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Award

## **Heat Supply Agreement relating to South East London Combined Heat and Power District Heating Network**

Southwark Council

F15: Voluntary ex ante transparency notice

Notice identifier: 2026/S 000-003345

Procurement identifier (OCID): ocids-h6vhtk-06064e

Published 15 January 2026, 9:59am

### **Section I: Contracting authority/entity**

#### **I.1) Name and addresses**

Southwark Council

160 Tooley Street

London

SE12QH

#### **Contact**

Elaine McLester

#### **Email**

[elaine.mclester@southwark.gov.uk](mailto:elaine.mclester@southwark.gov.uk)

#### **Country**

United Kingdom

#### **Region code**



UKI44 - Lewisham and Southwark

**Justification for not providing organisation identifier**

Not on any register

**Internet address(es)**

Main address

[www.southwark.gov.uk](http://www.southwark.gov.uk)

**I.6) Main activity**

Production, transport and distribution of gas and heat

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**Section II: Object**

**II.1) Scope of the procurement**

**II.1.1) Title**

Heat Supply Agreement relating to South East London Combined Heat and Power District Heating Network

**II.1.2) Main CPV code**

- 09323000 - District heating

**II.1.3) Type of contract**

Supplies

**II.1.4) Short description**

Southwark Council (Council) and Veolia ES Southwark Limited (Veolia) entered into a PFI Project Agreement (Project Agreement) on 11 February 2008 for integrated waste management services for an initial term of [25] years . The procurement of the Project Agreement was conducted under the Public Services Contracts Regulations 1993 with a total value of 665,000,000.00 GBP.

In 2013, the Council entered into a separate heat supply agreement (HSA1) with Veolia for heat supply services by means of a district heating network (Heat Network) to take waste heat from South East London Combined Heat and Power (SELCHP) to certain



Council premises. The services in HSA1 were not included in the Project Agreement. HSA1 was entered into pursuant to the exemption set out in Regulation 14(1)(d)(i) of the (now repealed) Public Contracts Regulations 2006. This exemption allowed the Council to directly procure Veolia for the provision of heat supply services not included in the Project Agreement, which had subsequently become necessary due to unforeseen reasons. The HSA1 was entered into on 14 June 2013 and a related contract award notice was published on 3rd August 2013 (OJEU Reference Number: 2013/S 150-261592 ). The original term of the HSA1 as awarded was coterminous with the Project Agreement (i.e. expiring on 10 February 2033 ).

HSA1 is due to expire on 10 February 2033.

The Council is now proposing to make the following modifications to the HSA1 via a Deed of Variation:

1) an extension to the geographical coverage and extent of the Heat Network so that it [includes/covers [insert details]some areas within the wards of Old Kent Road, Nunhead & Queen's Road, Peckham, Rye Lane and St Giles (Geographical Coverage Modification); and

2) an extension to the duration of the contract so that instead of expiring on 10 February 2033 it will expire on 31 March 2050 (Duration Modification).

Further information regarding the Geographical Coverage Modification can be found in a map (Figure 1 on page 5) within the Council's published governance document to be found on the Council's website here:

<https://modern.gov.southwark.gov.uk/documents/s130163/Report> GW3 SELCHP Heat NetworkPhase2Extension.pdf

The Council considers that it is entitled to rely upon Regulation 88(1)(b) of the Utilities Contracts Regulations 2016 (UCR) to modify the HSA1 to incorporate the Geographical Coverage Modification and Duration Modification without requiring a new procurement procedure for the reasons set out in Annex D2.

The Council will not enter into the Deed of Variation until the expiry of at least 30 days from the publication of this notice.

#### **II.1.6) Information about lots**

This contract is divided into lots: No

#### **II.1.7) Total value of the procurement (excluding VAT)**



Value excluding VAT: £267,900,000

## **II.2) Description**

### **II.2.2) Additional CPV code(s)**

- 45231100 - General construction work for pipelines
- 45232142 - Heat-transfer station construction work
- 45259000 - Repair and maintenance of plant
- 50410000 - Repair and maintenance services of measuring, testing and checking apparatus
- 71200000 - Architectural and related services
- 71314000 - Energy and related services
- 71315100 - Building-fabric consultancy services
- 71315200 - Building consultancy services
- 71315210 - Building services consultancy services
- 71315300 - Building surveying services
- 71315400 - Building-inspection services
- 71420000 - Landscape architectural services
- 71510000 - Site-investigation services
- 71540000 - Construction management services
- 73220000 - Development consultancy services

### **II.2.3) Place of performance**

NUTS codes

- UKI44 - Lewisham and Southwark

Main site or place of performance

SELCHP facility

### **II.2.4) Description of the procurement**

District Heating extension of SELCHP facility as set out in this notice.



Southwark Council (Council) and Veolia ES Southwark Limited (Veolia) entered into a PFI Project Agreement (Project Agreement) on 11 February 2008 for integrated waste management services for an initial term of [25] years . The procurement of the Project Agreement was conducted under the Public Services Contracts Regulations 1993 with a total value of 665,000,000.00 GBP.

In 2013, the Council entered into a separate heat supply agreement (HSA1) with Veolia for heat supply services by means of a district heating network (Heat Network) to take waste heat from South East London Combined Heat and Power (SELCHP) to certain Council premises. The services in HSA1 were not included in the Project Agreement. HSA1 was entered into pursuant to the exemption set out in Regulation 14(1)(d)(i) of the (now repealed) Public Contracts Regulations 2006. This exemption allowed the Council to directly procure Veolia for the provision of heat supply services not included in the Project Agreement, which had subsequently become necessary due to unforeseen reasons. The HSA1 was entered into on 14 June 2013 and a related contract award notice was published on 3rd August 2013 (OJEU Reference Number: 2013/S 150-261592 ). The original term of the HSA1 as awarded was coterminous with the Project Agreement (i.e. expiring on 10 February 2033 .

HSA1 is due to expire on 10 February 2033.

The Council is now proposing to make the following modifications to the HSA1 via a Deed of Variation:

- 1) an extension to the geographical coverage and extent of the Heat Network so that it [includes/covers [insert details]some areas within the wards of Old Kent Road, Nunhead & Queen's Road, Peckham, Rye Lane and St Giles (Geographical Coverage Modification); and
- 2) an extension to the duration of the contract so that instead of expiring on 10 February 2033 it will expire on 31 March 2050 (Duration Modification).

#### **II.2.11) Information about options**

Options: No



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## Section IV. Procedure

### IV.1) Description

#### IV.1.1) Type of procedure

Negotiated without a prior call for competition

- The works, supplies or services can be provided only by a particular economic operator for the following reason:
  - absence of competition for technical reasons

Explanation:

The Council's position is that the proposed modifications to the HSA1 are permitted modifications under Regulation 88(1)(b) of the UCR 2016 on the basis that there is a need for additional works, services or supplies by Veolia, irrespective of value, which have become necessary despite not being included in the initial procurement where a change of contractor (i) cannot be made for economic or technical reasons; and (ii) would cause significant inconvenience or substantial duplication of costs for the Council.

The Council considers that the works/services related to the Geographical Coverage Modification are necessary in order to achieve a significant reduction in the local combustion of natural gas via the use of low carbon waste heat from SELCHP in order to meet its environmental obligations and commitments with regard to air quality and becoming carbon neutral by 2030.

The Duration Modification is also necessary because a 25-year operational period is required in order for a contractor to amortise its capital costs of building the extension to the Heat Network. The Council also understands that private connections to the extended Heat Network will only sign up to heat supply agreements that are for a period of 20 years or longer. HSA1 is due to expire on 10 February 2033 and does not allow for an appropriate amortization period.

The Council has concluded that a change of contractor cannot be made for economic or technical reasons because Veolia owns and operates SELCHP and therefore controls the supply of low carbon waste heat. It is the Council's view that no other supplier can supply enough low carbon heat to the Council at an equal or similar price to serve the required network extension, especially at the temperatures required. Furthermore, it would not be economically viable to use another supplier as they would have to buy the low carbon heat from Veolia to then sell to the Council. The Council considers that Veolia would not sell the low carbon heat to a third party at the same competitive rate as currently supplied to the Council as there is no commercial incentive to do so.



The Council also considers that a change of contractor would cause major inconvenience and substantial duplication of costs if it was required to procure a third-party operator to operate and maintain the extension to the Heat Network for the extended duration.

Additionally, if a contractor other than Veolia is appointed to operate and maintain the extension to the Heat Network this would mean that different contractors would be operating different parts of the same network, which would be technically and economically unviable in having duplicate control systems, water quality testing and other risk/contract interface implications.

For the reasons set out in this notice the Council considers that it is necessary for the additional works/services to be awarded to Veolia for economic or technical reasons and that it would cause significant inconvenience or substantial duplication of costs for the Council to award the required works/services to another contractor.

#### **IV.1.8) Information about the Government Procurement Agreement (GPA)**

The procurement is covered by the Government Procurement Agreement: No

### **IV.2) Administrative information**

#### **IV.2.1) Previous publication concerning this procedure**

Notice number: [2013/S 150-261592](#)

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## **Section V. Award of contract/concession**

A contract/lot is awarded: Yes

### **V.2) Award of contract/concession**

#### **V.2.1) Date of conclusion of the contract**

13 June 2013

#### **V.2.2) Information about tenders**

The contract has been awarded to a group of economic operators: No

#### **V.2.3) Name and address of the contractor/concessionaire**

Veolia ES Southwark Limited



210 Pentonville Road

London

N1 9JY

Country

United Kingdom

NUTS code

- UKI44 - Lewisham and Southwark

Companies House

06256521

The contractor/concessionaire is an SME

No

**V.2.4) Information on value of contract/lot/concession (excluding VAT)**

Initial estimated total value of the contract/lot/concession: £267,900,000

Total value of the contract/lot/concession: £267,900,000



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## **Section VI. Complementary information**

### **VI.3) Additional information**

The values set out in Section 11.1.7 and V.2.4 (£267.9m) comprise the sum of the original value of HSA1 (£47.1m), the value of previously agreed modifications (£6.5m), and the estimated value of the intended Geographical Coverage Modification and the Duration Modification (£214.3m).

Voluntary ex-ante transparency notice published in OJEU / TED 27628-2026

### **VI.4) Procedures for review**

#### **VI.4.1) Review body**

The High Court of Justice

The Royal Court of Justice, The Strand

London

WC24 2LL

Country

United Kingdom

#### **VI.4.3) Review procedure**

Precise information on deadline(s) for review procedures

In accordance with Regulation 103 to Regulation 119 of the UCR 2016 (particularly, Regulations 107, 108, 109 and 114 in relation to deadlines).