

Agenda Item No:

NORTH LONDON WASTE AUTHORITY

REPORT TITLE:

WASTE INCINERATION DIRECTIVE - UPDATE

REPORT OF:

HEAD OF WASTE STRATEGY & CONTRACTS

FOR SUBMISSION TO:

AUTHORITY MEETING.

DATE:

15th December 2004

SUMMARY OF REPORT:

This report provides details of the progress being made by LondonWaste Ltd to meet the requirements of the Waste Incineration Directive.

RECOMMENDATION

The Authority is recommended to note this report.

Signed **Head of Waste Strategy**
by **& Contracts**

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Date:.....

1 BACKGROUND

- 1.1 During the period September 2002 to July 2003 Members received a number of reports outlining and reviewing the refurbishment and new boiler options under consideration by LondonWaste Ltd (LWL) to comply with the EU Waste Incineration Directive (WID) at the Edmonton energy-from-waste facility. Failure to further improve the emissions from the facility (LWL had already undertaken works to meet the requirements of the Emissions Control Regulations in 1996) would mean that LWL could no longer use the current boilers after 28 December 2005.
- 1.2 On 9 July 2003, the Authority (in its capacity as a shareholder of LWL) agreed to give its consent to the Company to proceed with the refurbishment project and to incur such costs as are necessary to deliver the project.
- 1.3 The refurbishment option aims to ensure delivery of the NLWA/LWL main waste disposal contract until it expires in December 2014, and thereby reduces the uncertainty of future waste disposal costs over this time to the Authority and its constituent councils.
- 1.4 The Authority is not required to make any contribution towards the costs of the refurbishment other than by foregoing any dividend payments that may become payable by the Company to the Authority before 2014 (as provided for in the Joint Venture Agreement with Sita UK).
- 1.5 LWL is required to obtain the consent of its shareholders before taking out any capital borrowings, and in October 2004 considered a report on this subject and delegated authority to the Clerk, in consultation with the Financial and Legal Advisers, to approve such arrangements under specified conditions.
- 1.6 This report, however, focuses on the progress made to date by LWL to implement the modifications to the Edmonton energy-from-waste facility.

2 SCOPE OF WORKS

- 2.1 The project provides for the refurbishment of the 5 existing boilers to ensure that all WID emission limits are met, but by means other than the 2-second residence time in the combustion chamber. The Environment Agency (EA) has confirmed that it will grant an exemption in respect of the 2-second residence time provided the refurbishment meets all other requirements of the Directive, including all emission limits.

- 2.2 The modification works will include:
- (i) Improvements to the combustion process in order to reduce the carbon in ash content and to reduce the carbon monoxide emissions to a new lower level.
 - (ii) Installation of DeNOx equipment in order to reduce the NOx emissions to a new lower level.
 - (iii) Installation of 3 gas burners in each of the 5 boilers for start-up, shutdown and occasional heat maintenance duty as required by the Directive.
- 2.3 LWL has also indicated that the success of the project must be judged against three criteria:
- (i) The modified facility must be technically capable of meeting the WID Directive requirements.
 - (ii) The cost must be the minimum cost capable of delivering the said technical capability.
 - (iii) The project must be completed by 28 December 2005.
- 2.4 Of equal importance to the Authority is the ability of the facility to continue to process waste at pre-WID levels.

3 PROGRESS TO DATE

- 3.1 LWL advises that the works to the first boiler (Line 4) have now been completed and the overall project is now well underway, with lessons having been learned from the works to the first boiler of technical and organisational natures. The following works were carried out:
- Installation of new feed chutes with blockage detection devices
 - Replacement of 5 grate rollers with new and refurbished rollers
 - Refurbishment of 2 grate rollers in-situ
 - Replacement of combustion and secondary air systems
 - Modification of combustion chamber shape to improve combustion conditions
 - Replacement of undergrate ash removal systems
 - Renewal and updating of combustion controls using the latest micro-processor techniques
 - Installation of DeNOx and gas burner systems

- 3.2 LWL appointed independent consultants to verify the performance claims of their principal WID contractor, Vinci. The results of these 'Guarantee Performance Tests' showed the completed boiler modifications to be achieving their part of the overall facility's compliance with the new WID limits.
- 3.3 With regard to the separate engineering phase of installing the DeNOx equipment that will be necessary to achieve full WID compliance, LWL has commenced procurement and is now finalising the physical layout of equipment, expecting that the installation of the equipment will commence later this year.
- 3.4 At the same time, procurement is well advanced for the next four Lines, with specifications having been modified to incorporate necessary changes that came to light during the actual works and subsequent testing and optimisation of Line 4. One or more Lines will be non-operational and undergoing refurbishment works between late November 2004 and early November 2005
- 3.5 Similarly the application for a PPC (Pollution Prevention and Control) Permit from the Environment Agency is progressing well according to LWL.
- 3.6 The project schedule remains for all five Lines to be WID compliant by December 2005, as required by WID, and LWL remain confident of achieving this.

4. COSTS OF THE PROJECT AND FINANCIAL IMPACT ON THE AUTHORITY

- 4.1 Members will be aware that the WID project is to be paid for by LWL and funded from bank borrowings. The Authority is not required to make any direct contribution towards the costs of the project except by way of deduction from any dividend that might otherwise be paid by the Company to the Authority in the future. The Company has started to provide details of the engineering works and their costs in relation to Line 4 to NLWA officers in order that the Authority can satisfy itself that all costs are being incurred solely to meet WID requirements. AEA Technology who is retained by the Authority to advise on ad-hoc technical issues will assist the Authority in reviewing the Company's proposed allocation of costs.
- 4.2 The Company is confident that it is managing the project's finances well too, and that the borrowings, which will now be limited to £25m, will be sufficient for the whole project.

4.3 Members will recall that at its last meeting, the Authority gave its consent in principle to the Company's proposed funding arrangements. The Company is now close to finalising new borrowing arrangements and is providing the Authority's officers with details of the final proposals to enable the Authority to give its formal consent (delegated to the Clerk, and the Financial and Legal Advisers).

5. **COMMENTS OF THE FINANCIAL ADVISER**

5.1 The Financial Adviser's comments are incorporated in the report.

6. **COMMENTS OF THE LEGAL ADVISER**

6.1 The Legal Adviser's comments are incorporated in the report.

Local Government Act 1972 – Access to information

No documents that are required to be listed have been used in the preparation of this report.

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