

1 STREET LIGHTING - CONTRACT FOR THE SUPPLY OF ELECTRICITY (AN77-2008)

Reference is made to Article III of the Planning and Transport Committee of 12 June 2006, when it was agreed that Dundee City would remain a member of a purchasing consortium made up of ten other North of Scotland and Island Councils.

The existing contract with Scottish Power ends on 30 June 2008 and alternative arrangements will require to be in place by 1 July 2008.

As a result of the McClelland Report, new national procurement arrangements are to be put in place in September 2009. From that date it is planned that all energy requirements for Local Authorities will be procured through the National Procurement Centre for Expertise, Scottish Government.

Due to the volatile nature of energy markets it is no longer appropriate to ask for a particular energy price on a particular day through the old traditional tendering method. The current thinking and the model likely to be used by the National Procurement Centre is to accumulate customers and purchase small blocks of energy over a period of time to migrate risk. The model proposed involves trading electricity over a period before it is actually required. The timing of when and how much electricity to purchase will be left to expert traders in this field who will continually monitor wholesale prices and worldwide events which may have an influence.

The Office of Government Commerce Buying Solutions (OGCBS) already operate a similar system to the one described above which it uses to service its extensive client base in the Public Sector (the Scottish Executive already use the OGCBS to purchase electricity for street lighting on Scottish Motorways and Trunk Roads). They already have a framework agreement in place with energy companies which fully comply with EU procurement legislation and as a Government organisation their systems are fully auditable and cost transparent.

It is recommended that Dundee City Council remain part of the consortium and that the OGCBS is used as an organisation to purchase unmetered electricity until the national procurement contract is put in place in September 2009.