

Report of: Project Manager (Sustainable Energy & Air Quality)

Report to: Chief Officer - Sustainable Energy & Air Quality

Date: 22nd October 2020

Subject: Authority to procure installation, maintenance and data collection for electric metering services

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The purpose of this report is to seek approval to commence a new procurement exercise for the installation, maintenance and data collection of electricity meters for the Council.
2. A contract for the installation, maintenance and data collection of meters for half-hourly metered electricity was procured and awarded to SMS Energy Services Ltd from 12th February 2016 and is due to expire on 11th February 2021.
3. There is a legal requirement for these services to be continuous and they will be required for the foreseeable future for the purposes of accurate and timely billing.
4. Sufficient time exists to ensure that a full open tender procurement can be pursued. Procuring a new contract/arrangement will secure installation, maintenance and data collection of electric meters, delivering value for money to the council.
5. The provision of the service is relatively straightforward, involving the installation of meters and gathering of data, and it is proposed that a performance mechanism be incorporated into the contract. It is therefore recommended that the procurement evaluation be based purely upon price, with quality assessed using pass/fail criteria to ensure that suppliers reach a minimum quality threshold.

Recommendations

- 6 The Chief Officer (Sustainable Energy and Air Quality) is recommended to approve the commencement of an open tender procurement exercise to secure a contract for the installation, maintenance and data collection of electric meters for the Council. The new contract will start on 12th February 2021, and would run for 3 years, with the option to extend for a further 2 x two year periods, and has an estimated value of £470,000.

1 Purpose of this report

- 1.1 The purpose of this report is to seek Chief Officer (SEAQ) approval for the commencement of a procurement exercise for installation, maintenance and data collection of half-hourly read, advanced (Code 5) electric meters.

2 Background information

- 2.1 A Meter Operator (or Electricity MOP Contract) is only required for half hourly electricity contracts but you must have a valid MOP agreement in place if you have this type of supply. This contract covers the supply of the meter, maintenance and the necessary telecommunications for MOP Contracts sending consumption data to the chosen energy supplier.
- 2.2 The subject of metering can be confusing for customers since the industry was privatised, particularly since the meter operator contract is no longer part of the standard supply agreement.
- 2.3 The legislation states that it is a statutory requirement that sites with a maximum demand in excess of 100kW should have half-hourly metering installed as standard. The process of managing the relationship between the Supplier, Meter Operator and Local Distributor can be challenging, and is an area where many customers choose to outsource.
- 2.4 It is standard practice to lease a half hourly meter from a meter operator as it is then their responsibility to maintain an effective on-going service and ensure effective data delivery of your energy consumption.
- 2.5 A MOP contract is always a stand-alone agreement and is independent of any separate electricity supply agreement, and the Council will be invoiced directly from the meter operator for any associated service charges.
- 2.6 If the Council did not appoint a third party meter operator then our supplier may appoint one for the Council, usually their preferred supplier. Any additional cost would normally be passed through on our supply contract. However, over the last few years suppliers have preferred customers to appoint their own direct MOP supplier as this avoids any conflicts of interest.
- 2.7 A Meter Operator (or MOP) is the company that will go to site and fit a meter and then provide on-going meter maintenance. If a meter is going to be non-half hourly (NHH), the supplier will allocate their local meter operator to install metering at our sites. If we require a half-hourly (HH) electricity meter to be fitted, we will need to choose a meter operator to attend the site to fit the meter. We must arrange a contract (known as a Meter Operator Agreement or MOP contract) with our chosen meter operator in order for this work to go ahead. As stated, sites with a maximum demand of over 100kW are required to have metering installed that is capable of measuring consumption in half hourly periods. The meters are read remotely via a telecommunications link. This type of metering is governed by an industry Codes of Practice: Code 5 for sites with a maximum demand over 100kW and up to 1MW.
- 2.8 In order to make metering costs at large sites both visible and competitive, the current electricity industry standard, for sites with peak consumptions above 100kVA, is to

procure and bill the metering services separately from the supply contract. The current contract 9YFB-5D3POX Electric Meter Service is with SMS Energy Services Ltd, and was procured through a competitive tender process and awarded from 12th February 2016, expiring on 11th February 2021.

- 2.9 To ensure accurate and timely energy billing, the requirement for this service continues to exist, and will do for the foreseeable future.
- 2.10 Smart meters are an electronic device that records consumption of energy, voltage levels, current and power factor. Smart meters communicate the information to the consumer for greater clarity of consumption behavior, and electricity suppliers for system monitoring and customer billing. Smart meters typically record energy near real-time, and report regularly, at short intervals throughout the day, usually half hourly. Smart meters enable two-way communication between the meter and the central recording system.
- 2.11 Smart meters come within two industry standards, the first generation being SMETS1 (SMETS – Smart Metering Equipment Technical Specifications), and a second generation smart meter, SMETS2, which is now the industry standard and allows easier and more secure access to the data, and allows the Council to change supplier more easily in future. The majority of the Council's meters are either P272 (this is not a smart meter, but historically used for half hourly supplies) or SMETS1. The P272 meters, because of their age, will be prioritized for replacement. However, it would be useful to tie this work into any mobilisation period once the contract has been awarded, and a three month mobilisation period has been included in the procurement process to allow for these meters to be replaced. Should we retain the meters from the previous meter operator it would make accounting for the meter rental charges a more complicated and labour intensive exercise as we would have charges from a number of different suppliers, not just the Council's preferred supplier.
- 2.12 The value of the contact is in the region of £67,000 per annum (or £470,000 in total including extensions). In the past these contract charges have traditionally been paid in advance of the service being delivered, however, due to the current financial challenges facing the council, the Council intends to explore moving to paying monthly and in arrears for services and based upon the contractor achieving certain performance standards provided this does not have a detrimental impact on value for money.

3 Main issues

- 3.1 The previous procurement saw all except SMS Energy Services Ltd submitting non-compliant bids in terms of the Pre-Qualification Questionnaire stage and therefore the contract was awarded to them as theirs was the only compliant bid.
- 3.2 The option of using existing frameworks has been explored, with the ESPO framework the only available option. However, only two suppliers on this framework were potentially suitable, and based on the limited competition that this would provide, the inability to use the Council's own specification and KPIs, and the limited benefit this would offer in terms of minimising procurement timescales, it is recommended that a full tender process through the YORtender portal is undertaken in line with Council's contract procedure rules in order to ensure best value for money.

- 3.3 During this tendering exercise we will look to incorporate more robust performance measures to ensure that the supplier performs as required. This procurement exercise will replace old meters with more up to date meters and these will provide the data we require. Should we change supplier again then the new supplier will have access to the data on the SMETS2 meters.
- 3.4 Metering services of this nature are available across a growing market place. Newer technology has reduced the cost of implementation. At the same time, pressure from the regulator and from central government has resulted in this technology propagating further down the market into much smaller sites than previously. This has led to a number of new entrants into the market, and there is therefore now a better prospect of genuine competition through an open tender.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 It is not considered that the content of this report or the recommendation made will have a significant impact on any particular ward or community.
- 4.1.2 The procurement of this contract will impact primarily upon the work of the Energy Team who are leading on the procurement, and therefore consultation and engagement has been between the Energy Team and the Procurement and Commercial Services team.
- 4.1.3 The relevant Head of Finance has also been consulted on this proposal.
- 4.1.4 With regard to the proposed length of the contract, although this goes beyond the maximum duration currently advised by Corporate Leadership Team, the fulfilment of this service represents a legal requirement and is therefore not optional. Greater value for money should also be obtained through offering a longer contract term.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 There are no specific equality, diversity, cohesion nor integration issues for this contract.

4.3 Council Policies and City Priorities

- 4.3.1 It is paramount that procurement within LCC is undertaken with a view to ensuring openness, transparency and fairness. As such the contract will be procured in line with LCC contract procedure rules and PACS policies and procedures.
- 4.3.2 This procurement supports the Council's values, policies and priorities:
- Delivering Value for Money;
 - Improving air quality, reducing noise and emissions – as well as this contract supporting more effective energy management, it will require the successful tenderer to take appropriate steps to reduce their carbon emissions (e.g. through switching to low emissions vehicles).

Climate Emergency

- 4.3.3 The provision of this service is fundamentally concerned with ensuring the provision of accurate data on energy consumption, thus enabling smarter and more effective energy management across the Council.

4.4 Resources and Value for Money

- 4.4.1 The anticipated cost for this contract will be in the region of £67,000 per annum, with provision already made within relevant services' energy budgets.
- 4.4.2 A competitive tendering process will ensure that the council achieves best value for money within the contract.
- 4.4.3 Implementing performance measures through the contract will ensure the required level performance throughout the contract term.
- 4.4.4 Resources are available from within the Energy Team and Procurement and Commercial Service Team to meet the requirements of the procurement process.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Chief Officer (SEAQ) is authorised to make this decision to commence the procurement process through delegated powers.
- 4.5.2 The value of the contract (3 year + 2 x 2 year extensions) is estimated at £470,000, which would make this a significant operational decision. The Chief Officer has delegated responsibility to award contracts of this value in relation to the provision of utilities to the council, and this is therefore not subject to call in.

4.6 Risk Management

- 4.6.1 If this procurement is not approved, then the existing arrangement will continue on an off-contract basis which could have cost and risk implications for the council.
- 4.6.2 The award of this contract will ensure the ongoing provision of safe, modern and fully functioning metering across the Council's estate, thus supporting effective energy management.

5 Conclusions

- 5.1 The current contract with SMS Energy Services Limited will expire in February 2021, but as a legal requirement the continued provision of these services remains necessary.
- 5.2 The procurement exercise, as well as ensuring value for money through competition, also allows the council to incorporate performance measures into this contract.

6 Recommendations

- 6.1 The Chief Officer (Sustainable Energy and Air Quality) is recommended to approve the commencement of an open tender procurement exercise to secure a contract for the installation, maintenance and data collection of electric meters for the Council. The new

contract will start on 12th February 2021, and would run for 3 years, with two options to extend for a further 2 year period, and has an estimated value of £470,000.

7 Background documents

7.1 None.