



Local Procurement of Renewable Energy

Cooperation between the Municipality of Zaanstad and the energy provider

In order to present a good example to the community, many local governments strive to diminish their energy consumption. Procuring renewable energy is another way for the Municipality to show her climate policy has to be taken seriously. How do you organize that procurement, and at what price? The Municipality of Zaanstad has experience with the procurement of renewable energy, in combination with energy savings targets. We present an account of the findings.

Results

What has the Municipality of Zaanstad achieved with her new energy contract that came into operation in July 2012? Since that date Zaanstad is supplied with 100% green energy (electricity and natural gas) by supplier Greenchoice. At the same time, the energy costs of the Municipality are greatly reduced, by 20% in a period of four years.

The contract gives supplier Greenchoice an impetus to help the Municipality saving energy. For the contract stipulates, that Greenchoice can pocket any extra savings, when she succeeds in restricting the consumption of the Municipality by more than 20%.

This new energy contract means a great step forward for Zaanstad in realizing its Climate goals.

Results obtained in the new energy contract of Zaanstad

- 100% sustainable procurement of energy in the form of electricity and gas from renewable resources.
- The Municipality of Zaanstad expects a huge and structural financial benefit compared to previous years.
- Greenchoice helps to realize the climate goals of the community (CO₂ neutrality in 2020) through the inbuilt bonus/malus system.
- Greenchoice helps the municipal energy coordinator to improve the management and the balancing of the energy consumption.
- Greenchoice contributes to the forming of ideas in the Municipality concerning renewable energy production, consumption and selling of energy, involving businesses and citizens from Zaanstad.
- Greenchoice has a 'social return' obligation to find jobs for a number of long-term unemployed in Zaanstad.



The Municipality has the ambitious goal to be climate neutral by 2020. Saving energy and producing renewable energy locally help realizing that goal. Still a lot has to be done, but the fact that working on climate goals can be combined with huge savings on the energy bill strengthen the foundation for the local climate program.

Energiecontract gemeente Zaanstad

The last few years it has become clear that the Municipality has to build up more knowledge in the field of energy, to be able to make bigger steps in the direction of climate neutrality. Zaanstad has expended her knowledge in this field extensively by participating in the European research program e-harbours.

The Municipality now boosts her own intelligent energy system (smart grid), in which the electric cars of Zaanstad are charged with power produced from own renewable sources.



A smart grid makes it possible to adapt the local demand for energy to the production of -for example- wind turbines, solar panels and biomass installations.

Within the framework of the new energy contract, Greenchoice acts as a partner of the Municipality. That gives Zaanstad an insight into the energy market, and in the potential revenues of the energy the Municipality produces in her own installations. Network provider Alliander also became a partner of Zaanstad, giving the Municipality even more chances to profit from its own smart grid and its renewable sources.

The Zaanstad approach

The procurement of the new energy contract took the form – as legally prescribed – of a tender. In the preparation of the tender a team was formed consisting of civil servants from Procurement and the Climate Program. For starters, the Municipality needed more data on its own energy consumption. A Dutch community the size of Zaanstad has hundreds connections to gas and electricity. A lot of changes occur in these connections, for example when the function of buildings is changed or the layout of roads is altered (traffic lights, street lighting). Zaanstad got an invoice for every connection, many small amounts that added up to a huge sum.

Within the Municipality, some people thought the new energy contract would result in higher energy costs. That induced the procurement team to state a first demand: energy costs had to go down.

Strategic choices:

- Municipality Zaanstad CO₂-neutral in 2020
By making use of market expertise (not doing it all by yourself)
- Budget control

Also, there appeared to be quite some misgivings about the energy contract in the organization. Imagine the energy supply would stop instantaneously, the bucking installations would stop functioning and the city would be flooded!

The team that prepared the tender had to work hard to convince all parties that closing a new energy deal was less complex than commonly thought. And that the continuous supply of energy was guaranteed, even when we changed suppliers. In this missionary work, the team was supported greatly by researchers from the university of Amsterdam (Centre for energy studies) and by experts from the e-harbours project.

A partner that unburdens the Municipality

One of the crucial choices made in this preparatory phase was to search for a partner that would unburden the Municipality regarding the lowering of their energy consumption. To avoid never-ending detailed discussions, the tender simply asked for fixed percentages of energy savings, up to almost 20% over the four year period. (so-called energy performance contract)



The municipality had decided to publish the tender for the new energy contract only at the last moment. That reduced the time available for companies that wanted to bid for the contract. Too

short for a number of potential suppliers, it appeared later on.

In the different information rounds included in the procedure, a deluge of questions was formulated by some suppliers mainly focusing on the energy consumption of the Municipality and the conditions of the new contract. In the end, a number of suppliers stepped out of the competition.

The tender procedure starts

Interviews with these suppliers after the closure of the procedure made clear, that the prescribed energy savings constituted a problem: the energy savings change the consumption profile of the Municipality. The supplier, who procures energy on the basis of expected consumption of his customers, prefers a fixed energy profile.

From the moment a tender is issued, all parties have to comply to certain juridical rules, concerning for example the provision of information. Informal interviews on the conditions and the expectations from both sides are no longer allowed. That meant the suppliers had to brace themselves to step into a partnership with the Municipality on the basis of the available information. In the end, two suppliers made an offer. That may seem disappointing, but a more conventional tender for the energy contract of a neighbouring city drew only one offer. It turned out that GreenChoice was the winner of the tender, and now that company supplies green energy to Zaanstad.

Success factors and conditions

What have been the most important success factors in this trajectory towards a new energy contract for Zaanstad?

In general: the organization must have the space to go into such a trajectory with entrepreneurship and with an inquisitive mind. In fact a major step has been set years before the renewal of the energy contract came into sight: by participating in an important European research project in the field of renewable energy and smart energy systems (the e-harbours project). That enabled the organization to gather a lot of knowledge about energy matters, and to make contact with a number of specialists in the field. That proved to be of great value in preparing the new energy contract.

An example: juridical specialists we met in the context of the e-harbours project convinced us that the continuity of energy supply was

guaranteed, even in the unlikely case that the new supplier would go bankrupt. This continuity was a great cause for concern in the organization, and had to be addressed.

An important organizational decision was to prepare the energy contract in a cooperation of the Procurement team and employees of the municipal Climate Program. Also, fellow workers in the field of building management were involved. That combined all relevant expertise.

In the end, it is all about courage. The courage on the side of management and political

Necessary conditions

Have your own organisation in order:

- Appoint an energy coordinator
- Analyze the energy connections – know what you consume
- Procure an energy administration system

Knowledge of the energy market:

- Developments in the field of energy (smart grids, buying and selling of energy, predictability of the energy consumption)
- A licence for both gas and power (conform TenneT)
- Legislation: the supply of energy is guaranteed
- Supply conditions

Support base (civil servants, management, political administration) :

- Combine the knowhow in your organisation in fields like procurement, building administration, public space, sustainability and climate

administration to follow an innovative path towards the new energy contract. The courage of the energy supplier to step into a contract without knowing how it would end. In this case the result has been extraordinary for all parties involved.

As the Zaanstad alderman for the Environment, Robert Linnekamp remarked: 'obviously, the time is ripe for this innovative approach.'

Colofon:

Tips and tricks:

- A good administration of the energy consumption of the organization is crucial. Compare your own administration with that of the energy supplier and the network provider. Do we have the same account of all connections? Are all changes taken into account?
- Search for a partner, not just a supplier.
- Make a reservation in your budget for investments (for example in new renewable sources), negotiate with your partner about his investments, and about future cooperation.
- Take time to inform the market. Our tender perhaps provided the suppliers too little time to rethink their own strategy.
- The process does not stop when the deal is signed. Think of: improving the energy management, deploying smart meters, organizing the structural monitoring of energy consumption and energy costs.

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