

| MERSEYSIDE FIRE AND RESCUE AUTHORITY | | | |
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| MEETING OF THE: | COMMUNITY SAFETY AND PROTECTION COMMITTEE | | |
| DATE: | 3 APRIL 2025 | REPORT NO: | CFO/93/25 |
| PRESENTING OFFICER: | CHIEF FIRE OFFICER, NICK SEARLE | | |
| RESPONSIBLE OFFICER: | DEB APPLETON | REPORT AUTHOR: | STEWART WOODS |
| OFFICERS CONSULTED: | DIRECTOR OF FINANCE AND PROCUREMENT, MIKE REA HEAD OF PROCUREMENT, HYWYN PRITCHARD HEAD OF FINANCE, JAMES CAMPBELL STRATEGIC LEADERSHIP TEAM | | |
| TITLE OF REPORT: | PROCUREMENT OF ENERGY CONTRACTS - ELECTRICITY AND GAS FROM 2026/27 ONWARDS | | |

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| APPENDICES: | NONE |
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Purpose of Report

1. The purpose of this report is to inform Members of the current situation regarding the supply of electricity and gas to Merseyside Fire and Rescue Authority and recommend the best option for the procurement of both utilities from April 2026.

Recommendation

2. It is recommended that Members;
 - a) note the contents of the report;
 - b) approve the procurement of electricity and gas in collaboration with Liverpool City Council (LCC) and enter into contracts for the supply of electricity and gas via the providers on the West Mercia Energy public buying organisation framework for a period of two years with the options to extend for a further one year; and
 - c) approve delegated powers being given to the Chief Fire Officer and Director of Finance & Procurement to assess the market price and energy sources type of Renewable Energy Guarantees of Origin (REGOs) when they become available from the provider and, if affordable to the Authority, to purchase REGOs for the energy purchasing period 1st April 2026 to 31st March 2028.

Introduction and Background

3. The Authority has procured electricity and gas via Liverpool City Council (LCC) since 1986 (who procure electricity and gas for use in LCC assets, self-referring Liverpool schools as well as the Authority).

4. Members approved report CFO/040/22 in September 2022 for the continued procurement in collaboration with LCC utilising the Crown Commercial Services framework, RM6251 from 1st April 2023 using EDF Limited to supply electricity and Total Energies to supply Gas.
5. Ahead of the contract ending in March 2026, LCC have completed a review of procurement routes available to ensure we continue to receive the best value for money in relation to our energy contracts.
6. Six Public Buying Organisation (PBO) frameworks were reviewed, three of the six PBO's returned a response and following an evaluation of their responses, West Mercia Energy (WME) was deemed the most advantageous return. WME put forward a commercially competent proposal that held up to scrutiny against a review process carried out by LCC's procurement unit.
7. Responses were evaluated based on customer service, purchasing strategy and energy rates, metering and green energy, and invoicing and terms and conditions.
8. WME state that they "operate a risk managed but flexible energy purchasing strategy which has been designed specifically for the public sector. This model concentrates on delivering the best value for money whilst managing price risk in a volatile market. Over the last 4 years, on average, WME's procured energy rates have out turned over 20% below the market average."
9. In addition, WME say they "will provide a fully managed service, which includes a comprehensive bill validation and payment management service, WME will carry out bill validation before an invoice is sent to their client, any invoices that fail are sent back to the supplier unpaid and managed to resolution by WME team, saving their clients time and money. WME also provide their clients with access to their energy monitoring platform 'My WME'. The platform enables clients to monitor and manage energy consumption, giving an opportunity to reduce their usage and carbon emissions."
10. Following LCC's procurement review and evaluation, LCC received approval from their Executive Cabinet to award a contract to WME for the supply of their electricity and gas for a period of two years with an option for a further one-year extension from 1st April 2026. The Authority will need to confirm by 1st May 2025 if it wishes to continue to procure energy in collaboration with LCC and move to the WME framework.
11. LCC and MFRA have purchased green electricity and at an additional cost, Renewable Energy Guarantees of Origin (REGOs) to certify the source of electricity generation, a process which is regulated by Ofgem. The REGOs certify the source of electricity generation and allow customers to account zero carbon for green electricity used. Without REGOs the Authority's carbon footprint would increase effecting it's route to achieving Net Zero by 2040.

12. Members should note that UK customer demand for REGOs has increased due to an increased focus on sustainability and net zero. It is industry practice to offer REGOs within fixed term 'windows' each year. LCC may be required to make a delegated decision to purchase REGOs because in previous years a decision to purchase REGOs has had to be taken swiftly when they become available from the selected supplier. Therefore, Members are asked to approve the recommendation that delegated powers be given to the CFO and Director of Finance and Procurement to assess with LCC the market price and energy sources type of Renewable Energy Guarantees of Origin (REGOs) when they become available from the provider and, if affordable to the Authority purchase REGOs for the energy purchasing period 1ST April 2026 to 31st March 2028.
13. There are three options available for the Authority to consider;
 - a) remain under the LCC energy umbrella contract and move with LCC to the new WME energy contract;
 - b) engage independently with the current framework provider Crown Commercial Services; or
 - c) independently review its procurement route using Public Buying Organisation frameworks.
14. MFRA's Procurement department has considered these options and concluded that option 'a' in paragraph 13 is the most advantageous for the Authority. This is based on the evaluation already completed by LCC including the greater buying power and operational efficiencies as a result from the collaborative approach. Therefore, it is considered that continuing with the current contract (option b) or carrying out any independent review of public sector frameworks (option c) would not offer any further advantageous benefits to the Authority.
15. The long-term arrangement with LCC regarding procuring energy has provided wider benefits such as collaboration with officers regarding our route to achieving Net Zero. If approved, the continued arrangement will be formalised into a Service Level Arrangement (SLA) prior to the start of the new contract.

Equality and Diversity Implications

16. The proposed energy contract change will not affect the supply of utilities but will control and help minimise any expenditure increases. Therefore, there is no impact to people with protected characteristics anticipated from this contract change.

Staff Implications

17. No staff implications have been identified from this contract change.

Legal Implications

18. Although the contract will be directly between the Framework provider and LCC, the Authority can still be assured as to the compliance with the Public Contracts Regulations 2015 by accessing the market through the use of a Public Buying Organisation.
19. A service level agreement will be put in place with Liverpool City Council prior to the start of the contract start date 1st April 2026.

Financial Implications & Value for Money

20. The 2026-2028 electricity and gas prices cannot be predicated now in a meaningful way. To mitigate this, LCC compared actual pricing recorded in previous years, in order to obtain a comparison of which supplier was likely to offer best value during 2026-2028. WME was found to be the most competitive.
21. The below tables shows MFRS' spend on each utility over the past four years.

| | 2021 | 2022 | 2023 | 2024 (to date) |
|-------------|----------|------------|------------|-----------------|
| Gas | £146,506 | £309,978 | £351,475 | £163,825 |
| Electricity | £758,582 | £2,038,763 | £1,685,188 | £1,082,974 |

22. The below tables show the current forecasted costs for LCC, schools and MFRS which form part of the buying power of the new contract.

| Electricity user | £m | Tonnes CO2e |
|------------------------------------|---------------|---------------|
| LCC | £9.33 | 7,657 |
| Schools | £4.56 | 3,740 |
| MFRS | £1.04 | 858 |
| Whole portfolio electricity | £14.93 | 12,255 |

| Gas user | £m | Tonnes CO2e |
|----------------------------|--------------|---------------|
| LCC | £3.50 | 8,487 |
| Schools | £3.03 | 7,344 |
| MFRS | £0.29 | 0.29 |
| Whole portfolio Gas | £6.81 | 16,523 |

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|-----------------------------------|---------------|---------------|
| Total cost whole portfolio | £21.74 | 28,778 |
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Risk Management and Health & Safety Implications

23. There continues to be volatility in the energy market with increased uncertainties and insecurities. If the Authority does not enter into a new energy contract within

good time it could face a major risk of having unmanaged energy rates/ costs in a volatile market and potential interruptions to supply and increased costs.

Environmental Implications

24. The purchase of green energy and REGOs provision, support's the Authority's target of achieving Net Zero by 2040.

Contribution to Our Vision: *To be the best Fire & Rescue Service in the UK.*

Our Purpose: *Here to serve, Here to protect, Here to keep you safe.*

25. The procuring of energy in an efficient way gives stability to the budget planning process and resilience to the supply of energy to operational sites

BACKGROUND PAPERS

CFO/040/22 Procurement of Electricity and Gas from 2023

GLOSSARY OF TERMS

| | |
|-------------|--|
| MFRA | M erseyside F ire and R escue A uthority |
| MFRS | M erseyside F ire and R escue S ervice |
| LCC | L iverpool C ity C ouncil |
| REGO | R enewable E nergy G uarantees of O origin |
| WME | W est M ercia E nergy |