

URGENT ITEM – FOR IMMEDIATE EFFECT

Agenda No 16

AGENDA MANAGEMENT SHEET

Name of Committee	Cabinet
Date of Committee	26th May 2005
Report Title	Procurement of Energy for Street Lights
Summary	The existing contract for the supply of energy for street lights was extended to the end of June 2005. Following the advice of ESPO, the Director of Planning, Transport and Economic Strategy has accepted a price for a 24 month period for Green energy for street lights.
For further information please contact	David Lynn Head of Warwickshire Engineering Tel. 01926 412046 davidlynn@warwickshire.gov.uk
Would the recommended decision be contrary to the Budget and Policy Framework?	Yes/No
Background Papers	None

CONSULTATION ALREADY UNDERTAKEN:- *Details to be specified*

Other Committees	<input type="checkbox"/>
Local Member(s) (With brief comments, if appropriate)	<input type="checkbox"/>
Other Elected Members	<input checked="" type="checkbox"/>	Councillor A Farnell Councillor C K N Browne } for information Councillor Mrs E M Goode } Councillor Mrs J Lea
Cabinet Member (Reports to The Cabinet, to be cleared with appropriate Cabinet Member)	<input checked="" type="checkbox"/>	Councillor M Heatley – supports the recommendation.
Chief Executive	<input type="checkbox"/>

- Legal I Marriott – comments incorporated
- Finance
- Other Chief Officers
- District Councils
- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION **YES/NO** (*If 'No' complete Suggested Next Steps*)

SUGGESTED NEXT STEPS :

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Cabinet - 26th May 2005

Procurement of Energy for Street Lights

Report of the Director of Planning, Transport and Economic Strategy

Recommendation

That Cabinet ratifies the action of the Director of Planning, Transport and Economic Strategy (PTES), in consultation with County Treasurer and Cabinet Member for Environment in accepting a price for energy for a 24 month period as set out in this report.

1. Introduction

- 1.1 The existing one year contract for the supply of energy of street lighting was due to expire at the end of March 2005 but was extended to the end of June 2005. At present the annual cost of energy for street lights up to end of March 2005 was £923,976.
- 1.2 There has been a considerable rise in national electricity supply prices over the past six months. The rise in energy costs reflects the rise in crude oil, rising global demand, low stocks, refinery capacity and an increasing trend in the speculative trading of energy supplies.
- 1.3 The present contract was tendered on our behalf by ESPO which has specialist knowledge in the tendering processes and offers economies of scale through the aggregate purchase of energy for street lighting services. ESPO has been seeking tenders for energy for Cambridgeshire and Leicestershire County Councils at the same time.
- 1.4 At the Cabinet meeting of 13th January 2005, it was agreed that authority should be delegated to the Director of PTES in consultation with the County Treasurer and the Cabinet Member for Transport, Environment and Rural Affairs to purchase electricity supply for a 12 month period. Cabinet also supported the purchase of Green energy up to 2% above the cost of normal energy.
- 1.5 In March 2005, energy prices were at an all time high and the existing contract with London Electric was extended for three months from the start of April 2005, to allow time to try and obtain more competitive prices in the summer months when prices are historically lower. The energy that was bought for the street lighting in this period was, for the first time in Warwickshire, from Green sources.

2. Acceptance of Price Quoted on 19th May 2005

- 2.1 ESPO advised that on the basis of bids received, the current supplier of energy EDF (formerly London Electric) had submitted the lowest offer at an annual cost of:-

Brown energy for one year £1,314,140

Green energy for one year £1,318,500

Brown energy for two years £1,320,680

Green energy for two years £1,325,040.

- 2.2 The premium for Green works out at about 0.3% which is within the limit set by Cabinet.
- 2.3 Following consultation with the County Treasurer, County Solicitor and Portfolio Holder, the Director of PTES has accepted the bid for Green energy for a period of two years. This represents best value for money based on the advice from ESPO.

3. Financial Implications

- 3.1 The 2005/06 budget for street lighting energy is £1,164,000. This was based on last years budget of £950,000 increased by £214,000, which was the County Treasurer's recommended estimated inflation rate for electricity of 22.5%.
- 3.2 However as the inflation is significantly more than 22.5% there is a shortfall of £68,838 between the 2005/06 budget and the total cost of Green energy of £1,232,838 which is the total of 3 months at the old Green rate of £159,735 and 9 months at the new Green rate of £1,073,103. However this shortfall will be covered by recovery of £90,000 from the previous contractor for overcharges relating to street lighting connections already included in the contract price.
- 3.3 On this basis the Director of PTES accepted the tender for the purchase of Green energy for street lights for a 24 month period and Cabinet is requested to endorse the decision.

JOHN DEEGAN
Director of Planning, Transport and Economic Strategy
Shire Hall
Warwick

20th May 2005