

<b>Item No.</b> 6.2	<b>Classification:</b> Open	<b>Date:</b> 30/07/2007	<b>Meeting Name:</b> Major Projects Board
<b>Report title:</b>		Update on Multi-Utility Services Company (MUSCo)	
<b>From:</b>		Strategic Director For Major Projects	

## RECOMMENDATION

1. To note this report

## BACKGROUND INFORMATION

2. Southwark is committed to reducing carbon emissions across the borough and net zero growth at the Elephant and Castle. To facilitate this, the council is selecting a Multi-Utility Services Company (MUSCo) to provide locally generated heat, cooling and electricity for the additional homes and businesses planned for the area. In addition, the MUSCo will deliver a non-potable water network and fibre optic communications network to reduce the consumption of drinking water and deliver the next generation of connectivity and entertainment services to the area.
3. On the 18 July 2006 the Executive approved the commencement of the commercial partner selection process for the MUSCo on the basis of terms set out in the report to that meeting.
  - As a result of this a Europe-wide procurement process was launched.
  - 15 candidates (largely offering individual components of the MUSCo) expressed an interest in the process.
  - On 12 March 2007 three consortia submitted bids and on 24 April 2007 the Executive agreed a shortlist of three consortia to be invited to the next stage of the procurement process.
4. Bidders for the Master Development Partner have been informed of the proposed technical solution through tender materials for their selection process and briefings with the Council's technical team. Both short listed bidders were informed of the proposed timetable for MUSCo procurement and the envisaged input of the successful MDP in that process. The selection of the Master Development Partner (MDP) for the Elephant and Castle was agreed by Executive on 24 July 2007.
5. Further refinement of the technical model has been carried out by Parsons Brinkerhoff
6. A refinement of the economic model, assessing the impact of the council's participation in the MUSCo vehicle on both the viability of the MUSCo and risk exposure to the Council is being carried out and will be completed for the relevant period of the MUSCo procurement.

## **KEY ISSUES FOR CONSIDERATION**

### **MUSCo Procurement Process**

7. The third stage of the MUSCo Partner procurement exercise has the following objectives:
  - select a partner to deliver the MUSCo that has the technical capacity to deliver zero carbon growth and other sustainability objectives at the Elephant and Castle development,
  - that offers a financially robust model for the delivery of the infrastructure necessary to achieve this,
  - that offers a model of investment and ownership of the commercial vehicle to deliver the Council's objectives in a fashion that is most beneficial to Southwark, and
  - that delivers a service that is beneficial to the community of residents and businesses to which it is connected.

### **Coordination with the MDP process**

8. It is essential from both a financial and technical perspective that the MUSCo and the Elephant & Castle development as a whole are coordinated. The MDP will deliver a significant component of the MUSCo infrastructure. It is important that a coordinated approach is taken between these organisations, and that a good working relationship exists between the two sets of partners from the beginning. It is therefore, intended that the MDP be involved in the final MUSCo selection process.
9. A fully costed indicative technical solution referenced against the framework for development has been produced. A refinement of loads profiling is taking place based on the successful MDP submissions, and the phasing indicated in those submissions. In parallel, the impact of different financing models and corporate structures will be assessed so that the model that best meets the council requirements can be selected. The final stage of the selection process will not be entered into prior to this being in place.

### **Involvement of Successful MDP Partner**

10. While it is essential that the MDP partner is involved in the procurement process for a MUSCo partner, it is also important that this is managed by the Council to ensure its interests are paramount in the selection process.
11. A preliminary meeting will be held with the preferred MDP partner to review its approach to the MUSCo in its bid and update it on the MUSCo selection process shortly after selection. Regular interface meetings between the MDP and the MUSCo selection teams will occur and direct tripartite negotiations involving both MDP and MUSCo bidders at the end of the process will follow. The results of these negotiations will be fed into the partnering and risk scores for bidders.

### **Involvement of other Key Stakeholders**

12. Other major stakeholders in the scheme (Housing Associations, London Underground Ltd. and South Bank University) will continue to be fully informed of the progress of the MUSCo Partner Selection process. Agreement has been gained

from these organisations that further iterations of their technical requirements will be fed into the MUSCo partner selection process.

13. In addition, the MUSCo procurement team will facilitate meetings between these bodies and the MUSCo bidders. The MUSCo procurement team will feed the result of these meetings into the partnering and risk scores, interface with these organisations requirements will also be considered in the technical submission.

### **Elephant and Castle Board**

14. Highlight reports will be given to the Elephant and Castle Project Board.

### **Stage 3 Submission**

15. The Bid Document, against which the bidders will submit, will be tailored to direct bidders to address weaknesses highlighted in the negotiations with all 3 parties leading its production. This document will also reflect the content and conclusions of negotiation strategy meetings and discussions at the Elephant and Castle Project Board. The Executive Member for Regeneration will sign-off the Bid Document before it is passed to the short-listed bidders. The timetable for the procurement process is as follows: -

<b>Activity</b>	<b>Date completed</b>
<b>Gateway 1:</b> Procurement commencement agreed	18/07/06
Closing date for return of tenders	12/03/07
Approval of Shortlist	24/04/07
Issue of Stage 3 Document	20/08/07
Closing date for return Stage 3 submissions	30/11/07
Assessment of Stage 3 concluded	15/02/08
Preferred partner selection report submitted	29/02/08
End of Call in Period	07/03/08
<b>Gateway 2:</b> Contract award for approval	Summer 2008
"Power On"	Winter 2010

### **Early Works**

16. A 6kW wind turbine has been installed, the first of its size installed on an inner city housing block. In partnership with South Bank University, the turbine is being used to conduct a fully instrumented trial measuring noise, vibration, power output and local wind conditions. The data gathered in this trial will be passed to developers to enable the most effective deployment of wind generation both at the Elephant and Castle development and elsewhere. A second wind turbine is due to be installed in Autumn, provided no problems with the current turbine are identified.
17. Works to drill a borehole and test flow rates and water quality from the deep chalk aquifer that lies beneath the area began at the end of July. The use of a local supply of water such as this will mitigate the use of treated water and reduce the energy consumption associated with treatment and pumping from distance.

## BACKGROUND DOCUMENTS

Background Papers	Held	Contact
2 <sup>nd</sup> Deposit Southwark Plan and E&C SPG adopted Feb. 2004	All papers held at Elephant & Castle Development Team Coburg House 63-67 Newington Causeway SE1 6LS	Jon Abbott 020-7525-4902 <a href="mailto:jon.abbott@southwark.gov.uk">jon.abbott@southwark.gov.uk</a> <a href="mailto:chris.horn@southwark.gov.uk">chris.horn@southwark.gov.uk</a>
MUSCo PSP Procurement Gateway 1		Tony Moseley 0207 525 4903 <a href="mailto:tony.moseley@southwark.gov.uk">tony.moseley@southwark.gov.uk</a>
MUSCo PSP Tender Documentation		Tony Moseley 0207 525 4903 <a href="mailto:tony.moseley@southwark.gov.uk">tony.moseley@southwark.gov.uk</a>
MUSCo PSP Tender Submissions		Tony Moseley 0207 525 4903 <a href="mailto:tony.moseley@southwark.gov.uk">tony.moseley@southwark.gov.uk</a>
Climate Change Strategy	Chatelaine House 186 Walworth Road	Bob Fiddik <a href="mailto:Bob.fiddik@southwark.gov.uk">Bob.fiddik@southwark.gov.uk</a> 020 7525 3804

## AUDIT TRAIL

<b>Lead Officer</b>	Chris Horn.	
<b>Report Author</b>	Tony Moseley	
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<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Legal and Democratic Services	No	No
Finance Director	No	No
Strategic Director of Environment and Housing	No	No
Head of Sustainability and Housing	No	No
	No	No
<b>Executive Member for Regeneration</b>	No	No
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