

Appendix 1 – Background & Benefits of Laser

Who is Laser?

Laser acts like a 'buying club' whereby the council joins together with other public sector bodies and the tender of prices on the energy market takes place based on energy and water supplies worth £1.5 Billion per annum (approximately 2% of the UK's non-domestic energy demand) rather than with just the Council's £15M. The approach is compliant with procurement regulations (PCR15). LASER provides the aggregated, flexible, and risk-managed approach recommended by Government, and expertise in energy-buying for the public sector.

The LASER framework contracts have been awarded to NPower for electricity and Total Gas and Power for gas. These are the Councils current energy suppliers and would provide continuity across the contracts.

LASER uses a governance process managed by representatives from its members from London Boroughs, County, and unitary authorities. The governance panel helps to set buying strategy and provides an audited record of each buying decision.

LASER currently procures energy for over 200 public organisations including 130 local authorities, representing over £1.5 Billion of energy and water contracts every year. It has completed the procurement to appoint the energy providers for the period October 2024 to September 2028.

Why the council procure from LASER?

The council has procured its electricity and gas supplies in this way since 2009. This provision of energy and procurement services by LASER in the current 2016-2021 contract was previously independently benchmarked and shown to be best value.

The aggregation of energy demand from the contracted public authorities within the Laser buying group is attractive to the energy market and promotes the lowest 'cost to serve'.

The LASER contract provides flexible procurement which means rather than be tied to the cost of energy at the time of the tender return, LASER buy portions (clips) of energy at the most economical time during the rise and fall in the market. This approach is proven to take advantage of market variation to procure at the best price.

The electricity provided by NPower under the LASER framework will enable SCC to procure renewable electricity either via Complex Sites (Elexon P441) or direct from a large generator under a Power Purchase Agreement (PPA).

It is proposed that the council does not procure Renewable Energy Guarantees of Origin (REGO) certificates to apportion our power consumed to renewable electricity.

There is not the business case and it is considered a 'nice to have' in the current financial situation.

Market liquidity (the availability of raw gas and electricity within the wholesale market) beyond the front 2-3 years is limited, therefore, a rolling two to three year buying window is sufficient to enable LASER to effectively manage price risk on a continuous basis.

There are a number of procurement options within the LASER framework that will enable SCC to procure energy using the most effective buying option to suit each meter consumption profile. This will help smooth the risks associated with an extremely volatile energy market.

Approximately 50% of the electricity cost charged to the council comes from fixed and other non-raw energy related costs, which will continue to see significant changes over the coming years. By being part of a central purchasing body like LASER we can mitigate or reduce the risk of price increases, market volatility, and help to lessen the impact of the fixed pricing mechanisms more easily, leading to a lower delivered price.