

REPORT TO: Executive Board Sub-Committee

DATE: 10 February 2011

REPORTING OFFICER: Strategic Director – Environment & Economy

SUBJECT: Street Lighting Energy Procurement

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To report the acceptance by the Operational Director – Highways, Transportation and Logistics of our new un-metered electricity supply contract for street lighting with Haven Power. To seek approval to the waiving of standing orders and to record that the anticipated expenditure is likely to be over £1.0M per annum.

2.0 RECOMMENDATION: That

- 1) the decision to award the new supply contract for un-metered electricity with Haven Power be noted;**
- 2) the waiving of Procurement Standing Orders 2.2 to 2.11 to enable the contract to be awarded, be agreed;**
- 3) it be recorded that the expenditure is anticipated to be in excess of £1.0M per annum; and**
- 4) Utilities Procurement Group (UPG) continue to be used to manage our street lighting energy provision.**

3.0 SUPPORTING INFORMATION

3.1 Since October 2001 the Council's un-metered electricity (energy for street lighting and other highway electrical equipment) has been procured through UPG (Utilities Procurement Group), with the first contract having commenced in April 2002. Initially, the contract was awarded to Eon (previously Powergen), and then in April 2007 it was awarded to Scottish and Southern Energy for a period of two years, which was extended until 31 March 2011 (as per report to Executive Board Sub-committee on 12 February 2009).

3.2 The current contract with Scottish & Southern Energy has a rate of 9.160p/kwh (including Climate Change Levy (CCL) exempt option) and the annual budget is about £1,207,140. The new contract rate is 9.009p/kwh (and is also 100% CCL exempt) which equates to an annual cost of about £1,084,000, and the unit rate is fixed for two years. This was less than anticipated and represents a saving to the Council of over £120,000. The current contract included an Option to Extend (OTE) which was taken up to extend the contract to March

2011. The new contract also contains an OTE and UPG will be monitoring the situation and recommend whether we take up the Option to Extend rather than re-tender due to the market being volatile before the new contract expires.

- 3.3 If any electrical equipment is installed or removed, then the total amount payable will be adjusted accordingly. The total amount payable is determined from an itemised listing of our equipment which is determined from our inventory and converted into the required format and submitted by UPG, on our behalf, to Scottish Power (the Distribution Network Operator (DNO)), who in turn issue a Certificate of Estimated Annual Consumption (EAC). The certificate will be passed to Haven Power who will then invoice us. The certificate is updated every month; therefore any equipment removed/added is included within a relatively short period of time.
- 3.4 The Street Lighting Energy contract needs to be accepted within a very short timescale, sometimes within a day as happened on this occasion (offer received at 12.50 pm and needed to be accepted by 3.30 pm), due to the rapid changes in the prices charged for electricity, which can result in an offer being withdrawn at short notice. Hence the need to waive standing orders to enable the offer to be accepted. This was done after consultation with the Council's Finance and Internal Audit Sections who supported our acceptance of it. The process has been reviewed by Internal Audit, who are satisfied that the system represents good value for money for the Council.

4.0 POLICY IMPLICATIONS

4.1 None

5.0 OTHER IMPLICATIONS

5.1 Resource Implications

Funding for the costs is through the Street Lighting Revenue Budget.

5.2 Sustainability

The energy is from renewable sources and is therefore exempt the Climate Change Levy (CCL)

5.3 Best Value

The use of a specialist procurement organisation provides good value for money as it advises on the most appropriate time to purchase electricity. In this case, the Contract Price was indeed less than originally forecast.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

There are no direct implications on this priority

6.2 Employment, Learning and Skills in Halton

There are no direct implications on this priority

6.3 A Healthy Halton

There are no direct implications on this priority

6.4 A Safer Halton

This contract provides electricity for the operation of all highway electrical equipment, which includes street lighting and CCTV, and both can contribute to the feeling of a safe environment.

6.5 Halton's Urban Renewal

There are no direct implications on this priority

7.0 RISK ANALYSIS

7.1 There are no risks associated with this report as the supply of electricity to operate all highway electrical equipment has been secured for the next two years and therefore a risk assessment is not required.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 There are no Equality and Diversity implications arising as a result of the proposed action.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

9.1 Report to Executive Board Sub-Committee on 12 February 2009