

Decision of:	Corporate Director of Community Wealth Building
Date of Decision:	26 November 2024
Publication:	Part Exempt
Council Priority:	Greener, Healthier Islington
Wards:	Bunhill and St Peter's and Canalside
Responsible Officer:	Martijn Cooijmans, Director of Climate Change and Transport
Report No.	1028597

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## Subject: Procurement Strategy and Contract Award Report – Bunhill Heat & Power Network Operations and Maintenance Contract

### 1. Recommendations

- 1.1. To approve the procurement strategy to secure a contract to manage the operation and maintenance of the Bunhill Heat and Power Network (BHPN).
- 1.2. To approve the award of an operation and maintenance contract to Vital Energi for a maximum period of 24 months, which includes an optional year extension, at a revised total cost of £1,217,928 pursuant of Lot 1 (All Encompassing Technologies) of the Lexica Net Zero Carbon Delivery framework agreement. This includes a £9,210 one-time setup fee.

### 2. Report summary

- 2.1. On 28 June 2024, the council made the decision to award Vital Energi a one-year O&M contract (with a possible one-year extension) based on the best assessment of contract value available. However, the final quote Vital Energi provided was significantly higher than the value set out in the procurement strategy.
- 2.2. The increase of costs is due to an increased scope of works, the complexity and specialised nature of Energy Centre 2 and the underestimation of previous O&M works.
- 2.3. This new decision reduces the award of contract to a one-year contract that will allow Vital Energi to run and stabilize the network during the 2024 winter heating

season and allow the council to carry out a competitive tender during this period for a new contract award after year one.

- 2.4. The increased costs will be met through increased revenue from new connections that are planned to take heat in the 2025 heating season. The council took the decision to extend the BHPN to City Forum and Telfer House on 4 November 2024.
- 2.5. The purpose of the report is to seek approval for the procurement of the operation and maintenance (O&M) contract for the Bunhill Heat and Power Network and recommends the award of the contract to Vital Energi.

### 3. Details of the proposal

- 3.1. The original Bunhill Heat and Power Network began operations in 2013 with one energy centre (now referred to as EC1). A further energy centre (now referred to as EC2) which began full operations in October 2023.
- 3.2. The Bunhill Heat and Power Network provides heat for hot water and space heating to two leisure centres, a primary school and 1,362 residential customers across both council and private residential properties.
- 3.3. The contractor that designed and built the original Bunhill Heat and Power network has provided operation and maintenance for EC1 and the connected substations for the last 10 years. Their contract has been extended to 31<sup>st</sup> December 2024.
- 3.4. In 2015 a separate contractor was appointed to design and build the expansion to the network (i.e. EC2) that involved extending the pipe network, building a new energy centre (EC2) and connecting multiple sites to the network. This contractor was also appointed as the operations and maintenance contractor of EC2.
- 3.5. The intention was that both the networks' operations and maintenance contracts would terminate at the same time, at which point a single contract could be arranged for the whole network. However, the Council started operating the EC2 network directly from 6 March 2023 and given that the operations and maintenance contract of EC1 is due to expire in December 2024, the Council is now seeking to procure a new main contractor for the operation and maintenance of the entire network.
- 3.6. **Future of the service:**
  - 3.6.1. An expansion of the Bunhill Heat and Power network is already planned with future connections to Telfer House (Islington) and City Forum (Berkley Homes) due to commence following an Executive decision on 14 March 2024.
  - 3.6.2. A major redevelopment is planned for the Finsbury Leisure Centre site which proposes that EC1 is decommissioned, and the land included in the redevelopment. If this proceeds as proposed, the new operation and maintenance contract must be flexible enough to accommodate the associated significant change in the operation of the network.
- 3.7. **Current arrangements**

- 3.9.1 Since 6 March 2023 the Council has managed the operation of the network, including EC2 operations and maintenance, and the arrangements for EC2 and phase two substations. This required engagement with manufacturers, designers, and specialist contractors to manage the installed equipment. A number of external contractors have also been commissioned for minor or one-off pieces of work. EC2 has also been added to the council's corporate contract for fire alarm and emergency lighting.
- 3.9.2 The Energy Operations team took on the general day-to-day running and maintenance of the energy centre, supported by Council mechanical services and facilities teams. Customer relations with the connections to the network and customer billing continued to be the responsibility of the Council.
- 3.9.3 Operating Bunhill Heat and Power Network with the current arrangements is a significant risk as there is the potential for scope gaps or issues to be passed between contractors. This risk can be reduced if a single contractor has overall responsibility for Bunhill Heat and Power Network.

### 3.10 **Maintenance contract scope**

- 3.10.1 The operation and maintenance of the Bunhill Heat and Power Network involves:
1. Managing the operation of the network to ensure heat is always available for customers.
  2. Monitoring the network and responding to any operational issues.
  3. Servicing energy centre equipment on a regular basis in line with manufacturers' requirements, e.g. Combined Heat and Power (CHP) and heat pump
  4. Carrying out regular preventative maintenance, e.g. cleaning out strainers, and turning valves to prevent them seizing up.
  5. Carrying out repairs or replacements where parts or equipment fails.
- 3.10.2 Any future operation and maintenance arrangements need to meet the following requirements:
6. 24/7 (365 days) monitoring and response to deal with emergency situations or equipment failures that result in the loss of heating and hot water for customers.
  7. Specialist maintenance, servicing, and repairs of the heat network equipment.
  8. Flexibility to deal with the uncertain future of EC1 (and the possibility of running the network with EC2 only), the planned connection of two housing blocks to the network by early 2025, (City Forum and Telfer House), and any other potential new connections to the network that may arise during the contract period.
- 3.10.3 Manufacturers' warranties for all existing plant (e.g. CHP's and heat pump) and pipework across both EC1 and EC2 have now expired. Initial discussions regarding cover for the replacement of all equipment in the event of failure were prohibitively expensive, so the contract will only cover day-to-day operations and maintenance. Repairs and replacements will be quoted for separately and carried

out at additional cost. Schedules of rates will be requested so there is cost certainty for common repair issues.

### **3.11 Recommendation**

3.11.1 A single operations and maintenance contract gives one contractor the overall responsibility for managing the network and provides simpler contract management arrangements for the council. This does not require any changes to the internal resource of the operations team and is more cost effective for the council.

3.11.2 A call off contract from an existing framework agreement is recommended on the basis that it enables the council to procure a contractor that is familiar with Bunhill Heat and Power Network. Retaining specific knowledge is important to maintain the service without disruption. Using a contractor who has already worked on the network for a full heating season will ensure greater resilience for the network and the council. Given the term duration of this contract (to accommodate for potential network configuration changes and expansion opportunities) and due to the network still being in a commissioning phase after its issues were resolved, it would be both impractical and undesirable for new contractors that have not had any involvement with the network to date to take on the operations and maintenance at this stage.

## **4 Other options considered and the reasons for recommending this proposal**

4.1 Taking over the operations and maintenance of EC2 has provided the Council an excellent insight into the operation and maintenance of the network, as well as the true costs and resource requirements needed for its operation.

4.2 Delivery of operations requires 24/7 remote monitoring and supervision on the networks control system for the purpose of identifying and rectifying issues associated with shutdowns, faults, and warning alarms. These are either to be resolved remotely or through site attendance in line with necessary response times.

4.3 The four options considered are set out below.

### **4.4 Option 1: Do nothing**

4.4.1 This option is not viable as the council has a key strategic asset, EC1 and EC2 and network connection require specialist repairs and maintenance services to keep them in safe operation. This option is not viable if the network is in operation.

### **4.5 Option 2: In house**

4.5.1 Under this option, the operation and maintenance works would be completed in-house with Islington Council entirely responsible for remotely monitoring, supervising and maintaining the network on a 24/7 basis. The council would need to identify and rectify all issues associated with network shutdowns, faults and alarms.

4.5.2 To implement this the operations the team would need to take on additional technical capacity. Suitable facilities would need to be provided in the Bunhill area including desks, workbench, storage, and welfare facilities. This could potentially be found in the council's existing building stock, with the Council owning several non-domestic properties in the Old Street area.

4.5.3 The council would continue to use corporate contracts for areas such as fire alarms and emergency lighting, with the Energy Operations Team continuing to manage operations alongside minor repairs such as replacing meters or sensors.

4.5.4 The main benefits with this option are:

9. Removal of main contractor margins by contracting directly with subcontractors who will be delivering the work
10. Increasing employment in the Borough
11. Developing in house skills and knowledge

4.5.5 The main disadvantage with this option is:

4.5.5.1 **Lack of expertise:** In-house teams do not have the necessary expertise to effectively manage all aspects of network. Specialist equipment including CHPs, heat pump, controls system and ammonia scrubber need to be operated and maintained by specialist engineers. This approach will require additional staff and tools, such as specialist planned preventative maintenance and task scheduling software. The council will also fully own the risk of delivering heat to residents 24 hours per day, 365 days per year. In the absence of an operations and maintenance contract the council would be unable to recuperate any penalties that would result in poor response times to cover any compensation.

4.5.5.2 **Increased reliance on individuals and staff churn:** The council has a small team dealing with heat networks and staff turnover poses a risk that expertise may be lost, which would make it harder to manage the multiple contractors and the interfaces between the contractors' areas of responsibility.

4.5.5.3 **Resource constraints:** Operations require 24/7 emergency response and on-call engineers. The logistics of responding quickly to network outages and completing reactive maintenance requires prompt response times and a roster of engineers available on call. This delivery is not possible with the current staff levels. To ensure prompt response times to emergencies (required in an operations and maintenance contract), the team would need significant expansion, including onboarding additional mechanical and controls engineers. Under new regulation (Energy Act 2023), the council could also be heavily penalised if the network fails to provide heat to

consumers. In the absence of a contract the council would be unable to recuperate penalties resulting for poor response times to cover any compensation.

- 4.5.5.4 **Cost-effectiveness:** In-house management necessitates the recruitment of a significant number of personnel to facilitate and execute operations. This includes a sufficient workforce to maintain a roster, as well as engineers to handle shift work. It is essential to have engineers who can cover mechanical, electrical and control issues and can be mobilised 24/7. Multiskilled staff can cover multiple areas, reducing team numbers, but overall, more staff will be required. The financial implications of maintaining a team may exceed the cost of alternative solutions. Operation and Maintenance contractors address this by spreading team costs over multiple sites.
- 4.5.5.5 **Adhering to compliance and regulations:** Implementing in-house delivery would necessitate the council's continuous adherence to all industry standards and regulations. This would involve assigning a team member the responsibility of staying abreast with regulatory updates and integrating these changes into existing workflows. Unlike an operations and maintenance contract, compliance would be entirely the council's responsibility. In contrast, an operations and maintenance contract mandates suppliers to comply with specified technical standards, enforceable as per the terms of the contract.
- 4.5.6 Given the disadvantages of in-house operations and maintenance this option is not recommended.

#### **4.6 Option 3: Competitive tender exercise (single operations and maintenance contract)**

- 4.6.1 This option would involve the council running a tender exercise open to the whole market to secure a new contractor to run the Bunhill Heat and Power Network operations and maintenance contract.
- 4.6.2 The key benefits of this option are that the tender exercise would be open to the whole market which may result in achieving a lower cost contract. The council would also have more direct control over the procurement
- 4.6.3 The main disadvantage of this option is the risk to the council of EC1 and EC2 outages caused by a new contractor's unfamiliarity with the equipment. This is a key consideration given the issues encountered when getting EC2 systems fully operational.
- 4.6.4 In addition, running a tender exercise will take more time than other options. There is also an increased risk of the procurement failing if no suitable contractors bid for the contract. For these reasons this option is not recommended.

#### **4.7 Option 4 (Recommended): Call off contract from an existing framework agreement (single operations and maintenance contract)**

- 4.7.1 This option would enable the council to secure a call off contract from an established framework agreement for heating network maintenance contractors. The main routes

to secure the call off contract are through a mini-competition or direct award to a specific contractor.

- 4.7.2 The key benefits of this procurement route are that the provider of the framework agreement has already conducted a detailed pre-selection process to assess the suitability and capability of the contractors on the framework agreement.
- 4.7.3 The option of direct award will also enable the council to procure a contractor who has familiarity with the network and has direct experience operating and maintaining the existing network over a full heating season. This knowledge will be important for maintaining the service without disruption, ensuring greater resilience for the network and the council.
- 4.7.4 The direct award option is also the quickest route to secure a compliant contract.
- 4.7.5 The main drawback of the direct award option is that it removes the competitive element of the procurement. The council feel this is necessary due to the significant technical and reliability risks of moving to a new contractor at this stage in the operation of the whole Bunhill Heat and Power Network. The new contract will give the council more time to build knowledge and experience of the systems to an alternative procurement route can be considered when the contract is next procured. In addition, there will be an additional fee charged by the provider of the framework agreement which will increase prices slightly for the council.

## 5 Key impacts and risks of the proposal

### 5.1 Key Impacts

- 5.1.1 Having a single reliable contractor to operate and maintain the Bunhill Heat and Power Network will allow the heat network to run smoothly and minimise network down time. Hence, heat network service users will be able to rely on the network rather than existing communal boiler systems, which is less carbon intensive.
- 5.1.2 This contract provides the council with an opportunity to secure additional social value for the local community including employment and training and the wider local economy. These are set out in more detail in 6.3.1.
- 5.1.3 The successful contractor will be required to meet the London Living Wage as a condition of the contract.
- 5.1.4 There will be no TUPE, Pensions and Staffing implications for this contract. No staff would be transferred to or between contractors

### 5.2 Business Risks

- 5.2.1 The main risk in this procurement is a non-competitive tender given that the contract is to be limited to a single bidder. This will be mitigated by the fact that the Council has an excellent understanding of the real costs and requirements of operating the network, allowing the definition of a clear scope of requirements that avoids any ambiguity that could result in additional costs. The thorough understanding of costs

associated with running the heat network will help council officers to challenge the contractor to ensure value for money is achieved. Clear Key Performance Indicators (KPIs) will be established that the contractor must meet, these will ensure that the council is getting the expected level of service. There will be a dedicated Contract Manager who ensures that the contractor's performance is continuously reviewed to ensure that they meet their contractual obligations and deliver value for money.

5.2.2 Poor performance by the contractor post appointment potentially poses as a risk, as this will impact the financial performance and the physical condition of the network. This will be mitigated through a rigorous assessment of the method statement response to the question about KPIs, and inclusion of these KPIs and others determined by the Council in the contract. Furthermore, the contractor has performed well throughout the duration of the current contract. Hence, the risk is low.

5.2.3 Lack of contractor responsiveness is also a risk with a single operation and maintenance provider. The following contract management will be put in place:

- The contract will require the contractor to provide the council with updates according to the relevant response times, the contractor will respond by mail, phone, or in-person/online meeting, as appropriate to the council. It will be a requirement on contract that the contractor meet the council for monthly and annual meetings, and any other meetings as required. Since 2012 the contractor has continued to report to the council and serve as the Operations and Maintenance contractor.
- The Operations Team will engage on a day-to-day basis with the contractor. For the avoidance of doubt, any written content in the form of monthly and annual reporting delivered to the council must satisfy the appointed contract manager to a reasonable degree. In addition to contract management arrangements, ensuring that delays are mitigated the detailed response times will be a condition of contract and liquidated damages clauses will be put in place to prevent poor response times.
- Key Performance Indicators (KPIs) will be used to measure the performance of the appointed contractor and ensure that their services align with the terms of the contract. A high-level summary of the proposed KPIs to be included in the contract specification include:
  - System performance metrics – covering system availability, efficiency and reliability
  - Response times
  - Repair time
  - Water quality
  - Preventative maintenance compliance
  - Network cost efficiency
  - Carbon intensity of heat delivered
  - Reporting



- The contract will not include repairs and replacements as the installed equipment is no longer under warranty. The contract will include an agreed Schedule of Rates (SoR) instead, which will detail the costs to repair, purchase and install routine equipment. This function will speed up timelines for repair through removing the need for quotations every time. Where a quotation is needed for major works the council will require the contractor to seek multiple quotes.

## 6 Key procurement considerations

### 6.1 Estimated contract value

- 6.1.1 To accommodate potential network configuration changes and opportunities, it is proposed that the contract be let for a period of 12 months, with an option to extend by 12 months. The contractor would be asked to include options for the inclusion and exclusion of EC1, giving the Council the price for the removal of EC1 from the contract if the Finsbury Leisure Centre redevelopment proceeds, as well as including a price for the additional cost of maintaining the City Forum and Telfer House connection.
- 6.1.2 The previous decision to award a two year contract with the option to extend another one year has been reevaluated and the council has decided to award the contractor a one year contract with an option to extend another year instead. This gives the council the option for a competitive tender after 12 months if required, allowing for a revision of the contractor's prices after the first year.
- 6.1.3 The cost of the contract for the provision of the annual planned maintenance is £604,359 per annum (including the 1.5% fee for accessing the external framework agreement). There is also a one off set up fee (£9,210) for EC2 that includes the assessment of existing plant ,pipework infrastructure and site set up. This means the total contract cost for a period of up to 24 months, including optional extensions is £1,217,928.
- 6.1.4 This cost does not include the replacement of unrepairable equipment. As several years have passed since installation, none of the installed equipment remain under warranty. This will be subject to a separate procurement and falls outside of the operation and maintenance scope.

### 6.2 Funding Arrangements

- 6.2.1 The operation and maintenance costs for the network are covered by the network's various revenue streams, which include:
  - 12. Sale of heat to connected sites (council housing, private housing, leisure centres and Moreland School).
  - 13. Sale of electricity produced by the CHPs into the grid.
  - 14. Sale of electricity produced by the EC2 CHPs to London Underground (to power their fan) and Kestrel House (for the landlord supply).

15. Renewable Heat Incentive payments from Ofgem (a subsidy for heat produced by the heat pump).

6.2.2 Historically any surplus or deficit from the operation of the Bunhill Heat and Power Network has been transferred to the Housing Revenue Account at the end of the financial year. In some financial years (including in 2023-24) this recharge increased significantly for example following replacement and commissioning of control equipment at EC1 and EC2.

6.2.3 It is proposed that heat sales from the council's nine housing connections are charged based on heat used by each site, as each site has metered heat supply from Bunhill to each housing plant room. This allows the Bunhill operations team to accurately calculate the level of recharge to the HRA on a quarterly basis.

6.2.4 The Bunhill Operation team are currently speaking with Finance about the possibility of changing the Bunhill budget to a trading/ringfenced account, which would enable surpluses to be accrued for plant replacement over Bunhill's life cycle. The team will continue discussing this approach with finance and legal, but the issue and resolution lies outside the scope of this report (see Financial Implications for more information).

### **6.3 Key considerations**

6.3.1 The council has identified social value themes across community; inclusive economy and employment to be delivered as a minimum for this contract. Vital Energi has committed to deliver the following:

#### **6.3.1.1 Inclusive economy:**

To use the council Construction Directory of construction services suppliers to achieve Social Value through Local Procurement.

16. To report upon total amount (£) spent through contract with local micro, small and medium enterprises (MSMEs), including diverse businesses and social enterprises.

17. The contractor will include local MSMEs in relation to any sub-contracting or other business opportunities available as a result of this contract, such as for printing, office suppliers, catering, venue hire, or legal services.

18. Spend with Islington based micro and small, and businesses led, owned and/or operated by those with a protected characteristic are particularly encouraged.

#### **6.3.1.2 Employment:**

19. To link Islington students from the nearby Goswell Rd College campus site who are studying Level 3 in engineering and organise a one and a half hour (1.5hr) talk delivered by the contractor or their subcontractors to a small cohort of students once every three months.

20. The educational presentation would be on site- so that the students could see the engineering involved in the net zero heating systems- thereby inspiring them to go

on to university which is the priority objective of the college itself and of great social value in terms of social mobility outcomes.

21. The council's employment service already has a relationship with the college and would be the point of contact to arrange the educational visits.

#### 6.3.1.3 **Community:**

6.3.1.4 Recruitment for a paid placement to be targeted at Bunhill Ward residents or neighbouring ward residents and interviews carried out at the St Lukes Centre. Similar to be used for filling any additional vacancies created as a result of the new contract. To be target at residents, where possible, with support from the council iWork team.

6.3.1.5 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

## 7 Contribution to the Islington Together 2030 Plan

7.1 District heating schemes such as Bunhill Heat and Power Network, play an important role in decarbonising heat in the borough. The council's Net Zero Carbon (NZC) strategy, Vision 2030, sets the council's vision for a fair and green future for residents, with commitments to increase the use of zero carbon district heating in the borough as highlighted under Priority 3 (Sustainable and affordable energy generation and supply). Instead of using individual or communal gas boiler systems, buildings connected to the network are supplied low carbon heat from centralised plant at EC1 and EC2. In addition to the initial network that uses Combined Heat and Power (CHP, the Bunhill extension, has been helping to reduce emissions by utilising waste heat from the London Underground in conjunction with a heat pump to heat residents' homes.

## 8 Implications

### 8.1 Financial Implications

This report seeks approval to award an operations and maintenance contract for Bunhill Heat and Power Network to Vital Energi at a cost of £1,217,928 (24

months). The contract value is £604,369 per annum including 1.5% external framework fees and there is also one off set up fees (£9,210) for EC2 (included in the total above).

This is a significant increase from the previous O&M contract (see Exempt Appendix) however this was for operation and maintenance of EC2 only. The contract scope for EC1 + EC2 has increased (see 3.10.1) and the short duration (12 months + 12 months option) will help accommodate changes to the Network.

The call off contract from an existing framework agreement enables the council to procure a contractor that is familiar with the Network. This is a fixed price contract however as noted in 3.10.3 any repairs and replacements will be quoted for separately and at additional cost (original equipment is no longer under warranty).

As noted in 6.2.2 any surplus or deficit from the operation of Bunhill is transferred to the HRA but three operating models are now being considered for the Network:

- (a) Do nothing (and continue to recharge HRA the balancing amount)
- (b) Charge HRA based on actual use and ringfence any surplus/deficit
- (c) Charge HRA based on actual use and do not ringfence any surplus/deficit

It is largely accepted that (a) is no longer desirable as charging based on actual use is more transparent and provides Housing with more certainty over costs. However more financial modelling from Carbon Descent is needed to determine whether Bunhill should be ringfenced or part of the council's revenue budget.

As noted in 6.2.4 a ringfenced account would enable a surplus to be accrued for plant replacement over Bunhill's life cycle however in the short term (specifically the 24 months of this contract) the Network may run at a loss and be in deficit. A decision will therefore need to be made on whether to ringfence operations (that may result in a deficit on the council's balance sheet and no funding to support investment in new plant/equipment) or report on an annual basis as part of Environment Directorate's revenue position (General Fund).

Should (c) be the preferred operating model the Network would need to bid for capital investment in the usual budget setting cycle as part of the MTFs.

Following future connections to Telfer House and City Forum (3.6.1) the Network is anticipated to generate a surplus even after decommissioning EC1 (3.6.2). This is detailed in the Exempt Appendix with Scenario 4 (EC2 Only + City Forum) being the expected Scenario taking into account the contract value detailed above.

## **8.2 Legal Implications**

- 8.2.1 The council has power to procure and enter into the proposed contract under section 1 of the Local Government (Contracts) Act 1997 and section 1 of the Localism Act 2011.
- 8.2.2 It is proposed to use the Lot 1 (All Encompassing Technologies) of the Lexica Net Zero Carbon Delivery framework agreement. This will be done through a direct award via this framework to Vital Energi.
- 8.2.3 The total estimated contract value is above the current Public Contracts Regulations 2015 (the Regulations) threshold for Services. The proposed direct award is a legally compliant route to market and in accordance with the Regulations.
- 8.2.4 The proposed procurement route is also compliant with the council's Procurement Rules.
- 8.2.5 Corporate Directors have authority to approve procurement strategies and award contracts in relation to contracts for using revenue money of up to £2,000,000 of Islington Council spend and contracts for using capital money of up to £5,000,000 of Islington Council spend (Procurement Rule 18.1.1).

### **8.3 Climate Change and Environmental Implications**

- 8.3.1 Carbon emissions are an implication of this procurement as Bunhill Heat and Power Network has three Combined Heat Power (CHP) engines which run on natural gas. Operation of these engines alongside the heat pump allows heat to be generated at a commercially viable rate. Electricity generated by CHPs at EC2 provides the electricity requirements needed for the heat pump to operate, generating electricity through the CHPs is more commercially viable than using electricity from the grid. CHPs (85-90%) are also much more efficient than Islington's communal gas boiler systems (65%), thus using Bunhill Heat & Power Network for both heating and hot water requirements lowers carbon emissions. Carbon emissions from contract operations will also be decreased by the contractor's employees using electric vehicles where possible.
- 8.3.2 The Heat pump in Bunhill Heat and Power Network (located at Energy Centre 2) uses Ammonia for the refrigeration process. If ammonia refrigerant was to leak this could cause a pollution incident. This risk is minimised by a combination of engineering, personal protective equipment, supervision and training controls. The appointed contractor will be required by contract to provide the Council with copies of its risk assessment method statements (RAMS), including DSEAR (Dangerous Substances and Explosive Atmospheres Regulations) and COSHH (Control potential impact on air quality arising from the operation of the CHPs in each energy centre of Substances Hazardous to Health Regulations) assessments.
- 8.3.3 It was identified that there was potential for pollution to result from this contract. To reduce the risk of pollution from waste generation to deliver the contract, it will be required according to the contract that any waste generated (for spent oil, lubricants, ammonia, other consumables, materials needed for repairing and

replacing equipment) is removed and disposed of appropriately, the contractor will also need to maintain a Waste Carrier's Licence in accordance with all relevant legislation and guidance. Before each energy centre was built, Air Quality Assessments were undertaken, these investigating the potential impact of air quality arising from the operation of the CHPs in each energy centre. Impact at receptors was assessed as negligible. The use of networks of CHPs and heat pumps reduces the required operation of each connection to existing boilers. This results in reduced annual emissions of both nitrogen oxides and particulate matter. The Air quality assessment completed for Phase 1 of the scheme estimated that emissions would amount to around 50% of that of existing boilers. Regular maintenance of network CHPs includes regular monitoring of CO and NOX to ensure operation within the required limits.

#### **8.4 Equalities Impact Assessment**

8.4.1 The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

8.4.2 An Equalities Impact Assessment was completed on 4 June 2024. The main findings are:

- Main beneficiaries of an operation and maintenance contract are those who receive bulk heat from the Bunhill Heat and Power Network, a new contract will allow the network to remain in operation and provide low carbon heating and hot water from each energy centre.
- A provider will also be able to provide swift resolution and support to ensure that the district heating side of the network continues to meet the bulk demand of each connection. Each Bunhill Heat and Power Network connection also has their own boiler system, residents should not experience any disruption to their supply of heat and hot water as should Bunhill Heat and Power Network ever fail to supply heat, boilers will provide the heating and hot water requirements needed.

8.4.3 The full Equalities Impact Assessment is appended.

## **9 Timetable for implementation**

9.1 The aim to have a new contract in place by January 2025. The existing contractual arrangements with the EC1 and EC2 contractors has been extended to 31<sup>st</sup> December 2024 to avoid any break in the repair and maintenance service.

9.2 Table 1 below shows the provisional timetable for this procurement.

Milestone	Date
Approval of Procurement Strategy and Contract Award	2 December 2024
Completion of direct award process	21 December 2024
Contract Start	1 January 2025

### Report authorised by:

Director of Climate Change and Transport

Date: 14 November 2024

## 10 Record of the decision

I have today decided to take the decision set out in section 1 of this report for the reasons set out above. My agreement is indicated by the checkbox below.

Decision authorised by:

**Corporate Director of Community Wealth Building**



**Date: 2 December 2024**

### Appendices:

Appendix 1: Equalities Impact Assessment

Appendix 2: Financial Appendix (exempt from publication)

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