



BELFAST CITY COUNCIL

Report to:	Strategic Policy & Resources Committee
Subject:	Approval to seek a Tender for a Natural Gas Utility Provider and the Conversion of the Cecil Ward Building from Oil to Natural Gas
Date:	18 th June 2010
Reporting Officer:	George Wright, Head of Facilities Management, Ext: 5206
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Relevant background information

Members are reminded that following the expansion of the natural gas network into the Greater Belfast area, Belfast City Council took the decision in 1997 to convert a number of Council properties from oil to natural gas due to competitive prices relative to oil and also in the light of environmental considerations, specifically reduced greenhouse gas emissions.

At that time and, until recently, there has been only one natural gas supplier for Northern Ireland. This situation has now changed with the utilities regulator opening the natural gas market to competition, and there are now up to 5 licensed natural gas suppliers, several of which are actively seeking to gain a share of the natural gas market in Northern Ireland. An opportunity therefore exists to subject the provision of gas to competitive procurement and secure lower prices.

Natural gas accounts for over one quarter of Belfast City Council's annual expenditure on utilities and is currently supplied to 64 Council buildings at a cost of approximately £1m in 2009/10. Subject to committee approval a specification will be prepared in order to permit the contract to be let, and advertisements will be placed in the local press inviting either applications for inclusion on a Select List or submission of tenders, as appropriate.

In addition the opportunity exists to convert the Cecil Ward building from oil-fired central heating to natural gas. This has the potential to save approximately **£6,000** per annum in heating costs for the building with an associated reduction in carbon emissions of approximately **45 tonnes** per year. The total cost of the conversion is approximately £30,000 with a grant of £13,000 available as a contribution towards to conversion cost; this represents a payback period of under 3 years.

Key Issues

The duration of the natural gas utility contract is to be for 2 years with an option to extend for a further year. This is felt to provide the optimal balance between regularly testing the market to obtain the keenest prices and minimising the administration associated with the procurement process.

Submissions will be evaluated in accordance with agreed evaluation criteria and in liaison with the Procurement Section.

Members will be aware that the Facilities Management Section is continually seeking to reduce energy costs and to minimise CO² emissions, and it should be noted that these efforts have undoubtedly contributed to a reduction in the council's energy costs. Overall the 2009/10 financial year shows a reduction of some **£675K** over the 2008/9 figures (and this includes a saving of over £220K on the council's electricity supplies which, following a recent tender exercise, are now not only cheaper but also come from 85% 'green' sources with the City Hall using **100%** green electricity).

It is anticipated that a natural gas tender will produce additional savings to the council and to the rate-payer. It should be noted that, as with the de-regulated electricity market, the gas tender could potentially result in the use of more than one supplier in order to maximise savings. Finally, the move away from oil in the Cecil Ward Building will result in reduced CO² emissions.

None of the above will impact adversely on day-to-day operations at the various locations.

Resources Implications

Financial

Testing the market via competitive tendering ensures that we obtain the best possible value for money and standards of service from our external suppliers, which in turn assists us in driving down costs and minimising the rate burden.

Given that to date there has only been one supplier of natural gas available in Northern Ireland, the tender exercise should result in a more competitive price for natural gas.

Human Resources

There are no direct HR implications in respect of this report.

Asset & other implications

The opportunity to increase the number of assets utilising natural gas as opposed to oil will reduce the Council's overall carbon emissions and contribute to a 'cleaner and greener' city.

Recommendations & Decisions

The Committee is recommended to approve the following:

(a) to invite applications for inclusion on a Select List and/or the submission of Tenders in respect of the supply of natural gas; *and*

(b) to approve the conversion of the Cecil Ward building from oil fired central heating to natural gas.

Key to Abbreviations

None.

Documents attached

None.