

Scottish procurement: Supply of Natural Gas Framework

SP-17-031

Buyer's Guide
Version 1.3

March 2024

Every care has been taken to ensure the accuracy of this document. If you identify an error, then please contact procurement_utilities@gov.scot

This buyer's guide is for the Supply of Natural Gas from the Scottish Government Framework SP-17-031 and is subject to changes without notice. It is the responsibility of individual organisations to regularly review its content.

Version Issue

Version	Issue Date	Comments
1.0	Oct 2020	Original Issue
1.2	Jan 2022	Updated content (dates/Supplier name)
1.3	Mar 2024	Updated content/dates

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1. Foreword and acknowledgements

Scottish Procurement aims to deliver benefits to the people of Scotland through improved value for money for taxpayers, improved goods and services for all our citizens and economic opportunities for Scotland. This is achievable through effective collaboration throughout the procurement cycle.

2. Introduction

This document has been developed to provide a simple guide for public and third sector bodies who are considering using the Scottish Procurement Supply of Natural Gas Framework.

3. Framework supplier

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4. Framework period

The Framework start date was 1 April 2019, for Scottish Procurement flexible wholesale of Natural Gas trading only.

The start date for **supply** of Natural Gas to public bodies and third sector organisations was 1 April 2020, for an initial two year period ending on 31 March 2022.

There are options to extend for a further 3 x 12 month periods (1+1+1), meaning the maximum end date will be 31 March 2025.

Please note all extensions have been exercised and the current framework end date is 31 March 2025.

5. Entitlement to use the Scottish Procurement Supply of Natural Gas Framework

It is the responsibility of any buying organisation wishing to use the Framework agreement to satisfy itself that it is eligible to do so. Entitlement can be established from the Public Contracts Scotland (PCS) advert issued at the start of the Framework procurement process, if there is any doubt on eligibility, legal advice should be sought.

[Public Contracts Scotland \(PCS\) advert notice](#) is now available.

The notice states:

The Framework Agreement will be available for use by the Scottish Ministers (including Agencies), Scottish Non-Departmental Public Bodies, offices in the Scottish Administration which are not ministerial offices, cross- border public authorities within the meaning of section 88(5) of the Scotland Act 1998, the Scotland Office, the Scottish Parliamentary Corporate Body, councils constituted under section 2 of the Local Government etc. (Scotland) Act 1994, Scottish Fire & Rescue Service, the Scottish Police Authority, Scottish health boards or special health boards, all NHS Scotland, The Integrated Joint Boards established further to the Public Bodies (Joint Working) Act 2014, bodies registered as social landlords under the Housing (Scotland) Act 2001, Student Loans Company Limited, the Forestry Commission, the Commissioner of Northern Lighthouse operating as the Northern Lighthouse Board, Equality and Human Rights Commission, Business Stream Ltd, the Business Gateway National Unit at the Convention of Scottish Local Authorities, further or higher education institutions being fundable bodies within the meaning of section 6 of the further and Higher Education (Scotland) Act 2005, any public body established by or under the Scotland Act 1998 or any Act of the Scottish Parliament, any association of or formed by one or more of the foregoing, bodies financed wholly or mainly by one or more of the foregoing, bodies subject to management supervision by one or more of the foregoing and bodies more than half of the board of directors or members of which, or, in the case of a group of individuals, more than half of those individuals, being appointed by one or more of the foregoing. In addition to the contracting authorities listed, the framework agreement will be available to charities entered on the Scottish Charity Register and voluntary organisations entered on the Membership Database of the Scottish Council for Voluntary Organisations.

Further information on [Scottish Public Bodies](#) is available.

Further information about the [Review of Public Procurement in Scotland](#) and links to the other [Centres of Expertise](#) are available.

6. Framework benefits

- **tender compliance:** No requirement for Customers to undertake a tender process as the contract has been through a full OJEU compliant tendering process. This route saves Customers resource and money which would otherwise be spent undertaking a compliant tendering exercise. This also removes the risk of challenges over non-compliant contractual positions
- **terms & conditions:** Set in place prior to a Framework Agreement being awarded, providing a high degree of legal security
- **transparency:** No hidden fees. Breakdown of wholesale costs and average Commodity and Non Commodity costs.
- **price risk guidance:** Document issued quarterly that provides customers with energy market news, purchases made to date and 'estimated' future energy costs
- **aggregated trading:** Buying power through aggregating the supply volume, which allows for significant volumes to be traded on the Futures wholesale market up to 2½ years in advance
- **reduce supplier fees:** Aggregation of supplies/volumes has led to lower service cost fees for customers
- **dedicated points of contact:** Dedicated Customer Service and Contract Management teams are in place for the contract and you will not be put through to a generic Call Centre
- **managed risk strategies:** Risk Management strategies in place and designed to meet the needs of Public Sector customers. These are reviewed by Governance members from individual subsectors of the Public Sector e.g. Local Authorities, NHS, Higher & Further Education, Central Government
- **access to added value services:** The Framework Agreement allows access to additional goods and services, e.g. Site-works Services, Automatic Meter Reading (AMR) services, Green Gas, etc
- **key performance indicators (KPIs):** These are implemented from contract award to ensure supplier performance is monitored
- **sign up:** The majority of Scottish Public Sector use this Framework
- **access and Exit:** A Public Body can access the Framework anytime, but must provide 12 months' notice to leave. This allows a level of distribution within the gas portfolio, which has already been purchased on your behalf

Community and Socio-Economic Benefits

- an apprenticeship training programme, with an apprentice providing direct periodic support to the framework

- sub-contract metering services to Scottish SMEs to promote opportunities to source local metering engineers and local subcontractors to benefit local communities
- providing framework customers with upskilling opportunities through customer webinars, industry training and educational material.
- actively promoting the Better Energy School Awards, in partnership with Total Exploration and Production
- supplier funding commitment to support Community Benefit initiatives.

Fair Work Matters

- Living Wage accreditation
- do not operate Zero Hours contracts
- currently meets or working towards Scottish Government's Scottish Business Pledge

7. Pricing

The total billing rate for each site is built up from a number of elements: the wholesale cost of natural gas, a variety of pass-through costs (distribution, UK Government levies and a supplier management fee).

The supplier's management fees make up a small per-cent of the total cost. The rest of a bill is made up of wholesale and pass-through costs.

Scottish Procurement purchase the wholesale gas on the futures markets up to two-and-a-half years in advance. This flexible trading strategy smooths-out the peaks and troughs of market fluctuations while avoiding payment of the 'risk-premium' which would be applied to fixed rate tariffs. Flexible purchasing is popular in the public sector as it improves budget predictability, through a fixed cost of gas, which is reconciled on an annual basis.

A Risk Management Committee (RMC) dictates how much wholesale gas must be bought in advance, and how much must be bought closer to the point of consumption. This is the 'risk management strategy'. The RMC consists of experts from energy management, finance and procurement functions from across the Scottish public sector. They meet once a quarter to receive market updates, to scrutinise Scottish Procurement's purchase decisions, and to consider whether or not the risk management strategy remains fit for purpose.

Pass-through costs are set by market regulators and the UK government and as such, neither Scottish Procurement nor the supplier of natural gas is able to influence them.

Scottish Procurement issue a quarterly Price Risk Guidance which includes current and forecasted average rates by meter type.

Detailed site specific billing rates are sent to all customers by TotalEnergies Gas & Power within one month of the start of each contract year.

8. How to sign up to the Supply of Natural Gas Framework

To join the Supply of Natural Gas Framework, the first step is to complete an Agency Agreement. This Agreement allows Scottish Procurement to sign a supply agreement with TotalEnergies Gas & Power Ltd on your behalf. The Agency Agreement also covers the supply of Electricity.

9. Scottish Procurement point of contact

Framework Manager details are as follows:

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General information in relation to [public procurement in Scotland](#) is available.

[Procurement contracts directory](#), covering a range of goods and services which may be used by central government and the wider public sector is available.

10. Knowledge Hub – framework documents access

Framework documents can be found on the [Knowledge Hub](#) with in the dedicated Scottish Procurement Group entitled 'Scottish Procurement Information network'.

If you are not registered to access this Knowledge Hub group, and are eligible to use the framework, you can [apply to become a member](#).