**MH207 Energy Procurement and Associated Services - Specification**

1. **Background**

1.1 Midland Heart is contracting for energy procurement and associated services for its large portfolio of office, communal and residential supplies. Midland Heart’s supply year runs from 1st October to 30th September each year. The energy to be procured under this Contract is for the period 1st October 2019 to 30th September 2024, the energy for each supply year to be purchased in the three preceding years as follows:

* + Oct 16 to Sep 19 purchasing period for the 19/20 supply year
  + Oct 17 to Sep 20 purchasing period for the 20/21 supply year
  + Oct 18 to Sep 21 purchasing period for the 21/22 supply year
  + Oct 19 to Sep 22 purchasing period for the 22/23 supply year
  + Oct 20 to Sep 23 purchasing period for the 23/24 supply year

1.2 As of 1st October 2015 energy is being procured for the following number of sites:

* Half Hourly Electricity: 12
* Non-Half Hourly and Unmetered Electricity: 1517
* Gas: 130

Following the implementation of P272, the number of Half Hourly MPANs will total 41 and Non-Half Hourly/Unmetered MPANs will total 1488 (based on current figures). Implementation of P272 is anticipated to be before the end of September 2017.

1.3 As of 1st October 2015 the estimated annual consumption by fuel type is as follows:

* Half Hourly Electricity: 4,557,875 kWh
* Non-Half Hourly & Unmetered Electricity: 11,448,283 kWh
* Gas: 24,271,329 kWh

Following the implementation of P272, the estimated annual consumption for Non-Half Hourly electricity will reduce to 8,620,816 kWh and Half Hourly electricity will increase to 7,385,342 kWh (based on current figures). Implementation of P272 is anticipated to be before the end of September 2017.

1.4 In light of the requirement to commence the purchase of energy in October 2016, mobilisation of this Contract should be thoroughly prepared for in advance for immediate implementation upon Contract signing.

1.5 The following sections outline the minimum requirements under this contract. Sections of this Specification are left deliberately blank and will be completed with the information from the Contractor’s tender response.

1.6 For the avoidance of doubt, Contract, Contractor and Supplier have the meanings prescribed to them in the Contract; and

* **s**upplier means the supplier of any product or service not supplied by the Contractor or a Supplier under this Contract;
* **c**ontract means a contract for any product or service not supplied by the Contractor or a Supplier under this Contract.

1. **Energy Procurement**
   1. Midland Heart’s strategy for the procurement of energy was approved by Executive Board in 2014 and seeks to increase the period of time over which energy can be purchased from the wholesale markets to three years. This Contract is the final stage in achieving that three year purchasing window, with delivery of energy due to commence in October 2019.
   2. For the life of the Contract the Contractor will work with Midland Heart annually to review the strategy for the procurement of energy in light of current and anticipated future market conditions, risk appetite, portfolio size, consumption profile, environmental considerations and legislative/regulatory requirements.
   3. Section 20 consultation has been prepared for in advance and will commence immediately upon award of this Contract. The Contractor is required to support Midland Heart fully in completing the consultation process and providing the data/information required in order to do so. Upon completion of the consultation process, supply contracts can be placed for the full five year duration. Supply contract placement is covered in more detail in Section 3A of this Specification.
   4. Prior to each Purchasing Period the Contractor should:
   * Work with Midland Heart to ensure the purchasing strategy for that period reflects the most appropriate blend of risk and reward aligned to Midland Heart’s overall goals, risk appetite and the prevailing market conditions;
   * Undertake a thorough analysis of the portfolio data to ensure that stock and energy consumption are profiled correctly and the risks associated with Midland Heart’s portfolio minimised;
   * Assess whether the portfolio for each fuel type should remain together or be split to align the strategy more closely to the requirements for that property type (i.e. office, communal or residential).
   1. For each Purchasing Period the Contractor should:
   * Provide monthly reports detailing the current market movements, highs, lows, averages and trends;
   * Assess the impact of current market movements on the energy purchasing strategy and make recommendations for any actions to be taken in response to this;
   * Provide monthly reports on the trades made for the Supply Year and the impact on the final price achieved, i.e. mark to market data.
   1. Upon completion of trading for a Supply Year the Contractor should:
   * Provide a full report on the market movements, highs, lows and averages during the Purchasing Period and the final mark to market data.
   * Following reconciliation, provide a full procurement report on the final price achieved and detailing the standing charge and unit rate by site and in comparison to last year’s price.
   * Provide the full budget report for the following financial year (see Section 8B of this Specification and KPI5 in SCHEDULE 3 of this contract for further information on this report).
   1. If Midland Heart’s volume is to be aggregated in a basket for energy purchasing, the Contractor must be able to demonstrate that the organisations with which Midland Heart’s volume has been aggregated pose no higher risk than Midland Heart do.

**3 Contract Placement**

***3A Supply Contract Placement***

3A.1 All supply contracts let on Midland Heart’s behalf should be fully compliant with OJEU and the Utilities Contracts Regulations 2006 (as amended) and evidence must be provided to this effect.

3A.2 The Supplier(s) selected should represent the most economically advantageous quote to Midland Heart, whether this is through mini-competition of pre-selected Suppliers or full tender to all Suppliers within the market.

3A.3 All tenders undertaken to select a Supplier should be fair, transparent and operated in full compliance with section 4.2.2 of the Draft Code of Practice for Non-domestic Third Party Intermediaries (see SCHEDULE 4 of this Contract).

3A.3 If Suppliers are pre-selected, Midland Heart will require full details of the selection process confirming that the Contractor operated a fair and transparent procurement process which fully compliant with OJEU and the Utilities Contracts Regulations 2006 (as amended) and operated in full compliance with section 4.2.2 of the Draft Code of Practice for Non-domestic Third Party Intermediaries (see SCHEDULE 4 of this Contract).

3A.4 The supply contracts should be tailored to Midland Heart’s specific requirements, for example invoice format and transparency of standing charges.

3A.5 The Contractor shall provide Midland Heart with regular updates on any tender for supply contracts and facilitate the signing of those contracts once negotiated. Contract format should always be paper as Midland Heart are unable to sign contracts electronically.

3A.6 Copies of each supply contract will be appended to this Contract as SCHEDULE 5.

3A.7 Once energy delivery has commenced under a supply contract the Contractor will verify and ensure that the contract has been mobilised correctly and services are operating in accordance with the contract terms and conditions.

3A.8 The Contractor will be responsible for the day to day management of the Supplier relationships and the performance of the supply contracts.

***3B Meter Operator Contract Placement***

3B.1 Midland Heart has a contract in place for the provision of meter operator services to the Half Hourly meters. These contracts mirror the supply years in duration.

3B.2 The Contractor will be responsible for sourcing contracts for the meter operator services for the duration of this Contract.

3B.3 To comply with Midland Heart policy, the Contractor will be required to assess at least three quotes and recommend the supplier who represents the best value for money.

3B.4 The Contractor shall provide Midland Heart with regular updates on any quotes for meter operator contracts and facilitate the signing of those contracts once negotiated. Contract format should always be paper as Midland Heart is unable to sign contracts electronically.

3B.5 Copies of each meter operator contract will be appended to this Contract as SCHEDULE 6.

***3C Data Collection and Aggregation Contract Placement***

3C.1 Midland Heart has a contract in place for the provision of data collection and aggregation services to the Half Hourly meters. This contract is due to expire in January 2021.

3C.2 The Contractor will be responsible for sourcing contracts for the data collection and aggregation services to replace the existing contract upon expiry.

3C.3 To comply with Midland Heart policy, the Contractor will be required to assess at least three quotes and recommend the supplier who represents the best value for money.

3C.4 The Contractor shall provide Midland Heart with regular updates on any quotes for data collection and aggregation contracts and facilitate the signing of those contracts once negotiated. Contract format should always be paper as Midland Heart is unable to sign contracts electronically.

3C.5 Copies of each data collection and aggregation contract will be appended to this Contract as SCHEDULE 7.

**4 Data Management**

4.1 The Contractor will be responsible for keeping Midland Heart’s portfolio data up-to-date including, but not limited to, supply point references, annual consumption, invoicing data, half hourly data etc.

4.2 The Contractor will be responsible for keeping a record of MPAN/MPR numbers, Supplier property references and Midland Heart cost centres to ensure data can be cross referenced and provided in any format required.

4.2 The Contractor will be responsible for regularly reviewing the data held and highlighting to Midland Heart where data may have an adverse effect on energy procurement, for example missing or problematic data, and assist them in resolving this.

4.3 The Contractor should use the data to:

* Identify trends, risks and opportunities to optimise energy procurement; and
* Create and analyse the consumption profile for Midland Heart’s portfolio and use this profile to place the best suited supply contracts and secure best value for money from the energy procurement.

4.4 All data held should be made available to Midland Heart upon request and configured in any format prescribed by Midland Heart.

4.5 The Contractor should ensure that the data held is kept secure at all times and have systems/processes in place to ensure data can be recovered following a Force Majeure, or other, event which causes the loss of this data.

4.6 Upon expiry or termination of this Contract the Contractor will be responsible for providing to Midland Heart all data relating to the Midland Heart portfolio.

**5 Query Management**

5.1 Due to the nature of the industry, and size of the Midland Heart portfolio, a large number of queries are generated through the proactive day-to-day management of the Contract.

5.2 Query response and resolution is covered by KPI 1 and this section of the Specification should be read in conjunction with that KPI in SCHEDULE 3 of this Contract.

5.3 Queries are separated into two distinct categories: Operational Queries and General Queries.

5.4 Operational Queries have a direct impact on Midland Heart, or its customers, and must be dealt with by the Contractor within the strict timescales outlined in KPI 1.

5.5 General Queries are of lower priority but equal importance. Therefore they should be answered without fail but strict timescales will not be monitored for this type of query. As a minimum, an update every four weeks must be provided to Midland Heart if a query remains unresolved.

5.6 All queries will be issued to a single point of contact nominated by the Contractor. This may be, as the Contractor sees fit, a specific individual or general e-mail address.

5.7 All queries will be issued with a unique reference number known as a “ticket number”. The Contractor must ensure that this ticket number is quoted in the subject of all replies to Operational and General Queries.

5.8 It is the Contractor’s responsibility to ensure they have the ability to track queries and ensure they are responded to within the requirements of KPI 1.

**6 Additions and Bridging Contracts**

6.1 Additions to supply contracts are covered by KPI 2 and this section of the Specification should be read in conjunction with that KPI in SCHEDULE 3 of this Contract.

6.2 Midland Heart operates strict internal processes to ensure any new meters installed, or meters acquired, are notified to the Contract Manager for addition to a supply contract immediately upon Midland Heart becoming responsible for them.

6.3 The Contractor will be required to implement reciprocal processes to ensure that additions to supply contracts are handled effectively and, after notification that a meter requires adding to a supply contract, it is the Contractor’s responsibility to ensure this is achieved.

6.4 Objections to transfer from the incumbent supplier should be investigated by the Contractor and notified to Midland Heart once the reason for the objection has been determined.

6.5 In the event that an objection is due to an existing contract preventing transfer, it is the Contractor’s responsibility to terminate the existing contract and add the meters to a supply contract at the relevant time.

6.6 In the event that an objection is due to debt preventing transfer, the Contractor should notify Midland Heart and provide, where available, the invoice(s) preventing transfer. Off contract invoices are paid centrally by the Contract Manager and the Contractor will be notified once the outstanding balance has been settled.

6.7 Additions to the portfolio will be priced and contracted for according to the method determined by the successful Contractor during the tender process.

[This section will be completed from the Contractor’s tender response.]

* 1. Once priced, additions to supply contracts require written approval (via e-mail) for the Contractor to proceed with acceptance of the supply contract on Midland Heart’s behalf. All priced sites should be presented to Midland Heart with a direct comparison to the current price with the incumbent supplier to allow a value for money assessment to take place and any savings to be logged.

6.9 The Contractor shall provide Midland Heart with regular updates on any quotes for supply contracts and facilitate the signing of those supply contracts once negotiated. Supply contract format should always be paper as Midland Heart is unable to sign contracts electronically.

6.10 Copies of each supply contract will be appended to this Contract as SCHEDULE 4.

6.11 Once delivery has commenced under a supply contract the Contractor will verify and ensure that the supply contract has been mobilised correctly and services are operating in accordance with the contract terms and conditions.

**7 Disposals and Change of Tenancy**

7.1 Removals from a supply contract are covered by KPI 3 and this section of the Specification should be read in conjunction with that KPI in SCHEDULE 3 of this Contract.

7.2 Midland Heart operates strict internal processes to ensure any sites with meters on a supply contract which are to be sold or disposed of are notified to the Contract Manager for removal from the supply contract immediately upon cessation of Midland Heart’s responsibility for them.

7.3 The Contractor will be required to implement reciprocal processes to ensure that removals from a supply contract are handled effectively and, after notification that a meter requires removing from a supply contract, it is the Contractor’s responsibility to ensure this is achieved.

7.4 The Contractor should confirm that the final invoice for the supply reflects accurately the date and reading from handover.

7.5 In the event that a Supplier reverses a Change of Tenancy back into Midland Heart’s name, the Contractor should work with Midland Heart to understand whether this reversal is correct and, if it is not, work with the Supplier to resolve the situation.

**8 Reporting**

***8A General Reporting***

Midland Heart will require regular updates on the following areas:

* General Market Updates
* Non-Commodity Updates
* Legal and Regulatory Updates

***8B Budget Reporting***

8B.1 Budget reporting is covered by KPI 5 and this section of the Specification should be read in conjunction with that KPI in SCHEDULE 3 of this Contract.

8B.2 Midland Heart’s financial year for which budgets should be created is 1st April to 31st March each year.

8B.3 Midland Heart contracts for a supply contract from October of each year to ensure that at least half of the following year’s budget (from 1st April) can be calculated on the known price delivered for that supply year. The second half of the budget should be based on an estimate of the price for the following supply year accounting for any volume already purchased and forecast price projections.

8B.4 The budget is required by meter point, separated into the three supply types:

* HH Electricity
* NHH/Unmetered Electricity
* Gas

8B.5 The budget should be phased across each month of the year to account for seasonal increases/decreases in consumption.

8B.6 The budget report is required in a Microsoft Excel format.

8B.7 The Contractor will be required to verify the accuracy of the budget for each meter point in September of each year. The Contractor should produce a report advising which sites have a 10% or greater variance to the budget set so that and service charges levied upon Midland Heart’s customers can be reviewed and amended if required.

***8C Accruals Reporting***

8C.1 Each month Midland Heart will require an accruals report which details all meter points which have not been invoiced and how much money should be set aside to cover the invoice when it is finally received.

8C.2 The accruals report should provide a rolling balance for all meter points which have not been invoiced for several months in a row.

8C.3 The accruals report should include a separate sheet detailing sites which have failed validation and how much Midland Heart have overpaid or underpaid.

8C.4 The accruals report is required in a Microsoft Excel format.

**9 Metering**

***9A Smart Meters***

9A.1 It is anticipated that all meters on this Contract will have been upgraded to a smart meter by the time energy delivery commences.

9A.2 It will be the Contractor’s responsibility to identify and inform Midland Heart of any meters added to a supply contract which are not smart meters to allow for their immediate replacement.

9A.3 The Contractor should ensure that any supply contract agreed on Midland Heart’s behalf contains provision allowing Midland Heart access to the data collected from any smart meter.

***9B Heat Network (Metering and Billing) Regulations 2014***

9B.1 Midland Heart is responsible for a large number of multiple occupancy dwellings which are subject to the Heat Network Regulations. Whilst compliance will already have been achieved by the time energy delivery commences, the scope of any ongoing actions to maintain compliance are not known.

9B.2 The Contractor should have a thorough knowledge of the requirements of the Heat Network Regulations and be prepared to assist Midland Heart in maintaining compliance with the Regulations.

**10 Bill Format**

10.1 All Supplier invoices *must* be in a consolidated format. Suppliers who cannot provide consolidated invoices will not be considered for any supply contract placed under this Contract.

10.2 The consolidated invoice should be configured in a Microsoft Excel format which is suitable for automatic upload into Midland Heart’s finance systems. The Excel Spreadsheet should be accompanied by a valid VAT invoice confirming the Net cost, VAT cost and Gross cost.

10.3 If the Supplier is able to accommodate a customer reference on the consolidated invoice, this field should quote the Midland Heart cost centre to allow for automatic allocation to budget by Midland Heart’s finance team. If the Supplier is unable to accommodate this, the Journal (see Section 11) should quote this reference for each invoice.

10.4 All Supplier invoices must quote the purchase order number which covers the period within which the energy was delivered. These purchase order numbers are issued by the Contract Manager at the commencement of each supply year.

10.5 Full transparency of Supplier invoices is a material requirement of this contract. Should Midland Heart wish, the Contractor *must* be able to break down any Supplier invoice into the fixed, variable, pass through and commission costs.

**11 Bill Validation**

11.1 Bill Validation is covered by KPI 5 and this section of the Specification should be read in conjunction with that KPI in SCHEDULE 3 of this Contract.

11.2 Midland Heart requires all Supplier invoices to be validated under this Contract.

11.3 Midland Heart is unable to part pay invoices so bills should be validated on a ‘pay and recover’ basis. The original Supplier invoice must be validated within 5 working days to ensure Midland Heart has sufficient time to pay the Supplier invoice within the agreed payment terms.

11.4 Errors are to be corrected regardless of whether they fall in Midland Heart’s or the Supplier’s favour.

11.5 All invoices submitted by the Supplier should be validated and all inaccuracies corrected within 1 month of being identified with the exception of:

* VAT queries which must be corrected within 1 month of provision of a valid VAT declaration; and
* Site ownership queries which must be corrected within 1 month of ownership being confirmed.

11.6 If invoicing errors remain unresolved after three months, this issue will be escalated by the Contractor with the responsible Supplier using their formal complaints process.

11.7 It is the Contractor’s responsibility to monitor invoicing to ensure that all errors identified are corrected. A monthly report is required to calculate the sums recovered from the Supplier(s) should the error have been in Midland Heart’s favour.

11.8 Upon completion of the bill validation process, the Supplier invoice should be provided along with a journal which indicates whether each line of the invoice has passed or failed validation. Where the Supplier is unable to accommodate a cost centre on their consolidated invoice, the journal should quote the cost centre.

11.9 Where historical Supplier invoices have been corrected following, for example, an actual read this should be reported to Midland Heart so the variance to budget can be justified. This is particularly vital when the invoices affected pre-date the current Financial Year.

11.10 Midland Heart will undertake biannual audits of the Contractor’s invoice validation service. Midland Heart reserves the right to appoint a third party to undertake this audit on their behalf.

**12 Supplier Account Management and Key Personnel**

12.1 [This section will be completed from the Contractor’s tender response.]

**13 OFGEM Code of Practice**

13.1 In the absence of any formal regulation of Third Party Intermediaries, Midland Heart has made it a requirement of this Contract that the successful Contractor is to comply with the principles and requirements of the latest version of the draft Code of Practice for Non-domestic Third Party Intermediaries issued by OFGEM.

13.2 For the avoidance of doubt, the latest version of the draft Code of Practice will be appended to this Contract as SCHEDULE 4 and may be replaced from time to time if OFGEM update the draft.

13.3 In the event that OFGEM make formal any regulation of Third Party Intermediaries, that regulation and any associated Code of Practice will replace the draft Code of Practice in SCHEDULE 4.

**14 Social Value**

14.1 Midland Heart owns over 33,000 properties across the Midlands and works with some of the poorest and most vulnerable people within society. With the continued Government commitment to austerity measures it is vital that the Contractor and Midland Heart do as much as possible to protect and assist the people in greatest need.

14.2 As a partner in delivering a critical service to these customers, the Contractor should be mindful of their needs and the impact that delivering the Services under this Contract can have if they are undertaken poorly.

14.3 The Contractor has committed to providing the following social value outcomes under this Contract:

[This section will be completed from the Contractor’s tender response.]

**15 Environment, Sustainability and Energy Efficiency**

15.1 Midland Heart owns a wide and varied portfolio of properties across the Midlands, ranging from large new build purpose built multiple occupancy dwellings to mid-terrace Victorian properties converted into flats/bedsits.

15.2 Whilst all properties now meet the Decent Homes Standard, and Midland Heart has secured as much funding as possible through the ECO scheme, not all properties have been retrofitted to the same standard.

15.3 Midland Heart makes no commitment to the purchase of green energy. The energy purchased should represent the best value for money to Midland Heart.

15.4 The Contractor has committed to providing the following environment, sustainability and energy efficiency outcomes under this Contract:

[This section will be completed from the Contractor’s tender response.]