

Hosted by LB Islington
Islington Ecology Park
London, N5 1PH



**LBEG Spring Meeting and AGM
Friday 17th May 2019**

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Minutes

Attendees

| | |
|-----------------|-------------------------------------|
| Jonathan Heyes | Brent |
| Neil Luscombe | Brent |
| Mark Brown | CCS |
| Adam Garbutt | CCS |
| Andrew Whelan | Enfield |
| Saeed Atlas | Harrow (Chair) |
| Graeme Low | Islington |
| Gonzalo Jimenez | Kensington & Chelsea |
| Ben Ah-Thew | LASER |
| Bernard Gore | LASER |
| Nigel Hartnup | LASER |
| Tony Jones | Luceco |
| Jacob Adekunle | Redbridge |
| Martin Keane | Royal Hospital for Neuro-Disability |
| Rachael Mills | SE ² (Secretariat) |
| John Mitchinson | Southern Housing Group |
| Beata King | Transport for London |
| Anis Robinson | |

Apologies

| | |
|-------------------------|-----------------------|
| Risa Wilkinson | Ealing |
| Jo Mortensen | Ealing |
| Katie Lindsay | GLA |
| Maria Yashchanka | Greenwich |
| Shaun Spencer | Hackney |
| Rodrigo Perez Matabuena | Islington |
| Richard Neal | Merton |
| Paul Hasley | Surrey County Council |
| Ian Watts | Sutton |
| Ian Almeida | Wandsworth |
| Chris Little | Westminster |
| Amanda de Swarte | London Energy Project |

All the presentations from the meeting are available to download at:
<https://www.lbeg.org.uk/meetings/our-last-meeting-17th-may-2019/>

1. AGM

1.1 The Committee was voted in as follows:

- Chair: Saeed Atlas, Harrow
- Vice-Chair: Gonzalo Jimenez, Kensington & Chelsea
- Treasurer: Beata King, TfL
- Member: Shaun Spencer, Hackney
- Member: Graeme Low, Islington
- Member: Andy Morgan, Kent (LASER)
- Member: Martin Keane, Royal Hospital for Neuro-Disability
- Member: John Mitchinson, Southern Housing Group
- Member: Chris Little, Westminster

1.2 The Treasurer submitted her finance report. LBEG has made a net profit for the financial year 2018-19: many thanks to all who have paid and to the Committee and Secretariat for their support. 2019-20 membership invoices will be issued soon.

2. Energy Sector Procurement Update 1

Mark Brown & Adam Garbutt, CCS

2.1 The CCS is a not-for-profit executive agency of the Cabinet Office, with the aim of releasing savings for UK tax-payers. We have a combination of routes to market, including frameworks. The spend last year across our whole portfolio was £13bn.

2.2 Energy is a complex, dynamic and fast changing category in our portfolio, with factors including market regulation, global factors affecting prices, technology enhancements, national and local agendas and pressures to save money.

Q1: We need to understand the elements of your framework so we can compare your offer with others (eg basket of additional services like bill validation, etc)

A1: We acknowledge that it isn't always easy to conduct like for like comparisons of different providers, and particularly the trading products (or "baskets") that each provides, and are happy to explore options to try to make it easier for authorities to base their decisions on a full and up to date understanding of the CCS Energy offering. Since the meeting we've shared the trading product leaflets and invited London based authorities to CCS Energy workshops in London to go through the offering in more detail. Each of our trading products has different features and benefits, and we've recently brought a further product (medium term locked) to our suite of options. Should customer demand dictate it then we're happy to look at other trading products as well. In answer to "which is the best?" it really depends on each customer's own appetite for risk and their preferences to the various features of each trading product. We can't provide financial advice (nobody who's not FSA approved should), but we can help to guide customers to the right basket based on their risk appetite and preferred features e.g. locked vs variable, shorter vs longer purchasing window etc. We have a risk product survey tool which can be used to help inform that conversation, although I understand that the "best fit" product for any particular customers usually becomes clear when our customer team have that discussion with the customer in question. On the specific point of bill validation - the answer is yes, we provide bill validation services through our dedicated Utility Management Services framework - further details at <https://www.crowncommercial.gov.uk/agreements/RM3800>.

Q2: How can we balance least cost energy procurement with the climate emergency and the need to reduce carbon?

A2: This is a local, national and indeed global challenge. As well as offering access to heat networks, PPA's and renewables, the CCS Energy service proposition provides customers with access to a number of routes through which to encourage demand reduction - as ultimately the cheapest and greenest kWh is the one not used. It's also worth noting that UK decarbonisation policy is heavily subsidised through the non-energy costs and incentives that

now appear in all consumers invoices i.e. we're all doing our bit. There will of course, at least in the short and medium term always be residual demand.

- Q3: If electricity is decarbonised, it will be more expensive, especially when compared to gas which is cheap.
- A3: We're regularly engaged with key market participants and policy makers to ensure our service proposition is fit for purpose both now and in light of any future market developments. Decarbonisation costs are of course built into electricity costs now, and it's fair to assume these costs will vary in the future based on the investment needed and the degree of penetration in renewable generation.
- Q4: Is the bidding exercise complete for the 2020 framework?
- A4: It's out to procurement now. The OJEU notice was published 5 April and the award date is 12 August. The gas and electricity offers will be accessible to customers from the Commencement Date (typically a couple of weeks after the framework is awarded). There are a number of additional features such as the inclusion of stronger performance management provisions (e.g. a Corrective Action Plan), a "reserve supplier" and more optionality in terms of service levels (customers will be able to choose an enhanced level of service should they wish). The new framework will also include access to renewable supply and the facility to deliver PPA's.
- Q5: Our gas basket was quoted at 5.5p/kWh but we're paying much more (8p) – why is this?_
- A5: I had this noted as an electricity price not a gas price and will arrange to look into this in more detail. The likelihood is that while our position reports quote prices, those prices are commodity only i.e. they do not include the various non-commodity charges that are included in any unit rate. The unit rate that appears on any invoice will include those additional charges - hence the discrepancy.
- Q6: Will there be a comparison between the old and new frameworks?_
- A6: We plan to provide a comparator, yes – but we need to award the contract first. Additional features were agreed with our customers as part of the initial stakeholder engagement process (those mentioned in response to Q4) and these will be included in the new framework. The features of the framework itself are separate to our trading products (or "baskets") - which we regularly test to ensure they're fit for purpose and delivering the objectives of each associated strategy. As mentioned earlier we've also recently added a medium term locked product/basket (called L10) which effectively expands the purchasing window of the L6 product/basket to allow our trading team greater flexibility in choosing when to purchase gas/electricity - and also when not to. If there was demand for other products/baskets e.g. an LBEG L24 – then we could do that. The products/baskets we offer are completely driven by our customers' demands.
- Q7: LBEG members represent a contract value of £100m+. Tell us, why should we switch to CCS?
- A7: Nobody operates to the scale that we do in this category, and the level of aggregation that we take to the market provides leverage and opportunity that translates into value for our customers. CCS has a well-established trading and risk function through which we offer a choice of trading products, all designed to accommodate the specific needs of our customers while also providing the appropriate level of governance and financial protection appropriate for the public sector. The CCS Energy service proposition doesn't end with the trading products that we offer - and has been supplemented significantly over recent years as we've added things like Utility Management Services, Demand Side Response, Utility Switching Services and Heat Networks and PPA's. As the commercial and procurement function for the UK government all of our customers can of course be assured that our agreements are fully compliant and subject to rigorous procurement process.

3. Energy Sector Procurement Update 2

Bernard Gore, LASER

- 3.1 LASER provides a number of services within an OJEU compliant framework to respond to different customer needs. These can be executed either by LASER or the customer and include price validation, energy efficiency and management services.
- 3.2 Our current framework (2016-2020) is with npower for electricity and Total Gas and Power for gas. The new OJEU process for 2020-2024 has been completed. This will ensure a sufficient forward buying window is maintained prior to supply delivery in October 2020.
- 3.3 The current framework typically provides an avoided cost of £643k for a typical unitary authority, which includes lower supplier management fees, shaping benefits, entire market pricing, flexibility of trading, volume tolerance, LASER's purchasing performance and transparency of pricing. Other key benefits include the option to introduce new bespoke strategies, site level account validation, annual long range forecasts, access to renewable gas and electricity, and integrated PPA and CSR offerings.
- 3.4 The Tangmere Solar Farm case study demonstrates at £320k income stream for West Sussex County Council in the first 18 months (beating FiTS). LASER have been able to sell clips back to the wholesale market, even in October.
- 3.5 The new framework is being driven by rising and volatile market prices, fewer resources and additional requirements, and social value. We are responding to all these with solutions such as adaptable purchasing strategies, better management information and supporting customer-owned renewables.
- 3.6 The outcome of the new framework for 2020-2024 is shown on the table on the following page. We have also adopted a new approach to contracting, which we believe will be clearer and cleaner than in the past.

| LOT | Electricity | Gas |
|--|---|---|
| LOT 1 – Flexible Procurement of Energy & Additional Services | Npower (1 st Place) EDF Total GP | Total GP (1 st Place) Corona |
| LOT 2 – Additional Services Additional services such as battery storage and electric vehicle charging points. | Npower EDF Total GP Eon Connected Energy Octopus Solar Advance Systems Stark Software | Total GP Corona Eon Stark Software |

Q1: Can you give direct comparisons to other purchasing options (eg CCS)?

A2: For some aspects, yes. Its unlikely others will offer entire market pricing or transparency of prices.

Q2: Can you offer blended purchasing strategies?

A: Yes - customers can split their portfolio if they want to: it's something we can and already do, and it's become a growing trend over recent years. We can help you work through that thinking and can do back testing too.

Q3: Is forecasting web-based or done with spreadsheets?

A3: At the moment it's still part of our regular updates, but we plan to put the forecasting on a portal to allow greater self-service. You can also share with a sub-set of your users (eg LAs can share with schools)

Q4: What transparency is there of your service charges/fees?

A4: We can make all fees available, including supplier and LASER fees. We're happy to share these with any customer.

Q5: What are the benefits of coming to LASER directly, compared to using LASER through LEP?

A5: LEP is responding to specific requirements of London Boroughs. They're working with LASER: the offer is currently out to market so we can't give a like-for-like comparison right now. However, we will be able to transition customers from one to the other if it meets your specific requirements better. We know this is a difficult choice for your right now as the LEP offer isn't settled yet. Some elements will be different but it's up to LEP to explain this to you.

4. Member Case Study: In-House Energy Procurement

Graeme Low, LB Islington

4.1 Islington has always maintained 100% control of energy procurement for our corporate estate, heat networks and social housing stock. Outsourced services (eg leisure services) are obligated to purchase through us too. (The only exception is street lighting, which is on a PFI contract with SSE)

4.2 We've moved from a 12 month fixed contract through dynamic purchasing and frameworks to the current position, which is flexible purchasing within long term (4 year) agreements. This offers flexibility: you could buy everything at the beginning of the 4 year contract depending on your risk appetite – the smallest clip size is 1MW.

4.3 We buy:

- 51,200MWH electricity/year
- 145,000MWH gas/year
- For 3000+ individual sites
- And for a value of £8-10m/year

The more information you can supply the better, as this can affect the price.

4.4 Our risk strategy is regularly reviewed: we're buying on the forward market and hedging against market rises. We analyse market data from various sources (eg paid service from Blumberg). We also have an option to sell back trades made at a preferential rate, for example if we lose external clients and the demand drops.

Q1: How can you get a better rate than the larger frameworks?

A1: The prices aren't that much higher – the savings we make are on the fees (c 1% of your bill – which could be £400k over a 4 year contract). We keep track against other market offers and tend to trade in quarterly chunks. We have a colleague who knows how to trade on the market.

Q2: How do you justify the risk to Committee?

A2: We report to the Exec every 4years for procurement. The Risk Management Strategy is reporting on regularly to senior management

Q3: What about green energy?

A3: We procure non-commodity elements – eg green vs brown energy. Can we afford it – or can we afford not to??

Q4: Do you provide different insurances when buying for others?

A4: They represent a very small slice of our end users and it hasn't been a problem.

Q5: Did you have to go through OJEU?

A5: Yes – the contract is worth c£40m so clearly over the OJEU threshold.

- Q6: It feels quite risky when a Borough could go to LASER who have lots of experts and experience...
- A6: Yes – but there's lots of tools to help you. We're trying to debunk some myths and take control. It's now less of a risk for us as we've been doing it for 20 years – and we have a big team! We benchmark against others and we're very close. Understanding your data is really key if you want to do it yourself – it helps to de-risk.

5. Case Study: The Ups and Downs of Lighting Retrofit

Tony Jones, Luceco

- 5.1 Our company is 5 years old and we have a global turnover of £170m. We have a head office in London, large warehousing in Shropshire and our own factories. There are also other market leading brands in our group, eg BG Ross, Masterplug and KF Lighting.
- 5.2 Recent years have seen advances in LEDs. 5 years ago, a 600mmx600mm unit used 45W - now it's only 15W, half the price and with much shorter paybacks (1-2 years).
- 5.3 Edinburgh College case study - our steepest learning curve! We supplied and replaced about 7000 luminaires in 5 campus buildings within a 10 week period, working with a local installer.
- Lesson 1: surveys are crucial. We surveyed every luminaire in every room. The drawings didn't match the buildings, so we had to re-do the 'as fit' drawings first
 - Lesson 2: We had to add in wiring drawings which took. One time - the contractors had to investigate the electrical situation (eg live wires) and make sure we could deliver compliant (emergency) lighting
 - Lesson 3: you have to consider the end user. The luminaires are a visible light source (not louvered): we have to sort out monitor glare which makes lighting trickier. Some people find it difficult to adjust to visible light sources, so we can go back in and change the light level of the luminaire (eg lower output). We can do this through control change, rather than having to replace the luminaire/fitting.
- 5.4 We have lots of other case studies, installing lots of different luminaires in different environments. Critical to our success is to have lots of user/client meetings beforehand to properly understand their needs.
- Herts CC offices in Stevenage: 600lumen/W backlit panels at 300 sites
 - Industrial setting case study at 26 Tata Steel sites across Europe – where a key learning is that LEDs don't like hot environments!
 - Interior and exterior lighting at a newbuild school in Letchworth, with paybacks of below 5 years
 - In the health sector, Ashfields Primary Care Centre have seen £15k savings/year through the installation of 700 luminaires.
- 5.5 For more information please contact sean.wright@luceco.com or visit <https://www.luceco.com/>

Q1: Do you charge for the lighting audit?

A1: No, it's free of charge, with no commitment (although drawings are only provided as part of a contract)

Q2: What functionality to the units have? (eg for different needs in a leisure centre)

A2: There's lots of functionality – eg twin switching, dimmable

Q3: How did you pick the colour temperature?

A3: The standard is 4000K, but we tend to do a warmer temperature (3000K) for downlights. We don't tend to do tuneable units as they're less efficient.

Q4: Are you guided by the customer on the colour rendering?

A4: Absolutely yes – it's all about personal need (eg lighting for learning)

Q5: Do your units qualify for Salix?

- A5: Yes, particularly in schools (although Salix may be moving away from Academies)
- Q6: What's the light degradation?
A6: It was L70 B50 but is now L90 B50
- Q7: Do you offer an extended guarantee?
A7: There's a 1 year onsite repair / replace guarantee, then a parts replacement warranty for up to 7-10 years (part of the luminaire cost)
- Q8: When we replace tubes with LEDs, do we replace the wiring too?
A8: Not as a rule, but if it's an old building we'd do a secondary wiring assessment
- Q9: Do you do direct supply or via an electrical wholesaler?
A9: We can do either but we have a very large and traditional relationship with wholesalers. We're happy to go direct if we're not taking food off their table.
- Q10: Do you do sports floodlighting?
A10: Yes – for astroturf, etc. We're just about to come to market with stadium lighting
- Q11: Do you do street lighting?
A11: This would be our partner brand, Kingfisher – they have the specialist knowledge

6. Round table discussion on the Climate Emergency Campaign

- 6.1 The Climate Emergency Campaign has successfully been spreading the message to policy makers, influencers and politicians. Bristol and Manchester were the first to declare a Climate Emergency, committing to being carbon neutral by 2030 (rather than 2050) and more LAs are following suit.
- 6.2 Saeed has done some rough calculations and the cost of reducing by 1tonne of carbon is £2000 (staff, resources, etc), and this will only go up as the low hanging fruit goes. LB Harrow would need £11m to decrease carbon by just 4%: UK PLC would need £trillions. And even if we decrease carbon by 25% a year, we still won't be carbon neutral by 2040. We just can't afford to deliver this target. So what can we do to put our local authorities on track?
- 6.3 Cllr Frea (Lancaster City Council), who runs <https://climateemergency.uk>, recently spoke at an ALEO London meeting and explained it's important to gather political momentum – then we can press for more resources.
- 6.4 Brent invested £4m on street lighting, cutting emissions by 30%. It seems expensive, but can we afford not to do it? The action your Borough can take will depend on what you've already done.
- 6.5 What actually is the definition of zero carbon and how can we achieve it? It seems unlikely we'll get rid of all boilers... A lot of the answer has to lie with decarbonising the grid. If it's net zero carbon then you could generate power to offset what you use.
- 6.6 The GLA should lobby Government for more resources. They need to use their power and talk to our CEOs. Boroughs are only looking at statutory requirements
- 6.7 We need to work together, and with the GLA.

6.8 ACTIONS

- a) LBEG to write to Government and GLA to say 1) we need resources and 2) you need to talk to our Directors & CEOs.
- b) Invite the GLA to our next meeting.
- c) LBEG Members to ask their Councillors if they're going to declare
- d) Could we maybe twin with another city?