

**REPORT TO:** Executive Board

**DATE:** 20 April 2017

**REPORTING OFFICER:** Strategic Director – Enterprise, Community & 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 Strategic Director – Enterprise, Community & Resources of the Council's un-metered electricity supply contract for street lighting with Scottish & Southern Energy (SSE). 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 Scottish & Southern Energy 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) That 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 has been awarded to the following companies:

- Eon (previously Powergen) – April 2002 until 31 March 2007
- Scottish and Southern Energy - April 2007 until 31 March 2011
- Haven Power – April 2011 until 31 March 2015
- British Gas – April 2015 until 31 March 2017

- 3.2 The current contract with British Gas expires on 31<sup>st</sup> March 2017; therefore tenders were invited by UPG on our behalf. The lowest tender was submitted by SSE initially for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2019.
- 3.3 The rates from 1<sup>st</sup> April 2017 are 11.802p/kwh for Dusk to Dawn equipment (on during the hours of darkness) and 11.511p/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 £1,167,962.
- 3.4 The annual revenue budget for energy supply is £1,280,890. The new rates represent a decrease of £4,568 (or 0.4%) on the current cost of energy supply for 2016/17. The new contract expires on 31 March 2019 and includes 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 OTEs due to the market being volatile as 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, on this occasion the tender rates were received at 11.45 am and needed to be accepted by 4.30 pm on the same day, 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 the Strategic 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 29<sup>th</sup> March 2012;  
Report to Executive Board on 28<sup>th</sup> February 2013;  
Report to Executive Board on 11<sup>th</sup> July 2013;  
Report to Executive Board on 26<sup>th</sup> March 2015.