

**Open report on behalf of Pete Moor,  
Executive Director of Finance and Public Protection**

Report to:	<b>Environment and Economy Scrutiny Committee</b>
Date:	<b>21 May 2019</b>
Subject:	<b>Energy Procurement</b>

**Summary:**

The purpose of the report is to invite comments from the Environment and Economy Scrutiny Committee in relation to the Council's procurement of green or brown electricity to power its corporate portfolio.

This matter is due to be considered by the Leader of Council between the 06 and 30 May 2019. The views of the Overview and Scrutiny Management Board and the Environment and Economy Scrutiny Committee will be reported to the Leader of Council as part of his consideration of this item.

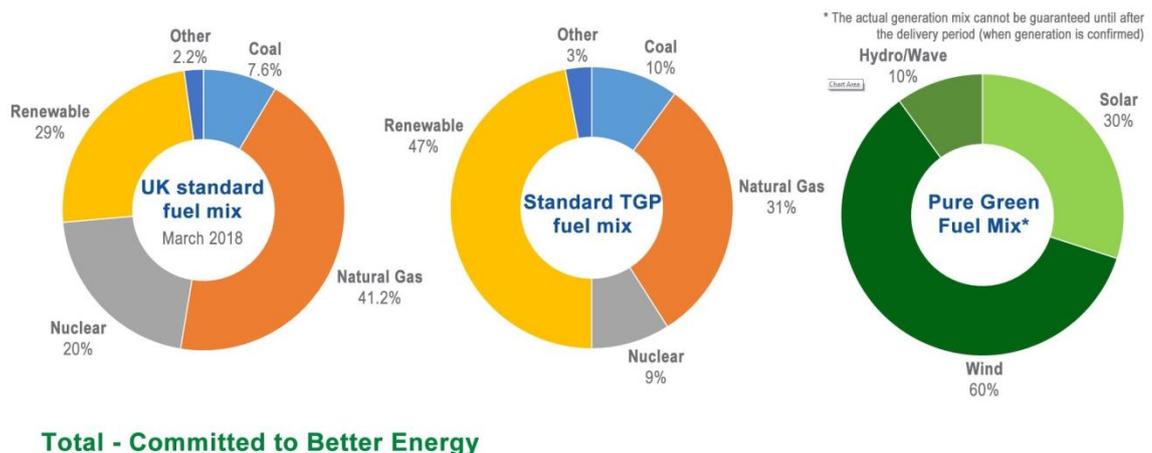
**Actions Required:**

The Environment and Economy Scrutiny Committee is invited to review the information regarding buying green or brown electricity and determine any additional comments to be passed to the Leader of Council in relation to this item.

### 1. Background

1. Since 2007, Lincolnshire County Council (LCC) has procured its electricity supply for street lighting and property through the ESPO Energy Access Agreement (Framework). This framework is accessed by over 100 Local Authorities, Housing Associations and Charities.
2. The Commercial Team's role is to provide the Council access to a compliant and commercially viable electricity supply. Any demand initiatives are the responsibility of Sustainability, Highways and Property Services.
3. Under the current Framework (Oct 16- Sept 20) the Council signed over delegated authority to ESPO to conduct the commodity trading of brown electricity on the council's behalf by trading on the commodity market by a specialist energy trading team.

4. As energy is purchased in advance by ESPO and as the current agreement is due to expire in September 2020 it is time to consider renewal options for the agreement.
5. Prior to the decision due to be made by The Leader towards the end of May 2019 with regards to the energy agreement with ESPO, a paper was submitted to Overview and Scrutiny Management Board on 25<sup>th</sup> April 2019 who agreed with the recommendation to continue with the ESPO agreement for a further 4 years from October 2020, subject to comments from E&E Scrutiny on the issue of buying green or brown electricity.
6. The ESPO framework has the flexibility to buy green or brown energy for individual large customers such as LCC. The flexibility allows large customers to review/commit annually to either green or brown energy. In addition, the framework is flexible to the Council's electricity consumption demands.
7. Brown electricity is energy that comes from conventional fossil fuels, such as oil or coal, and a mix of other sources such as nuclear and some renewable sources. Green electricity comes from sources that are more sustainable and are better for the environment for example, solar, wind, geothermal, biogas, eligible biomass, and low-impact small hydroelectric sources, as can be seen in the charts below.



8. The chart also illustrates that for brown energy purchased by ESPO (middle chart); there is still 47% renewable energy in the mix.

### Current Arrangements

9. The Council has previously made the decision to purchase brown as opposed to green electricity largely based upon the lower cost at the time associated with brown electricity. The cost of switching to green is a very small proportion of our overall energy bill.
10. The additional cost (premium) of buying green energy for 18/19 was £0.0002p/kwh, this increased to £0.0005p/kwh for 19/20 which would see

an annual budgetary increase of £11,500; less than 0.35% increase on the total energy bill. This could easily be covered by the rebate (£25,300 for utilising the framework agreement) received from ESPO.

11. It is possible to make the decision annually, and premiums can increase or decrease during that time.
12. As part of the framework agreement the supply of electricity is currently contracted via ESPO to Total Gas & Power (TGP) whose responsibility is to correctly charge and invoice the Council for its consumption.
13. In 17/18 the Council's electricity consumption was around 23,000,000 kWh, totalling c. £3,300,000. Had the level of demand remained the same as it were for 15/16 the cost would have been £5,205,000 illustrating that the Council's main savings opportunity is to reduce demand.
14. A breakdown of the Council's consumption is detailed in the table below:

Supply Type		15/16(Oct-Sept)	16/17(Oct-Sept)	17/18(Oct-Sept)
		Consumption (kWh)	Consumption (kWh)	Consumption kWh
Street Lighting and Signals	Traffic	24,400,000	13,800,000	11,315,000
Property		12,000,000	11,445,000	12,050,000
<b>Total</b>		<b>36,400,000</b>	<b>25,245,000</b>	<b>23,365,000</b>

15. The Council's consumption has significantly reduced following both the turning off of street lights and LED traffic signal and street lighting replacement initiatives.
16. Whilst there has been an increase in the green premium in the last year it is not possible to forecast any future price adjustments due to the volatile market for energy. However, the Council will be informed well in advance of future considerations on an annual basis so the Council can respond to any emerging cost pressures.
17. Buying green would allow the Council to report that it emits zero emissions for the Council's electricity needs, and this can be certified by TGP, supporting the Council's Carbon Management Action Plan.
18. It is the view of Vanessa Strange - Strategic Accessibility and Growth Manager that the costs of failing to meet the Council's carbon emission targets by 2030 and 2050 will be far higher than the estimated increase in our energy bills and the Council should be buying green electricity.

19. Whilst there are currently no other ESPO members currently buying green electricity under the agreement, it is understood that neighbouring authorities (Leicestershire County and Blaby District Council) are still considering it.

## **2. Conclusion**

The Environment and Economy Scrutiny Committee is invited to review the information regarding buying green or brown electricity and determine any additional comments to be passed to the Leader of Council in relation to this item.

## **3. Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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