

## Procurement of technical consultancy to support revenue optimisation on the large energy projects

To: Environment & Green Investment Committee

Meeting Date: 1 December 2022

From: Steve Cox, Executive Director, Place and Sustainability

Electoral division(s): All

Key decision: Yes

Forward Plan ref: 2022/076

Outcome: Increased revenue generation from selling renewable energy and battery storage services from the Council's large energy projects through a specialist energy market services provider.

Recommendation: Committee is asked to:

- a) Approve the use of the Crown Commercial Service's HELGA Framework to procure the specialist energy market services.
- b) Approve the scope of the draft Optimisation Services to be procured as set out in Appendix B.
- c) Note the timescales of the procurement process; and
- d) Delegate authority to the Executive Director, Place and Sustainability in consultation with the Chair and Vice-Chair of Committee to enter into an Optimisation Services contract with the preferred bidder.

### Officer contact:

Name: Sandra Bucci  
Post: Operations Manager  
Email: [Sandra.Bucci@cambridgeshire.gov.uk](mailto:Sandra.Bucci@cambridgeshire.gov.uk)  
Tel: 01223 706758

### Member contacts:

Names: Councillors Lorna Dupré / Nick Gay  
Post: Chair/Vice-Chair  
Email: [lorna.dupre@cambridgeshire.gov.uk](mailto:lorna.dupre@cambridgeshire.gov.uk) / [nick.gay@cambridgeshire.gov.uk](mailto:nick.gay@cambridgeshire.gov.uk)  
Tel: 07930 337596 / 07833 580957

## 1. Background

- 1.1 The Council has invested into a pipeline of larger energy projects to generate revenue for the Council, deliver its Net Zero ambitions and to support the development of a more resilient local energy economy.
- 1.2 The Council's portfolio of large-scale (>1MW) renewable energy projects is at different stages of development, from conceptual to fully operational assets.
- 1.3 In the UK, electricity demand is set to at least double over the next 13 years. In the Government's British Energy Security Strategy published in April 2022, it highlighted the steps to accelerate progress towards net zero as fundamental to energy security and to achieve a decarbonised electricity system, by 2035.
- 1.4 The energy market in the UK is in transition to a future smart energy system. This transition is bringing change in the energy market at the same time as the global impacts of the Covid pandemic, increased demand for energy and the invasion of Ukraine. The combination of these factors has resulted in much uncertainty in the energy market, complex risk management for energy projects and price volatility for consumers.
- 1.5 The Government launched a Review of Electricity Market Arrangements (REMA) in July 2022 to seek views on a range of options to boost energy security, move to cleaner energy and cut costs of electricity for consumers in the long term. Some of the changes being consulted on include decoupling global fossil fuel processes from clean energy, reforming the capacity market to increase low carbon flexibility technologies such as electricity storage and to incentivise consumers to shift their demand for energy from peak times. The REMA will focus on what is required for a fit-for-purpose electricity market that works for consumers.
- 1.6 In December 2020, the Commercial and Investment Committee approved the initiation of a procurement to secure the specialist knowledge and experience in the energy market and its mechanisms to facilitate the selling of energy generated from the Council's energy investments and its future pipeline, to maximise revenue for the Council. Since December 2020 a lot has changed and we have undertaken further soft market testing to identify a preferred route for procurement.
- 1.7 The intended outcome of this report is to obtain approval of the preferred procurement route and technical specification to secure specialist energy market services by Spring 2023.

## 2. Main issues

- 2.1 Managing energy market risk. The Council has a significant investment in energy projects. The routes to market and revenue composition of energy projects are in frequent flux, with the commencement and cessation of various subsidy support mechanisms, changing policy, rules and regulations, and significant volatility in wholesale markets. Procuring specialist energy market services will provide high-quality insights into the market to enable the Council to make better decisions, faster and manage the inherent risks associated with the renewable energy markets.
- 2.2 Maximising income for the Council. The Council is experiencing significant budget challenges as a result of inflation and other economic drivers. All construction projects are being impacted by increased costs of materials, logistics and supply chain. This makes it

even more important to bring on specialist energy market services to scope the energy sales opportunities, open negotiations with potential customers or apply to provide energy services through existing, updated or new market mechanisms. The projects listed below are under construction and the Council needs to be in a position to secure the best revenue solutions for these investments. A summary of the Council's renewable energy portfolio with the programme timeline is provided in Appendix A.

- North Angle Solar Farm (NASF),
- Babraham Park and Ride Smart Energy Project,
- Swaffham Prior Community Heat Network and;
- St Ives Park and Ride Smart Energy Project.

2.3 Procurement. A number of procurement options have been explored including:

- Other Local Authority frameworks - discussions with Local Authorities with experience working on large energy projects were held to identify any existing frameworks that could be assessed for suitability.
- Existing consultancy frameworks available to the Council to identify energy market specialisms.
- Dialogue with UK Knowledge Transfer Network (UK KTN) to identify opportunities between the public and private sectors.

2.4 As a result of the above discussions and reviews, the Crown Commercial Services' Heat Networks and Electricity Generation Assets (HELGA) framework has been identified as the best option for the Council. The HELGA Framework -a Dynamic Purchase System (DPS)- provides access to specialist energy services providers and is flexible, easy-to-use and a compliant procurement system.

2.5 Soft Market Testing was undertaken in August 2022, using the Crown Commercial Services' HELGA (DPS). This was undertaken to gather updated information from the market to feed the technical specification for the required services. The intention will be to run a mini-competition through the DPS to provide a competitive compliant procurement as well as robust agreements, saving both time and money. The procurement's timeline and key milestones are also provided in Appendix A.

2.6 A summary of the Optimisation Services technical specification is attached as Appendix B. It covers the following services:

- 2.6.1 Support the development of business cases, wholesale and retail price forecasts and quantify market risk and mitigating strategies. Support the Council to build its energy market knowledge.
- 2.6.2 Analyse Power Purchase Agreements (PPAs) and private wire options and advise on the best approach for securing customer agreements.
- 2.6.3 Explore market mechanisms such as the Balancing Mechanism (BM) and liaise with National Grid and Distribution Network Operators (DNOs) to access opportunities
- 2.6.4 Provide strategic advice on the options available in other trading activities for the Council's project portfolio.
- 2.6.5 Flexibility Services and Energy Storage - identify flexibility service opportunities e.g. storage (inter-day and inter-seasonal) to exploit additional revenues including balancing services and frequency services.

- 2.6.6 Identify the aggregation of our assets across sites to meet minimum requirements for participation in balancing services such as STOR (Short Term Operating Reserve) and FFR (Firm Frequency Response).
- 2.7 Contract Term. The initial contract term for these services will be for three years with an option to be extended for an additional two years.
- 2.8 The Council is looking at using the Social Value Portal with Cambridgeshire's TOM (Targets Outcome Measures) in order to maximise the social value return on this contract. This is currently being discussed with the Council's Procurement Team.

### 3. Alignment with corporate priorities

#### 3.1 Environment and Sustainability

Procuring specialist energy market services will provide high-quality insights into the market that will help the Council deliver its Net Zero ambitions and to support the development of a more resilient local energy economy.

#### 3.2 Health and Care

There are no significant implications for this priority.

#### 3.3 Places and Communities

See wording under 3.1 above.

#### 3.4 Children and Young People

See wording under 3.2 above.

#### 3.5 Transport

See wording under 3.2 above.

### 4. Significant Implications

#### 4.1 Resource Implications

The following bullet points set out details of significant implications identified by officers:

- *The specialist services will support and provide external skills and tools that currently are not available within Cambridgeshire County Council. By procuring these services, it will also give the officers within the Council the opportunity to upskill. The costs incurred will be charged to the respective income-generating project.*

#### 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

- *The report above sets out the preferred procurement route in paragraphs 2.4 to 2.6.*

#### 4.3 Statutory, Legal and Risk Implications

The optimisation services are considered to be a key mitigating strategy to de-risk the Council's renewable energy project portfolio. In the event this procurement process is not approved or delayed, this will potentially negatively impact the revenue benefits that can be secured on projects, especially those that are in the latest stage of the Investment Grade Proposal or near completion of their construction.

- *For energy sales agreements with customers, these will go through legal as and when they come forward.*

#### 4.4 Equality and Diversity Implications

- *There are no significant implications within this category.*

#### 4.5 Engagement and Communications Implications

- *There are no significant implications within this category.*

#### 4.6 Localism and Local Member Involvement

- *There are no significant implications within this category.*

#### 4.7 Public Health Implications

- *There are no significant implications within this category.*

#### 4.8 Environment and Climate Change Implications on Priority Areas (See further guidance in Appendix 2):

##### 4.8.1 Implication 1: Energy efficient, low carbon buildings.

Positive/neutral/negative Status: Neutral

Explanation: No implications from procuring these services are expected.

##### 4.8.2 Implication 2: Low carbon transport.

Positive/neutral/negative Status: Neutral

Explanation: No implications from procuring these services are expected.

##### 4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.

Positive/neutral/negative Status: Neutral

Explanation: No implications from procuring these services are expected.

##### 4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.

Positive/neutral/negative Status: Neutral

Explanation: No implications from procuring these services are expected.

##### 4.8.5 Implication 5: Water use, availability and management:

Positive/neutral/negative Status: Neutral

Explanation: No implications from procuring these services are expected.

##### 4.8.6 Implication 6: Air Pollution.

Positive/neutral/negative Status: Neutral.

Explanation: No implications from procuring these services are expected.

4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.  
Positive/neutral/negative Status: Positive  
Explanation: Procuring these services will increase revenues that can be used to fund the Council's front-line services.

Have the resource implications been cleared by Finance? **Yes**  
Name of Financial Officer: Sarah Heywood

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? **Yes** Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? **Yes** Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your EqIA Super User? **Yes** Name of Officer: Steve Cox

Have any engagement and communication implications been cleared by Communications? **Yes** Name of Officer: Amanda Rose

Have any localism and Local Member involvement issues been cleared by your Service Contact? **Yes** Name of Officer: Sheryl French

Have any Public Health implications been cleared by Public Health? **Yes** Name of Officer: Iain Green

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer? **Yes** Name of Officer: Emily Bolton

## 5. Source documents

### 5.1 Source documents

- Climate Change and Environment Strategy 2022
- Procurement of technical consultancy to support revenue optimisation, 18 December 2020.

### 5.2 Location

- [Climate Change and Environment Strategy 2022 hyperlink](#)
- [Procurement of technical consultancy to support revenue optimisation, December 2020 report hyperlink](#)