply period. The delivered price for a site will be set annually and will be validated and approved by LASER prior to prices being distributed to customers. Prices will be distributed at least **3 months** in advance of the supply period, allowing earlier confirmation of delivered prices to apply in the following year.
- **Mechanistic purchasing** - Total electricity volumes to be purchased in equally-sized blocks, once per month, in each of the 24 months, prior to the start of the supply year. This ensures the 'basket price' will always be very close to average market price. The delivered price for a site will be set annually and will be validated and approved by LASER prior to prices being distributed to customers.
- **Set and reset** - A proportion or all of the required electricity will be purchased prior to delivery for each 12-month supply period and if applicable, the remainder purchased within the supply period. Budget limits are agreed in advance, with commodity purchases closed out if market prices move above the pre-set limits. This product will also allow for the reset of fixed volume if the market moves below pre-set triggers with a mechanism in place to buy back at a lower rate. Volume purchased via this product will be to meet requirement only and will not exceed committed volume. A reference price will be set at the beginning of the supply period. A reconciliation between the reference price and final achieved price will be carried out at the end of the 12-month period. The delivered price

for a site will be set annually and will be validated and approved by LASER prior to prices being distributed to customers.

- **Day ahead** - A fixed volume will be purchased prior to delivery for each 6-month supply period with the remaining volume being left open to 'float' on the 'day ahead index' (similar to the Stock Market). A reference price will be set at the beginning of the supply period and this reference price will be applied to billing during the supply period. A reconciliation between the reference price and final achieved price will be carried out at the end of the 6 month period. The delivered price for a site will be set six monthly and will be validated and approved by LASER prior to prices being distributed to customers.

CCS purchasing options;

- **Locked** - Flexible buying concludes prior to the contract supply period. The unit cost of electricity is fixed for the duration of the supply period, based on the actual weighted average price of forward purchases. The timing of purchases is delegated to CCS, in conjunction with parameters set by the Governance Panel, which consists of elected members of participating authorities, the LEP, and an independent energy broker company.
- **V6** - Flexible buying commences six months prior to the contract supply period and continues during the supply period. An indicative billing or reference price is provided at the start of the contract, although achieved prices are then applied to each monthly invoice – there is no subsequent reconciliation. Purchases are completed in advance and within each twelve month contract period. The timing of purchases is delegated to CCS, in conjunction with parameters set by the Governance Panel.
- **V30** - Flexible buying commences thirty months prior to the contract supply period and continues during the supply period. An indicative billing or reference price is provided at the start of the contract, although achieved prices are then applied to each monthly invoice – there is no subsequent reconciliation. Purchases are completed in advance and within each twelve month contract period. The timing of purchases is delegated to CCS, in conjunction with parameters set by the Governance Panel.