

AGENDA ITEM 5

WELSH PURCHASING CONSORTIUM

MANAGEMENT BOARD

30th APRIL, 2014

WPC/GPS ENERGY ARRANGEMENTS - PROPOSAL TO EXTEND THE CURRENT AGREED ARRANGEMENTS

1 PURPOSE OF THE REPORT

1.1 The report detailed in Appendix 1 of this report was considered at the Officer Group Meeting on the 11th April, 2014.

1.2 The decision taken by the Officer Group at that meeting on the proposal was to agree the extension for 18 months, subject to approval by the WPC Management Board on the 30th April, 2014.

2 RECOMMENDATION

It is recommended that Members:-

2.1 Note the content of the report within Appendix 1

2.2 Endorse the recommendation of an 18 month extension, made by the Officer Group in relation to the extension with GPS.

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WELSH PURCHASING CONSORTIUM AND CROWN COMMERCIAL SERVICE ENERGY ARRANGEMENTS.

Proposal to extend arrangements by 18 months (or 12 months) to cover the establishment of Energy contract arrangements by the National Procurement Service for Wales.

- 1.1 The current Energy arrangements between WPC (hosted by Rhondda Cynon Taf Council) and the Crown Commercial Service (formerly known as GPS and previously as OGCbs) have been in place since 2006 and are currently scheduled to end on 31st October 2014.
- 1.2 These current arrangements allow Crown Commercial Services (CCS) to purchase Energy on behalf of WPC up until October 2014 therefore giving security of supply until September 2015.
- 1.3 Prior to the confirmation of the intention of Welsh Government to establish a National Procurement Service for Wales (NPS), WPC had planned to review alternatives to CCS in 2012. However this review was postponed whilst the plans to establish the NPS were clarified, particularly in relation to the plans for the Energy/Utilities category and consequently the arrangements between WPC and CCS were extended accordingly.
- 1.4 The NPS was launched in November 2013 and the NPS Category strategy includes Energy procurement as being part of the planned range of work to be covered. There have been some discussions with NPS regarding future plans for Energy procurement but there are no firm proposals and the current NPS Proposed Category Pipeline Plan currently envisages Implementation of the Sourcing Strategy (in whatever version that may be) in Q4 2015.
- 1.5 In the circumstances, Rhondda Cynon Taf Council (as the hosts of the WPC arrangements) has been exploring the possibility of extending the current CCS partnership arrangements for a further period beyond October 2014 until October 2015 with the intention of securing Energy supply arrangements until at least September 2016. This is in order to ensure that the planned transfer of Energy procurement to the NPS can be fully understood and to ensure that certainty of Energy supply is secured for WPC during any transition period.
- 1.6 However, CCS have recently announced two changes to their buying strategy which affect the WPC portfolio and have implications for the extension of the relationship. Firstly, all the Energy buying baskets which contain WPC Energy are moving to an April anniversary. Secondly, Energy purchasing will be moving to six month purchasing window instead of 12 months. The effects of these changes will mean that a one year extension to the relationship (from October 2014 until October 2015) would

effectively only give us security of supply until March 2016 because we would not be in the partnership relationship in April 2016.

- 1.7 Further discussions with CCS have confirmed that if we extend the arrangements by a further 6 months to 18 months from October 2014 until March 2016 then this further 6 months gives an additional 12 months security of supply until March 2017.
- 1.8 CCS have agreed in principle to either an extension to the WPC arrangements until 31st October 2015 or to 30th March 2016 but have expressed a preference for an 18 month extension. The extension would be under the current WPC terms which includes the favourable half price commission rates, the current Customer Access Agreement and is conditional on WPC/RCT continuing to provide the coordinating role.
- 1.9 In the circumstances, RCT Council would also maintain its current charges for the coordinating service it provides for either a 12 month or an 18 month extension.
- 1.10 The 12 month extension option does provide a level of additional security for WPC Energy arrangements, with an extension of relationship until October 2015 and security of supply until March 2016. RCT Council and CCS are prepared to continue the relationship on this basis.
- 1.11 However, given the fact that a 12 month partnership extension only secures the Energy supply until March 2016 (i.e. not the full year preferably required by WPC), Rhondda Cynon Taf Council as the host of the WPC Energy arrangements is therefore recommending that the WPC Officers Group agree to an 18 month extension to the current arrangements with CCS until 31st March 2016 and therefore securing Energy provision until March 2017.

Steve Lock,
Head of Operational Procurement,
Rhondda Cynon Taf County Borough Council
10th April 2014.