

How can we help you?

Saving money on energy

- Better prices, lower costs
- Collaborative contracts available now

- Peace of mind
- Energy Efficiency



The Office of Government Commerce

We're here to help you

All of us in the public sector face the challenge of making scarce resources go further by achieving efficiency savings. With ambitious targets of £21.5 billion annual savings by 2008, including over £6.5 billion from local government, there is no doubt that the challenge is tough. For those of us involved in procurement, which is expected to make the single largest contribution to efficiency savings, the challenge is even more urgent.

The first step in meeting these challenges is collaboration. We need to work together to secure better deals, by aggregating demand where appropriate and competing more effectively in the marketplace. As you will see in this short guide to energy purchasing, the experienced procurement professionals and sector specialists here at the Office of Government Commerce are a resource for you. Whether you need an informal chat with an expert about managing an existing contract, or are looking for a new and better deal, our team offers you the advice, contacts, information, and tools to assist you to meet and exceed the strategic and financial goals of your organisation.



Please let us know how we can help. We look forward to hearing from you.

John Oughton
Chief Executive, Office of Government Commerce

How to find out more about saving money and meeting sustainability targets on energy

Email us

Email the Energy team with your questions at: **energy@ogc.gsi.gov.uk**

Go online

For more information, visit the OGC website at: **www.ogc.gov.uk/energy**

Call us

Whatever your query, the OGC Service Desk can direct you to the right person to help: **0845 000 4999**
OGCbuying.solutions Service Desk: **0845 410 2222**
Press enquiries: **020 7271 1318**

How can we help you?

Saving money on energy

What's going on in energy?

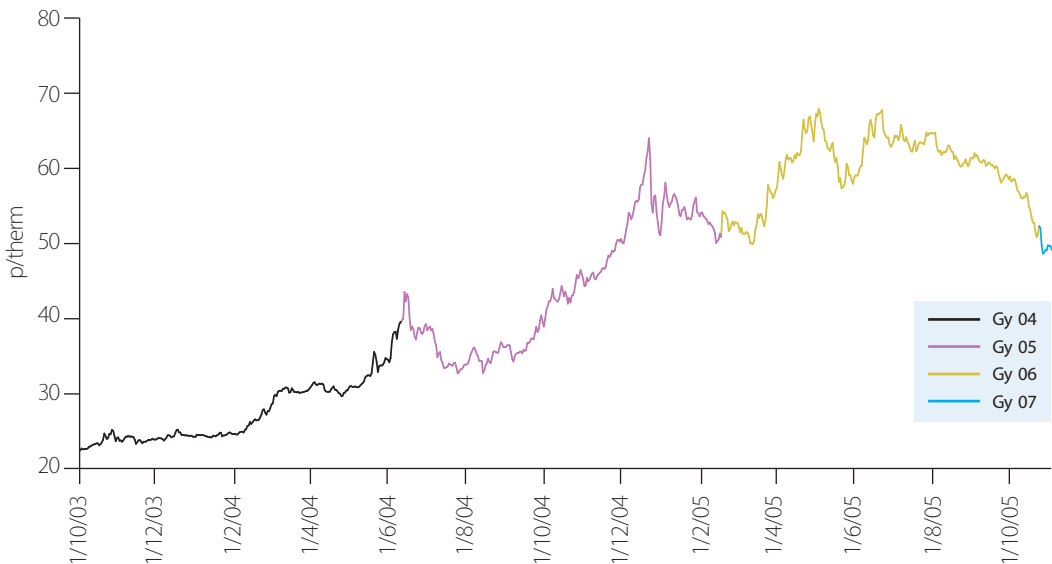
The behaviour of the energy markets has changed radically over the last three years. Energy is now a traded commodity, with prices changing on a daily basis.

Wholesale prices have followed an upward trend with contract prices 150% higher than in April 2004, although they have started to fall recently.

Forecasts on future prices vary, from downward pressure due to new gas infrastructure, to greater

environmental pressures producing an upward trend on existing supplies.

All forecasts agree that energy prices are expected to remain highly volatile.



What can I do?

Even in these volatile markets, there are many things we can help you do to manage your organisation's energy purchasing more efficiently. With the free advice and support of the Office of Government Commerce's Energy team, you can:

- achieve consistently lower prices for energy through best practice purchasing and a professional managed approach to risk management
- improve knowledge and awareness of energy price drivers and solutions
- reduce the costs and duplication incurred in the procurement process
- reduce consumption costs through energy management and conservation
- realise financial benefits from government-owned assets e.g. standby generation.



How can we help you?

Saving money on energy

We know that, as well as cutting costs, addressing environmental and sustainability issues is a key priority for public sector organisations. So our work also supports government commitments to sustainable development, including:

Carbon emissions from offices

- Reverse the current upward trend in carbon emissions by April 2007
- Reduce carbon emissions by 12.5% by 2010-11, relative to 1999/2000 levels
- Reduce carbon emissions by 30% by 2020, relative to 1999/2000 levels.

Carbon Neutral

- Central Government's office estate to be carbon neutral by 2012.

Energy Efficiency

- Departments to increase their energy efficiency per m² by 15% by 2010, relative to 1999-2000 levels
- Departments to increase their energy efficiency per m² by 30% by 2020, relative to 1999-2000 levels.

Alternative Energy

- Departments to source at least 15% of electricity from Combined Heat and Power (2010)
- Departments to source at least 10% of electricity from renewables (2008).

What's available?

- Collaborative open frameworks to help your organisation save money on buying energy right away
- Collaborative solutions for recommended energy saving assets
- Access to price benchmarking research
- Energy best practice procurement workshops
- Programmes of events on specific energy topics, including (i) no cost consumption reduction, (ii) carbon trading and (iii) metering solutions
- Energy best practice programmes sponsored by the Regional Centres of Excellence.

What's in this guide?

- Learn about the collaborative energy contracts currently open to the public sector
- Find out how to get involved in sharing best practice and better deals
- Discover how other organisations have achieved significant efficiencies by changing buying processes and switching to better deals
- Read about OGC's work on price benchmarking in the energy sector.

Saving money now

Collaborative contracts available to the public sector

Joining an existing, OJEU-compliant collaborative framework contract to purchase energy is an excellent way to cut costs, by quickly securing better prices and also avoiding time-consuming OJEU procedures on your own.

As energy prices change on a minute by minute basis, asking a supplier effectively to 'hold or fix' a price for the Alcatel standstill period attracts a high premium. Framework contracts negate the need for these high premiums, as the Alcatel standstill period applies to the stage at which the framework is awarded and not during subsequent

call offs or mini-competitions within the framework. These frameworks are typically for longer-term periods, reducing the cost of changing supplier, providing a more strategic relationship with the supplier and allowing more value added services to be provided.

See page	Product/service	Available until
6	HH electricity	September 2007
6	Gas	September 2008
6	NHH electricity	June 2009
7	Energy savings assets	Varied – up to December 2010
8	Bureau services – energy and water	March 2010
8	Bureau services – water	March 2007

If you would like more information or advice on any of these contracts, please contact our team at energy@ogc.gsi.gov.uk or by calling **0845 000 4999**, or the OCGbuying.solutions Service Desk on **0845 410 222**.

Better prices, lower costs

Electricity and gas

OGCbuying.solutions has three collaborative contracts available for electricity and gas, which are all open to any public sector organisation.

OGCbuying.solutions Electricity (HH and NHH) and Gas Frameworks

Features of the contract	Current contract value
<ul style="list-style-type: none"> ■ Allows flexible buying achieving price risk management through multiple time to market transactions ■ Offers separate energy purchasing and customer administration, reducing the effort and cost involved in registration of new supply arrangements ■ Manages energy purchasing directly on the wholesale market, improving price transparency ■ Fully OJEU-compliant, delivering savings from avoiding costly separate OJEU tendering processes. Price benchmarking has shown efficiencies of up to 10% under market average prices ■ OGCb.s responsible for overall contract management, although local issues are resolved directly between end customer and the supplier. Specific customer issues are reported to OGCb.s by the supplier at regular contract review meetings. 	<ul style="list-style-type: none"> ■ £400 million per annum.
Contract options	Suppliers
<ul style="list-style-type: none"> ■ Contracts usually start in April or October and all volumes are aggregated to optimise the shape to be purchased from the wholesale markets. There are 2 pricing options:- <ul style="list-style-type: none"> ■ Volumes are forward purchased on the wholesale markets to give a fixed price typically for 12 months ■ Volumes are purchased from the prompt and forward markets to give greater potential to optimise the purchases, and the opportunity for lower prices. Prices are billed at a fixed billing rate with a reconciliation between the actual purchase prices and billing rate at the end of the term. 	<ul style="list-style-type: none"> ■ EoF Energy (HH electricity) ■ Corona Energy (Gas) ■ British Gas (NHH electricity).
	Contract end date
	<ul style="list-style-type: none"> ■ HH electricity: September 2007 ■ Gas: September 2008 ■ NHH electricity: June 2009.
	Availability
	<ul style="list-style-type: none"> ■ Entire public sector. Already used by various central government departments, local authorities and schools.
	For more information
	<ul style="list-style-type: none"> ■ www.online.ogcbuyingsolutions.gov.uk/information/Managed_Services/Energy

Better prices, lower costs

Energy Savings Assets

OGCbuying.solutions has a range of OJEU-tendered collaborative frameworks for services including: controls (PIRs, photocells, tap restrictors, timers); lighting (low energy bulbs, LED lights); motors (variable speed drives); insulation (pipes and valves); and other assets related to water and power consumption.

Contracts for additional energy saving products and services, such as voltage optimisation, energy saving IT software and automatic meter

reading technology and software, will be available soon. For more information, please contact us at energy@ogc.gsi.gov.uk

OGCbuying.solutions energy savings assets frameworks

Features of the contract	Current contract value
<ul style="list-style-type: none"> Where appropriate, the service includes provision, installation and maintenance of equipment (some equipment is provided on a leased basis e.g. monitoring) All contracts fully OJEU-enabled See page 14, for an example of the potential savings achievable through lighting controls. 	<ul style="list-style-type: none"> Up to £1 million per contract.
	Contract end date
	<ul style="list-style-type: none"> Varied contract lengths, up to December 2010.
Suppliers include <ul style="list-style-type: none"> Ex-Or, Setsquare, Jewson, Durable, Environment 2000, Wolsey UK and Dart Valley Systems. 	Availability
	<ul style="list-style-type: none"> Entire public sector. Already used by various central government departments, local authorities and schools.
	For more information
	<ul style="list-style-type: none"> www.online.ogcbuyingsolutions.gov.uk/information/FacilitiesSupport/Hardware

Better prices, lower costs

Bureau services

These two open framework agreements – one for water and one for energy and water – offer competitively priced services including: bureau water consumption information and trends, benchmarking, consultancy and surveys, and water savings technologies; bill validation, e-billing support, benchmarking, monitoring and targeting, property databases, help desk support, surveys and general advice.

OGCbuyingsolutions bureau services frameworks

Features of the contract	Current contract value
<ul style="list-style-type: none">■ Enables central and local government departments (and private sector contractors providing services for a public sector end user) to avoid the lengthy tendering process■ Fully OJEU-compliant■ Tenders were competed on standard fee rates, but customer charges are adjusted according to the selected services and site portfolio of the customer.	<ul style="list-style-type: none">■ Up to £1 million.
	Contract end date
	<ul style="list-style-type: none">■ Energy and Water: March 2010■ Water: to March 2007
	Availability
	<ul style="list-style-type: none">■ Entire public sector. Already used by central government departments and organisations across the wide public sector.
For more information	
<ul style="list-style-type: none">■ www.ogcbuyingsolutions.gov.uk/energy/services/services_conservation_bureau.asp■ www.ogcbuyingsolutions.gov.uk/energy/watermark/default.asp	

Better information, better decisions

Energy price benchmarking

Without objective, data-driven analysis of the buying options available, it's hard to make good decisions about energy purchasing. In the OGC energy team, we undertake ongoing price benchmarking exercises on gas and electricity (half hourly and non-half hourly) to compare prices achieved across a number of public sector organisations using different buying models against average market prices.

In our initial assessment of price performance, two studies were key:

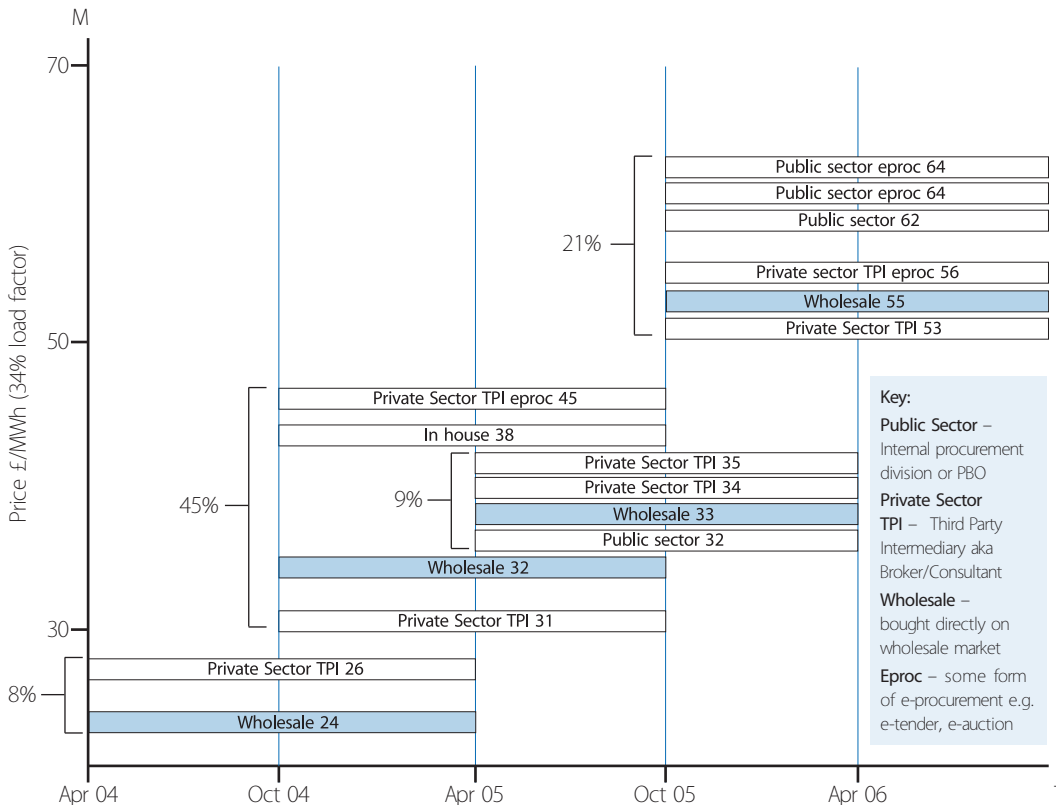
- the London Centre of Excellence project reviewing energy procurement across the London Boroughs and some Thames Valley Local Authorities (issued March 2006) and
- the Essex Procurement Agency project covering price benchmarks and service costs (issued January 2006).

These studies looked at several contract rounds, covering approximately 5% of the public sector spend. Together with additional price data from two central government departments, the

studies were able to identify the 'raw' energy price paid, with additional costs such as transportation and administration stripped out.

OGC's analysis has focused on half hourly electricity supplies, where price differentials of between 8% and 45% were discovered. Two organisations use flexible purchasing strategies (indicated in the chart by the term 'wholesale') with the remainder on the traditional tender approach. The price data from this sample showed the flexible approach consistently achieved the lower end of the price spectrum, by an average of approximately 9%.

“the... flexible approach consistently achieved the lower end of price spectrum, by an average of approximately 9%.”



Getting involved

We'd like to hear from you

The OGC Energy team is keen to hear your feedback on the deals and best practice guidance we develop and promote, and to learn from your ideas and experiences. Maybe you have a deal you think is better than the ones we currently recommend! There are a number of ways for organisations to get in touch with us:

Contact us direct	Email energy@ogc.gsi.gov.uk	
Claire Manning Energy Category Manager claire.manning@ogc.gsi.gov.uk 0207 271 1327	Charles Redshaw Energy Category Manager charles.redshaw@ogc.gsi.gov.uk 07799 132585	OGC Service Desk 0845 000 4999 OGCbuying.solutions Help Desk 0845 410 2222

Stakeholder forum

We've established an Energy Stakeholder forum, which brings together the parts of government responsible for the majority of energy usage. The primary roles of the forum are to:

- influence and implement a pan-government energy strategy which will deliver cost savings and generate revenues
- foster greater collaboration and access to new ideas and contract frameworks, where appropriate



- act as a catalyst for communication and change across government
- provide resource during implementation, including promotion of cross departmental funding opportunities and schemes for sustainability
- establish a virtual 'Energy Centre of Excellence' as a sustainable mechanism to continue the work of the project in the longer term.

Members of the forum include representatives from the wider public sector, including the Regional Centres of Excellence, PEPS Police, Firebuy and schools (via the Department for Education and Skills); and central government departments, including PaSA, the Ministry of Defence, HM Prison Service, the Home Office, the Department of Work and Pensions, HM Revenue and Customs, the Foreign and Commonwealth Office, the Department for the Environment, Food and Rural Affairs, the Department for Culture, Media and Sport, the Department for Constitutional Affairs, Cabinet Office, and HM Treasury.

A smarter way to buy energy

The Procurement Agency for Essex

One of the leading local government procurement organisations in the country, the Procurement Agency of Essex (PAE) represents fifteen local authorities and the Essex fire and rescue and police services, which together account for over £1 billion in annual purchasing spend.

In April 2005 the PAE commissioned John Hall & Associates to carry out a price benchmarking exercise amongst its member councils to understand how effectively it was buying energy, a major area of spend.

PAE then followed up the report by working with its members to review a range of potential options, before finally recommending working in partnership with OGCBuying.solutions to procure energy in a smarter way: buying wholesale and

when the market conditions are favourable. Many other eastern regional councils are now working towards adopting this new methodology.

Among the benefits achieved for Essex councils:

- £100,000 per annum cost avoidance through reducing commission charges
- Millions of pounds by managing time to market in the highly volatile energy marketplace
- No need for a costly annual tender process
- Higher awareness of energy management and conservation considerations
- Peace of mind: Essex councils now feel they are doing everything possible to control rising energy costs.

Peter Quinn, the Director of the Procurement Agency for Essex, commented:

“This project has proved how changing the way services are purchased can unlock substantial efficiencies, in addition to changing the service itself. It’s encouraged us to start another project that is focusing on energy bureau services that will help our members conserve and manage their energy consumption more effectively.”

“Many other eastern regional councils are now working towards adopting this new methodology.”



Savings from flexible purchasing

PaSA

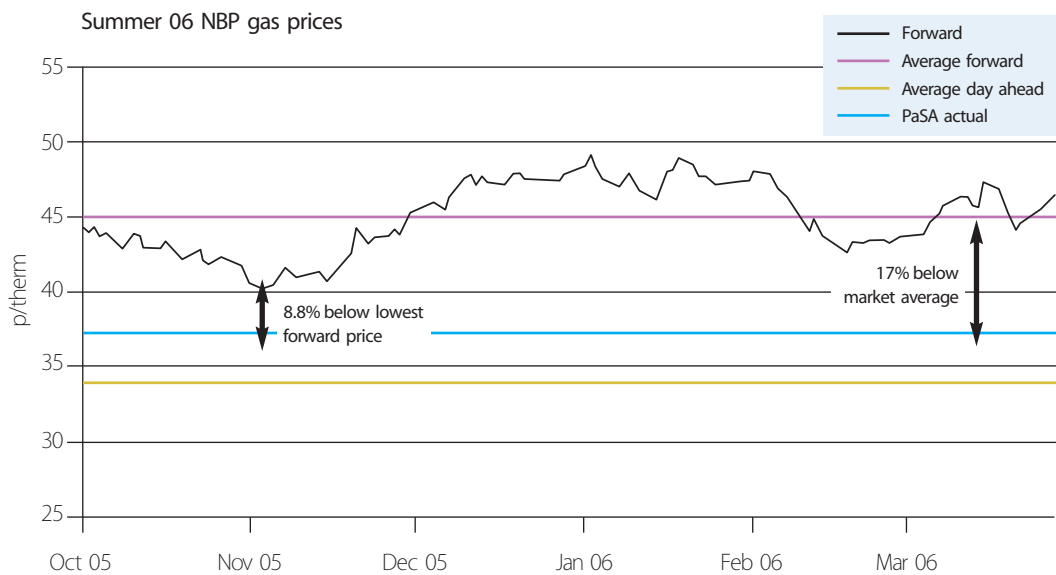
The National Health Service Purchasing And Supply Agency (PaSA) uses advanced wholesale energy purchasing, which gives it direct access to live wholesale market prices and the opportunity to optimise the portfolio in the short-term markets.

PaSA optimises the contract setting price triggers, at weekly meetings which draw on market analysis and expertise. Buying gas for the summer of 2006, PaSA opted not to forward purchase a significant proportion of the volume

and to use the flexibility within the contract to access to the short-term gas markets, including Day Ahead. The risks were managed with varying amounts of volume taken to day ahead each month to ensure that the NHS trusts were not overly exposed to price fluctuations.



This strategy has generated savings of £4.5 million for the NHS, when compared to a traditional fixed priced tendering of gas for summer 2006. The average price that PaSA achieved is 37.2p/therm, which is 17% less than the average forward price in the previous 6 months, which is typically achieved with fixed price tenders. The price achieved was also a full 8.8% lower than lowest price achievable in the forward markets via a fixed price tender: fully demonstrating the value of the advanced wholesale purchasing approach to energy procurement.



Cutting the costs of energy management and bureau services

Driving Standards Agency

The Driving Standards Agency wanted to get better at monitoring and reducing its energy and water consumption...at the same time as cutting the time and cost it spent processing data.

Through the OGCBuying.solutions framework contract, the Driving Standards Agency (DSA) now purchases bureau services, including invoice processing and database management, bill validation and recovery, benchmarking and reporting, from TEAM. Already, over £50,000 has been saved by bill validation and recovery alone since 1997, on top of savings from reduced invoice processing.



The database for energy consumption that TEAM provides helps the DSA to manage its energy performance, by setting alerts for high consumption against half hourly electricity data and billing information. This allows problem areas to be identified and targeted using tools such as league tables, normalisation against floor area and benchmarking. All this helps DSA to make progress towards the Government's targets for sustainable development while reducing cost.

"The league tables of high users have proved very useful in identifying high consumers and allowing us to investigate the causes and take remedial action. This has included on properties where we have continued receiving statements (payments sent by direct debit) where we no longer have a supply from that company or of that utility or have vacated the property, allowing us to reclaim the monies overpaid," says Lorraine Harding from the DSA.

TEAM has also carried out water, gas and electricity audits which have led to no cost and low cost measures that also help meet the framework targets as well as saving money. Some of the ideas in the reports have also allowed DSA to focus on how it gets ownership from its staff so that they feel involved in the process and that they are contributing to something worthwhile.

"With the help of TEAM, the DSA has made valuable energy savings in time and money."

■ Lorraine Harding, Driving Standards Agency

"On a sample of 80,000 invoices, the average cost recovery is around 3.2% on utility invoices."

■ TEAM Energy Bureau figures

Saving money with energy saving technology

Primary schools in Barnsley

14

Barnsley Metropolitan Borough Council is enjoying an annual £27,000 reduction in its electricity bills following a huge project to curb excessive use of light in its primary schools.

“We are delighted with the way the system operates.”

Prior to the commencement of the project, lights in the primary schools were switched on in the morning and left on all day. Ex-Or Ltd installed energy-savings Lightspot Presence Detectors and Photocells throughout thirty schools in the area. Lightspot automatically



switches off lights when occupants leave an area whilst the photocells ensure the lights only come on when there are insufficient levels of natural light in the room.

Dick Bradford, Principal Mechanical Service and Energy Engineer for the project, commented:

“The timing of installation was critical to allow us to qualify for funding help from the Schools Energy programme. Ex-Or met the deadlines and did most of the work outside of school hours to minimise disruption. We are delighted with the way the system operates; lighting control like this helps meet the Council’s need to be environmentally sensitive. It was a trouble free installation and I have had nothing but good reports from staff in terms of day-to-day operation.”

Saving on water management services

Vehicle and Operator Services Agency

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How is it possible for public sector organisations to meet their sustainability targets quickly and without the need for high budgets, expensive consultants or complex project management? A new framework contract, approved by OGCBuying.solutions, provided the answer for the Vehicle and Operator Services Agency (VOSA), the government organisation which provides licensing, testing and enforcement services.

VOSA was the first public sector organisation to trial the contract, which provides site surveys, water bill validation, reporting, water saving technology, and maintenance. After an initial two year pilot, VOSA was been so impressed with the results, it recently signed a three year agreement with ADSM plc to provide comprehensive water management services to all of its sites.

ADSM provides all the resources and finance required to deliver savings to reduce water consumption, in return for receiving a small proportion of the share of actual savings achieved measured against water bills. In VOSA's case, ADSM is targeting a 20% reduction in water consumption.

Jeremy Hall, Environment and Accommodation Manager at VOSA, said “We take sustainability matters very seriously, so I was delighted with a contract which allowed us to hit the ground running to reduce our water consumption and costs”.

OGCBuying.solutions has negotiated a “free water health check” from ADSM for public sector organisations, which can be found at www.adsm.com. If you'd like more information on joining the water management framework contract, which is open to the entire public sector, please contact the OGC Energy team at energy@ogc.gsi.gov.uk.



Office of Government Commerce

About OGC

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OGC Service Desk

OGC customers can contact the central OGC Service Desk about all aspects of OGC business.

The Service Desk will also channel queries to the appropriate second-line support. We look forward to hearing from you.

You can contact the Service Desk 8am – 6pm Monday to Friday

T: 0845 000 4999

E: ServiceDesk@ogc.gsi.gov.uk

W: www.ogc.gov.uk

Press enquiries

T: 020 7271 1318

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