

GILLMOSS MRF: PROVISION OF ELECTRICITY SUPPLY AND SUBSTATION
WDA/02/10

Recommendation

That:

1. Members agree the course of action being proposed by the Director in paragraph 7.2 of the Report regarding the provision of an electrical supply to the site by Scottish Power.

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Report of the Director

1. Purpose of the Report

- 1.1 To seek Members agreement to the course of action being proposed by the Director regarding the provision of an electrical supply to the site by Scottish Power.

2. Background

- 2.1 Members previously agreed to the development of an additional Materials Recovery Facility (MRF) at its existing site in Gillmoss, Merseyside. It was further agreed that building, site infrastructure and process plant & equipment would be provided under the recently let Waste Management and Recycling Contract (WMRC). However, in an endeavour to mitigate delays in providing an operational facility it was agreed that MWDA would procure the electrical supply required for the proposed development.
- 2.2 Officers of this Authority placed an order with Scottish Power (Manweb) in July 2008 to undertake an engineering assessment to investigate the range of possible options available for the required supply together with the potential costs. Subsequent to receiving such assessment in February 2009 further discussions with Scottish Power on the preferred option were entered into with a formal quotation for the provision of the electrical supply finally being received from Scottish Power in December 2009.

3. Current Situation

- 3.1 A formal quotation in the amount of £824,725.74 (excluding VAT) has been received from Scottish Power for the provision of an electrical supply to the site. This quotation is however subject to the following conditions and qualifications:
- 3.1.2 The quotation is valid for unqualified acceptance up and until 28th February 2010.

- 3.1.3 Payment of Scottish Power's charges is required to be made in full at the time of acceptance.
 - 3.1.4 MWDA providing a secondary substation at the Gillmoss site to Scottish Power's specification.
 - 3.1.5 If all of the Distributer's (SP Manweb Plc) works are not completed within 12 months from the date of acceptance of the quotation, the Distributer shall be entitled to amend and/or vary any terms and conditions of the Agreement including the charges and other payments to the extent that it is reasonable to do so.
 - 3.1.6 The availability of an electrical supply is subject to completion by Scottish Power of its current network reinforcement works to install a primary substation at Stonebridge Business Park which has a completion target date of 31st October 2010. In the event that the reinforcement works are delayed or are unable to be completed, then the Distributer reserves the right to vary the terms or withdraw the quotation offer.
- 3.2 With regards to item 3.1.4 above, a formal planning application and subsequent approval is required before the substation can be built. The planned date for submission of the application, following public consultation, and estimated determination date is 20th April 2010 and 26th August 2010 respectively. Consequently, both of these dates are outside of the validity period for acceptance of Scottish Powers quotation. This position has been raised with Scottish Power and they have confirmed that the validity period cannot be extended and that a new quotation offer would have to be requested. A further consequence of this is that Scottish Power cannot guarantee that it can provide the supply currently identified if another request is made elsewhere for a similar supply.
- 3.3 The significance of the above is that any delay in providing an electrical supply to the site will adversely affect Veolia's programme for implementation of an operational MRF at Gillmoss.
- 3.4 Based on the October 2010 date and Scottish Power's estimated delivery time of 9 months from placement of an order it is not envisaged that an electrical supply would be available until end of July 2011. Veolia's current programme for commissioning and requirement for an electrical supply is end of October 2010 – mid January 2011.

- 3.5 However, it is considered by the Director that accepting Scottish Power's quote at this stage places too great a risk on the Authority, in that full payment of Scottish Power's costs identified in 3.1 above would have to be made before the outcome of the planning application is known; and Scottish Power cannot guarantee the supply currently offered until completion of its network reinforcement works planned for end of October 2010.
- 3.6 If Veolia's programme is to be met the possibility of using generators to provide an alternative electrical supply at the site could be considered. The current budget cost for using generators to provide the required electrical supply to the MRF only for the period October 2010 – July 2011 is estimated at £200k. This would, however, have to be evaluated against any potential compensation event by Veolia for delays to its programme and whether or not the use of generators is suitable for the operation of the more sensitive process equipment.

4. Risk Implications

4.1

Identified Risk	Likelihood Rating	Consequence Rating	Risk Value	Mitigation
Delay to the programme for an operational MRF at Gillmoss	5	3	15	Investigate possibility of using generators to provide temporary electrical supply
Additional costs associated with the use of generators	5	4	20	Accept
Potential compensation event by Veolia for delays to its programme	3	4	12	Liaise and keep Veolia informed of position
Delay by Scottish Power	2	4	8	Ensure that the various obligations

in completing its works resulting in variation to terms and conditions of the Agreement				placed on the Authority under the terms of the Agreement have been complied with
Non acceptance of Scottish Power's quotation within the current validity period	5	3	15	Keep Scottish Power informed of position
Payment of Scottish Power's charges before a supply can be guaranteed	5	5	25	Defer placing an order until confirmation can be provided

5. Environmental Implications

- 5.1 Delays in providing an electrical supply to the site will adversely affect the programme for implementation of a second operational MRF on Merseyside which will impact on the District Councils proposals for collection of dry recyclables.

6. Financial Implications

Scottish Power's current quotation for providing an electrical supply to the site is £824,725.74. This quotation is however only valid until 28th February 2010. Consequently, there is a potential for Scottish Power to increase its charges as a result of the delays currently identified. It should also be noted that there is a potential for a compensation event claim by Veolia for delays to its programme.

7. Conclusion

- 7.1 The Authority has sought to procure from Scottish Power an electrical supply suitable for the proposed development at Gillmoss. After considerable delays by Scottish Power the Authority is now in receipt of a formal offer from Scottish Power for the provision of the required supply. This offer is however conditional upon the Authority having built a secondary substation at the site and Scottish Power completing its network reinforcement works in October 2010. For this reason the Director considers that accepting Scottish Power's quote and paying the cost charges of approximately £825k before the outcome of the planning application for the substation is known and without a guarantee from Scottish Power that it can actually provide an electrical supply places too great a risk on the Authority.
- 7.2 Given the alternative of spending £825k without any guarantee on planning and supply, the Director therefore proposes that acceptance of Scottish Power's quote is deferred and that a request for a further quotation offer is made once the position regarding the substation and reinforcement works is resolved.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.