

Report of: Project Manager

Report to: Chief Officer (Sustainable Energy and Air Quality)

Date: 1st March 2021

Subject: Authority to award a contract for the 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 & diversity and cohesion & 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? If relevant, access to information procedure rule number: Rule 10.4(3)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. The purpose of this report is to seek approval to award the contract for the installation, maintenance and data collection of electricity meters for the Council to SMS Energy Services Ltd.
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 was due to expire on 11th February 2021. The current contract period was extended to 22nd March 2021 in line with LCC Contract Procedure - Rule 7.1.
3. The initial procurement exercise saw only two bids submitted by SMS Energy Services Ltd and WPD Smart Metering Ltd. Unfortunately neither of the bids were compliant with regard to their submission in support of their social value responses. The Council have written to both bidders to explain this situation and advise them that the minimum scoring threshold for their social value responses would not be applied. Both organisations have been advised of the winning bidder (10 day standstill period) and there has been no further contact regarding the notification of award.
4. The winning bidder in terms of their submission with regard to their cost and quality submissions was SMS Energy Services Ltd.
5. 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.
6. The provision of the service is relatively straightforward, involving the installation of meters and gathering of data, however a performance mechanism be incorporated into the new contract. The submission also provides a single point of contact and access to

an online portal system to allow the tracking of meter and meter reader installations which was not available within the previous contract with SMS Energy Services Ltd.

Recommendations

7. In accordance with Contract Procedure Rule (CPRs) 18.1, the Chief Officer (Sustainable Energy and Air Quality) is advised to accept the evaluation outcome and approve the award of a contract to SMS Energy Services Ltd for a period of 3 years from the 22nd March 2021 with the possibility of two potential 24 month extensions after the initial term with an estimated contract value of £375,000.

1 Purpose of report

- 1.1 The purpose of this report is to seek authority to award a contract to SMS Energy Services Ltd for of installation, maintenance and data collection for electric metering services - DN512157.

2 Background information

- 2.1 The current contract – in its extended form – was with SMS Energy Services Ltd which was due to expire in February 2021.
- 2.2 The opportunity was advertised through the Councils procurement portal Proactis Due North (“YORTender”), as well as the Official Journal of the European Union (OJEU) with the notice reference – 2020/S 238-589555. Initially there were a number of commitments to submit a tender, however when the application period ended there were just two bids from SMS Energy Services Ltd and WPD Smart Metering Ltd.
- 2.3 The tenders were sent through to the evaluation team to undertake their scoring on the quality element evaluated using pass/fail methodology. The tender was based upon 100% price evaluation. Both organisation, passed the minimum requirements with regard to the quality element of the submission.
- 2.4 Both organisations also submitted pricing information in the correct format and the procurement team within Procurement and Commercial Services (PACS) assessed the bids in terms of the price element.
- 2.5 For all procurements the Council must also ask a number of questions of tendering organisations around their social value responsibilities within their businesses where Social Value Portal was utilised. This will have been the first time that this has been used within the procurement of services related to energy. Both organisations failed the social value element of the tender.

3 Main issues

- 3.1 Tendering for metering services has not been undertaken since the assessment of social value was included within the procurement process, so this was a new element for prospective suppliers to complete.
- 3.6 Both organisations failed with their submissions under the social value element, it was identified that there may have been some misunderstanding of the questions especially looking at the weakness of the responses and the gaps in the questions answered.
- 3.7 Following discussions between the PACS team and the social value portal team, and then further discussions within the PACS team it was agreed that both organisations would be permitted to re-submit their social value response. Both organisations did resubmit their social value response, but yet again both were non-compliant.
- 3.8 Discussions took place between the evaluation team, the procurement team and the legal team within PACS who provide support with procurement and senior

managers. It was decided that both unsuccessful parties would be written to and advised that the evaluation would be undertaken without applying the minimum scoring thresholds for the social value element. Both organisations have been written to advising them of this decision. Both parties have also been written to in order to advise them of the winning bidder – 10 day standstill period. No representations have been received from either of the organisations.

- 3.9 As the current contract was due to expire in February approval was sought from the Chief Officer to extend the current contract along with the appropriate documentation to comply with corporate governance processes in accordance with the advice given from the legal representative within PACS.

4 Corporate considerations

4.1 Consultation & engagement

4.1.1 The procurement was delivered in conjunction with representatives from the energy team within the Sustainable Energy and Air Quality Team and from the procurement team from within PACS.

4.1.2 Where required, specifically in relation to the issue with the inadequate responses with regard to social value, solicitors from within the PACS team have been consulted on the appropriate next steps to complete the procurement.

4.2 Equality & diversity / cohesion & integration

4.2.1 There are no equality and diversity issues to be considered in taking this decision given that this contract is completely neutral in terms of its links to that agenda.

4.2.2 Regardless, a screening document has been prepared and an independent impact assessment is not required for the approvals requested. The screening document will subsequently be sent to the equality team to be approved and published.

4.3 Council policies & city priorities

4.3.1 There is a statutory requirement for the council to have a Meter Operator appointed to undertake all works with regard to metering for electricity and gas across the corporate portfolio of properties.

4.3.2 The council has a commitment for the city to become carbon neutral by 2030. The ability to accurately collect data about the use of electricity and gas across the corporate estate assists with the decarbonisation of the estate.

4.4 Resources & value for money

4.4.1 The current contract for the provision of these services ends on 21st March 2021 and there were no further extensions to consider.

4.4.2 The cost of the contract is a similar value to previous contract, but has been awarded to the lowest bidder in terms of cost. The number of properties within the corporate portfolio is shrinking and this trend is likely to continue. As more

properties are disposed of there will be savings upon this contract due to the number of meters being supported also reducing.

4.5 Legal implications & access-to-information

4.5.1 In line with the council's constitution, the Chief Officer (Sustainable Energy and Air Quality) is authorised to make the decision to award this contract to SMS Energy Services Ltd.

4.5.2 The 10-day standstill period has already been observed. This step is taken to mitigate any future risk of challenge and to avoid a potential risk of the contract being set aside.

4.5.3 There are no specific legal impediments or implications to speak of and this scheme falls under a 'significant operational decision' ('SOD') as defined under article 13 (part 2) of the council's constitution. The decision requires publication but is not subject to call-in.

4.6 Risk management

4.6.1 SMS Energy Services Ltd have been delivering these services for many years and are an experienced and respected organisation within the metering and data collection field.

4.6.2 SMS Energy Services Ltd have been providing this service to the council for the past five years, there have been some issues specifically with identifying a single point of contact and obtaining information regarding planned works. The new contract provides a single point of contact for the council and allows the council access to their cloud based work tracking software and database.

5 Conclusions

5.1 There is a legal requirement that the council has a contractor performing meter supply and maintenance and an energy data collection service.

5.2 The opportunity has gone through a rigorous procurement process and advice and guidance has been sought in appropriate circumstances.

6 Recommendations

6.1 In accordance with Contract Procedure Rule (CPRs) 18.1, the Chief Officer (Sustainable Energy and Air Quality) is advised to accept the evaluation outcome and approve the award of a contract to SMS Energy Services Ltd for a period of 3 years from the 22nd March 2021 with the possibility of two potential 24 month extensions after the initial term with an estimated contract value of £375,000.