

**TITLE OF REPORT:** Contract award to Switch2 Energy Ltd  
**REPORT OF:** Paul Dowling, Strategic Director, Communities & Environment

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### **Purpose of the Report**

1. To inform Cabinet of a contract award to Switch 2 Energy Ltd, for heat metering services, made under delegated powers by the Strategic Director, Communities and Environment

### **Background**

2. Gateshead Council's contractor on the Gateshead HEIGHTs project (High-rise Energy Infrastructure for Gateshead Housing Tenants) has subcontracted Switch 2 Energy Ltd to install heat metering equipment across all 7 blocks. The Council now requires a long term provider to operate, maintain and provide customer services for this equipment.

### **Proposal**

3. It is proposed that the Council appoints Switch 2 Energy Ltd to operate, maintain and provide customer services for the heat metering equipment. Due to technical reasons, they are the only provider that can provide this service for the installed equipment. A contract term of five years is proposed, to achieve better value for the Council, and the contract value is £310,000 over the period.
4. While the contract value requires Cabinet approval, project timescales combined with delays in contract negotiations dictated that contracts were needed to be in place prior to the first heat customer being connected (week commencing 5<sup>th</sup> March 2018).
5. As a result, the Strategic Director, Communities and Environment has approved the contract award in accordance with powers under the Council's Constitution – Part 2 General Delegations to Managers, paragraph 4(e), to ensure the service provider agreement was finalised in time for residents receiving their new heat supply.

### **Recommendation**

6. It is recommended that Cabinet notes and endorses the action taken by the Strategic Director, Communities and Environment in awarding the contract to Switch 2 Energy Ltd, in accordance with powers under the Council's Constitution – Part 2 General Delegations to Managers, paragraph 4(e).

For the following reason:

To ensure the Council has appropriate services in place before supplying heat to domestic customers.

### Policy context

1. The proposed course of action is consistent with the overall Gateshead Council objectives as set out in Vision 2030 and the Council Plan. It supports the delivery of lower cost energy to Council tenants and leaseholders, and reduces the carbon emissions of the Council owned housing stock. Negotiating a longer contract term delivers revenue savings for the Council.

### Background

2. Under the Gateshead HEIGHTs project, Gateshead Council is becoming the heat supplier for residents (tenants and leaseholders) at the Regent Court and Harlow Green multi storey blocks. The purpose of this project is to bring a lower cost, lower carbon energy supply to these residents.
3. There are certain aspects of heat supply that the Council is currently unable to do. The Council has, therefore, enlisted the support of a service provider, Switch2, to perform these activities on its behalf. Under the service provider agreement, Switch2 will provide metering, payment collection, and metering equipment and Heat Interface Unit maintenance and repair services. The Council will pay a monthly management fee for these services.
4. Switch2 were the only service provider in the market able to provide this service, due to the fact that they were appointed by Wilmott Dixon's (the main contractor for HEIGHTs) to install metering equipment and heat interface units and are therefore the only provider able to service this equipment. Switch2 is a recognised market leader in the provision of these types of services to district and communal heating schemes. They have an excellent reputation for service delivery and have been recognised via a number of industry awards. We are, therefore, confident that they are suitable to deliver a high quality service to the Council and its residents under this agreement.
5. Regent Court residents were connected to the new heating scheme during week commencing 5<sup>th</sup> March. At this point, Switch2 started delivering metering, customer care and maintenance services on the Council's behalf. A service provider agreement between Switch2 and the Council was, therefore, required by this date.

### Consultation

6. Consultation has taken place with, Housing and Environment Portfolio Holders, Leader, Deputy Leader and Ward members of the Chowdene and Bridges Ward.

### Alternative Options

7. The only alternative option is to wait until full Cabinet approval is received to enter into the contract with Switch2. This would mean Switch2 would start providing services to customers on the Council's behalf without being in a contract with the Council. This would present both commercial and quality risks, as any services provided would be done so without the stringent standards placed on both sides.

## Implications of Recommended Option

### 8. Resources:

- a. **Financial Implications** – The contract award commits the Council to £310,000 over the next 5 years. These costs can be fully recovered from incomes received over the life of the HEIGHTs scheme.
- b. **Human Resources Implications** – None arising directly from this report – the services provided are additional to any services currently offered by Council or Gateshead Housing Company employees, and do not put any employees at risk..
- c. **Property Implications** – None arising directly from this report.

9. **Risk Management Implications** – the contract is being awarded using the negotiated tender, without prior publication, as for technical reasons, Switch 2 Energy Ltd are the only provider that can services the Switch 2 equipment that has been installed by the Council's main contractor on the HEIGHTs scheme. With all negotiated tenders, there is a risk of challenge from alternative supplier, but the Council is confident no other suppliers can provide the service, and so risk of challenge is very small.

10. **Equality and Diversity Implications** – None arising directly from this report.

11. **Crime and Disorder Implications** – None arising directly from this report.

12. **Health Implications** – Customers are offered to register themselves as vulnerable, in which case they will benefit from additional emergency credit, not have heat disconnected during the heating season or out of hours.

13. **Sustainability Implications** – None arising directly from this report.

14. **Human Rights Implications** – None arising directly from this report.

15. **Area and Ward Implications** – Scheme affects Bridges Ward (Central), and Chowdene Ward (South).