



Cabinet

14th October 2015

Community Energy

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1. Summary

1.1. This report summarises the work undertaken to explore opportunities to generate new income streams which includes an option for the Council's involvement in the purchase and resale of energy to domestic and business consumers and the opportunities that wider energy related activities could deliver.

1.2. It is proposed that an open procurement process be undertaken to identify a licensed energy supplier as a potential partner for Shropshire Council to deliver energy supply to domestic and business consumers and to identify energy opportunities which could generate income for Shropshire Council and provide social value.

1.3. The procurement evaluation process will appraise the proposed options and delivery models submitted and will identify if a separate delivery vehicle is required to meet the Council's legal, financial, procurement and compliance requirements. It is anticipated that submissions will be returned in December 2015. A full report will be presented to Cabinet to obtain a decision on progressing the preferred options by February 2016.

2. Recommendations

It is recommended that Cabinet agrees:

- A. That members endorse the position to explore energy supply and commercial energy opportunities as set out in the report.
- B. That delegated authority is given to the Chief Executive in consultation with the Portfolio Holder for Business Growth, ip&e, Culture and Commissioning (North) to agree and to complete all formalities to facilitate the procurement process.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1. The approach to explore energy supply and commercial energy opportunities could offer innovative approaches to achieve specific ambitions for the Council including:

- Adding value to the Council's offer to customers and tax payers
- Addressing need and providing social and economic solutions to Shropshire Communities e.g. address fuel poverty, improve poor housing conditions to reduce health and social impacts etc.
- Addressing environmental issues e.g. reduced carbon emissions, support community energy projects, heat networks etc.
- Income generation to Shropshire Council
- Delivering savings through energy efficiencies
- Stimulating economic development and regeneration

The exploration of opportunities and approaches to deliver these ambitions will be encouraged as part of the procurement process.

3.2. There are no adverse impacts in terms of Human Rights expected from the agreement of the procurement process.

3.3. The procurement process will verify the opportunities for the Council to generate income or derive profit from the supply of energy and wider energy related activities.

3.4. No one with characteristics defined and protected under the Equality Act shall be adversely affected by the proposed procurement process. As part of the procurement process, innovative propositions beyond the role of energy supply will be considered which could support social and economic solutions.

3.5. As per the Social Value Act, any submissions to the procurement process will be required to acknowledge the requirement to consider social value within the heart of the service and implement initiatives over the life of the contract that may generate self-sufficient and sustainable benefits to the local community, society and the economy, in particular the local economy, whilst also minimising damage to the environment.

3.6. No adverse impact on the environment is expected. As part of the procurement process, innovative propositions beyond the role of energy supply will be considered which could support the environment and the low carbon agenda.

4. Financial Implications

4.1. The procurement costs are minimal and are associated with developing the process for generating a new income stream. External legal advice to investigate the options for delivery are estimated to cost up to £3000, subject to the range of options put forward for consideration. This will be found within existing budgets.

4.2. The commercial solutions proposed during the procurement process will be evaluated to ensure that the financial merits and implications of each bidder's submission have been identified. The procurement will require bidders to identify the scale of support required from Shropshire Council to support the project activities which will need to be costed out to ensure all costs (including set up and on-going governance and delivery costs) are recovered.

4.3. Any longer term financial or cash flow implications beyond those listed above will be included within a further report to Cabinet in February 2016.

5. Background

5.1. Briefing papers on the opportunities for energy supply and energy generation were considered at the Design Workshop sessions held in February 2015 looking at 'Generating additional income for the Council'. Following these events, an Energy Opportunities Strategic Working Group was formed of elected Members and officers and chaired by the Chief Executive. The Strategic Working Group has considered options to deliver long term ambitions relating to:

- Generation of a new revenue stream for the Council
- Delivering savings through energy efficiencies
- Providing social and economic solutions for example, addressing fuel poverty
- Addressing environmental issues
- Stimulating economic development and regeneration

5.2. Further discussions have been undertaken with other local authorities that have worked up energy supply models to identify options which could deliver the long term ambitions identified. These discussions have informed the proposed approach to explore the opportunities available through procurement as the frameworks developed by other local authorities don't deliver Shropshire Council's ambitions to derive community benefit and potential income streams.

5.3. Through the intended procurement process, the Council will seek an energy supply partner (licensed supplier) with specialist skills and capabilities to supply energy and to operate an energy supply scheme for residents and businesses in Shropshire. The procurement specification will include the

option to extend the operation of the service across a wider geography which may allow the potential expansion of the project during its life.

5.4. As part of this procurement Shropshire Council will also be seeking innovative propositions beyond the role of energy supply only. The exploration of these propositions relating to energy services, energy efficiency measures, energy management and optimisation, energy generation and storage will be encouraged as part of the procurement process and will be considered as potential future options depending on the benefits which could support the ambitions of the Council. Therefore the intention is that the procurement of an energy supply partner is the main focus of the process, however Shropshire Council will also evaluate the propositions submitted and include the phasing of any preferred options within the contract.

5.5. The procurement evaluation process will appraise the proposed options and delivery models submitted to test out their viability and will identify if a separate delivery vehicle is required. A full report will be presented to Cabinet to obtain a decision on progressing the preferred options by February 2016

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
<p>Briefing paper on energy generation opportunities as a potential income source for Shropshire Council (March 2015)</p>
<p>Briefing paper on community energy company opportunities for Shropshire Council (January 2015)</p>
<p>Cabinet Member (Portfolio Holder) Councillor Steve Charmley - Portfolio Holder for Business Growth, ip&e, Culture and Commissioning (North)</p>
<p>Local Member</p> <p>All</p>
<p>Appendices</p>