



## **CASE STUDY - NEPO SOLUTION FOR THE PROVISION OF LIQUID FUELS**

### **Introduction**

NEPO Member Authorities and Associate Members rely on liquid fuels (i.e. petrol, diesel, gas oil and kerosene) to undertake their statutory duties to the community. NEPO is responsible for procuring appropriate liquid fuel suppliers and managing those suppliers to ensure that liquid fuel is available for use as and when required. Such uses include the supply of liquid fuels to operate waste collection vehicles by Member Authorities or the supply of liquid fuels to emergency services vehicles.

### **The Challenge**

The liquid fuels market has historically been occupied by large national providers supplying fuel throughout the UK. As a result NEPO has previously worked in partnership with other Professional Buying Organisations (PBO) to pool together their liquid fuels requirements and use combined economies of scale to leverage the market and secure competitive supplier costs. Despite this the liquid fuel supplier costs for the North East were still higher than that of other regions, primarily because of geography and the location being a higher cost to serve for national suppliers.

In addition liquid fuels is a business critical commodity for NEPO Member Authorities and Associate Members. In 2000 the major fuel protest and blockage of oil facilities caused widespread disruption to the supply of liquid fuels. As a result it is essential that all liquid fuels agreements have robust business continuity processes to ensure a supply of liquid fuels is maintained to support critical activities and protect against potential disruption.

## **The Solution**

NEPO identified that by changing the route to market and procuring a solution independently they could focus on addressing the specific challenges facing the North East and the securing of benefits for the region. Following consultation with Member Authorities it was agreed that NEPO would go to the market independently with the North East liquid fuels requirements and seek to secure the best possible deal for the region.

NEPO undertook a comprehensive market consultation exercise in order to develop a greater understanding of the market, and in particular the challenges that supplying the North East region presents the market, . Meetings were held with the incumbent suppliers, other large national suppliers and local suppliers. The market consultation exercise had a direct input into the NEPO Invitation to Tender (ITT) and significantly changed the way that NEPO designed both the Framework Agreement lots and the Pricing Schedule. Consultation with the providers, particularly the local providers, allowed NEPO to identify and remove barriers from suppliers tendering for the solution.

Importantly NEPO learned from the market consultation that the barriers identified by the suppliers were not those NEPO already had an awareness of. The market consultation exercise educated NEPO on how to shape the ITT in a manner that would allow the market to tender their most economically advantageous and cost effective offering. As a result NEPO reconsidered the ITT and amended their approach to this procurement.

## **The Outcome**

NEPO awarded a solution to two suppliers to commence August 2016. Certas Energy Ltd, based in Warrington, were awarded onto the solution to supply kerosene. Independent distributor Oil NRG Ltd based in Stockton-on-Tees were awarded onto the solution to supply diesel, gasoil and petrol.

With an anticipated annual value of over £16M, the solution will be used by all of NEPO's Member Authorities, as well as a range of Associate Members from the wider public sector and based in the North East. NEPO estimates that the new solution will save NEPO Member Authorities approximately £250K over a four-year term.

In addition to significant financial savings, the solution will bring wider benefits to the North East in terms of social value. Oil NRG are a regional employer and contribute to the regional economy with a firm commitment to using local supply chains to support their operations. The award of this solution provides Oil NRG with a real basis to grow their business going forward both in the North East and beyond, it has also directly helped them secure additional finance to facilitate this growth.

Making an informed decision with regard to the route to market and, more importantly, undertaking comprehensive and detailed market consultation activities has allowed NEPO to tender in such a manner that has achieved financial benefit to Member Authorities and Associates, whilst also achieving significant social value and economic benefit for the North East.

If you wish to receive further information regarding this case study or the NEPO Liquid Fuels solution please contact Marie Perriam using the details below.

Marie Perriam  
Regional Procurement Officer  
NEPO  
07768 817978  
[marie.perriam@nepo.org](mailto:marie.perriam@nepo.org)  
[www.nepo.org](http://www.nepo.org)