NORTH LONDON WASTE AUTHORITY

Memorandum of Information

Final
19 April 2010

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INTRODUCTION

1. This Memorandum of Information is designed to provide background and other relevant information for those who are considering bidding for the North London Waste Authority's (the Authority) long term waste services and fuel use contracts.

2. This document is designed to provide general reference material for potential bidders who have expressed an interest in bidding. It constitutes the descriptive document under regulation 18 of the Public Contracts Regulations 2006. More detailed background and information is provided in the Authority's Outline Business Case which is available at:

   http//www.nlwa.gov.uk/procurement/outline business case

3. Other documents that may be relevant are Output Specifications for both contracts, Pre-Qualification Questionnaire documents relating to both procurements, a Pre-Dialogue Questionnaire for the Fuel Use Procurement, and an Invitation to Submit Outline Solutions which is expected to be available in June 2010.

4. For further detail of relevant legal notices please refer to the PQQ and ISOS documents.

5. The Authority is pursuing a procurement strategy that involves a largely whole waste management solution including the production of a Solid Recovered Fuel (SRF). A separate contract is available for the use of that fuel. The Authority's approach allows for the possibility of one or two contracts for fuel use, using all or half of the fuel that is produced. The Authority will be a contractual party to all contracts and the Waste Services Contractor and the fuel use contractor will not have a direct contractual relationship.

6. The scope of the Waste Services Contract includes services related to recycling and composting, residual waste transfer, treatment and disposal and the operation of Household Waste and Recycling Centres (HWRCs). The Authority's reference project assumes new build will be required in respect to Materials Recovery Facilities, Anaerobic Digestion, Mechanical Biological Treatment, Rail Transfer Station and Bulking Facility. These services are brought together in one contract as the Authority considers that a single service supplier is likely to be best able to manage the interfaces between these services and should be able to deliver a more efficient solution than would be the case if these services were separately procured. It is very likely that the successful bidder for this contract will have substantial waste services experience.

7. The Authority's procurement strategy allows for the Waste Services contractor to acquire LondonWaste Limited (LWL) – the Authority's 100% owned existing contractor. LWL and existing assets – principally an existing Energy from Waste

facility at Edmonton - are available to be used to deliver early years services and potentially to be operated on a commercial basis for a period of residual life once new facilities are delivering the Authority's municipal waste management solution.

8. The Fuel Use Contract is focused on the use of SRF for energy generation and the use of that energy. The Authority has separated this service from waste services as it considers that this maximises the prospect of a deliverable and efficient energy solution, potentially involving use of heat as well as the generation of electricity. The potential for one or two contract awards is designed to allow for solutions where the relevant energy demand is less than is available from all the SRF. The Authority's procurement strategy means that potential fuel use bidders do not have to have waste services experience, although they will require experience of using a solid fuel and of delivering major infrastructure projects.

9. This Memorandum is organised in a way that reflects the procurement strategy: Part 1 provides information that may be relevant to both Waste Services and Fuel Use bidders; Part 2 is focused on the Waste Services solution; Part 3 addresses LWL matters; and Part 4 is focused on Fuel Use solutions.

10. In March 2010 Government agreed to commit the largest ever waste Private Finance Initiative (PFI) credit award to support the delivery of the Authority's Waste Services and Fuel Use ambitions - £258.4m of PFI credits. The award was made because the Authority's Reference Project envisages that successful bids will involve the design, build, finance and operation of new facilities under the PFI framework. However, other 'merchant' solutions may also be proposed by bidders.

11. This Memorandum does not include detailed information relating to the PFI or the standard contract that has been developed for waste PFI projects. Further information is however available for potential bidders at the DEFRA and Treasury websites. The Authority expects to make skeleton contracts available in June for bidder consideration. At that time the Authority also expects to make available a skeleton Share Purchase Agreement related to the potential acquisition of LWL.

PART 1 – BACKGROUND INFORMATION

1. BACKGROUND TO THE AUTHORITY

1.1 Background

1.1.1 The Authority is the second largest waste disposal authority (WDA) in the UK, handling around 3% of the national municipal waste (projected to grow to be 1.2 million tonnes per annum (tpa) over the lifetime of a long term contract).

1.1.2 The Authority is a statutory authority, which was established in 1986 after the abolition of the Greater London Council (GLC). Its prime statutory responsibility is for the disposal of waste collected by the seven north London boroughs of Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest (the Constituent Boroughs). The Constituent Boroughs are the waste collection authorities.

1.1.3 For the past 15 years the Authority has managed its waste arisings predominantly through its waste treatment and disposal contract with LondonWaste Limited (LWL) and the use of an energy from waste (EfW) plant at a site in Edmonton. The Authority now owns 100% of the shares in LWL and will be seeking proposals from bidders for the Waste Services Contract to acquire its shares of LWL as part of the procurement.

1.2 Duties

1.2.1 The Authority's duties include:

1.2.1.1 Processing, treatment and disposal of waste collected by each of the Constituent Boroughs;

1.2.1.2 management, transport and disposal of household waste from the HWRC network;

1.2.1.3 storage and disposal of abandoned vehicles (this is currently delegated to the Constituent Boroughs);

1.2.1.4 preparing a joint waste strategy for North London; and

1.2.1.5 delivering performance that is consistent with statutory recycling and composting targets and diversion performance targets.

1.3 Geography and Population

1.3.1 North London is an area of approximately 30,000 hectares ("ha"). It is bounded by: (1) the M25 Motorway and Hertfordshire County Council to the north; (2) the Edgware Road and West London Waste Authority area to the west; (3) the M11 Motorway and the East London Waste Authority area to the east; and (4) by Westminster, the City of London and Tower Hamlets to the south.

1.3.2 The table below outlines the area covered by each Constituent Borough:

Borough	**Area (ha)**
Barnet	8,677
Camden	2,178
Enfield	8,014
Hackney	1,904
Haringey	2,961
Islington	1,486
Waltham Forest	3,881
Total	**29,101**

1.3.3 The total population of the Authority's area is 1.7 million people who live in approximately 696,000 households. This population has increased from approximately 1.5 million in 1991 and, according to Greater London Authority ("GLA") population estimates, is likely to rise by a further 150,000 by 2016 as part of a London-wide trend.

The mid-year estimates of population by Constituent Borough up to 2008 are shown in the table below:

	2001	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Barnet	319,500	320,100	320,800	323,000	326,100	328,600	329,700	331,500
Camden	202,600	206,000	210,000	215,600	222,800	227,500	231,900	235,700
Enfield	277,300	280,600	281,400	282,200	283,400	285,300	285,100	287,600
Hackney	207,200	208,400	207,600	206,200	207,100	208,400	209,700	212,200
Haringey	221,300	223,600	223,100	222,800	224,100	225,700	224,700	226,200
Islington	179,400	180,600	181,400	181,400	184,200	185,500	187,800	190,900
Waltham Forest	222,000	221,800	220,400	220,100	220,300	221,700	222,300	223,200
Total	**1,629,300**	**1,641,100**	**1,644,700**	**1,651,300**	**1,668,000**	**1,682,700**	**1,691,200**	**1,707,300**

1.3.4 The area has substantial areas of transient population. It is typical of London as a whole in that it has a relatively young population. The London Boroughs of Camden and Islington, in particular, contain relatively large

proportions of people in their 20s who are generally considered to be more transient than other age groups. High transience creates a considerable challenge in terms of ensuring that interaction between the Authority and the householder through education and, where necessary enforcement, is consistent and effective.

1.3.5 Population density varies across the Authority area but is generally above the average for London, (five of the Constituent Boroughs have above London average population density). Overall, the Authority area had 74 people per hectare in 2001, compared to the London average of 46 and the UK average of 4.

1.3.6 The level of cultural and ethnic diversity in the Authority's area is broadly reflective of the average of inner and outer London boroughs with Hackney, Camden and Haringey having particularly high levels.

1.4 Waste Arisings

1.4.1 The total waste arisings generated in the Authority area in 2008/09 was 904,440 tonnes. This was split on the following basis:

1.4.1.1 residual waste (711,133 tonnes, 78% of total tonnage);

1.4.1.2 dry recyclables waste (131,945 tonnes, 15% of total tonnage); and

1.4.1.3 organic waste (61, 082 tonnes, 7% of total tonnage).

1.4.2 A proportion of the total waste arisings generated in the Constituent Boroughs is not currently managed by the Authority. This is mainly material collected on a source separated basis for recycling by Constituent Boroughs, and consigned straight to market through their contractors. In 2008/09, 813,851 tonnes of waste was handled by the Authority, which was 90% of the total waste arisings. This percentage has varied up and down year-on-year, as more materials are collected for recycling or composting and Constituent Borough's in the past have not consigned some of these to the Authority.

1.4.3 The amount of residual waste has reduced from 746,453 in 2007/08 to 708,864 in 2008/09 (a reduction of 5%).

1.4.4 Total waste arisings have reduced over recent years across the Authority as shown in the table below, which to some extent reflects the national picture.

Analysis of waste arisings

Year	WCA household collected waste	WCA collected trade waste	HWRC collected household waste	Other Municipal Solid Waste ("MSW")	Total MSW arising	Percentage change
	Tonnes	Tonnes	Tonnes	Tonnes	Tonnes	%
2003/4	700,637	163,208	79,082	6,252	949,179	+1.51
2004/5	698,917	160,814	77,819	14,353	951,903	+0.29
2005/6	722,021	157,531	70,435	12,452	962,439	+1.11
2006/7	675,953	169,580	73,550	15,297	958,600	-0.40
2007/8	674,480	160,000	72,181	13,211	944,383	-1.48
2008/9	616,002	197,071	52,443	38,925	904,440	-4.23

1.4.5 The table below shows the projected growth in waste arisings for the project, which, accounting for projected population growth, are in line with the National Waste Strategy 2007 ("NWS") residual waste targets.

Projected household waste arising growth rates in north London

Waste growth assumptions	To 2015	2016 onwards
Household waste	1%	0.5%
Trade waste	0%	0%
Non-Household Waste	1%	0.5%
Overall municipal waste	0.9%	0.4%

1.4.6 The waste arisings growth rates have been forecast on the basis of a balance between the assumption of 0.75% annual municipal waste growth within NWS and the growth in recent years of just over 1%. A slightly higher rate has been adopted pre-2015, which reflects a continuation of the significant year-on-year rise in the number of households, which is a key driver behind year-on-year increases in waste arisings.

1.4.7 A lower rate of growth has been set after 2015 to reflect: (1) the substantial increase in cost drivers around that period for the Constituent Boroughs to reduce residual waste; (2) the impact of very considerable expenditure budgeted for waste education; and (3) a hypothesised tailing-off of housing growth.

1.4.8 The Constituent Boroughs collect a relatively large amount of trade waste compared to the national average, as one would expect in a dense urban area where the existing economies of collection can be applied effectively and where clearing waste quickly is seen as a key local environmental priority.

1.4.9 The recycling and composting rates of the Constituent Boroughs have been set out in the table below:

Recycling and composting rates by the Constituent Boroughs

	2007/2008	2008/2009
Barnet	30.7%	31.2%
Camden	27.1%	28.3%
Enfield	28.2%	27.2%
Hackney	22.4%	22.7%
Haringey	24.6%	22.1%
Islington	26.3%	28.3%
Waltham Forest	29.7%	27.8%
NLWA	24.4%	26.8%

1.4.10 Trade waste is largely co-collected with household waste and a number of major throughways are subject to a clear-all policy. The non-household waste element of the municipal waste stream is therefore calculated using an agreed methodology which has recently been updated, with the new methodology having come into effect from 1 April 2008. It should be noted that the trade waste services vary in scope and economic viability from borough-to-borough.

1.5 Constitutional arrangements

1.5.1 The Authority has a membership of 14 elected members (the "Members"), two from each of the Constituent Boroughs. The Members are nominated on an annual basis by each Constituent Borough. The obligation of the members is to work in the interest of the Authority, rather than the interests of their individual Boroughs.

1.6 Officers

1.6.1 The London Boroughs of Camden, Haringey and Waltham Forest provide officers to the Authority, for governance, management, staffing and support services. The Authority also has an established Procurement Team led by the Director of Procurement, Tim Judson, for the delivery of the Contracts as detailed in **Appendix 1** (Procurement Team) of this MOI.

1.7 Regional governance

1.7.1 The regional governance arrangements in London are complex and include significant and far-reaching statutory powers for the Greater GLA, Mayor and London Assembly. Notably, waste authorities in London are required to be in general conformity with the Mayor's Waste Strategy. The

Mayor has powers of sign off and scrutiny, in relation to contracts and waste strategies by which he can ensure this conformity.

1.7.2 The Mayor also has the power to call in all major waste planning applications and to direct refusal or permission upon the relevant planning authority. All spatial plans are required to be set within the context of the spatial plan for London (the "London Plan"), which takes a specific view with regards to the favouring of new and emerging waste treatment technologies over the more traditional EfW technologies.

1.7.3 A draft replacement of the London Plan is currently out to consultation. The next stage, examination in public, is scheduled for summer 2010. It is envisaged that the new plan will be formally published in mid 2011. The Authority has reviewed the plan in the context of the procurement and is of the opinion that it is in general conformity with it.

1.8 Funding arrangements

1.8.1 The Authority's income base is a levy on the Constituent Boroughs. From 2008/09 onwards the Authority has charged the levy predominantly on a tonnage basis, with the exception of the costs associated with the removal of waste from the HWRCs, which is based on council tax levels. However, the Authority is seeking through the new contractual arrangements to change the current system to one which reflects the collection methods and tonnages of various waste streams of each of the Constituent Boroughs.

1.9 The NLJWS, National Waste Strategy 2007 and the Mayor's Municipal Waste Strategy

1.9.1 The Authority and the Constituent Boroughs have adopted a joint waste strategy (the North London Joint Waste Strategy NLJWS), which is discussed in more detail in section 2. The NLJWS is consistent with both the NWS and the Mayor of London's Municipal Waste Management Strategy 2003 (the Mayor's Waste Strategy. The Mayor has published a draft revised Waste Strategy in January 2010. A second draft will be published for public consultation in summer 2010 and the final strategy is envisaged to be published by late 2010 /early 2011. The Authority is mindful that it may need to revise its own waste strategy as a result of any changes to the Mayor's Waste Strategy, to ensure it maintains a position of general conformity with the regional body in terms of the management of its waste.

1.10 The Constituent Borough procurement

1.10.1 The Directors of Environment and the Directors of Finance of the Constituent Boroughs meet regularly, and provide input into the procurement at a senior borough level.

1.10.2 There is also a Technical Officer Group, which is comprised of one senior waste manager from each Constituent Borough and representation from the Authority. The Technical Officer Group provides further officer coordination and professional advice.

2. NORTH LONDON JOINT WASTE STRATEGY

2.1 Background

2.1.1 The Authority leads the development of the NLJWS which provides the framework and the appropriate management systems and resources to achieve all statutory performance standards and relevant new European Directive, national and regional targets and obligations to which the Authority and Constituent Boroughs are subject.

2.1.2 A draft NLJWS was submitted by the Authority to the Mayor for consideration and approval. In February 2009 the NLJWS was approved by the Mayor and adopted by the Constituent Boroughs. The Strategy covers the period 2004-2020.

2.2 Aims and objectives

2.2.1 The key aims and objectives of the NLJWS are:

- to promote and implement sustainable municipal wastes management policies in north London;
- to minimise the overall environmental impacts of waste management;
- to engage residents, community groups, local business and any other interested parties in the development and implementation of the above policies; and
- to provide customer focused, best value services.
- to minimise the amount of municipal waste arising;

- to maximise recycling and composting rates;
- to reduce greenhouse gases by disposing of less organic waste in landfill sites;
- to coordinate and continuously improve municipal waste minimisation and management policies in north London;
- to manage municipal waste in the most environmentally benign and economically efficient way possible through the provision and co-ordination of appropriate waste management facilities and services;
- to ensure that services and information are fully accessible to all members of the community;
- to maximise all opportunities for local regeneration; and
- to ensure an equitable distribution of costs, so that those who produce or manage the waste are responsible for paying for it.

2.2.2 The NLJWS also sets out a series of implementation actions and policies in relation to:

2.2.2.1 waste prevention and minimisation;

2.2.2.2 recycling and composting;

2.2.2.3 diversion and landfilling of residual waste; and

2.2.2.4 environmental protection.

2.2.3 The adoption of a NLJWS in north London has provided the opportunity for considerable analysis of the options, incorporation of stakeholder views and reflection of the changing national and regional policy framework. As adopted it provides a clear opportunity for the strong partnership working between Constituent Boroughs, the Authority and other stakeholders to continue and develop.

3. DETAILS OF CURRENT ARRANGEMENTS FOR COLLECTION AND DISPOSAL

3.1 Details of collection systems and contractual arrangement

3.1.1 The Constituent Boroughs have varied collection arrangements and systems. There is a broad spilt between Constituent Boroughs tending to collect co-mingled materials and those collecting source-separated materials. Some Constituent Boroughs are also now opting for hybrid systems under which paper is collected separately and other materials co-mingled. Further distinctions exist between the systems for collecting organic waste and compulsion measures.

3.1.2 A number of Constituent Boroughs are conducting service reviews which may change waste collection arrangements over the short or medium term.

3.1.3 The relationship of the collection systems to disposal is the subject of review both collectively and within the Constituent Boroughs. It is agreed by the Constituent Boroughs in the principles of the Inter-Authority Agreement ("IAA") that the Constituent Boroughs need to seek to promote similar arrangements which are conducive to higher levels of recycling. The Authority is working with the Constituent Boroughs to undertake a full review of future waste collection systems.

3.1.4 The current collection arrangements for the Constituent Boroughs are set out in Appendix 3 (Details of Collection Arrangements).

3.2 HWRCs

3.2.1 North London is unusual in that the provision and operation of HWRCs has historically been the responsibility of the WCAs rather than the WDA. This has meant that some of the sites have a local service focus and target the more easily recyclable materials rather than the smart disposal of residual waste and/or the recycling of material where volume is an issue.

3.2.2 The Constituent Boroughs have agreed in principle, however, to transfer a property interest in and operation of the HWRCs to the Authority by the anticipated Contract commencement, October 2012 and as such the management of these facilities will form part of the new contractual arrangements.

3.2.3 Overall, the density of site coverage in some parts of the Authority's area means residents have to travel further than desirable to encourage

frequent use of sites. This situation is causing congestion on key sites, leading to poor recycling performance and residents deciding to use alternative disposal routes.

3.2.4 An assessment of the current HWRC network performance has identified that the volume of material received is lower than expected, and that there is considerable scope for improving recycling rates. The Authority's preliminary view is that with investment in new sites and the upgrading of existing sites the following improvements could be secured from HWRCs by 2016:

3.2.4.1 an increase in the overall recycling rate across the network from 50% in 06/07 to 65% with the existing variations in performance from site to site brought into line; and

3.2.4.2 an increase in the total waste arisings presented to HWRCs in the Authority by 29,000 tpa.

3.3 HWRC infrastructure

3.3.1 The Authority considers the current HWRC network, detailed at **Appendix 3** to be deficient in a number of locations. As such the following strategy is proposed for HWRC provision:

- a new facility in the north-west of the area to provide 10,000 tpa additional capacity;
- a new facility in the south-west of the area to provide 3,500 tpa additional capacity;
- a new facility in the west of the area to provide 3,500 tpa additional capacity;
- the potential closure of the 22,000 tpa capacity facility at Barrowwell Green, Enfield replacing it with a new facility in the local area to provide 30,000 tpa capacity;
- the closure of the 3,500 tpa capacity facility Hornsey High Street, Haringey replacing it with a new facility in the local area with equivalent capacity;
- the closure of the 6,000 tpa capacity facility at Park View Road, Haringey replacing it with a new facility at Marsh Lane to provide 10,000 tpa capacity; and

- the refurbishment of the existing South Access Road and Kings Road facilities in Waltham Forest.

3.3.2 These works are profiled to take place between 2013 and 2016. Ideally however some site development would take place ahead of 2013, in advance of the commencement of the Contract. The Authority has submitted an expression of interest for London Waste and Recycling Board ("LWaRB") funding to enhance the HWRC network and awaits feedback.

3.4 Current waste disposal contract

3.4.1 Following a tendering exercise in the early 1990s, the Authority subsequently tendered for services to meet its waste disposal needs, with LWL being the successful bidder for a 20-year contract for the transfer and disposal of the Authority's waste was awarded to LWL.

3.4.2 The majority of waste that the Authority currently handles is managed through its waste disposal contract with LWL. This contract is based on incineration and landfill, with a small amount of IVC. Further details about proposals relating to LWL are set out in Part 3 below.

3.5 Principal assets/infrastructure

3.5.1 In terms of meeting its waste disposal obligations, the Authority accesses the following:

3.5.1.1 a rail transport transfer facility at Hendon involving the transport of residual waste to landfill;

3.5.1.2 a waste transfer station at Hornsey Street;

3.5.1.3 an IVC facility at Edmonton; and

3.5.1.4 an EfW plant and associated infrastructure at Edmonton.

3.5.2 Hendon rail transfer to landfill

3.5.2.1 The Authority utilises a rail transfer station in Hendon, near Brent Cross Shopping Centre. This site receives nearly all of Barnet's residual waste, a significant proportion of Camden's residual waste, and a small amount of Haringey's residual waste. The railhead and the landfill site in Buckinghamshire to which the waste is consigned are operated by the Waste Recycling Group ("WRG") under a sub contract with LWL. LWL operates the gatehouse and weighbridge at the rail

waste transfer facility. The Authority leases the site from Network Rail and sub-leases it to WRG. The permitted uses on the site are as a rail transfer station ("RTS") and for the bulking by road of pre-sorted recyclable and compostable wastes. In addition to the existing 300,000 tpa RTS, the Reference Project includes a 50,000 tpa bulking facility being located at the site. This site is located in the London Borough of Barnet.

3.5.2.2 An appropriate replacement site has also been identified for the relocation of the existing Hendon RTS and bulking facilities (which would be required if the Brent Cross Cricklewood (BXC) regeneration proposals are implemented). It should be noted that the development of a replacement facility could be dependent on a successful CPO to acquire the part of the site that is not in the ownership of the developers of BXC. The Authority has been in discussions with the developers of BXC and is confident that subject to the whole of the proposed site being acquired an agreement for occupation on the basis of a long lease or through the acquisition through freehold for the site would be readily agreed. The new Hendon site is identified in the Reference Project to provide for a 100,000 tpa MRF to support the Authority's proposals as well as accommodating the relocated bulking facility and RTS.

3.5.3 Hornsey Street transfer station

3.5.3.1 LWL directly operates the Authority's waste transfer station at Hornsey Street in the London Borough of Islington. The facility currently handles over 200,000 tpa of material collected in the London Boroughs of Camden, Hackney and Islington.

3.5.3.2 The facility, which was opened in July 2004, accommodates the Authority's waste transfer station, the London Borough of Islington's depot and a HWRC. The Authority has a 999-year leasehold interest in the main building, and a separate 999-year leasehold interest in the transport yard. The Authority has let an operational lease to LWL that is coterminous with the expiry of the existing waste disposal contract.

3.5.3.3 The waste transfer operation includes recycling bays for paper, scrap metal, glass, steel and aluminium cans, co-mingled materials, refrigeration equipment and construction waste. It also receives mixed organic waste and residual waste.

3.5.3.4 The Authority envisages that this transfer station will be made available to the future contractor for the duration of the contract. The current transfer station has the potential for further development allowing the future contractor to improve the logistics solution (bulking up of materials, etc.) for the Authority. It will be for bidders to consider what approach to take in the light of information that will be provided about the site and its planning approval.

3.5.4 Edmonton EcoPark

3.5.4.1 The Ecopark, a waste management complex of around 16 ha is located at the Junction of the A406 North Circular and the A1055 Meridian Way within the London Borough of Enfield, close to its borders with the London Boroughs of Haringey and Waltham Forest. A total of 600,000 tpa of the municipal waste arising in the Authority's area was consigned to this site in 2008/09.

3.5.4.2 30,000 tpa of the waste consigned to the site by the Authority is treated in an IVC facility. It produces a compost product which has been Publicly Available Specification (PAS) 100 certified. The compost is currently available free of charge to the Constituent Boroughs by whom it is increasingly being used, following trials in 2006/2007. Most of this is used however for agricultural purposes and spread on land.

3.5.4.3 Despite its strategic role in raising the recycling composting rate of the NLWA's Constituent Boroughs over recent years, in terms of tonnage contribution, the IVC plays a relatively small role in the management of the Authority's waste which is dominated by the Edmonton EfW plant. This facility has a capacity of approximately 500,000 tpa, and was constructed by the GLC and opened in 1974. It receives all residual waste from the London Boroughs of Enfield, Haringey and Waltham Forest. A significant proportion of Hackney's

residual waste is also accommodated together with small amounts from the other three Constituent Boroughs.

3.5.4.4 The facility generates 55 megawatts (MW) of electricity, 85% of which is exported from the site. Ferrous metals extracted from the resultant ash are sent for recycling and the remaining ash is consigned to an onsite ash recycling facility. The EfW supplies a relatively small amount of the excess heat generated to the Ecopark's autoclave facility.

3.5.4.5 Whilst a considerable amount of the Authority's residual waste delivered to the site is consigned directly to the incinerator (circa 250,000 tonnes in 2008/2009), a considerable proportion (circa 150,000 tonnes) is derived from waste first treated onsite in either the Fuel Preparation Plant (FPP) or the Bulky Waste Recycling Facility (BWRF). Waste received by both of these other facilities is sorted to extract materials suitable for recycling. The Authority does not currently use the full capacity available at the EfW plant. The remaining capacity is mainly filled by municipal waste from other sources, a significant proportion of which is consigned by Hertfordshire County Council.

4. REFERENCE PROJECT

4.1.1 The Authority has conducted a full technical options appraisal that builds upon the assessment of options within the NLJWS. The Authority has also conducted a particularly rigorous and comprehensive analysis involving a number of different technological scenarios. This has led to the Reference Project set out in the Authority's Outline Business Case application for PFI credits, which can be found on the Authority's website at http://www.nlwa.gov.uk/downloads/NLWA%20OBC%20012910_Final.pdf

4.1.2 The appraisal considered a wide range of possible technical solutions and assessed these using a range of relevant criteria such as performance, sustainability and cost in order to identify a Reference Project. The carbon impact of solutions, using the Waste and Resources Assessment Tool For the Environment (WRATE) methodology was a key issue.

4.1.3 The technical options appraisal identified the need for a MRF, an AD facility and green waste composting facilities to deliver local and

national ambitions on recycling. It also identified the need for a major upgrade of the HWRCs, both as a means to delivering recycling ambitions and improving the residual waste treatment solution.

4.1.4 On residual waste, the front runners were traditional EfW and mechanical biological treatment (MBT) with AD providing the biological treatment and with the process producing SRF. The Authority concluded that the second of these options was a more appropriate Reference Project for the Outline Business Case, as it provides a much better prospect of delivering a combined heat and power (CHP) solution, a better prospect in planning terms, an additional boost to recycling, and better prospects of bidders over-achieving against modelling assumptions.

4.1.5 On this basis the Authority selected the following, as its Reference Project within the context of the separated procurement described above:

Proposed facility	Number of proposed facilities	Capacity of facility
HWRCs	6 New facilities (additional refurbishment of a number of old sites)	5 sites totalling additional 29,000 tpa
IVC (existing)	1 facility	30,000 tpa
Green Waste Composting	1 facility	25,000 tpa
Rail Transfer Station (existing)	1 facility (West)	300,000 tpa
MRF	1 facility	100,000 tpa
AD	1 facility (East)	112,000 tpa
MBT-AD	2 facilities (East and West)	345,000 tpa and 240,000 tpa
SRF	1 facility (procured through a separate Fuel Use Contract(s))	320,000 tpa

4.2 Costs, Budget and Finance

4.2.1 The Authority envisages that the procurements for the Fuel Use Contract(s) and the Waste Services Contract will be delivered under the UK Government's Private PFI. The relevant capital expenditure (in real terms) on the waste services infrastructure is £230.4 million and on the fuel use is £226 million.

4.3 Costs of the Reference Project

4.3.1 The costs of the whole waste management system of both the Authority and the Constituent Boroughs, taking into account the predicted costs of collection, for both the Reference Project and the 'Do Minimum' scenario are set out in the table below. These costs are shown without taking into account any effect from a potential Revenue Support Grant (RSG) arising as a result of PFI credits.

Comparison of the overall waste system costs for the Reference Project (Main Waste Services and Fuel Use) to do Minimum

Nominal costs (£000)	Do Minimum	Reference Project	Difference
Reference Project	-	3,535,154	(3,535,154)
Additional system costs	1,662,152	824,126	838,026
Landfill costs	2,839,625	494,387	2,345,238
Landfill allowance	327,416	-	327,416
Non-household recharge	(638,436)	(863,958)	225,495
Net cost of disposal	4,190,730	3,989,709	201,021
Collection costs	3,708,391	3,708,391	-
Total project costs	7,899,121	7,698,100	201,021

4.3.2 This analysis shows that without taking into account the revenue from the PFI credit, the Do Minimum option is £201 million more expensive than the Reference Project. If potential Landfill Allowance Trading Scheme (LATS) income is taken into account (following a symmetrical LATS profile as LATS allowance costs), this will lower the cost of the Reference Project option by a further £294m, making the Do Minimum £495m more expensive than the Reference Project.

4.3.3 Under the Do Minimum option, the Authority would be dependent on securing landfill capacity for the disposal of its residual waste tonnages and would be exposed to the potential increases in landfill gate fees, landfill tax and LATS prices above the level currently assumed within this OBC. As such, the cost of the Do Minimum option could be significantly higher than the level modelled within this analysis.

4.4 Affordability

4.4.1 The Affordability Gap for the Reference Project has been calculated in order to assess the additional level of funding required by the Constituent Boroughs and the Authority.

4.4.2 Taking into account the effect of project revenue support of £481.2 million stemming from the receipt of PFI credits, the affordability gap over the life of the project is £2,381 million.

4.5 Approval of affordability

4.5.1 The December 2009 affordability gap has changed since the October 2008 submission and the Base Case affordability gap of £2,453 million and that of the most expensive sensitivity of £2,872 million fall with the envelope determined in the October 2008 OBC submission, which recorded values of £2,487 million and £2,889 million for the Base Case and upper limit of the affordability envelope, respectively. The Constituent Boroughs signed an affordability letter in October 2008 confirming their commitment to this wider envelope, and subsequently provided a refreshed letter reaffirming their on going commitment to the affordability to the OBC dated 11 December 2009.

5. PROCUREMENT ARRANGEMENTS

5.1 Procurement Team, Project Board and Advisers

5.1.1 The Contracts are being delivered by the Procurement Team made up of officers from within the Authority. The members of the Procurement Team are listed in Appendix 1.

5.1.2 The Project Sponsor chairs a Project Board, which has responsibility for oversight and scrutiny of the procurements and their delivery.

5.1.3 The Authority has put in place an appropriate external advisor budget and a framework agreement for the duration of the procurement, with experienced external advisers. The external advisers who have been fully engaged on the project to date are listed in Appendix 1.

5.2 Proposed Procurement Process

5.2.1 The overall procurement strategy developed for the Contracts takes into account the Authority's key requirements of: affordability and best value; deliverability; and sustainability.

5.2.2 Competitive Dialogue has been selected as the most appropriate European Union (EU) tendering procedure for the contract. The Authority is mindful of the costly process that CD engenders and therefore is aiming to achieve an efficient process through to final tender. Accordingly, the Authority proposes to limit the number of stages as set out in the table below.

Stage	Comments
PQQ and PDQ	The PQQ criteria have been drafted to ensure the short listing of a manageable number of bidders who are genuinely and demonstrably capable of developing and operating a facility of the scale and nature required by the Authority. For the fuel use procurement an additional Pre-Dialogue Questionnaire (PDQ) will be used to identify a manageable short-list to progress to the next stage. For each procurement, it is envisaged that no fewer than 3 and no more than 10 bidders will be invited to participate in dialogue.
ISOS	A comprehensive ISOS response will be required in order to identify and short-list the most deliverable solutions.
ISDS	Following the initial dialogue, the submission of detailed solutions will be used to provide further clarity regarding how bidders' solutions meet the Authority's requirements, thereby allowing de-selection. The detailed solutions will concentrate on elements of bidders' proposals which are likely to be critical in evaluation.
Further Dialogue	Following de-selection resulting from the submission of detailed solutions, further dialogue will be used to develop the final solution together with all project documentation prior to the call for final tender. During this stage the Authority will test and define an approach to deal with all issues which could affect price or risk. This is likely to include substantial involvement from funders.
Final Tenders	On the close of dialogue, final tenders will be submitted for evaluation in accordance with the defined criteria, which will result in selection of the contractor.

5.3 **Evaluation**

5.3.1 The process for evaluation of the Pre Qualification Questionnaire (PQQ) is as set out in the PQQ Assessment Framework and comprises: The assessment will cover compliance with requirements, technical, financial and legal matters. The minimum requirements are as follows:

Waste Services Procurement

5.3.1.1 Financial: for the Waste Services Contract, the minimum turnover and net asset thresholds for bidders are £100 million for turnover and £140 million for net assets respectively.

5.3.1.2 Technical: for the Waste Services Contract: previous experience in the design, construction, successful commissioning and operation of at least one major infrastructure project of similar complexity to the types(s) of facilities it would propose in any potential bid. Major infrastructure projects of similar complexity should have an annual processing capacity for residual waste of at least 100, 000 tpa. This could include technologies for the production of SRF or similar fuel production, mechanical-biological processing, anaerobic digestion, autoclaves or chemical processing facilities.

Fuel Use Procurement

5.3.1.3 Financial for the Fuel Use Contract. The minimum turnover and net asset thresholds for bidders are (1) £20 million for turnover and £35 million for net assets for Sub-Lot A; and (2) £40 million for turnover and £70 million for net assets for Sub-Lot B. If a bidder proposes to bid for Sub-Lot A twice, on the basis that both may be accepted as projects, then the thresholds applicable to Sub-Lot B apply.

5.3.1.4 Technical: for the Fuel Use Contract. Previous experience in the development and management of the design, construction, successful commissioning and operation of at least one major infrastructure project of similar complexity to the Reference Project as outlined in the Authority's Outline Business Case.

5.3.2 In the case of the procurement for the Fuel Use Contract(s), the Authority reserves the right before the start of the dialogue to limit the number of bidders it invites to participate in the dialogue in accordance with Regulation 18 (12) of the Public Contract Regulations 2006. The process is explained in the next paragraph.

5.3.3 If the Authority has more than three potential bidders for invitation to participate in the dialogue, then it may (and if there are more than ten it will) apply a pre-dialogue questionnaire process. Bidders for the Fuel Use Contract will be required to submit this questionnaire at the same time as the PQQ submissions, but these questionnaires will only be opened if required to ascertain a manageable number of bidders. The criteria to be applied at this stage are Control of Sites; Planning Deliverability; Energy Supply and Demand; and Location of Site(s) and Transport Links.

5.3.4 The shortlisted bidders shall subsequently be invited to participate in dialogue.

5.3.5 Shortlisted bidders shall be evaluated at various stages of the procurement against the Evaluation Framework to be issued with the ISOS. At each stage of the procurement a relevant set of submission requirements shall accompany each submission invitation such that bidders only submit the required information at each stage.

5.3.6 The Evaluation Framework shall form the basis for deselecting bidders throughout the procurement, through to the selection of a preferred bidder following the receipt of final tenders.

5.4 Form of contract documents

5.4.1 The draft PFI Agreement and other associated contractual documents will adopt, so far as is applicable, the drafting and principles required by SoPC4 or such replacement guidance as may be applicable at the time the contractual documentation is issued to bidders.

5.4.2 The Authority has sought to develop as simple a project as possible. This objective is likely to be achieved through the early identification of a preferred technology, acquisition of a suitable site, and development of a planning application for a proposed solution ahead of procurement. Derogations will therefore be limited to those widely recognised in the waste sector such as those contained in DEFRA guidance "Standardisation of Waste Management PFI Contracts: Guidance on SoPC derogations" published in May 2006. Bidders will not be permitted to make derogations to the standard documentation that is proposed for non project-specific reasons.

5.4.3 The Authority is named as lead contracting authority in the OJEU Contract Notice and will be the contracting party to the project agreement. The IAA will sit behind the project agreement to govern the relationship between the Authority and the Constituent Boroughs.

5.5 Interface Between the Waste Services Contract and Fuel Use Contract(s)

5.5.1 The procurements will remain separate. The call for final tenders will be staggered with the Fuel Use Contract(s) in advance of the Waste Service Contract to enable the destination of the fuel to inform the transport solution.

5.6 Timetable

5.6.1 The Project Team has developed an indicative programme timetable factoring in procurement efficiencies and delay mitigation, which they believe to be wholly achievable. This has been approved by the Project Board. The programme takes account of key principles to include close management, combining resources and setting clear target dates. The timetable is provided in Appendix 2.

PART 2 - THE WASTE SERVICES CONTRACT

6. OBJECTIVES

6.1.1 The fundamental objectives of the Services are to:

6.1.1.1 manage Contract Waste in a safe, efficient and effective manner;

6.1.1.2 manage Contract Waste to maximise recycling, composting and reuse, minimise the amount of Contract Waste to landfill and to produce SRF in the most efficient way possible; and

6.1.1.3 minimise the climate change of managing Contract Waste.

6.1.2 The Waste Services Contract will include the production of SRF, as set out below, however, the Authority is conducting a separate procurement for the treatment of SRF produced under the Waste Services Contract (the "Fuel Use Contract(s) procurement"), as further described in Part 4.

7. SCOPE OF WASTE SERVICE CONTRACT

7.1.1 The Waste Services Contract covers:

7.1.1.1 the design, construction, commission and financing of any additional facilities required for the provision of the service;

7.1.1.2 the closure and replacement of three HWRCs, improvements made to two existing sites and the creation of three new HWRCs, along with the effective management and operation of the HWRCs network and provision of a convenient service and high quality experience for Authority residents to deposit appropriate Contract Waste in a responsible way;

7.1.1.3 the operation and maintenance of all facilities;

7.1.1.4 the provision of at least four reception points for municipal wastes collected by the Constituent Boroughs. These will be either at the sites that the Authority has provided (see listed in section 8.1.2 below) or within 2 km of those sites; bidders will be evaluated based upon the fit of their reception point solution against the projected collection flows within the Constituent Boroughs;

7.1.1.5 the selection and securing of new sites, where they are not provided by the Authority;

7.1.1.6 the treatment of all wastes including materials separately collected by the Authority's Constituent Boroughs in order to maximise the contribution to the Authority's 2020, 50% household waste recycling/composting target, divert waste from landfill to contribute to contribute to the Authority's 75%, 2020 landfill diversion target and produce SRF to a specific physio-chemical specification;

7.1.1.7 the disposal of residues and waste not able to be treated as above;

7.1.1.8 responsibility for the transport of all materials from Reception Points and HWRCs between project Facilities to end uses, markets, Fuel Use Contractor(s) and/or final disposal, including delivery of Contract SRF to the Fuel Use Contractor(s)'s designated Delivery Points;

7.1.1.9 ensuring that Consents, including, but not limited to, planning permission and Environmental Permits, are in place for all Sites and operations within the scope of this project;

7.1.1.10 full responsibility for the outputs from all operations within the scope of this project with the exception of Contract SRF consigned to Fuel Use Contractor(s);

7.1.1.11 the provision of a service for the education of the local community and engagement with the community waste sector in order to facilitate socially beneficial reuse of durable items; and

7.1.2 The Authority reserves the right to remove the sale of recyclates and the works and operations related to HWRC's from the scope of the Waste Services Contract. This will be discussed with bidders during dialogue.

7.1.3 Responsibility for transport of fuel and outputs from the Waste Services Contract falls within the main Waste Services Contract. In the event that fuel is being transported, the Authority would wish to see as sustainable a transport solution as is possible, for example via use of the existing Hendon rail transfer station or the wharf at the Edmonton site linked to the Lee navigation.

7.1.4 The Authority envisages that the successful bidder will acquire the shares in LWL from the Authority, but reserves the right not to sell these shares. In order to acquire the shares in LWL, bidders' proposals will either incorporate proposals for payment for the shares by way of a one-off capped payment or for payment for the shares by way of a reduced unitary charge. The Authority reserves the right to require bidders to submit mandatory bids on both the basis of payment of a capital sum (the value being determined by the bidder) and on the basis of value taken into account on costs over the length of the Waste Services Contract.

7.1.5 The duration of the Waste Services Contract will be determined by the Authority through competitive dialogue, but it is expected to be for a period of between 25 to 35 from financial close. The duration of the contract will be co-terminus with the Fuel Use Contract(s).

7.1.6 The operational start date for the new facilities under the Waste Services Contract(s) is anticipated to be 1 April 2016.

8. SITES AND PLANNING

8.1.1 Under the Waste Services Contract the Waste Services Contractor will be required to design, build, finance and operate certain waste treatment, processing and disposal facilities capable of processing approximately 1,200,000 tpa of MSW. As part of the Waste Services Contract, the Authority also requires the production of solid recovered fuel ("SRF"). It is envisaged that the facilities will produce approximately 320,000 tpa of SRF based on a net calorific value of 13 MJ/kg. Please see the Fuel Use Contract(s) section below for information relating to the treatment of the SRF produced.

8.1.2 The Authority has identified 4 possible sites on which to locate its waste treatment, processing and treatment facilities, one in the east of the area; and three in the west of the area (incorporating one proposed site if it is required). The sites comprise:

8.1.2.1 Edmonton: The Authority has secured the existing Edmonton site through the acquisition of LondonWaste Limited. The Reference Project proposes the following new facilities as well as the existing infrastructure located at the site: 345,000 tpa MBT (AD); 112,000 tpa AD. This site is located in the London Borough of Enfield.

8.1.2.2 Pinkham Way: The Authority has exchanged contracts to purchase the site from the London Borough of Barnet. The

Reference Project proposes the following new facilities: 240,000 tpa MBT (AD). This site is situated in London Borough of Haringey.

8.1.2.3 Hendon (existing): The Authority has a fifteen year lease (with the option to extend for three further periods of 15 years) on this site from 25 March 2009, which allows for the ongoing use of the site as a rail transfer station (RTS) and for the bulking by road of pre-sorted recyclable and compostable wastes. In addition to the existing 300,000 tpa RTS the Reference Project includes a 50,000 tpa bulking facility. This site is located in the London Borough of Barnet.

8.1.2.4 Hendon (new): As outlined in Paragraph 3.5.2.2, an appropriate replacement site has also been identified for the relocation of the existing Hendon RTS and bulking facilities (which would be required if the Brent Cross Cricklewood (BXC) regeneration proposals are implemented). The new Hendon site is identified in the Reference Project to provide for a 100,000 tpa MRF to support the Authority's proposals as well as accommodating the relocated bulking facility and RTS.

8.1.3 With regard to sites required for the potential 6 new HWRC's, the Authority is continuing to discuss the acquisition of suitable sites with landowners, although one site, Marsh Lane, has been acquired for the establishment of a new HWRC.

8.2 Planning Policy Framework

8.2.1 The planning policy framework within North London includes (but is not limited to): Planning Policy Statement 10, the London Plan, the North London Waste Plan, the constituent boroughs adopted Unitary Development Plans ("UDP") saved policies, Local Development Frameworks and associated documents. Reference will need to be made to relevant adopted and emerging policy in providing solutions.

8.3 Planning Strategy

8.3.1 Edmonton: The Authority's strategy is for the preferred bidder to prepare and submit planning applications for development of the site. The Authority proposes that a detailed planning application will be submitted three months after announcement of the preferred bidder. To assist the bidders in developing design solutions the Authority will provide additional

baseline information so as to inform the preparation of bids, and in the case of the preferred bidder to provide a baseline against which a planning application can be prepared. The activities will include:

8.3.1.1 development of site wide constraints and opportunities;

8.3.1.2 meeting with the local planning authorities to discuss the sites and key constraints and opportunities including scoping for environmental impact assessment("EIA"); and

8.3.1.3 completion of baseline studies and surveys to inform the preparation of an EIA (by the bidder).

8.3.2 Pinkham Way: The Authority is currently preparing an outline planning application based on a series of parameter plans for the development of this site. The outline planning application will also incorporate details of a refuse collection vehicle depot on the adjacent site that will be brought forward by the Constituent Borough of Barnet. It is expected that this planning application will be submitted in autumn 2010. Copies of the planning application and supporting documents will be made available (in electronic format) to bidders at ISDS. The Authority proposes that detailed or reserved matters planning applications will be submitted by the preferred bidder three months after announcement of the preferred bidder.

8.3.3 Hendon (Existing): In the event that this site is retained the Authority's strategy is for the preferred bidder to prepare and submit a planning application three months after announcement of preferred bidder. No additional information will be provided in respect of this site.

8.3.4 Hendon (new): London Borough of Barnet has resolved to grant outline planning permission for the Brent Cross Cricklewood (BXC) regeneration scheme. The planning application includes relocation of the existing Hendon site to a new location and establishes a series of parameters for a new waste management facility. The outline planning application is available at: http://www.brentcrosscricklewood.com/. The Authority's strategy is for the preferred bidder to prepare and submit reserved matters and associated planning applications (including those required to discharge S106 obligations and planning conditions) three months after announcement of preferred bidder.

8.3.5 HWRC: The Authority's strategy is for the preferred bidder to design, build, finance and operate the HWRC. Where new sites are proposed the Authority will provide suitable sites. The Authority proposes that planning

applications will be submitted by the preferred bidder three months after announcement of the preferred bidder.

8.3.6 Where possible the Authority will bring forward refurbishment programmes for the HWRC. Additionally the constituent Borough of Haringey is in the process of preparing a planning application for the Marsh Lane site. It is anticipated that this site will have been developed prior to financial close.

8.4 Design

8.4.1 Design will be an important consideration for the Authority. Reference should be made to relevant and appropriate design guidance.

PART 3 – LWL SHARE PURCHASE AND RELATED MATTERS

9. OBJECTIVES

9.1.1 The objectives of the Authority's proposed approach to LWL and a potential share sale are to assist in ensuring the competition is robust and fair whilst also ensuring:

- The Waste Services Contractor has the means to deliver services in the early years of the future contract;
- The delivery of new facilities, including timing, can be optimised;
- The value of existing assets can be maximised in order to minimise future costs;
- Current Company employees who have relevant knowledge and skills are available to help deliver a future waste services solution;
- Best use is made of the available land.

10. BACKGROUND

10.1.1 LWL provides the exiting waste disposal service in north London. LWL was created in 1992 as a 50/50 joint venture involving the Authority and SITA as shareholders. In 1994 it was awarded a 20 year waste disposal contract that is due to expire in December 2014.

10.1.2 In December 2009 the Authority acquired SITA's shareholding in LWL and the company is now a 100% Authority owned company. This followed a substantial due diligence exercise.

11. ASSETS

11.1.1 LWL holds a number of key assets and contracts that may have a role in delivering a sustainable waste management solution in the short term and/ or going forward. These include an existing 30,000 tonne In Vessel Composting plant and an existing approximately 500,000 tonne Energy from Waste plant. Existing contracts are generally short term contracts that provide access to MRF and landfill capacity in the short term.

11.1.2 The Authority's indicative procurement timetable (Appendix 2) envisages a financial close on waste services in October 2012 and the assumption of operational responsibilities from day 1. Having reviewed a range of possible options, the Authority's is minded to pursue the share sale of LWL to the successful waste services contractor by share purchase. This means that the contractor will have the means to deliver services prior to any new build and has the opportunity to consider how best to use

residual life in existing Company assets, to the benefit of the Contractor, the Authority and others who require a waste management solution.

11.1.3 Previous due diligence work commissioned by the Authority suggests that, subject to some capital investment and greater maintenance, the existing Energy from Waste plant would have a life through to at least the end of 2020. This is more than 4 years beyond the expected date when new waste services facilities are expected to be operational.

12. PROCUREMENT APPROACH AND SCOPE OF WORK

12.1.1 In the initial bidding stages, the Authority will provide a common set of bid assumptions including those related to additional investment in the EfW plant and an anticipated closure date of 2020. Later in the procurement process, shortlisted bidders will be able to undertake their own due diligence and refine proposals for the future use of the EfW plant.

12.1.2 The Waste Services contractor will be asked to decommission the existing Energy from Waste plant at the end of its life and restore that part of the Edmonton site to an agreed standard. The Authority is keen to explore bidder proposals for the use of that part of the Edmonton site which is made available once the existing Energy from Waste plant is de-commissioned. The land involved is approximately 10.2 acres and the Authority is prepared to consider solutions whose life will extend beyond the expected life of the waste services contract where this is demonstrably good value for money. During the Procurement the Authority intends to explore with the constituent Borough of Enfield the site's key constraints and opportunities, as detailed in the OBC. The outcome of these discussions together with design guidance will be provided to bidders.

13. REVERSION OF ASSETS AND VALUE

13.1.1 PFI contracts normally involve the reversion of land and assets built under the contract. The Authority will require the reversion of land at Edmonton and elsewhere, but does not envisage a reversion of other Company assets.

13.1.2 The proposed Share Purchase sale and related asset transfers are expected to be generate a positive value transfer to the successful waste services contractor. The Authority proposes to explore during the competitive dialogue whether a cash sum should be paid by the successful bidder or whether assuming the relevant value in the future

unitary charge would realise better value for money for the Authority. In the initial stages of the procurement, a cash sale will be assumed.

PART 4 – THE FUEL USE CONTRACT

14. OBJECTIVES

14.1.1 The objective of the Fuel Use Contract is to accept SRF produced under the Waste Services Contract and use it in a cost effective manner to generate energy in order to minimise the climate change impact of managing municipal solid waste through effective diversion from landfill.

14.1.2 The Authority wishes to procure a fuel use solution or solutions that deliver the best environmental, financial and commercial terms. Solutions should seek to fulfil the following environmental, financial, commercial objectives:

14.1.2.1 the Authority's environmental objectives include the creation of ongoing landfill diversion capacity and improved carbon impact of using the SRF, including any transport. It is hoped that the best overall environmental solution will incorporate good quality CHP solutions which lead to substantial heat use;

14.1.2.2 the Authority's primary consideration in determining a solutions fit with its financial objectives is the cost of building the plant and the associated gate fee payable by the Authority to the energy user. Gate fees proposed should include benefits from the sale of energy and any other financial benefits such as ROCs, ECAs, RHIs along with any other carbon benefits such as carbon trading; and

14.1.2.3 the Authority's key considerations in assessing a solutions fit with its commercial objectives include: an assessment of the risks associated with design, build, finance and operation of the facility(ies); certainty over SRF markets; realising the residual value of facility(ies) at the end of the contract; and what might happen in the event of a failure.

15. GENERAL

15.1.1 The OJEU notice contains the following two sub-lots for bidders to bid for, based on an assumed net calorific value of 13 MJ/kg:

(a) Sub-Lot A 140,000 to 170,000 tpa; and

(b) Sub-Lot B: 280,000 to 340,000 tpa.

15.1.2 The Authority may, at its discretion, award two contracts under Sub-Lot One. If only one lot of 140,000 to 170,000 tpa under Sub-Lot One is successfully awarded, the Authority reserves the right to carry out a new procurement for the remaining SRF at a later date.

15.1.3 A bidder may put forward proposals for any combination of sub-lots (2 times Sub-Lot A; or Sub-Lot A and Sub-Lot B),. If a bidder proposes a single solution for the whole of the anticipated volume of fuel, that must be submitted under Sub-Lot B. If a bidder puts forward two solutions in respect of Sub-Lot A, then if they are both to be capable of acceptance as separate projects, then the bidder must seek to pre-qualify on the basis of the tests applicable to Sub-Lot B.

16. SCOPE OF FUEL USE CONTRACT(S)

16.1.1 The Fuel Use Contract(s) will potentially involve the design, build, finance and operation of an EfW facility or the use of a merchant facility to utilise approximately 320,000 tpa of SRF produced under the Waste Services Contract.

16.1.2 The Waste Services Contractor will be responsible for the provision and transfer of SRF to the Fuel Use Contractor(s).

16.1.3 The operational start date for the Fuel Use Contract(s) is anticipated to be April 2017.

16.1.4 The duration of the Fuel Use Contract(s) will be determined by the Authority through dialogue, but it is expected to be for a period of between 25 to 35 years following the commencement of production of the SRF under the Waste Services Contract.

16.2 Technology

16.2.1 The Authority has adopted a strategy that is broadly and deliberately technology neutral. Notwithstanding this, the Authority is seeking a proven technology solution(s) in respect of its operational status, reliability and flexibility.

16.2.2 In doing so, the Authority is endeavouring as far as is practicable to facilitate the delivery of a CHP solution. It is the Authority's view that a separated procurement strategy provides greater opportunity for realising CHP solutions and the maximum economic and environmental benefit from SRF as it allows industrial energy users to supply their production processes by using SRF to displace fossil fuels. At the same time, the strategy provides an opportunity for local urban regeneration projects to

satisfy London (or other) planning guidance on renewable energy whilst delivering CHP solutions.

16.3 **Facility Capacity**

16.3.1 Whilst the Authority will require a degree of flexibility in respect of the SRF tonnage capable of being processed in any given period, the Fuel Use Contract is likely to specify a guaranteed minimum tonnage of SRF that meets a pre-determined specification.

16.3.2 Consequently, the Authority is seeking one or more contractors for fuel use (the "Fuel Use Contractor(s)") to provide one or more facilities capable of taking SRF.

17. SITES AND PLANNING

17.1.1 The Authority's procurement approach recognises that the solution for the fuel use procurement needs to be located close to the intended energy use and that it makes sense for the fuel use provider to provide the relevant site, rather than the Authority to do so. The Authority has not therefore sought to provide a site to support the Fuel Use Contract.

17.1.2 The Authority therefore requires bidders to propose their own site solutions.

17.1.3 Bidders will be required to complete a planning health checklist to demonstrate that full planning applications could be submitted three months after announcement of the selected bidder.

17.2 **Planning Approach**

17.2.1 The development of power stations, including CHP facilities, requires planning permission or development consent and an EPR permit. Major facilities (i.e. generating stations with 50MW or greater capacity) will be treated as nationally significant infrastructure projects and applications for a development consent under this regime will be determined by the Infrastructure Planning Commission. The development consent regime replaces the previous approvals regime under ss 36 and 37 of the Electricity Act 1989.

17.2.2 Where an existing power station or CHP facility is being considered for conversion from biomass or fossil fuel combustion to SRF combustion, it is expected that the existing IPC licence or EPR permit would need to be revisited, and the emissions from the stack and other matters, re-assessed as a result of the change in fuel source.

17.2.3 It should therefore be assumed that, unless a facility is currently authorised to treat an identical SRF, a new planning permission (or section 36 or development consent) and EIA will be required as well as a new or revised EPR permit.

17.3 Planning Framework

17.3.1 The national and regional policy context supports energy recovery and decentralised energy generation schemes.

17.3.2 Draft National Policy Statements ("NPS") have been published including the Overarching NPS for Energy (EN-1) and the Renewable Energy Infrastructure NPS (EN-3). The NPS will provide the primary basis for decisions taken by the IPC for the construction of new energy projects with generating capacity of more than 50MW in England and Wales. The NPS will also be a material consideration for local planning authorities when determining applications for relevant infrastructure developments which are below the applicable threshold.

17.3.3 The London Plan policies emphasise the proximity of sites to the source of waste, to avoid unnecessary transportation and improve local self sufficiency for waste management. However, the proximity principle should not be regarded as an absolute; other issues should also be considered such as mode of transportation and land availability. In line with the emerging North London Waste Plan (draft, paragraph 5.5.3) the requirement to produce energy near to where it is used, 'thereby avoiding the inefficiencies of traditional power stations' is considered to also be a relevant factor in site selection.

17.3.4 In the case of fuel uses, where sites are promoted that are not in close proximity to the source it will be necessary to demonstrate that alternatives have been considered and the optimal site selected. Particular issues to be included in the assessment are sustainable transport modes such as rail or river; proximity to the administrative boundaries; land supply issues and site constraints.

APPENDICES

APPENDIX 1

PROCUREMENT TEAM

Name	Role
Tim Judson	Director of Procurement
[redacted]	Deputy Director of Procurement
[redacted]	Fuel Use Manager
[redacted]	Waste Services Manager
[redacted]	Technical Officer
[redacted]	Sites and Planning Technical Officer
[redacted]	Fuel Use Officer
[redacted]	Legal Officer
[redacted]	Waste Technical Officer
[redacted]	Project Manager
[redacted]	Procurement Officer
[redacted]	Personal Assistant/Office Manager
[redacted]	Administration Assistant

ADVISERS

Expertise	Advisers
Legal advisers	Eversheds LLP
Financial advisers	Ernst & Young LLP
Technical advisers for Fuel Use Contract	Ramboll Danmark A/S
Technical advisers for Waste Services Contract	Entec UK Ltd
Planning advisers	Ove Arup & Partners Ltd
Property advisers	Dalton Warner Davies

Insurance	Willis Ltd
Legal advisers for areas ancillary to the project	Bevan Brittan LLP

APPENDIX 2

PROCUREMENT TIMETABLE

NLWA PROCUREMENT TIMETABLE AS AT APRIL 2010*

Key milestones		**Date**
OJEU despatch. Documents made available: • Memorandum of Information • Pre-Qualification Questionnaire (PQQ) • Pre-Dialogue Questionnaire(PDQ) – fuel use only (Regulation 18(12))		19 April 2010
Completed PQQ and PDQ (if applicable) returned		24 May 2010
PQQ assessment and pre-qualified list of bidders identified		25 May- 18 June 2010
PDQ procedure run if required		21 – 25 June 2010
Announcement of results of PQQ and (if applicable) PDQ processes, Invitation to Submit Outline Solutions issued and commencement of dialogue		1 July 2010
Initial Dialogue with bidders followed by submission of Outline Solutions		1 July - 30 September 2010
Evaluation of Outline Solutions; shortlist of bidders identified for ISDS		1 October – 15 November 2010
Announcement of shortlist of bidders and ISDS Issued		15 December 2010
Further dialogue until one or more solutions identified that meet Authority's requirements, including possible further stage(s) of dialogue.		15 December 2010 – 29 July 2011
Close of Dialogue and issue of Invitation to Submit Final Tenders		1 August 2011
Final Tenders submitted		1 November 2011
Fine tuning, clarifying and specifying of tenders followed by evaluation		1 November – 15 December 2011
Final Business Case process		January-April 2012
Selected Bidder appointed; issue of award decision notice followed by standstill period		1 May 2012
Financial close		1 October 2012
Planning and Permitting (pre-application consultation, application submission and determination)		July 2012 – April 2014
Construction and Commissioning	24 months Waste Services 36 months Fuel Use	
Operational Commencement • Waste Services • Fuel Use		 April 2016 April 2017

* Includes some amendments from timetable set out in OBC

APPENDIX 3

DETAILS OF COLLECTION ARRANGEMENTS

Current collection arrangements for each of the Constituent Boroughs, for both Kerbside Dry and Kerbside Organics.

	Kerbside Dry	**Kerbside Organics**
Barnet	Contractor - May Gurney Source segregated collection of glass, paper, cans, aerosols, batteries, foil, mobile phones, shoes, textiles, engine oil, plastic bottles, cardboard and Yellow Pages.	Contractor – N/A (DSO) Mixed food and green opt-in from houses with gardens only. Flats with gardens can have one if requested
Camden	Contractor – Veolia Commingled collection of paper, card, glass, cans, plastic bottles.	Contractor – Veolia Green Opt-in Only
Enfield	Contractor – N/A (DSO) Commingled collection of paper, card, glass, cans, plastic bottles, tetrapak, mixed household plastics.	Contractor – N/A (DSO) Mixed food peelings and green.
Hackney	Contractor - May Gurney Source separated collection of glass, paper, cans, aerosols, plastic bottles, card, batteries, directories, foil and textiles/shoes, mixed household plastics, tetrapak, used engine oil.	Contractor - May Gurney Green and food collected separately (currently blended at bulking point).
Haringey	Contractor – N/A (DSO) Commingled collection of paper, card, glass, cans, plastic bottles, tetrapak, mixed household plastics, plastic bags.	Contractor – N/A (DSO) Food and green mixed in vehicle.
Islington	Contractor - Enterprise Islington Ltd (formally ICSL). Commingled collection of paper, card, glass, cans and plastic bottles, mixed household plastic	Contractor - Enterprise Islington Ltd (formally ICSL). Food and green mixed in vehicle.

	packaging and tetrapak.	
Waltham Forest	Contractor - Verdant. Source separated collection of paper, cardboard, glass, cans, foil, plastic bottles, textiles/shoes, batteries, engine oil. 15% Commingled but rolling out Borough-wide – paper, card, glass, cans, foil, plastic bottles and mixed plastics.	Contractor - Verdant. Source separated. Mixed food and green. Switching to commingled food and green soon.

Current provisions for Bring Banks and Estate Recycling at each of the Constituent Boroughs.

	Banks	Estates
Barnet	Contractor - May Gurney Source separated banks for glass, paper, textiles, cans, books, plastic bottles, cardboard, tetra-paks and mixed plastics.	Contractor - May Gurney Source separated banks for glass, paper, cans and mixed plastics. Also have occasional skips for scrap metal and green.
Camden	Contractor - Veolia. Source separated banks for cans, glass bottles, batteries, paper and card, telephone directories, plastic bottles, printer cartridges, textiles and tetra-paks. Commingled banks also exist.	Contractor - Veolia. Served by mixture of kerbside and banks services.
Enfield	Contractor – N/A (DSO) All commingled banks for paper, card, glass, cans, plastic bottles and tetra-paks.	Contractor – N/A (DSO) All commingled banks for paper, card, glass, cans, plastic bottles and tetra-paks.
Hackney	Contractor - May Gurney Source segregated banks for glass, paper, cans, textiles/shoes, plastic bottles and tetra - paks. Commingled collection of cans and plastics.	Contractor - May Gurney Mixture of source segregated banks for glass, paper and cans and commingled banks for paper, card, glass, cans and plastic bottles. Two stream commingled collection now rolled out.
Haringey	Contractor – N/A (DSO) Source segregated banks for glass, paper, textiles and cans. Commingled banks for paper and card.	Contractor – N/A (DSO) Commingled banks.

Islington	Contractor - Enterprise Islington Ltd (formally ICSL). Some source separated banks for glass, paper, cans, textiles, printer cartridges and tetra-paks. Commingled banks for paper, card, glass, cans and plastic bottles.	Contractor - Enterprise Islington Ltd (formally ICSL). Some source separated and some commingled as per street banks.
Waltham Forest	Contractor - Verdant. Source separated banks for glass, paper, cans, textiles and tetra Paks. Commingled banks are also present, with mixed plastics	Contractor - Verdant. Source separated banks for glass, paper and cans but collect commingled. Commingled banks are also present, with mixed plastics

Current Contractual Arrangements for HWRCs and Residual Waste Collection in each of the Constituent Boroughs.

	HWRC's	Residual Waste
Barnet	Summer Lane operated by May Gurney	DSO
Camden	Regis road operated by DSO.	Veolia
Enfield	Barrowell Green operated by DSO.	DSO
Hackney	No HWRC- enhanced free bulky waste collections.	DSO
Haringey	Park View Road and Hornsey High St both operated by DSO.	Accord
Islington	Hornsey St operated by London Waste Ltd.	Enterprise Islington Ltd (formally ICSL)
Waltham Forest	Bywaters (Leyton Road) and ECT (Kings Road and South Access Road).	Verdant

APPENDIX 4

Glossary

AD	Anaerobic Digestion
Authority	North London Waste Authority
CD	Competitive Dialogue
CHP	Combined Heat and Power
Constituent Boroughs	Means Barnet, Camden, Enfield, Hackney, Haringey, Islington and Waltham Forest
DEFRA	Department for Environment, Food and Rural Affairs
DSO	Direct Services Organisation
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EfW	Energy from Waste
EPA	Environmental Protection Act 1990
EPR	Environmental Permitting Regulations
EU	European Union
EU Landfill Directive	European Directive 1999/31/EC on the Landfill of Waste (Landfill Directive)
GLA	Greater London Authority
GLC	Greater London Council
HWRC	Household Waste Recycling Centre
IAA	Inter Authority Agreement
IPC	Integrated Pollution Control
ISDS	Invitation to Submit Detailed Solutions
ISOS	Invitation to Submit Outline Solutions
IVC	In-vessel Composting
JWDA	Joint Waste Disposal Authority
LATS	Landfill Allowance Trading Scheme
LWaRB	London Waste and Recycling Board
LWL	LondonWaste Limited
MBT	Mechanical Biological Treatment
MRF	Materials Recovery Facility
MSW	Municipal Solid Waste
NPS	National Policy Statement
NWS	National Waste Strategy 2007
OBC	Outline Business Case

OJEU	Official Journal of the European Union
PFI	Private Finance Initiative
PQQ	Pre-qualification Questionnaire
RHI	Renewable Heat Incentive
RSG	Revenue Support Grant
SoPC4	Standardisation of PFI Contracts (Version 4)
SRF	Solid Recovered Fuel
UDP	Unitary Development Plan
WCA	Waste Collection Authority
WDA	Waste Disposal Authority
WIDP	Waste Infrastructure Development Programme
WRAP	Waste and Resources Action Programme
WRATE	Waste and Resources Assessment Tool for the Environment
WS2007	Waste Strategy for England 2007
WTS	Waste Transfer Station
4Ps	Public Private Partnership Programme