

EXTENSION OF THE SOLAR VOLTAIC (PV) SYSTEM TO THE TESAM BUILDING
Councillor Seaton, Cabinet Member for Resources
October 2015
Deadline date: <i>October 2015</i>

Cabinet portfolio holder: Responsible Director:	Councillor Seaton, Cabinet Member for Resources John Harrison, Corporate Director Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: Yes Unique Key decision Reference from Forward Plan: KEY/16OCT15/02
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

R E C O M M E N D A T I O N S

Authority is sought from the Cabinet Member to:

1. Award a contract of £1,628,370 to Mears Limited to carry out the installation of Solar Photovoltaic (PV) Panels to the [Tesam] property which will include battery storage to this site; and
2. Delegate authority to the Corporate Director Resources to enter into an Access Agreement and Power Purchase Agreement with current and any future tenant of the property.

1. SUMMARY OF MAIN ISSUES

- 1.1 This report is submitted to the Cabinet Member for Resources to approve the installation of roof Photovoltaic (PV) and battery storage to the Council's property at Westwood Industrial Estate, Ivatt Way, Peterborough.
- 1.2 The total cost of the works of £1,630,170 (including contract management costs) will be paid from the Invest to Save capital budget on the basis that this phase of works meets the set of principles which were outlined in the Medium Term Financial Strategy to 2021/22.

The project will result in gross income of £5,053,146 over a 25 year period as set out in section 4.12 of this report.

- 1.3 UK Power Networks (UKPN), which is the Distribution Network Operator (DNO) for the South East and East of England, has advised Peterborough City Council that grid capacity in the area is at its limit during daylight hours. Due to the lack of grid capacity in the Peterborough area a solution to use battery storage, to store the power on site and export to the grid in the evenings when the grid has greater capacity, has been agreed with UKPN. The battery storage solution will allow greater consumption of on-site electricity production and further reduce PCC carbon emissions. Battery storage will also greatly reduce the reliance on the mains electrical infrastructure and mean that on some days the property will be self-sufficient in electrical production and usage. Excess electricity can be exported back to the grid in the evening when the grid has capacity to accept the electricity.

2. PURPOSE OF THIS REPORT

- 2.1 This report is for Cabinet Member for Resources to consider exercising delegated authority under paragraph 3.4.8(a) of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (f) and (i).

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	
---	-----------	---	--

4. DETAILS OF DECISION REQUIRED

- 4.1 A desktop analysis showing the benefits achievable in fitting Solar PV to roofs has been completed by Mears for a further build out of 999k/w on [Tesam]. The building currently has 200k/w of solar PV exporting to the grid which was installed in 2011. This proposal is for an additional, completely separate installation to the existing one and will include battery storage with grid export occurring off peak in the evenings only.
- 4.2 Installation of solar PV and battery storage will enable PCC to take advantage of the Feed-in Tariffs (FiTs) scheme. The FiTs scheme provides for a minimum payment to the Council for all electricity generated by the system.
- 4.3 All sites with an install capacity of 52k/w or above can pre-register for the FiT scheme before the end of September and must be completed by 31 March 2016. The [Tesam] building has now been pre-registered at no cost to the Council.
- 4.4 After September 2015 PV schemes will no longer be able to pre-register for the FIT and as such will only be entitled to lower feed in tariff rates. It should be noted that a substantial reduction in the Feed in Tariff rates has been announced for January 2016 referred to in paragraph 4.6 below.
- 4.5 For the [Tesam] building PCC may choose to sell the electricity produced to the tenant which will require the tenant to sign a Power Purchase Agreement (PPA). An Access Agreement will also be required to allow the installation and future maintenance.

Overview

- 4.6 Installation of solar PV and battery storage will enable PCC to take advantage of the Feed-in Tariffs (FiTs) scheme. The FiTs scheme provides for a minimum payment to the Council

for all electricity generated by the system in addition to the payments made by tenant should it agree to purchase electricity via PPA.

- 4.7 The Department for Energy and Climate Change (DECC) has confirmed that the level of FiTs payments will decrease over time, with the next reduction coming into force on the 1st January 2016 with a likely reduction of circa 80% of the tariff. DECC has also announced further reviews of the FiT and is likely to recommend further reductions in the rate over time.
- 4.8 As PCC already has more than 25 solar installations then in accordance with the rules of the FiT scheme all new Council installations will only be eligible for 90% of the FiT tariff. A lower FiT tariff, set at 90% of the standard tariff, will be applied where the FiT generator or nominated FiT recipient has aggregated 25 or more solar PV installations.
- 4.9 The proposed installation will generate electricity and the Council will claim the FiT payment to pay back the initial investment costs. The Council will be responsible for the maintenance of the panels, whilst the tenant will receive the electricity generated at a fixed price per kWh linked to RPI over 25 years. Electricity prices are forecast to increase significantly in the future, importantly at a rate above the Retail Price Index (RPI). This scheme will secure the price for electricity generated via the solar PV panels, increasing at the rate of RPI for 25 years, thus reducing the tenant's exposure to energy market volatility.

Accessing Invest to Save capital budget to fund this phase of works

- 4.10 The capital programme includes a budget of £94m to support Invest to Save schemes. This budget is included on the basis that any projects will deliver savings to the Council, and hence in the current MTFS there is no impact on the bottom line from its inclusion.
- 4.11 Following recommendations at the Scrutiny meeting on 30th January 2012, which were subsequently agreed within the Budget 2012/13 and the setting of the Medium Term Financial Strategy, a set of principles were approved which outlined how the Invest to Save budget should be spent. The following table shows how this project meets the criteria for Invest to Save funding:

Principles outlining how Invest to Save Budget should be spent:	Does this project meet the principles?
Each project would need to complete the Council's standard full business case. This would include the required officer evaluation and approval as for all business cases	Each project will receive approval prior to proceeding through PCC internal governance process.
Schemes should deliver savings that improve the financial position of the Council presented in this MTFS	Every solar scheme undertaken will make a surplus. A summary is provided in the Exempt Annex. The surplus income generated will contribute to the renewable energy efficiency targets set out in the Council's Medium Term Financial Strategy.

Schemes will be also be considered that maintain the MTFS position (i.e. neither improve or worsen the position), but that contribute towards delivering service improvements or towards achievement of Council priorities	N/A
The MTFS assumes that payback from schemes starts in the same year that the project starts. If this is not the case, proposals will need the following additional analysis in the business case: <ol style="list-style-type: none"> 1. A full net present value analysis 2. An outline of how the finances will be covered across financial years if schemes are not cost neutral within each financial year 	Installations will be completed in an agreed timeframe and the financial models have a positive NPV overall. There will be a small amount of investment interest costs in 2015-16 whereas project income will mainly come on stream from 2015-16. This timing difference will be covered by the Council's overall capital financing budgets.
Proposals will need to be subject to the Council's decision making requirements e.g. any schemes above £500k will be subject to a Cabinet Member Decision Notice approved by the Cabinet Member for Resources and the relevant portfolio holder	This phase of works is above £500k and therefore this CMDN has been produced in accordance with Council governance requirements as well as meeting the criteria for Invest to Save budget.
An update on schemes should be included in future financial reports to Cabinet during the year	Future reports will be provided to Cabinet as part of the normal budgetary control reports

4.12 The table below sets out the costs and benefits of the proposal to install 999 k/w solar PV on the [Tesam] building.

Summary	Mears Corporate
	£
Capital Value	1,603,170
O&M costs	32,784
Insurance	124,875
interest repayment	1,034,027
Total costs	2,821,856
Guaranteed Energy Income	5,053,146
Net Benefit to PCC	2,231,290
Annual Impact	89,252
Total CO2 Tonnes Savings	9,763

5. CONSULTATION

- 5.1 Consultations have taken place across departments in relation to all PCC assets in order to assess and identify the viability of PV installations at various sites across Peterborough.

6. ANTICIPATED OUTCOMES

- 6.1 The Council will be in a position to move further forward with plans to implement more sustainable energy sources and thereby reduce the impact of climate change to the environment. In addition, the generation of new income streams will assist the Council in addressing savings targets linked to renewable energy contained in the Medium Term Financial Strategy.

7. REASONS FOR RECOMMENDATIONS & ANY RELEVANT BACKGROUND INFORMATION

- 7.1 Assists with the Council's ambition and vision for the future of Peterborough to meet the diverse needs of our communities as set out in the Sustainable Community Strategy
- 7.2 Supports the Council's aspirations to be the UK's Environment Capital by using sustainable energy sources.
- 7.3 Enables the Council to support schools further with energy efficiency improvements which will ensure the electricity generated or that which is purchased is not wasted. Improvement will reduce overall energy demand thereby helping to reduce energy bills, exposure to price increases and improve schools' energy performance rating
- 7.4 Generates a surplus income which will contribute to the Renewable Energy Savings targets in the MTF5.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 Procuring each of the works as standalone single contracts through individual contractors: following the traditional tender process for each individual contract would significantly increase the risk of securing the works in time to maximise the income from the FITs Scheme and potentially increase costs. This would also increase the risk of extending the programme of works which would jeopardise the Council's aspirations to be the UK's Environment Capital.
- 8.2 Do nothing: This would result in a lost opportunity for Peterborough City Council to install the panels and/or battery storage facilities at the higher feed in tariff and hence reduce a long term income stream to the Council to offset future budget reductions.

9. IMPLICATIONS

- 9.1 The Council will use Mears Limited through the existing procured framework to design, supply and install solar photovoltaic panels to ensure the maximum build out in a shortest time possible.
- 9.2 Financial - The Council will enter into an agreement with the tenant for the purchase of power produced. The works will all be funded from the Invest to Save capital budget and the invest to save criteria will be met for each project. This included the development of a business case, with sensitivity analysis undertaken against key assumptions. This process would be repeated for the further phases.
- 9.3 Legal – The Council's internal governance requirements have been complied with and the solar PV works will be carried out under the terms of a framework agreement procured as a result of a legally compliant procurement process.

9.4 Environmental – The Council is committed to using sustainable energy sources and will invest in, demonstrate and promote the benefits of energy efficiency and renewable generation. In doing so, the Council will help to reduce the impact of climate change and its own contribution to the causes of climate change. The Climate Change Team are informed of any changes to energy consumption in order to assess the impact on carbon emission levels.

10. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

None.

11. BACKGROUND DOCUMENTS

Medium Term Financial Strategy