

Green electricity

Procurement 6 GWh/year in Lansingerland



Purchasing body:	Municipality of Lansingerland – MRDH Netherlands
Contract:	2 year contract for electricity supplier with 3 years optional extension Contract start: 1 January 2017
Savings:	<ul style="list-style-type: none"> ■ Financial savings: €125.000 ■ Promotion of Dutch RES generating capacity

SUMMARY

- Contract period 1 January 2017 up to and including 31 December 2018 with optional extension: 2019-2021.
- Expected contract volume over 6 GWh per year, with a bandwidth of 25% for excess or less consumption on the contract volume as a result of changes in personal consumption and alterations in connections.
- The Guarantees of Origin are derived from Dutch wind, solar and/or biomass projects.
- The contract was won by Greenchoice

Procurement strategy

The procurement process was led by the procurement department of the municipality of Lansingerland, one of the 23 municipalities in the MRDH region. The action programme 'Realistic Sustainability'¹ formed the policy framework of the tender, which promotes the procurement of sustainable energy as an integral part of the local energy transition. The contract needed to both achieve 100% green electricity and be responsive to future changes, for instance a decrease in the annual consumption as a result of savings. Therefore in this contract a larger flexibility in decrease volume was required with a bandwidth of +/- 25%.

Lansingerland published the European tender on 27 July 2016 via Tendered². The contract was awarded on 1 November 2016 based on the most economically advantageous tender (MEAT).

Use of MEAT³

In contrast to the previous tender, Lansingerland wanted the supplier to develop activities to support the local sustainability programme. Points were therefore awarded during tender evaluation for activities which would accelerate the energy transition in the municipality, together with local (market) parties.

Furthermore, the municipality demanded that green electricity would be generated from Dutch production capacity of wind, sun or biomass. Buyers of green power often know nothing about the source of the Guarantees of Origin. Sometimes Guarantees of Origin are derived from foreign large-scale hydropower. These are cheap and amply available, but do not contribute to the extension of sustainable generation capacity. At the Dutch level, the market for Guarantees of Origin is more competitive, with such a requirement typically requiring co-operation with local energy co-operatives. This approach thereby provides a greater incentive to the development of new RES generating capacity.

PROCUREMENT INNOVATION

The supplier is positioned high on the national sustainability list. The Guarantees of Origin are verified and 100% derived from Dutch green power. Furthermore, the Supplier is investing in initiatives which accelerate the energy transition within the municipality.

¹ https://www.lansingerland.nl/zelf-regelen/documenten_43902/item/actieprogramma-realistisch-duurzaam_70496.html (in Dutch)

² www.tendered.nl

³ MEAT = Most economically advantageous tender

Needs analysis

The total need for electricity is based on the measured electricity consumption in the recent past.

Contract volume Peak	2.825 GWh
Contract volume Offpeak	3.210 GWh
Contract volume	6.035 GWh

Tender specifications and Verification

TECHNICAL SPECIFICATION

- The sustainable electricity delivered to the Customer (Guarantee(s) of Origin) has to be generated in the Netherlands by means of wind, sun and/or biomass⁴;
- Any electricity generated from biomass is only permitted to come from sewage sludge processing or methane capture in dumps;
- The Supplier does not need to have generated this sustainable electricity himself, but is also able to buy the GoO concerned from another party;

AWARD CRITERIA

- Actions proposed which are designed to support the local transition towards sustainable energy (A score of 100% for this would earn a fictitious €32,000 discount to the bidding price)

VERIFICATION

- The Supplier assures that the Guarantees of Origin delivered to the Customer will be annually transferred by the Supplier (one year after the year of delivery at the latest);
- On request of the Customer the Supplier will draw up a report and symbolic certificate (for communication purposes) stating the volume, the type of GoO (*including name and location of the production capacity/ies*) and the name of the Customer to whom it is transferred.

⁴ Selected based on a environmental impact ranking of different energy sources published by WISE Nederland: <https://wisenederland.nl/sites/default/files/images/Rapport-stroomleveranciers-2016.pdf> (in Dutch)

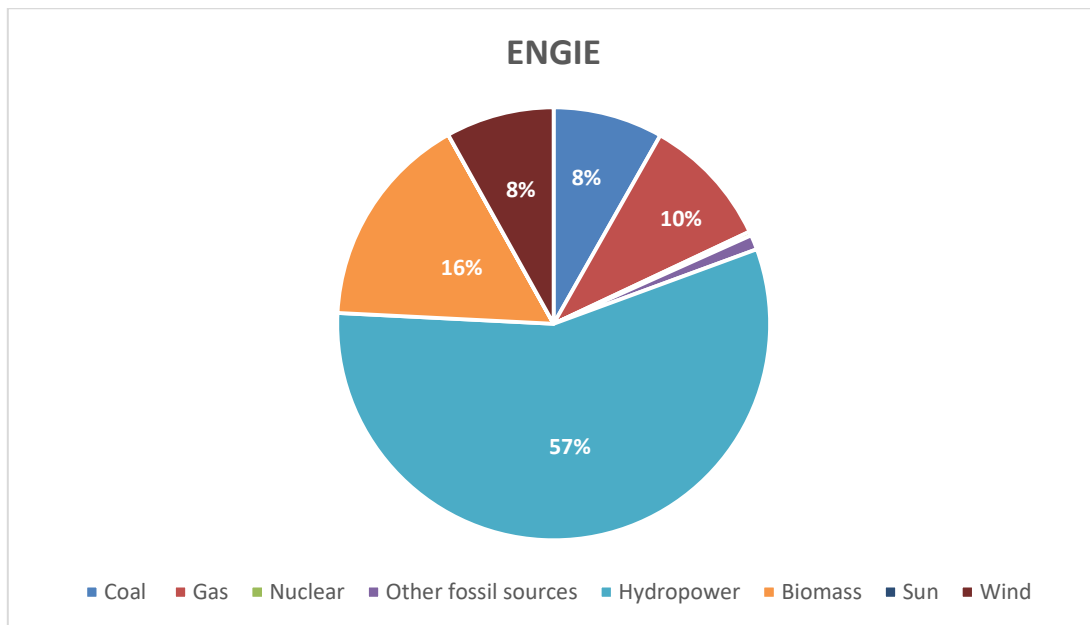
Results

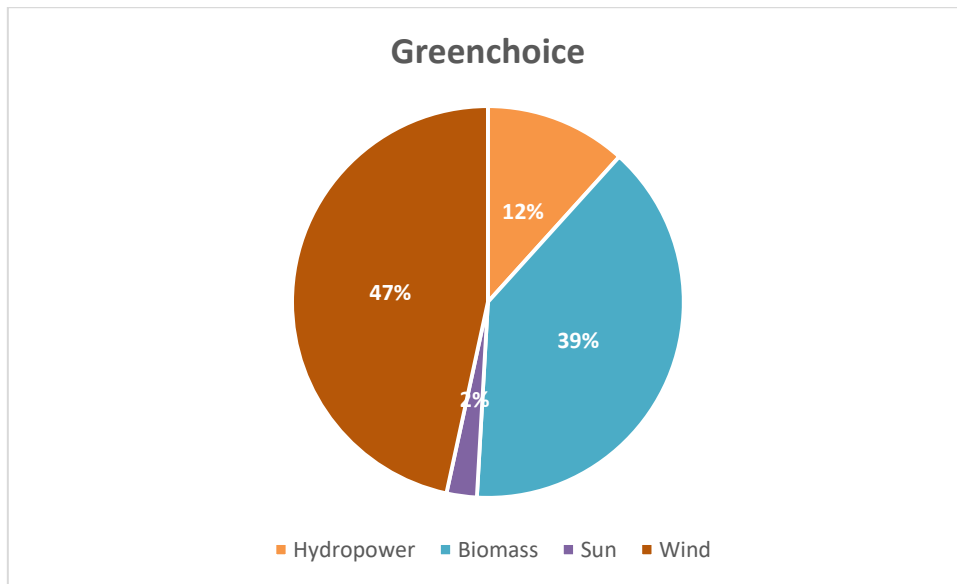
Environmental effects

The environmental benefits of this contract are derived from:

- Promoting the construction of new RES generating capacity in the Netherlands
- Energy savings achieved through the winning bidders complementary energy saving activities

However, a quantified calculation of the exact benefits is difficult. Although the requirement for GoS to come solely from Dutch wind, sun and/or biomass power can be assumed to more effectively promote the construction of new capacity than via GoOs traded on the wider European market, the difference between the approaches cannot realistically be quantified on EU level. The energy mixes of the previous (ENGIE) and new (Greenchoice) providers are however indicative of the impact the tender may be seen to have. Furthermore the energy saving measures to be implemented are not yet defined, so no calculation is possible.





Source: Stichting Natuur en Milieu (Foundation of Nature and Environment), disclosure regarding electricity mix based on company reports by CE Delft, accessible via <https://www.natuurenmilieu.nl/blog/stroomranking-energieleveranciers/>

Financial impacts

The municipality of Lansingerland saved about 20% in comparison to 2015. The estimated economic value of the contract for electricity was €658,950⁵, divided by type of supply (55% peak, 45% off peak). The price of the winning bid was €534,988. The weighted average price (i.e. the average of individual time band prices) obtained as a result of electronic auction is **42.10 €/MWh**, compared to 50.89 €/MWh obtained in the 2015 tender, with a saving of **8 €/MWh (8.3%)**. As energy prices can fluctuate significantly over a year, the price stipulated is fixed for 2017 and 2018.

Market response

There were four bidders. The winning tender came from Green Energy Administration (Greenchoice). Eneco and De Vrije Energie Producent were rejected, Engie was interested but did not bid. In the Netherlands Greenchoice is top of the league when it comes to collaborating with local sustainable energy co-operatives - in their opinion it is the basis for a real transition to 100% green energy use. Currently, Greenchoice is working on the realisation of local sustainable energy projects in collaboration with more than 45 cooperatives, being done together with municipalities. An example is ZonneWIJde Breda: 7,000 solar panels were installed in a field in collaboration with the

⁵ Based on the cost of the previous contract (2015)

municipality of Breda, the cooperative Breda Duurzaam (Sustainable Breda) and ZonnepanelenDelen. More than 500 inhabitants are taking part in this project, who are receiving an annual payment out of the proceeds of the solar park.

The benefit for the municipality is to be found in sustainable locally bound production which makes it possible to achieve goals in the field of energy and climate policy. After all, the energy is clearly generated in a sustainable manner and comes from local resources. In addition, inhabitants are benefitting from lower costs on their annual utility bill and the amount of money saved can be spent locally. A third benefit is to be found in local employability and social cohesion which arises through local energy projects and involvement of the inhabitants of Lansingerland.

Contract management

For the supply of electricity the Supplier is taking care of the transfer of the Guarantees of Origin (GoO) via Certiq, for the actual delivered annual usage. The Supplier must be able to prove that the purchased Guarantees of Origin are from this generation installations, by means of a report in which the volume, the type of GoO (including name and location of the production capacity/ies concerned) and the name of the Customer are mentioned to whom they are transferred.

Evaluation and challenges for the future

The demand of Guarantees of Origin from Dutch solar and wind energy exceeds supply. However, the extra demand does not automatically lead to an expansion of sustainable generation installations. Transparency on the origin of Guarantees of Origin is necessary in order to prevent a dislocation effect. The problem is that under European tender procurement law it is allowed to include criteria about the type of GoO, but not to its geographical origin. This is limiting the possibility for municipalities to give impetus to local generation via the procurement of electricity. It is a challenge for the future to see in which way municipalities will be able to meet their own energy needs by making generation installations in their own area a part of the procurement strategy for electricity. Another challenge would be to award suppliers for their contributions to the energy transition towards RES. The electricity label that companies have to publish each year should then become part of the verification process.

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About SPP Regions

SPP Regions is promoting the creation and expansion of 7 European regional networks of municipalities working together on sustainable public procurement (SPP) and public procurement of innovation (PPI).

The regional networks are collaborating directly on tendering for eco-innovative solutions, whilst building capacities and transferring skills and knowledge through their SPP and PPI activities. The 42 tenders within the project will achieve 54.3 GWh/year primary energy savings and trigger 45 GWh/year renewable energy.

SPP REGIONS PARTNERS



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