

REPORT TO: Executive Board

DATE: 26 March 2015

REPORTING OFFICER: Strategic Director – Policy & Resources

PORTFOLIO: Transportation

SUBJECT: Street Lighting Energy Procurement

WARDS: Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To report the acceptance by the Operational Director – Policy, Planning and Transportation of the entering into of a new electricity supply contract with British Gas for the Council’s un-metered electricity supply for street lighting as outlined in the report. To get the Board’s 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 new supply contract for un-metered electricity with British Gas be endorsed;**
- 2) the Board endorse the waiving of Procurement Standing Orders 2.2 to 2.11 for the purchase of un-metered electricity;**
- 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), who are an energy procurement specialist to the public sector. Prior to using UPG, un-metered electricity was purchased from Scottish Power using a former Cheshire County Council contract, which was negotiated with a sole supplier, as was the procedure prior to the market being opened up to competition. When UPG commenced our energy procurement, they included us in a tender with other local authorities and tenders were received from six companies; this has happened each time the supplier has changed. UPG use their knowledge of the market to determine the best time to seek tenders, as the energy market is very

volatile and rates change due to worldwide events such as elections in America or turmoil in the Middle East plus economic data in the UK. The first contract through UPG commenced in April 2002 and initially 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). From 1 April 2011, it was awarded to Haven Power for a period of two years with an option to extend for up to two years (as per report to Executive Board Sub-committee on 10 February 2011). This was subsequently extended for one year from 1 April 2013 (as per report to Executive Board on 28 February 2013) and a further year from 1 April 2014 (as per report to Executive Board on 11 July 2013).

- 3.2 The current contract with Haven Power expires on 31st March 2015 having been extended up to the maximum duration of 4 years; therefore tenders were invited by UPG on our behalf. The lowest tender was submitted by British Gas initially for the period 1st April 2015 to 31st March 2016, and subsequently rates were received for the period 1st April 2016 to 31st March 2017.
- 3.3 The rates from 1st April 2015 are 11.212p/kwh for Dusk to Dawn equipment (on during the hours of darkness) and 10.751p/kwh for continuous equipment (on 24 hours a day) (including Climate Change Levy (CCL) exempt option (as we purchase green energy and therefore do not need to pay the levy)), which equates to an annual cost of about £1,193,438. The new rate from 1st April 2016 is 11.875p/kwh (an increase of 13.84% on the 2015/16 rates) for Dusk to Dawn equipment (on during the hours of darkness) and 11.435p/kwh (an increase of 9.57%) for continuous equipment (on 24 hours a day) and is also 100% CCL exempt) which equates to an annual cost of about £1,264,338.
- 3.4 The annual revenue budget for energy supply is £1,216,250. The new rates for 2015/16 represent a decrease of £67,961 (or 5.39%) on the current cost of energy supply and a slight increase for 2016/17 of £2,939 (or 0.23%) on the current cost. The increase in unit charges for 2016/17 is due to increases in regulated charges, which are levied to cover the Distribution Network Operator's costs for operating the network. The current contract expires on 31 March 2017 with an Option To Extend (OTE) for a further two years and UPG will be monitoring the situation and recommend whether to re-tender or take up the OTE if the market is volatile for the same or similar reasons as are mentioned above.
- 3.5 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.

- 3.6 The Street Lighting Energy contract needs to be accepted within a very short timescale, in this case the offer was received at 2.30pm on one day and had to be accepted by 2.30pm the following day. This is because of 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 the Operational Director's 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 these energy costs is provided through the Street Lighting Revenue Budget.

5.2 Sustainability

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

5.3 Value for Money

The use of an energy procurement specialist provides good value for money as it advises on the most appropriate time to purchase electricity.

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 financial year 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;
Report to Executive Board Sub-Committee on 10 February 2011;
Report to Executive Board on 29th March 2012;
Report to Executive Board on 28th February 2013;
Report to Executive Board on 11th July 2013.