

Procurement outcome report

Framework 1187 – Supply of Natural Gas and Associated Services

Purpose

This document provides customers with information regarding the recent retendering of YPO's Supply of Natural Gas and Associated Services.

Details contained in this report provide background information regarding the procurement activity and outcomes and can assist customers in securing any internal approvals to proceed. Additionally, next steps are identified to assist customers with accessing the contract.

Framework Information

The framework is for the Supply of Natural Gas and Associated Services for use by any public sector or not-for-profit organisation. This Framework is designed to meet the needs of YPO and other Contracting Authorities by establishing a lead agreement between YPO and the successful supplier with the Contracting Authority then simply electing to call off this agreement and be governed by a member's agreement between themselves and the supplier. This will exist alongside a new Customer Access/Agency Agreement which will give access to more flexible strategies for the gas and electricity frameworks to protect against steep rises in wholesale prices while taking advantage of falls in prices for periods up to 6 seasons (3 years) in advance, and on a rolling basis.

This procurement activity establishes YPO Framework Agreement 1187 Supply of Natural Gas and Associated Services and replaces YPO Framework 986 Supply of Gas. This is an eight-year framework with Corona for the period 1st April 2025 - 31st March 2033. There will be an initial framework duration of four years and then a 2 + 2 extension period. The decision to provide a longer framework is to ensure a longer-term partnership with our supplier which will in part support our customers with net zero targets, as one of the biggest contributors to carbon emissions is energy consumption. Wholesale Gas prices are still volatile and remain higher than previously and having a longer framework will allow for YPO to operate a much longer-term purchasing strategy without the complexities of sleeving to another provider. This will mitigate risk for our customers and will be able to provide longer term budget certainty.

The Procurement aimed to appoint a supplier in advance of the end of the current framework to allow for YPO to run effective wholesale trading procurement strategies which are designed to protect customers' budgets.

The Framework has one lot and appointed a sole supplier – Corona, who is also the existing supplier. There is no requirement for eligible customers to take part in a further competition and direct award is the method of appointment.

Procurement Activity

YPO began procurement activity in during late 2023 and early 2024 with customer involvement. Supplier engagement commenced shortly afterwards with suppliers invited to present to YPO. Topics the suppliers presented on included customer service, trading, billing, social value and corporate social responsibility and functionality of their web portal.

The Invitation to Tender was issued on 10/05/2024, with prospective suppliers given a 5-week response window to submit their responses through the YPO Proactis e-tendering portal, with the closing date of 14/06/24.

The tender consisted of the following sections:

Standard Selection Questionnaire (SQ) and Additional Selection Questions

This Section asked the tenderers about company information, financial and economic information, whether the company or directors have been involved in any criminal activities, whether they have avoided paying tax or social security obligations, whether they have been in breach of environmental, social, and labour law obligations. Tenderers also had to provide three references as part of their submission and meet the requirements under the Modern Slavery Act 2015. They had to comply with equality, environmental and health/safety legislation. This section also covered questions on GDPR, ethical sourcing, supply change visibility and past performance.

Tenderers also had to demonstrate they had the following insurances in place:

- Employers (Compulsory) Liability Insurance = £5 million
- Public Liability Insurance = £10 million
- Professional Indemnity Insurance - £5 million
- Product Liability Insurance - £5 million

The scoring of the tender was determined as follows.

CRITERION	PERCENTAGE WEIGHTINGS
A - Portfolio Actualisation and Trading Services (Including trading fees)	30%
B - Price Determination and Payment Terms	30%
C (I & II) – Customer Service – Framework Customer and Authority	25%
D – Additional Services	5%
E - Social Value /Sustainability	10%

Mandatory Requirements

In total there were 40 Mandatory requirement questions, which used a simple pass/fail methodology. The questions covered the following sections: Specification, Call-Off terms & Conditions and Framework Agreement, Portfolio Actualisation and Trading Service (Including trading fees), Price Determination and Payment Terms (Cost), Customer Service – Framework Customer and Authority, Authority Contract Management, Additional Services – Responsible Procurement and Social Value, Data Recovery and Security. If any tender failed any of these questions, they would be disqualified and would not progress to the scored questions.

Technical Award Criteria – The table below shows the breakdown of each section of the evaluation criteria.

The approach was to recognise the key aspects of the framework, these being the supplier’s ability to aggregate consumption from large numbers of meters across the customer base, the tools available to then secure forward gas volume for this portfolio via the wholesale markets (portfolio actualisation and trading

services), the processes for taking the results of the trading activity and applying to customer billed prices in a way which avoids cross subsidy but delivers lower costs due to aggregation and finally the bespoke customer services provision in support of delivery to YPO framework users.

These sections includes credit and supplier costs as well as requirements to commit and maintain dedicated resources to the framework to enhance the customer service experience as well as providing measures of the performance and the ability for YPO to manage delivery (Customer Service – Customer and Authority).

In total there were 38 scored questions and the responses from tenderers were given a score between 0 and 5 using the following methodology:

Response	Score
Excellent Response with requirements being met and exceeded in some areas. Showing a comprehensive understanding and the ability to deliver to a high standard. Evidence relating to the proposed requirements shows high quality.	5
Good Response with requirements being met with nothing other than a few minor exceptions which are acceptable to the evaluation team. Reasonable understanding and the ability to deliver to a high standard. Evidence in relation to the proposed requirements shows good quality.	4
Acceptable answer with requirements being met in part but not fully. A reasonable understanding to have the ability to deliver the requirements. Evidence to show that the requirements are suitable for the purpose but have not met the standard expected.	3
Poor Response where some requirements are being met but there are some large exceptions. Concerns that the requirements proposed would not be suitable for use.	2
Target requirements only met on a few occasions. Low standard Response. Major concerns that the requirements proposed would be suitable for use.	1
Answer not met the requirements at all. No evidence that the requirements would be suitable.	0

The costs around the framework were determined and responded to within the various sections, and included premiums applied (or avoided) in the trading process, the cost of extended credit, supplier management/administration charges, the cost of energy balancing and the cost of enhanced metering services.

With respect to supplier management charges there was also a requirement for discounts to recognise the value of and reward for future portfolio growth, with these discounts applied to all framework users and not just the new customers.

In each section, the best (lowest premium, greatest discount or lowest cost) received the maximum available marks designated for the section, with the weighting then applied depending on which section the cost element appeared in. This recognised that, for example, the cost of enhanced metering should not receive the same weighting as supplier management/administration charges or premiums (or lack of) for trading activity.

There was 1 submission received by Corona which was compliant. The response was of high quality and all mandatory questions were completed satisfactorily.

Evaluation was conducted during June 2024 with independent evaluation taking place by four members of the YPO Energy Team and the customer service section by Chris Arnold, a former customer who is now working on a consultancy basis with YPO. Their independent scoring of the responses was then scrutinised at internal moderation meetings on the 3rd July, and consensus scores for the tenders were agreed.

Corona was appointed as the sole supplier to the framework with the following marks awarded:

Total Weighted Pricing Mark Awarded (Max 81 marks)	81 marks
Total Weighted Quality Mark Awarded (Max 160 marks)	115 marks
Total Combined Weighted Mark Awarded (Max 241 marks)	196 marks

Procurement Outcomes

The management fee for this contract is 0.068 p/kWh (previous 0.0034p/kWh). While this is an increase it is partly offset by the removal of the balancing fee, which is now NIL (previous 0.02 p/kWh). The higher management/administration charges also reflect the different landscape in terms of the cost of credit, with 92% of the portfolio having 30-day payment terms versus the energy sector norm of 14 days. However, there is provision for structured discounts applied to these costs as interest rates reduce over the coming months and period of the framework.

In summary, key benefits of the contract include:

- Ensures full compliance with Public Contracts Regulations.
- Avoidance of trading premiums due to significant portfolio size and “standard” transactions.
- Discounts on management fees as interest rates and cost of extended credit fall.
- Removal of balancing fees, always in place on fixed price contracts and often a feature of flexible contracts (was 0.02p/kWh on previous YPO gas framework).
- A named Key Account Manager and supporting team at the supplier to take ownership of issues and provide help, guidance and training. The account manager will also ensure that there is regular contact with customers, being first well versed in the operational aspects of local Government and the Public Sector.
- KPIs established around key performance areas, with a monthly scorecard to review performance against these and other aspects of the service. There are clear escalation points, all the way up to CEO if the service is not meeting the KPIs or customer requirements.
- Query Management through a range of formats - Call, emails and online portal with messaging function. Query reports are available to customers via the MyCorona portal.
- Access to Trading and Market information from YPO and Npower.
- Monthly Supplier Relationship Management meetings between YPO and Corona to go through performance, billing and credit issues, complaints and queries, SLAs and KPIs to ensure that any issues are identified and resolved, and the contract runs smoothly.

- Ability to align the portfolio to a range of trading strategies enabled through the Customer Access/Agency Agreement which forms a tri-partite legal arrangement between the supplier, YPO and the customer. The agreement also allows easy sign-up and full alignment for associated organisations (Academies) avoiding the need for a separate SLA.
- Access to the My Corona dashboard and portal. This will show portfolio, billing and consumption information. Meter readings and queries can be submitted. It also allows for tracking of billing queries from inception to resolution and gives insight to the payment status and overall position. In addition, and now at no additional cost, the portal allows access to consumption data on enabled meters down to Half-Hourly (HH) period data.
- Fully configurable billing groups to ensure that bills are issued and managed exactly as customers require; This includes consolidated or site level billing to account for different cost centres or payment approval.
- Robust processes in place to ensure that an accurate bill is produced within reasonable timescales.
- Installation of Automated Meter Reading (AMR) devices if the customer requires, now at NIL cost where these are HH data enabled. Health checks on performance of these meters are continually monitored and actioned where the devices do not perform to standard.
- Aggregated benefits - This is the combining of energy volumes across organisations to form one large portfolio, making it very attractive to suppliers and easier to manage forward purchases against the wholesale markets.

The full ITT document is available for customers accessing the contract to provide full visibility of the requirements specified and the full benefits and deliverables. Please email energy@ypo.co.uk if you require a copy of the ITT.

- A Social Value Plan - social value initiatives that Corona will deliver to YPO and our members, contributing specifically towards the YPO Social Value and Sustainability Strategy. The Social Value Priority Themes are as follows:

Theme 1: Good jobs with skills development and training opportunities

- Promoting a diverse workforce which focuses on employee health, wellbeing, engagement, and development
- Promoting skills development such as via training opportunities e.g., own staff, work experience, customer staff
- Promoting inclusivity and social integration and equal opportunities within the workforce

Theme 2: Children and young people have access to good quality education and training opportunities to develop skills for future success in work.

- To work with the younger generation around how to be more sustainable with their energy use.

Theme 3: Growing strong and sustainable economies and supply chains.

- Compliance with all relevant UK and EU legislation standards and regulations

- Alignment of supply chains with Ethical and Sustainability Initiatives – including commitment to CSR (Corporate Social Responsibility), Net Zero reduction and eradicating modern slavery
- Supporting customers to reach their net zero targets, to allow for a strong local economy that is sustainable for future generations

Theme 4: Increased equality, diversity, health and well-being

- Promoting a diverse workforce which focuses on employee health, wellbeing, engagement, and development with suitable policies
- Promote equal opportunities within the workforce
- Providing the minimum Living Wage
- Supporting local communities such as hiring local talent, charitable giving, and volunteering
- Apprenticeships opportunities with the Supplier organisation

Theme 5: Environmental improvement and protection

- Supplier responsibility for minimising their impact on the environment via policies, targets, and initiatives.
- Providing secure hosted solutions to continually improve new, flexible, and remote ways of working, which support transformation of a paperless society and legal system
- Supplier commitment towards achieving Net Zero by 2050, to be monitored annually, as a natural gas Supplier, be at the forefront in the shift to renewables

Next Steps

Existing YPO Gas framework customers will be issued a new Customer Access/Agency Agreement and portfolio report in the coming weeks. This will need to be checked, signed, and returned to access the new framework.

While YPO appreciate that the large spend value for this framework invariably means a decision to proceed may have to follow several internal processes and take some time to achieve, a swift return of the member agreements will allow YPO to run an effective trading risk strategy when the wholesale market prices are favourable, in particular without detriment to gas purchased for the year commencing April 2025.

The process set out in the framework and ITT response will then be put into place which will lead to the Model Customer Contract (a version of Corona's Supply Contract modified to align with the YPO framework and Customer Access Agreement) will be issued for signature in the weeks following the initial commitment and agreement of the portfolio (sites and meters) to be included in the Model Contract Schedule.

New customers to the framework may join at any point whilst it is open.

The YPO Energy Team will give full assistance to customers accessing the framework so please feel free to contact energy@ypo.co.uk to discuss your requirements and for guidance on starting the process.

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