

London Borough of Ealing – streetlighting

24/08/2005

This summer the London Borough of Ealing closed its £45 million (US\$79m) streetlighting PFI, a deal that sees EDF Energy in its second such project - writes Angus Leslie Melville.

This Ealing deal sees EDF Energy follow its success in Islington, its first streetlighting project that closed in May 2003. And currently the London-based subsidiary of the French power giant is bidding for two other projects in the London boroughs of Barnet and Enfield.

EDF Energy is targeting projects with a large power requirement around the UK. Its involvement in the Atkins-led bid for the £2 billion (US\$3.5bn) Birmingham road maintenance and streetlighting mega project is well documented. Final bids are due in for this project on 13 December and financial close slated for November 2006.

This latest project sees EDF Energy commit to a spend of £20 million (US\$35m) over the first five years of the 25-year concession to upgrade 20,000 lighting units around the London borough.

EDF Energy Contracting managing director Stephen Date says his interest in such projects is a natural extension to the service the company has been offering in the UK for some time.

‘As an organisation, we have been a general streetlighting contractor for 20-30 years and this is a natural progression for us as the market changes,’ says Date. ‘Apart from streetlighting, we are involved in many other energy-related PFI projects. However, the streetlighting sector involves a core expertise and a natural extension of our PFI portfolio.’

EDF Energy in UK PFI

This is the second streetlighting PFI that EDF Energy has been involved in, and it is not likely to be the last as the company is making it quite clear to the market that it is eager to invest in such projects as well as bringing its core skills to the table.

Apart from streetlighting projects, Dates reckons that the PFI sector has natural synergies for EDF Energy, particularly major projects in which the company acts as sole power infrastructure asset manager.

‘EDF Energy is focused on the development, building and operation of electrical infrastructure, so inevitably PFI was one of our routes to market,’ explains Date.

‘We are now a significant player in the private electrical infrastructure market – as well having a substantial interest in the UK public electrical networks that we look after.’

Date says: ‘Our key driver for involvement [in projects] is the provision of power. And when we look for projects, we look for projects in which there is a significant element of that activity so we can deliver our core skills and our core experience.’

Beyond streetlighting deals, EDF Energy is keen to invest in a large hospitals, MoD projects, transport deals like the East London Line and Thameslink. But, in the here-and-now the company is most interested in streetlighting deals for which the government has already earmarked significant support.

Financing

The financing was fairly simple for this project with Dexia acting as mandated lead arranger and as the sole investor in this project putting in £23 million (US\$41m) of senior debt. EDF Energy is putting up £2.3 million (US\$4.1m) in equity.

Legal

Pinsent Masons advised the London Borough of Ealing on the procurement, acting for the local authority for first time. EDF Energy was advised by Stephenson Harwood. The funder was advised by Tods Murray.

Patrick Twist, national head of projects at Pinsent Masons, says: ‘Having acted on around half of all completed street lighting schemes, the firm was well-placed to advise on this PFI and it was one of the quickest and smoothest projects we have been involved with.’

Conclusion

While this deal in itself was far from earth-shattering, it shows EDF Energy’s commitment to PFI projects in the UK and sets the scene for this model to be repeated across the UK.

While the likes of the holistic £500 million (US\$921m) Portsmouth City Council project that closed last summer and brought together all elements of road maintenance from potholes to streetlighting is the ultimate goal – there are a host of simple streetlighting projects like this one that are coming to market right now.

As Date says: ‘This sector is buoyant and fairly busy at the moment. The government has invested significant amounts in the sector and we are very interested in increasing our involvement.’

Project at a glance

Project name	Ealing Lighting (Finance) Limited
Location	The London Borough of Ealing
Description	Provision and maintenance of street lighting
Project duration	25 years
Early investment	EDF Energy will invest £20 million (US\$35m) over the first five years of the project to upgrade the borough’s street lighting
Sponsors	EDF Energy
Operator	EDF Energy
Total project value	£45 million (US\$79m)
Total equity	£2.3 million (US\$4.1m)
Equity breakdown	100 per cent from EDF Energy
Total senior debt	£23 million (US\$41m)
Mandated lead arranger/s	Dexia Public Finance Bank
Legal advisor to sponsor	Stephenson Harwood
Financial advisor to sponsor	Dexia Public Finance Bank
Legal advisor to banks	Tods Murray
Legal advisor to local authority	Pinsent Masons
Date of Financial Close	27 July 2005

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-in, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.