

REPORT: Executive Board Sub-Committee
DATE: 12 February 2009
REPORTING OFFICER: Strategic Director, Environment
SUBJECT: Street Lighting Energy Procurement
WARDS: Borough Wide

1.0 PURPOSE OF REPORT

1.1 To report the acceptance by the Operational Director – Highways, Transportation and Logistics of an extension to our current un-metered electricity supply contract for street lighting with Scottish and Southern Electricity. 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 RECOMMENDED: That

- 1) the extension to the existing supply contract for un-metered electricity be endorsed;**
- 2) procurement Standing Orders 2.2 to 2.11 be waived for the purchase of un-metered electricity; and**
- 3) it be recorded that the expenditure is anticipated to be in excess of £1.0M per annum.**

3.0 SUPPORTING INFORMATION

3.1 Since October 2001 our un-metered electricity (energy for street lighting and other highway electrical equipment) has been procured through UPG (Utilities Procurement Group), with the first contract beginning in April 2002. Initially the contract was awarded to Eon (previously Powergen), and then in April 2007 it was awarded to Scottish and Southern Electricity for a period of two years.

3.2 The current contract which includes an Option to Extend (OTE) expires in April 2009. UPG have been monitoring the situation and recommended that we take up the Option to Extend rather than re-tender due to the market being volatile.

3.3 The current contract has a rate of 7.090p/kwh (including Climate Change Levy (CCL) exempt option) and the annual cost is about £900,000. The revised contract rate is 9.160p/kwh (and is also 100% CCL exempt) which equates to an annual cost of about £1,150,000, and the unit rate is fixed for two years. 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 submitted to Scottish Power (the

Distribution Network Operator (DNO)), who in turn issue a Certificate of Estimated Annual Consumption (EAC). The certificate is passed to Scottish and Southern Electricity who 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, 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 recently 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 Social Inclusion Implications

None

5.3 Sustainability Checklist

None

5.4 Best Value

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

5.5 Legal Implications

None

5.6 Crime and Disorder Issues

None

5.7 Human Rights Act Implications

None

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

- 6.1 There are no background papers under the meaning of the Act.