

## Green electricity

### Procurement of new, local RES in The Hague



<b>Purchasing body:</b>	City of The Hague
<b>Contract:</b>	15 year contract for electricity supply (100% renewable from wind and solar)  Awarded: 29 June 2017
<b>Savings:</b>	<ul style="list-style-type: none"> <li>• 13.1 new RES capacity/year</li> <li>• 52.3 GWh in total over 4 years</li> <li>• Additional costs 5% of total purchasing volume</li> </ul>

#### SUMMARY

- Estimated volume: 57 GWh - 2 lots: 52.3 GWh and 4.7 GWh
- Additionality: by the end of the contract to deliver all electricity from **new** Dutch RES generation capacity, not in operation at the start of the contract (large contract), or from new RES capacity within the city itself (small contract)
- Awarded to Eneco (bulk contract) and OM/070 Energiek (local energy cooperation)
- 90% of the electricity to be generated by new wind farms by 2021 already
- 5% additional costs

## Procurement Approach

The purchase process was conducted by the Central Purchasing Body of The Hague. The Hague is the third largest city in The Netherlands and is a partner in the regional MRDH SPP Network. The City developed [an energy vision and climate plan](#). By 2040 the city aims to be climate neutral. In line with this local strategy on climate change, the city directed the focus of this tender towards the development of new regional power plants. For this reason it was required that all electricity supplied must derive from new renewable power plants by the end of the contract, preferably from within the city region certified with a Guarantee of Origin provided by the supplier. The previous tender also required 100% renewable electricity but not specifically originating from new generation capacity. Another important objective of the tender was to initiate local energy initiatives and thus the participation of citizens and SME's in the energy transition. The contract needed to support these initiatives and thus reflect a realistic time horizon essential for financing renewable energy. The City of The Hague published the tender in the online platform Tendered on 26 April 2017. The tender was awarded on the 29<sup>th</sup> of June.

### Promoting 'additionality' and local generation

The tender was split into two separate lots. The first one covered 92% of the total electricity needs. The tender was designed to promote electricity deriving from new renewable power plants within the region. In each case it was specified that by the end of the 15 year contract all electricity must derive from **new** RES generating capacity in the Netherlands (large contract), or the boundaries of the City of the Hague (small contract).

Bidders were required to provide a development plan that showed the amount of new RES generating capacity planned to be built during the contract period, which ultimately ends in 2034. Bids were in part evaluated on how quickly they plan to achieve the goal of 100% electricity from new power plants, and the proportion to derive from the local region. Until the 100% target of new capacity is reached, the remaining part should originate from existing Dutch renewable plants certified with Guarantees of Origin provided by the supplier.

In general, suppliers are more likely to make investments when a longer contract duration is offered. However the municipality wanted to make sure that the suppliers meet the expectations of their development plan. After 5 years there will be a review of the actual realisation of RES. Depending on the amount of RES realised, the tender will be extended another 5 years and so on. However, if the supplier achieves the target within the first 5 years, then the remaining 10 years is granted directly.

#### PROCUREMENT INNOVATION

The goal of the tender was to boost the development of new power plants in the Region as soon as possible. To make this happen, the city extended the contract period to 15 years including 2 periodic renewals depending on actual performance of the supplier in realising the additional power capacity planned. This periodic evaluation created the incentive to speed up the realisation of 100% electricity from additional renewables

The second lot covered 4.7 GWh (five electricity meters) favouring community-owned renewable energy projects within the city boundaries. The idea is that a relatively small volume improves tendering conditions and thereby encourages the participation of SME's and local energy initiatives.

## Needs analysis

To estimate of the volume of electricity for the new contract, the reference of 2016 was used. The City has 814 electricity meters, adding up to electricity consumption of 57 GWh per year. This electricity is used for municipal buildings, public lighting etc.

## Tender specifications and Verification

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### TECHNICAL SPECIFICATION

- 100% of the electricity supplied by the end of the contract (2034) must derive from new renewable sources within the Netherlands (Lot 1)/the City of The Hague (Lot 2) approved with Guarantees of Origin (GO) ;
- From the beginning of the contract all electricity not derived from new sources, must be accompanied by Guarantees of Origin from existing Dutch RES plants

### Award criteria

- Quality: 1000 points (50%):
  - Roadmap - including a target year to attain 100% electricity supply from new renewable sources. This roadmap should describe the current project status of planned installations (authorisation, financing agreements etc.), timeframe, risk management and flexibility to implement innovative power sources during the contract (maximum 500/1000 points)
  - Location of the new power sources. The closer these sources are located to the city of The Hague, the better (maximum 100/1000 points<sup>1</sup>)
  - Administrative handling etc. (maximum 400/1000 points)

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<sup>1</sup> Calculated as follows:

- 100 points: Within the boundaries of The City of the Hague
- 75 points: in the coastal area next to the city
- 50 points: within the province of South Holland
- 0 points: within the Netherlands (a minimum requirement)

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- Price: 1000 points (50%):
    - $1000 \times (\text{lowest bid}/\text{bid price})$
  - Total score = Quality + price (max. 2000)<sup>2</sup>

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#### VERIFICATION

The supplier has to certify in all sampling points the origin from renewable energy sources with a Guarantee of Origin, as required by Annex I of the EPA Protocol (Resolution AEEGSI ARG/ELT 104/11). The Guarantee of Origin (art. 15 Directive 2009/28/EC) corresponds to the CO-FER securities used by GSE for the purpose specified in the Decree of the Minister of Economic Development (July 31, 2009).

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<sup>2</sup> For Lot 2 a higher proportion was given to quality criteria - Quality: 1,400 points (70%), price: 600 points (30%)

## Results

### Environmental impacts

As the previous tender also required 100% renewable energy as certified by Guarantee of Origin certificates, it is not possible to calculate a direct reduction in CO<sub>2</sub> emissions or primary energy consumption.

However, the additionality requirements ensure that new RES generating capacity will be built – in this case 52.3 GWh by 2021 for the larger contract. As this will be achieved over a 4 year period this equates to a:

- 13.1 GWh annual increase in RES generating capacity

### Financial impacts

The contract's estimated economic value was €4.3 million. Despite the longer contract period, the commodity price is fixed every 2 years, as energy prices can fluctuate significantly over time.

Overall the municipality pays 5% more compared to the previous contract. The Guarantees of Origin specifically from new regional sources are 2 to 3 times more expensive than normal<sup>3</sup> – but this has a relatively small impact on the overall price.

### Market response

One supplier Eneco, mainly operating at the national level, participated in the tender for the first lot. Eneco promises to deliver 100% renewable energy from new regional sources by 2021 already, The second lot has been awarded to an energy cooperation named [OM \(formerly Sustainable Energy Union\) https://samenom.nl/](https://samenom.nl/). This cooperation unites community owned installations and local energy suppliers.

### Contract management

Each user of the contract (public buyer) will be required to verify that Guarantee of Origin certificates are provided by the supplier. The city should carefully monitor the action plan and evaluate whether the achievements have been reached during the contract period.

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<sup>3</sup> Estimated at €6.00/MWh, compared to €2,25/MWh for Dutch Wind

## Lessons learned and future challenges

While the market availability to satisfy growing demands and large amounts of electricity produced from renewable sources is increasing, only a few suppliers can administratively handle larger volumes. Also, not all energy suppliers actively participate in the development of power plants within the region of The Hague. In this case only one supplier participated in the tender. In future tenders using the model of The Hague it is desirable to increase competition by levelling the playing field by addressing the specific problems that prevent or compromise participation of other suppliers. A division into lots can indeed promote participation from local SME's and community owned power plants. However, due to a lower security of supply from community owned projects this lot requires more efforts to manage the contract. Therefore, the municipality decided to use a shorter timeframe for periodic renewable.

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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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