

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: North London Heat and Power Project - Update

REPORT OF: Managing Director

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 21 June 2018

SUMMARY OF REPORT:

This report updates Members on progress on the project since February, including appointment of communications advisers, progress on the non-material amendment application, update steps towards letting construction contracts, and on stakeholder matters and arrangements with LB Enfield relating to approvals under the DCO. The report includes a recommendation to procure and appoint financial advisers.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Note this report;
- B. Delegate authority to the Managing Director to finalise the draft scope for financial advisers and procure financial advisers on the basis set out in section 6 of this report and to finalise and enter into the contract for such services.

SIGNED:

Managing Director

DATE: 11 June 2018

1. INTRODUCTION

- 1.1. The North London Heat and Power Project (NLHPP) is Authority's project to provide new waste treatment facilities for north London by implementing the North London Heat and Power Generating Station Order 2017 (DCO), which authorises the construction and use of a new Energy Recovery Facility (ERF) at the Edmonton EcoPark.
- 1.2. The ERF will provide an essential long-term replacement for the existing 47-year-old energy centre which is already one of the oldest facilities in the world of this type. The new energy recovery facility will offer greater carbon efficiency of electricity generation, and will have flue gas emissions far below current permitted limits (and be future proofed against anticipated tightening air quality regulation). The Authority has developed this strategy over some years, including the preparation of the successful application for Development Consent approval. This recognises that a long-term sustainable waste disposal route is needed to serve the communities of North London.
- 1.3. The topics covered in this report are: updates to the application to make a non-material amendment to the DCO; steps taken to achieve the construction works authorised in December 2017; and a recommendation to procure and appoint financial advisers for the project.

2. COMMUNICATIONS ADVISERS

- 2.1. Following Members' decision at the Authority meeting in February, a procurement exercise was carried out to appoint communications advisers for the Authority, principally to assist in communications associated with the North London Heat and Power Project, and in particular to develop a communications strategy to ensure effective engagement with local residents and businesses, and with stakeholders in the north London area. It is expected that an early action will be to set up the Community Liaison Group as set out in the Code of Construction Practice included in the application for the DCO. An update for local residents and businesses, and other stakeholders, is expected in the autumn.
- 2.2. The successful bidder was AECOM Ltd, and the contract standstill period expired on 4 June. Initial meetings to instigate the work are being put in hand. It would be beneficial to have member involvement in this - in the form of the chair or other member(s) - to ensure AECOM and the work programme are clearly informed by your perspective.

3. DCO CORRECTIONS ORDER AND NON-MATERIAL AMENDMENT

- 3.1. The content of the Corrections Order (covering clear errors, such as typographical mistakes) has been agreed with the Secretary of State (Department for Business, Energy and Industrial Strategy).

3.2. The consultation period for the application for a non-material amendment to the DCO has passed. No objections were raised to the Authority's request for an increase to the upper limit of energy export from 70MWe to 78MWe, this change reflecting the assessments made for the DCO application, and giving rise to no additional impacts.

3.3. It is expected that both orders will be issued in the near future.

4. CONSTRUCTION WORKS

4.1. At the Authority meeting on 7 December 2017, Members authorised the Managing Director to procure, enter into and manage contracts for the Temporary Laydown Area and the Eastern and Northern Accesses. A Market Information Day was held on 7 March 2018, and a Supplier Guide was prepared which set out the background to the project, and the works now being procured. That day was well attended, and the procurement for these works is planned to start before the end of June 2018. The procurement for the works to the northern access (Deephams Farm Road) is expected to be by public notification through Contracts Finder and the Authority's website; the works to create the Temporary Laydown Area and to upgrade the eastern access have a value above the threshold for EU procurement, and so the procurement will be started with an OJEU notice.

4.2. The work relating to the procurements involves taking the design for each proposed contract to the required stage for letting the contract. For the early works, the contracts to be let will be a traditional construction contracts, and so detailed designs are required to underpin the scopes of works.

4.3. The procurements of the works to Deephams Farm Road (northern access), and the Temporary Laydown Area with eastern access are planned to start at the end of June, with a view to the starting construction in spring of 2019. The utilities works required are under further consideration, as more detailed engagement with utilities providers has meant a review of the best approach to packaging the works.

4.4. A programme for the remainder of the project at a high level is set out in Appendix A. This shows some adjustment from the previous timetable, to take account of more detailed work, but remains consistent with the DCO application programme, and continues to deliver the activities on the programme critical path at the required time.

4.5. The procurement timetable on the website, northlondonheatandpower.london, has been updated, and will be kept updated so that interested companies and local residents and businesses are able to see the most up to date position.

4.6. Preparation for the procurements of construction contracts for the Resource Recovery Facility (including new Reuse and Recycling Centre) and EcoPark

House is underway, so that sufficient information can be provided to Members for a decision on the procurement of these elements of the Project, currently planned for the October Authority meeting.

5. ENGAGEMENT WITH LONDON BOROUGH OF ENFIELD

- 5.1. London Borough of Enfield, as the local planning authority for the EcoPark, has responsibility for considering applications for the discharge of the Requirements in the DCO. Officers have engaged with officers at Enfield to agree a process for these applications to be submitted and processed within the timescales set out in the DCO. The agreed process includes pre-submission meetings to ensure technical requirements are addressed, and the submission of draft applications before formal applications are made. Once the formal submission is made, LB Enfield has a fixed period under the DCO to make a decision, of up to 56 days, and during that time must carry out any necessary consultation on the submission, eg with the Environment Agency. The first draft applications have been submitted.

6. FINANCIAL ADVISER

- 6.1. The Authority has had the benefit of advice from PriceWaterhouseCoopers for the development of financial models to provide indicative costs for the possible options for residual waste treatment, and for the costs associated with implementation of the DCO. As the implementation of the project starts, it is necessary to appoint financial advisers to advise on financial matters relating to implementation, in particular to consider the funding requirements, sources of funding, and the financial implications for the constituent boroughs of decisions made by the Authority. It is therefore proposed to appoint financial consultants for advice relating to the implementation of the NLHPP, and also to provide support on other Authority activities as necessary. A draft scope of works is set out in Appendix B, and the estimated value of the contract is contained in the Part II report relating to this project. An open procedure will be followed, with presentations by bidders. The evaluation criteria are proposed to be set at 70:30 quality cost ratio, with the appointment for the full length of the project, as with other adviser appointments. Members are recommended to authorise the procurement and appointment of financial advisers as set out above.
- 6.2. In progressing the procurements required for the implementation of the project, officers will continue to address issues relating to best value for the Authority, and to ensure that consideration is given to any impact on equalities arising from project activity, and to the health and well-being of those engaged in the project and surrounding areas, as set out in the Sustainability Statement submitted with the application for the Development Consent Order.

7. COMMENTS OF THE LEGAL ADVISER

7.1. The Legal Adviser has been consulted in the preparation of this report, and comments have been incorporated.

8. COMMENTS OF THE FINANCIAL ADVISER

8.1. The Financial Adviser has been consulted in the preparation of this report and all comments have been incorporated.

Contact officer:

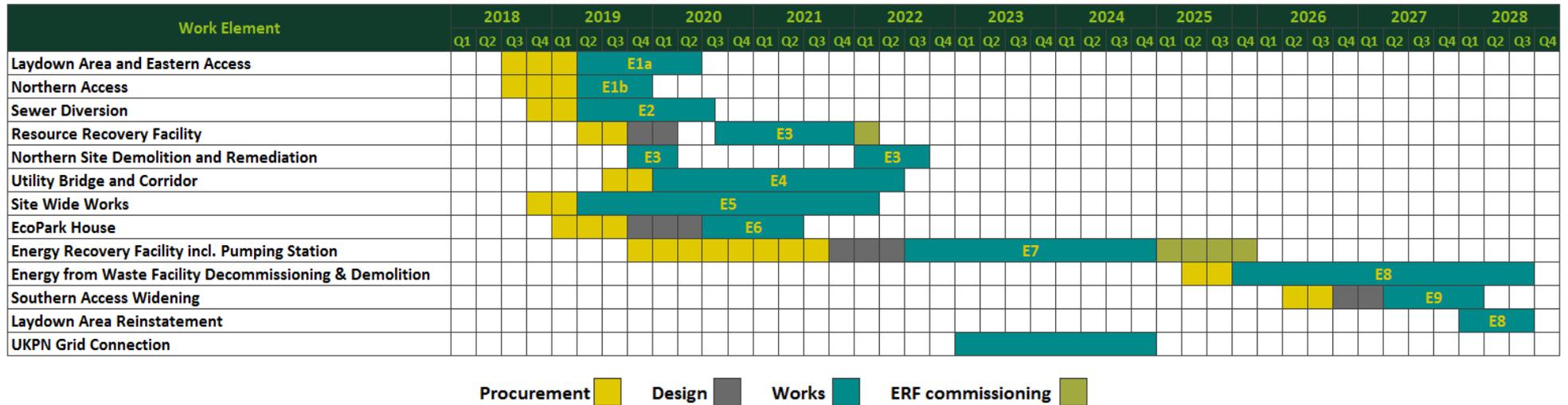
Ursula Taylor
Unit 1b Berol House
25 Ashley Road
London N17 9LJ
0208 489 4306
Ursula.taylor@nlwa.gov.uk

APPENDIX A: HIGH LEVEL INDICATIVE PROGRAMME

APPENDIX B: DRAFT SCOPE FOR FINANCIAL ADVISERS

REPORT ENDS

High Level Indicative Programme



FINANCIAL SERVICES CONTRACT

SCOPE OF SERVICES

To provide financial consultancy services, advice and support on all aspects of the Authority's residual waste management requirements and consequential impacts on other aspects of the Authority's activities.

North London Heat and Power Project

1. Advice on capital investment options, funding approach for new infrastructure or redevelopment, including risk profiles, benefits and revenue costs associated with various options and producing a funding strategy or other reports as required.
2. Advice and support with identifying and analysing corporate and project risks and management actions to mitigate those risks
3. Advice and support with any applications for capital funding or prudential borrowing including: private or public funding avenues; capital contributions to contractors; engagement with UK and European banks; guarantee schemes; and any required engagement on financial matters with central Government or other relevant agencies.
4. Advice on management of risks associated with foreign exchange rate changes for Project funding.
5. Financial analysis, comparative analysis of options or scenarios, business valuation and financial advice to support decision making processes.
6. Drafting, negotiation and finalisation of the payment mechanism associated with contracts for the implementation of the Project
7. Drafting and input into the authority's procurement documentation for the Project
8. Attendance at dialogue or other negotiation meetings with bidders for Project contracts
9. Advice on the Authority's financial benchmark for the evaluation of bids
10. Reporting to and presenting financial matters to meetings of:
 - a. the Partnership Board consisting of NLWA and Constituent Borough officers;
 - b. the Chief Executives of the Authority's Constituent Boroughs;
 - c. senior officers of the Authority or the Authority's Constituent Boroughs; and
 - d. Authority Members in briefing sessions and formal meetings.
11. Advice on possible sources of income, security of income and maximising the Authority's trading and charging powers.
12. Advice on possible options for service delivery including in house or external delivery.
13. Working with and assisting other Authority consultants with a wide range of disciplines and expertise on the project team, to complete relevant tasks.
14. Support if required on financial matters relating to the Authority's negotiations for the supply of heat to a local heat network.

General

15. Production of financial models (excluding proprietary software), detailed financial and risk reports or high level summaries to set deadlines.
16. Specialist tax advice if required on pensions, company issues, land or other relevant issues to options work.
17. Advice as required on any State Aid issues.
18. Attendance at meetings of the Authority, internal meetings with officers or liaison meetings with Boroughs as required.
19. To provide support and advice to the Authority's contract management team on the implementation of payment mechanisms or payment formulae, post contract award.
20. To provide support and advice to the Authority on the interpretation of and any amendments to the Inter Authority Agreement menu pricing, including attending liaison meetings with Directors of Finance of Constituent Boroughs if so required.
21. Advising and working with the Authority's financial team and Financial Adviser in relation to the implementation of the Project and assisting with financial comments for Authority reports or Member briefings.