

WIRRAL COUNCIL

CABINET - 15 APRIL 2010

REPORT OF THE DIRECTOR OF TECHNICAL SERVICES

AUTOMATIC METER READING SYSTEM - TENDER REPORT

EXECUTIVE SUMMARY

This report provides details of the competitive tender process jointly managed by the Council's Corporate Procurement and the Sustainability Units using Buying Solutions AMR Framework Agreement RM679/L5 for "Automated Meter Reading (AMR) & Associated Services. The report also recommends that Members accept the lowest tender received from Stark Software International Limited of £945,398 for the five year contract.

1.0 BACKGROUND

- 1.1 One of the 2010/11 priorities within the Council's Corporate Plan is to reduce the Council's carbon footprint. The recently revised target sets out to reduce our emissions by 60% by 2025. Automatic Meter Reading or AMR, is a tool that will help the Council achieve this goal and at the same time assist in the operation of the Carbon Budget process.
- 1.2 AMR is the term given to a system that provides meter readings automatically, removing the need for manual meter readings and ensuring accurate bills with no estimates. The system will provide electricity, gas and water users with accurate bills and provide information that could help them reduce waste and encourage the efficient use of resources.
- 1.3 The Council currently has approximately 700 Electricity meters, 400 Gas meters and 400 Water meters which will require the provision of an AMR system.
- 1.4 At Cabinet on the 21 February 2008 (minute 523 item (F) refers) Members recommended the installation of an AMR system to improve the accuracy of information, improve billing, increase energy efficiency as usage can be monitored, improve budgeting and provide accurate information on carbon reduction to allow the Council to measure it's progress against the Corporate Commitment to reduce it's Carbon Footprint.
- 1.5 As this is a highly specialised area, following discussions with Buying Solutions, the Council's energy purchaser, it was decided that the Council would benefit from the AMR Framework Agreement which Buying Solutions currently operate.
- 1.6 The aim of the AMR project is to provide the Council with a fully automatic system to provide accurate and timely utility metering data and energy profiles that can be passed directly to our energy suppliers to allow them to provide accurate monthly bills. There is also a financial incentive to install AMR prior to the second year of the CRC Energy Efficiency Scheme. The data will also be available for downloading into the Council's energy database and be

accessible for individual sites to view via an online data collection and reporting service provided as part of the contract.

2.0 CONTRACT TENDER DETAILS

- 2.1 The tender process for this contract was jointly managed by the Corporate Procurement Unit and the Sustainability Unit using Buying Solutions AMR Framework Agreement RM679/L5 for “Automated Meter Reading (AMR) & Associated Services - “One-stop-shop” solution”, the framework agreement came into effect on the 12 October 2009. This particular framework detailed the provision of AMR services for electricity, gas and water supplies together with additional services such as sub-metering if required.
- 2.2 Buying solutions have approved four contractors to deliver AMR services within the framework, they are British Gas Business, Logica UK Limited, Schneider Electric – Buildings Business and Stark Software International Limited.
- 2.3 The closing date for the return of tenders was 20 January 2010. Only three tenders were received from British Gas Business, Logica UK Limited and Stark Software International Limited.
- 2.4 As the number of meters in the proposed AMR contract will change as properties are acquired and disposed of, the current anticipated contract sums for each tenderer, based on their submitted rates are as follows: Stark: £945,398; British Gas: £1,064,821; Logica: £1,688,710. Please refer to Appendix A “Financial Analysis” for a breakdown of these costs.
- 2.5 Within the contract all electricity meters will be replaced with OFGEM approved pulsed metering systems. Because of the safety requirements surrounding gas meters, these meters will be owned and operated by an OFGEM approved Meter Asset Provider (MAP) and Meter Asset Manager (MAM) appointed by the successful contractor. Where existing gas meters do not support the provision of a pulsed output the Council will be required to pay for a replacement by the MAM. As water is not a deregulated service, all water meters are owned by United Utilities where similar provisions to gas meters apply albeit for different reasons. Financial provision has been made for the replacement of obsolete gas and water meters.
- 2.6 Under the terms of the AMR contract the cost of installation of electricity meters, all data loggers and the management and operation of each meter will be paid for by a monthly operating charge. Apart from the costs outlined in section 2.4, all other costs will be recovered from the monthly charges for an initial period of five years. For the purpose of quantifying Stark’s bid, RPI of 3% was applied (for illustrative purposes only) from the second year, although they still remain the most competitive contractor over the period of the contract.
- 2.7 At the end of the initial five year contract there are a number of options available to the Council. Under current procurement rules the Council will retender the AMR contract, there are no termination fees or end of contract administration charges as all costs will have been recovered during the contract period. It is expected that as the infrastructure has been upgraded as part of the original contract future contracts will cost less.

3.0 EQUAL OPPORTUNITIES IMPLICATIONS

3.1 There are no equal opportunities implications in this report.

4.0 PLANNING AND ANTI-POVERTY IMPLICATIONS

4.1 There are no planning and anti-poverty implications in this report.

5.0 COMMUNITY SAFETY IMPLICATIONS

5.1 There are no community safety implications in this report.

6.0 HUMAN RIGHTS IMPLICATIONS

6.1 There are no local human rights implications arising from this report.

7.0 ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

7.1 The installation of an AMR system will improve the accuracy of billing information this will increase energy efficiency as usage can be monitored and waste identified. The system will also provide accurate information on carbon reduction to allow the Council to measure it's progress against the Corporate Commitment to reduce it's Carbon Footprint. It will also aid in preparations for the introduction of the CRCEES and help to achieve National Indicator 185 & 194 targets. Individual sites will be able to use the web based information to assist them to meet the targets set out in the Carbon Budget.

8.0 ACCESS TO INFORMATION ACT

8.1 There are no implications under this heading.

9.0 LOCAL MEMBER SUPPORT IMPLICATIONS

9.1 There are local Member implications for all Wards arising from this report.

10.0 FINANCIAL AND STAFFING IMPLICATIONS

10.1 There are no direct financial implications arising from this report as financial provision has previously been approved as detailed below.

10.2 Cabinet on the 14th January 2010 (minute 269 refers) gave approval for the estimated annual cost of operating the contract of £100,000 per year for 5 years for Council buildings to be met from the Efficiency Investment Fund and also requested that the Schools Forum consider an AMR programme and that the estimated operating cost of £83,000 per year be met from the Schools' Budget. At the time of writing this report no decision had been reached by the Schools Forum. The tender analysis/elevation assumes school's participation and can be reduced if so required.

10.3 Until the contractor has been appointed and a survey of all meters has been carried out, the extent of obsolete meter replacements is unknown. Members have approved an allocation of £60,000 to facilitate the replacement of obsolete gas and water meters, as follows:

- Cabinet on the 21 February 2008 (minute 523 item “F” refers) made a provision of £30,000 from the £115,000 to be set aside to fund the replacement of non-compatible gas or electricity meters as required; and
- Cabinet on the 22 February 2010 (minute 322 item “9” refers) set aside a further £30,000 for the installation of AMR.

11.0 RECOMMENDATIONS

- 11.1 That subject to satisfactory contractual formalities being completed, Cabinet accept the lowest tender received from Stark Software International Limited, in the sum of £945,398 for the five year contract, with the option to extend the contract for a further twelve months.

**DAVID GREEN, DIRECTOR
TECHNICAL SERVICES**

APPENDIX A – FINANCIAL ANALYSIS

TENDER ANALYSIS

Company	First Year Cost	Cost Difference	Expected Contract Sum	Overall Cost Difference
STARK ¹	£178,070		£945,398	
BGB ²	£212,964	+£34,894	£1,064,821	+£119,423
LOGICA	£337,742	+£159,672	£1,688,710	+£743,312

ANNUAL COST ANALYSIS

Company	2010-11	2011-12	2012-13	2013-14	2014-15	5 Year Total
STARK ^{1 & 3}	£178,070	£183,412	£188,914	£194,582	£200,419	£945,398
BGB ²	£212,964	£212,964	£212,964	£212,964	£212,964	£1,064,821
LOGICA	£337,742	£337,742	£337,742	£337,742	£337,742	£1,688,710

NOTES:

¹ RPI applied to Stark's prices from year 2 at an average rate of 3% per annum

² Does not include Meter Asset Provider/Meter Asset Management services for gas meters

³ RPI forecast obtained from HM Treasury report "Forecast for the UK economy" issued January 2010

