

Report for Enfield Council Shareholder Board (Part 1) :

Date of Meeting: 29/01/2019

Company Name: Energetik

Company Logo:



Dates Report relates to: 01/04/18 - 30/09/18

Date this report was Approved by the company's Board: N/A

Company Directors:

At time of writing:

Energetik:

Jayne Clare - Managing Director

Ian Guest - Technical Director

Jeff Laidler - Business Development Director

HoldCo (to be dissolved):

Jayne Clare

Ian Davis

Doug Taylor

Ahmet Oykenner

Tim Rotheray (NED)

Michael King (NED)

1. EXECUTIVE SUMMARY:

Aims and Objectives of the Company:

- For the benefit of the citizens of the Borough of Enfield
- To provide secure and affordable energy services to customers in Enfield and beyond
- To ensure that these are increasingly secured from low carbon sources and distributed by environmentally friendly means
- To ensure Energetik's services are delivered in a financially prudent manner

In line with Enfield Council's Vision to make Enfield a better place to live and work, delivering fairness for all, growth, sustainability and strong communities, Energetik provides the council with the opportunity to reach and exceed its 60% carbon reduction target as businesses and properties connect over time.

Energetik follows the same values and principles as the Council: working to improve Enfield for the long term. The company's activities play a key role in creating good homes in well-connected neighbourhoods: Energetik provides an essential service to residents in an innovative way, whilst supporting the borough's ambitious regeneration and housebuilding programme.

Its supply of environmentally friendly energy to the 15,000 homes and businesses that will be connected over Energetik's agreed business plan will help to sustain strong and healthy communities by delivering real improvements to the lives and wellbeing of local people; directly as a result of living in warmer, healthier homes and through improvements in air quality.

Energetik's futureproofed energy infrastructure forms an attractive secure low-carbon platform for energy-intensive businesses who are considering relocating to this area. With an active focus on investigating connection opportunities with existing local businesses as well as potential new entrants, Energetik is already working with local partners to build Enfield's local economy and create a thriving place.

Early feasibility studies highlighted the opportunity to capture waste heat from the Energy Recovery Facility at the Edmonton EcoPark, which would otherwise be dumped into the atmosphere.

Energetik has agreed a commercial deal with the North London Waste Authority (NLWA) to purchase very low carbon heat and has the capacity to provide heat to over 30,000 homes and businesses in North London, including the £6 billion Meridian Water development. This bold ambition and commitment to innovation will make Enfield's regeneration truly sustainable as well as helping to improve the health of residents and help keep them safe. The carbon saved is the equivalent of removing 2000 vehicles of the road every year or planting 3 million trees. There is no gas in the properties therefore no risk of carbon monoxide poisoning or fire.

Energetik can provide a fairer deal because it doesn't have to make the same level of profits as other (private sector) Energy Service Companies; the focus is on covering the cost of capital and delivering excellent Customer Service that people can trust.

Any dividends paid back to the Council can be reinvested back into the borough for local benefit including the potential to ring fence a proportion to eradicate fuel poverty across the borough thereby benefitting residents that are not able to connect to the heat networks.

Energetik has been established to provide better value energy that's reliable and environmentally friendly. The company's vision is to revolutionise local energy market and be the supplier to trust.

Company Chair/MD overview:

Please provide a high-level overview of the company's activity:

We are pleased to be able to report to members that we are on track both in terms of project plan deliverables and financials. As with all major infrastructure projects of this nature, the initial phases are complex and require strong, focused management, stakeholder engagement and timely investment decisions to ensure that they remain on course for ongoing success.

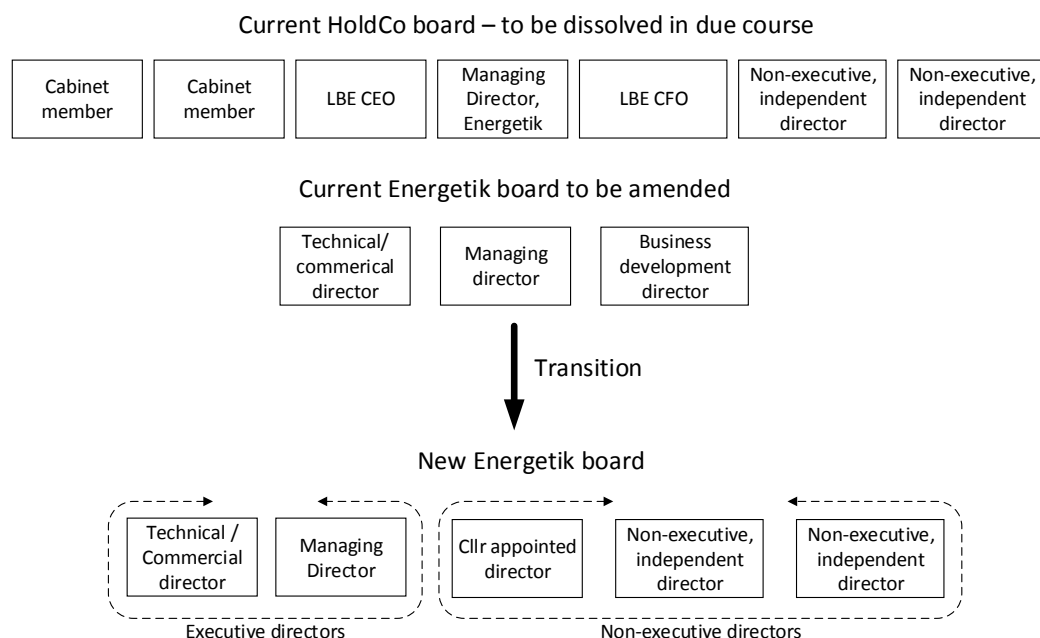
Energy centre design - The Meridian Water heat network design phase continues as Energetik prepares to submit a planning application for its Energy Centre and pipe distribution network, with Environmental surveys being carried out through the spring and summer months, as well as engagement with stakeholders over design elements of the build. Planning submission is expected October-/ November to ensure approval is granted with sufficient time in the programme to complete the build to serve Meridian Water with heat when required.

Heat Sale Agreement - The company has reached agreement with the North London Waste Authority for a heat offtake from their facility on the Edmonton Eco-park. It is anticipated that agreements will be executed before Christmas 2018.

Live Sites - Energetik has two live heat networks at Arnos Grove (Ladderswood) and Ponders End (Electric Quarter) with circa 60 customers across the two sites. Construction of the next phases are ongoing with additional customers expected over the remainder of the year at Electric Quarter. Ladderswood phase 2 is expected to be completed and marketed during 2019.

Construction Sites - The team and is currently working with developers and Council colleagues on technical design and monitoring construction activities at Alma and New Avenue. This critical phase of the build ensures that Energetik's technical specification is adhered to, thereby protecting the future performance and longevity of the network and the service delivery to customers. The first Alma residents are expected in 2019.

Governance - the company continues to work with the Council to implement the structure changes requested by the Shareholder and expects these to be implemented in quarter 4. Due to Energetik's two tier structure and the requirement to dissolve its holding company, this activity is procedurally complicated - please see the separate report for further details.



Key Achievements since last meeting

Highlight any key achievements or updates to the board in the quarter since the previous meeting

Post-election Administration - Meetings have been held with various members of the council introducing the Company and highlighting who / what / where etc. Noting that the Company would like to present progress made and timelines to the Labour group.

Energetik was included within the Department for Business, Energy and Industrial Strategy's (BEIS) heat network investment guide as an example of a quality Public Authority funded case study.

Speaking and presentation slots nationwide as part of the BEIS Heat Network Investment Programme roadshow.

Registration and acceptance of Electric Quarter under Heat Trust consumer protection scheme.

Executed operation and maintenance contract for Electric Quarter.

Executed the lease for the Ladderswood energy centre.

Continued negotiations concerning the portfolio agreement with the council, re-briefing new staff on the details in order to implement the agreement.

Continue negotiations with Alma and New Avenue developer to agree suite of heat sale agreements.

External auditors have carried out the field work and 2017/18 Accounts sign-off is expected in the coming quarter.

Successfully concluded environmental surveys as part of the energy centre planning submission. Completion of the design and planning documents for the energy centre, ready for submission in November.

Hosted senior delegates from BEIS and Enfield on guided tours of Energetik's energy centre at Ladderswood.

Arnos Grove heat network customer open day held in April to engage with customers, gather their early feedback of Energetik's service, and run tours of the energy centre to show customers where/how their heat is produced.

Worked with Meridian Water team on Meridian One procurement documents, created a series of guidance and contract framework documentation to be included within the tender process.

Worked with Council colleagues to establish the procedure and details of the governance transition from HoldCo to the Shareholder committee.

Although appointed in an independent capacity, Energetik's Sarah Diver was voted onto the Heat Trust Committee by industry professionals and will act as a voice to help protect customers on heat network schemes.

Upcoming Dates/Milestones:

Highlight any key milestones coming up in the next quarter.

Implement Corporate Structure changes from two-tier to single tier and hold the relevant board meetings to approve directors and Articles of Association.

Tranche 2 - The company continues working toward its submission for its second investment, required before Feb/March 2019 to avoid significant cost increases to the build of the main heat network and energy centre at Meridian Water. The deadline for Energetik's funding approval is Mid 2019, when the company will become insolvent. Energetik has identified three funding options which are currently being explored with officers and members including undertaking sensitivity analysis and modelling of the different possible scenarios that may affect the delivery of Meridian Water.

Discussions with other public sector organisations with a view to taking a share in Energetik thereby protecting the long term aims of the business and the council (fairness, sustainability, expansion).

Completion of negotiations relating to the heat sale agreement, lease and agreement for lease with the North London Waste Authority (Nov-Dec).

Commencement of utility diversion design with North London Waste Authority on the EcoPark site in preparation of construction commencement.

Completion, submission and approval of application to town planning for Energetik's energy centre and distribution pipe network to serve Meridian Water (Nov-Jan).

Completion and execution of the Portfolio agreement between Energetik and LBE.

Completion of customer satisfaction survey via Customer services contractor.

Completion of steps to dissolve the Holding company, make all necessary appointments and filings regarding board structure, implement new articles of association and shareholder reserved matters.

Energetik's First Anniversary - event at Garfield School for Ladderswood residents (October)

2. FINANCIAL PERFORMANCE

Please list the last quarters **financials that will be reported to Companies House** this should be the last quarter of what will be annually reported.

Profit and Loss Account at (Date): Click or tap to enter a date.

See part 2

Cash Flow Position at (Date): Click or tap to enter a date.

See part 2The company's bank balance was Click or tap here to enter text. at (Date) Click or tap to enter a date.

Balance Sheet Position at (Date): Click or tap to enter a date.

See part 2

This position has improved/stayed the same/worsened (*Please insert*) Click or tap here to enter text.

since (Date): Click or tap to enter a date.

Forecast Balance Sheet Position at (Date): Click or tap to enter a date.

See part 2

Insert Commentary: Click or tap here to enter text.

Capital Expenditure/Borrowing:

See part 2