

## Cabinet 14 September 2011

### Generating Income from Renewable Energy (Sep11/09)

#### 1. Summary and Reasons for Recommendation

1.1 On 14 December 2010 full Council approved (minute 73 (B)(3) refers) that:-

*RESOLVED:- That*

- (1) *subject to final survey, tender and further investigation of other sources of funding, up to £410,000 from the unallocated capital provision be allocated to fund renewable energy generation as identified in the investment models set out in Report B317;*
- (2) *further analysis be carried out of a community-based investment model with the aim of realising an equitable return both for the Council and the community as well as energy and CO<sub>2</sub> savings; and*
- (3) *the Cabinet be given delegated authority to approve the final scheme.*

1.2 On 16 March 2011 the Cabinet considered recommendations from the Growth Area Partnership Board and resolved (minute 140 (2) refers) that:-

#### ***Growth Area Major Development Projects: Renewable Energy Generation Scheme***

*The remaining balance on the Growth Area Capital Funds be allocated as a contribution to the Council's Renewable Energy Generation Scheme previously approved by Cabinet in December 2010.*

1.3 On 25 May 2011 Cabinet approved (minute 6 refers) that:-

- (a) *the preferred procurement routes, as outlined in paragraph 5.4 of Report C7, be adopted; and*
- (b) *subject to survey, specific funding in the region of £17,000 be allocated from Growth Area Funding for the proposed installation of solar energy generation at the proposed Nowton Park Visitor Centre.*

1.4 This report summarises the procurement process that has been followed to secure a preferred supplier for the installation of solar photovoltaics on key Council property.

1.5	Details of the preferred bid are set out in <i>Exempt Annex 2</i> .
<b>2.</b>	<b>Recommendation</b>
2.1	That the preferred supplier(s) set out in <i>Exempt Annex 2</i> of Report C135 be awarded the contract for the installation of solar photovoltaics on Council property.

<b>3.</b>	<b>Corporate Objectives</b>
3.1	The recommendation meets the following, as contained within the Corporate Plan:-
(a)	<b>Corporate Priorities:</b> <ul style="list-style-type: none"> <li>• 'raise standards and corporate efficiency';</li> <li>• 'Improving the safety and well being of the community';</li> <li>• 'Securing a sustainable and attractive environment'; and</li> </ul>
(b)	<b>Vision 2025: St Edmundsbury will be a place:</b> <ul style="list-style-type: none"> <li>• where communities and businesses have benefited from adopting a low carbon approach to energy (S8);</li> <li>• Which has adapted and mitigated the effects of climate change (S9);</li> </ul>
(c)	<b>Cabinet Commitments:</b> <ul style="list-style-type: none"> <li>• Clean and Green - Appropriate actions to mitigate for and adapt to climate change; promote sustainable and carbon neutral development.</li> </ul>
3.2	The recommendation also supports the Council's Sustainability Policy and Climate and Energy Action Plan.

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#### Glossary of terms used in this report

**Clean Energy Cash Back:** A scheme introduced by the UK Government, funded by energy supply companies, where payments are made to produce energy from different forms of renewable and low carbon sources such as solar, wind, water and biomass.

**Framework agreement:** A procurement agreement with suppliers which set out terms and conditions under which specific purchases (call-offs) can be made throughout the term of the agreement. Agreements can be established in a way which allows access by others to buy goods or services using the same terms and conditions allowing best value on cost and quality.

**FIT:** A Feed-in Tariff, a system of payments to renewable/low carbon electricity generators.

**kWp:** A Kilowatt Peak, the design generating capacity of a particular installation.

**Solar PV or PV:** Photovoltaics, panels which can be attach to a roof, walls or floor mounted frame and generate electricity by converting sunlight.

#### **4. Background**

- 4.1 Cabinet and then full Council considered proposals for investing in renewable energy generation as a means of generating income and cutting CO<sub>2</sub> emissions by utilising the Government-backed Clean Energy Cashback (Report B317 refers). The introduction of Cashback in the UK has made installing smaller scale renewable electricity generation financially attractive.
- 4.2 The Council allocated up to £410,000 for this project and Cabinet was given delegated authority to approve the final scheme prior to commencement. The outcome of further research into alternative sources of funding identified that this project qualifies for green infrastructural capital investment using the Growth Area Fund. £60,500 from the Growth Area Fund was therefore allocated for this purpose in advance of using the Council's Unallocated Capital Provision (B512 refers).
- 4.3 Report C7 presented to the meeting of the Cabinet held on 25 May 2011, referred to the Council using a Framework Agreement negotiated by a group of public sector buying consortia (PRO5) to select a preferred supplier. This approach meets European Union (OJEU) procurement rules and is considered by officers as the most cost effective way to procure renewable energy technologies of this scale.

#### **5. Progress to date**

- 5.1 The results of the procurement process are set out in a separate Exempt Annex 2, and will be completed and forwarded to the Cabinet in due course.
- 5.2 The project as a whole is due for completion by the end of March 2012. This is because the structure of the Government's Feed-in-Tariff favours 'early adopters'; entrants after April 2012 are likely to receive a lower tariff.
- 5.3 It is also understood that there has been a lot of interest from local authorities who plan to use the PRO5 Framework Agreement to procure renewable energy technologies before the end of March 2012. The impact of this demand on the suppliers is likely to adversely affect those local authorities which delay their entry into the market. This could result in some local authorities experiencing delay in securing installation dates before the end of March 2012 hence not securing the most advantageous tariff rates.
- 5.4 It is, therefore, essential that no undue delay in the timetable is experienced and, in particular, that the contract is awarded as soon as possible in September 2011. For this reason, the Mayor has agreed that, on grounds of urgency, the call-in procedure shall not apply to any decision to award the contract, since such a delay would prejudice the Council's and the public's interest.

#### **6. Other Options considered**

- 6.1 The options appraisal for the project as a whole is set out in Report B317 considered by Cabinet and then Council on 14 December 2010.
- 6.2 Options for the procurement process were set out in Paper C7 to Cabinet on 25 May 2011.

#### **7. Community impact** *(including Section 17 of the Crime and Disorder Act 1998 and diversity issues)*

- 7.1 The impact of the project as a whole on the Community is set out in Paper B317 and for the procurement and funding arrangements in Paper C7.

<b>8. Consultation</b>
8.1 The arrangements for consultation regarding the project as a whole are set out in Report B317.
<b>9. Resource implications</b> <i>(including asset management implications)</i>
9.1 The resource implications of the project as a whole are set out in Report B317.
9.2 Based on the outcome of tendering, indicative financial costs and benefits along with CO <sub>2</sub> savings, over a scheme lifetime of 25 years for electricity generation are shown in Exempt Annex 3 and will be completed and forwarded to Cabinet in due course.
<b>10. Legal or policy implications</b>
10.1 The legal and policy implications of the project as a whole are set out in report B317.
10.2 This decision is deemed to be urgent, and exempt from call-in, under rule 15.4 of the Council's Overview & Scrutiny Procedure Rules of the Council's Constitution for the reasons explained in Section 5 above.

<b>Wards affected</b>	All	<b>Portfolio Holder</b>	Environment
<b>Background Papers</b> <b>Report B317</b> <b>Report B512</b> <b>Report C7</b>		<b>Subject Area</b> Environment and Property Management	

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## Sites proposed for installation of Solar PV

The following sites have been included as lots in the tendering process.

### Lots

#### **Lot 1**

Ref	Site Name
1A	Visitor Centre - West Stow Anglo-Saxon Village Visitor Centre Buildings, Icklingham Road, West Stow, Bury St Edmunds, IP28 6HG
1B	Collections Building - West Stow Anglo-Saxon Village Visitor Centre Buildings, Icklingham Road, West Stow, Bury St Edmunds, IP28 6HG
1C	Land adjacent to West Stow Anglo-Saxon Village Visitor Centre Buildings, Icklingham Road, West Stow, Bury St Edmunds, IP28 6HG

#### **Lot 2**

Ref	Site Name
2A	Storage building - Council Depot, Homefield Road, Haverhill, CB9 8QP
2B	Office building – Council Depot, Homefield Road Depot, Haverhill, CB9 8QP

#### **Lot 3**

Ref	Site Name
3	Bury St Edmunds Leisure Centre, Beetons Way, Bury St Edmunds, IP33 3TT

#### **Lot 4**

Ref	Site Name
4	Haverhill Leisure Centre, Eringhausen Way, Haverhill, CB9 0ER

#### **Lot 5**

Ref	Site Name
5	Council Offices, Lower Downs Slade, Haverhill, CB9 9EE

#### **Lot 6**

Ref	Site Name
6	West Suffolk House, Western Way, Bury St Edmunds, IP33 3YU

### **How the Tender evaluation was carried out**

2.1 The Council evaluated the tender bids based on the Most Economically Advantageous Tender (MEAT) with scores weighted as follows:

- Cost 60%
- Technical 40%.

2.2 Each Lot listed above was evaluated separately. The award criteria were applied to each Lot separately to find the Most Economically Advantageous Tender (MEAT) for each lot.

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**Summary of the Tender bids submitted**

The proposed preferred supplier(s) is shown in **BOLD** type.

<b>Lot</b>	<b>Site name</b>	<b>Supplier</b>	<b>KilowattPeak (kWp)*</b>	<b>Tender price</b>
<b>1</b>	West Stow			
<b>2</b>	Council Depot, Homefield Road, Haverhill			
<b>3</b>	Bury St Edmunds Leisure Centre			
<b>4</b>	Haverhill Leisure Centre			
<b>5</b>	Council Offices, Lower Downs Slade, Haverhill			
<b>6</b>	West Suffolk House			
<b>Total</b>				

\*see glossary on page 2

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**Investment and return summary based on the tendering exercise**

A summary of the investment and predicted return is shown below.

<b>No. of sites</b>	
<b>Total electricity generating capacity (kWp)</b>	
<b>Tendered equipment supply and installation cost</b>	
<b>Other capital costs*</b>	
<b>Average revenue costs (Annual)**</b>	
<b>Total revenue costs (Lifetime)**</b>	
<b>Gross average FIT Income including energy savings (Annual)</b>	
<b>Total gross FIT income (Lifetime)</b>	
<b>Profit over lifetime of the schemes</b>	
<b>Payback (Years)</b>	
<b>Internal Rate of Return On Investment (lifetime)</b>	
<b>Lifetime CO<sub>2</sub> savings (Tonnes)</b>	

\* Other capital costs include providing fencing or other security and carrying out structural surveys.

\*\* Revenue costs include maintenance, administration, insurance and loss of interest on capital investment.

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