

**SMART ENERGY GRID – UPDATE ON EUROPEAN REGIONAL DEVELOPMENT
FUNDING AND RISKS**

To: **Commercial and Investment Committee**

Meeting Date: **15th September 2017**

From: **Executive Director - Economy Transport and the
Environment**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose:

Recommendation: **Committee is asked to:**

- **Note the revised status of the European Regional Development Fund bid for the Smart Energy Grid demonstrator project at the St Ives Park and Ride site.**
- **Support the continued development of the project, to secure the ERDF grant funding.**

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1. BACKGROUND

- 1.1 Cambridgeshire County Council submitted an outline application for European Regional Development Funds in August 2016 for a Smart Energy Grid Project at the St Ives Park and Ride site.
- 1.2 The Smart Energy Grid will combine solar panels installed on canopies over the car parking spaces, with battery storage to power the site after dark or when there is insufficient sunlight. The electricity generated will serve all the electricity demand of the site, and all excess electricity will be sold to a local customer. Additional electric vehicle charging points will be added which will also be powered by the low-carbon electricity generated.
- 1.3 As part of the project, new 'under canopy' lighting will be added to provide adequate lighting for car park users. The remaining lighting will be upgraded and CCTV cameras will be relocated to accommodate the new structures. An artist's impression of what the finished project should look like is attached at **Appendix A**.
- 1.4 In November 2016, the County Council was notified that its outline application for ERDF grant funding had passed the selection process, and it was invited to progress to the full application stage. The full application was submitted in March 2017.
- 1.5 Approval of the outline application meant that half of eligible project development costs could be claimed providing that approval of the full application was gained. Full application approval will allow access to a grant with Department for Communities and Local Government (DCLG). If the project does not achieve full approval then the Council will not be offered an agreement by DCLG, and the project development costs to date could not be reclaimed. However, the expectation is that a project approved at the outline application phase should go on to be offered funding as long as it can demonstrate that it is compliant with ERDF guidance.
- 1.6 The initial target date for approval of the full application from DCLG was 4th July 2017. In a meeting with DCLG on 17th July, DCLG explained they could not complete their review of the full application owing to a number of clarification points highlighted in section 2.

2. MAIN ISSUES

2.1 Procurement

DCLG has been reviewing the County Council's procurement of Bouygues Energies and Services Ltd under the Re:fit 2 Framework since December 2016. The local DCLG ERDF team assessed the procurement as being compliant, but the national compliance team must also review the procurement. The outcome of this national level compliance check should be known soon.

2.2 Planning permission

On DCLG's request the County Council submitted the full planning application in March 2017. Planning permission for the project was granted on 6th July 2017, and this evidence was supplied to DCLG. It is now understood that DCLG cannot award ERDF grant funding until all planning conditions have been discharged. We estimate discharging of the planning conditions will take until the end of October 2017. In the meantime project costs will be incurred.

2.3 Power Purchase Agreement (PPA)

A major source of revenue for the project is through the sale of electricity via a Power Purchase Agreement (PPA). As a result of DCLG's review process on the application, the County Council has been advised that a PPA will need to be agreed before approval for funding is granted. The reason is that DCLG cannot finalise its finance assessment until the income is fully clarified. Realistically, a PPA will not be signed until end of October/November 2017 as the County Council is in the early stages of negotiating the PPA with customers.

2.4 State Aid

DCLG would like clarification in two areas of State Aid to help them determine eligibility for the 50% state aid intervention rate we requested. These clarifications could impact the intensity of state aid agreed for the project reducing the grant available from 50% to 45%.

2.5 Project development costs

To discharge planning conditions, continue PPA negotiations, provide updated costs and state aid justifications to DCLG work needs to continue on the project until the County Council can enter into a grant agreement. Current estimates are that the project will reach the total project development costs of around £262,000 by the end of November 2017. The project development expenditure is shown in table1.

Expenditure type	Total £	Budget	Eligible for ERDF Yes/No
Submission of outline application (Expenditure pre-DCLG outline approval)	£ 61,500	Staff time* currently paid by Energy Investment Unit but to be recompensed from project profits	N
Submission of Full application including legal, financial, staff and Local Partnerships charges	£ 27,390	Currently picked up by EIU budget but will be recharged from the project profits	N
Project development expenditure including Investment Grade Proposal, legal costs and Local Partnerships	£ 173,000	£100K project development contribution, ETE operational savings budget	Y

fees, discharge of planning conditions, and actual and forecast staff costs etc		(Approved EE Committee, 2016)	
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* Not including overhead rate

Table 1. Project development expenditure

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 Developing the local economy for the benefit of all

As part of the project, we will be operating a Business Support Program to share the lessons learned in developing and designing the scheme with the cleantech community. We will be providing 12 hours of business support for a minimum of 40 companies. The expectation is that the support will reduce barriers for other companies to develop energy projects.

This project is a pilot to test a new commercial model in areas of significant grid connection constraint to help to develop a local market for buying and selling of energy.

3.2 Helping people live healthy and independent lives

The project will assist in expanding low-carbon, emission-free electricity generation in the County, as well as paving the way for other similar projects. This is key for tackling air pollution and the causes of climate change, providing health benefits for our communities.

3.3 Supporting and protecting vulnerable people

Supporting the development of local energy markets will help manage the costs of energy in the medium term. For the vulnerable, it is hoped that the local generation and selling of energy will help with rising fuel costs.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

If successful, the grant supplies roughly half of the required funding (£1.6M), the other half (£1.6M) will be borrowed by the Council from the Public Works Loan Board. This approach was detailed in a business case that was submitted and approved by Assets and Investment Committee on 16 September 2016.

4.2 Statutory, Risk and Legal Implications

There are no significant implications within this category.

4.3 Equality and Diversity Implications

There are no significant implications within this category.

4.4 Engagement and Consultation

There are no significant implications within this category. Public consultation on the project was held in December 2016 and the St Ives parish magazine published a significant article in February 2017 on the project. Recent publicity stemming from the granting of planning permission includes coverage by BBC Look East on the 6th of July, an article in the Cambridge Independent, an article in the online publication Solar Power Portal and a BBC Radio Cambridgeshire interview.

4.5 Localism and Local Member Involvement

The Local Councillors have been informed of the project. In addition, St Ives Town Council have been updated regularly, and the project has their full support.

4.6 Public Health

There are no significant implications within this category. To the extent the project offsets fossil fuel powered generation, there would be a small improvement in public health.

Source Documents	Location
N/A	

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Sarah Heywood
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Are there any Equality and Diversity implications?	No Name of Officer: Tamar Oviatt-Ham
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Sarah Silk and Eleanor Bell
Are there any Localism and Local Member involvement issues?	No Name of Officer: Tamar Oviatt-Ham
Have any Public Health implications been cleared by Public Health	Yes Name of Officer: Tess Campbell

Appendix A: Smart Energy Grid – image of final project

The Guided Busway runs along the southern edge of the site, shown here in the upper left hand corner. The forest green battery storage containers are shown in the lower centre of the image.

