

MINOR WORKS FOR ST IVES SMART ENERGY GRID

To: Commercial and Investment Committee

Meeting Date: 22 May 2020

From: Steve Cox, Executive Director, Place and Economy

Electoral division(s): St Ives South and Needingworth

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

Outcome: To update Members on progress with the St Ives Park and Ride smart energy grid and gain approval to commence minor works on site to implement the planning permission.

Recommendation: The Committee is being asked to:

- a) Note progress with the project; and
- b) Approve the commencement of minor works to implement the car port foundations on site before the expiration of the planning permission i.e. before 6 July 2020.

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1. BACKGROUND

- 1.1 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 local industrial customers. Additional electric vehicle charging points will be added which will also be powered by the low-carbon electricity generated.
- 1.2 The project was last brought before the Commercial and Investment Committee in September 2019. At that meeting approval was granted for delegation of the final decisions on the project to the Chief Finance Officer in consultation with the Chair of Commercial and Investment Committee, on the basis that the following conditions are met:
 - A signed Funding Agreement with the Minister of Housing, Communities and Local Government (MHCLG);
 - Power Purchase Agreement (PPA) commitments from a customer or customer(s) are secured, although final negotiations on contractual terms are still underway; and
 - the Chair and Chief Finance Officer agree the revised Investment Grade Proposal (IGP) is acceptably aligned with the payback period and Internal Rate of Return agreed at Committee in December 2017.
- 1.3 An earlier paper to the Committee taken in December 2017 also laid out conditions the County Council were required to meet in order to secure European Regional Development Fund (ERDF) grant funding for the balance of required funding. These conditions included:
 - finalised costs of the Smart Energy Grid;
 - confirming Committee agreement to the total match funding - complete;
 - negotiate the State Aid position with the Department of Communities and Local Government (the precursor to MHCLG) - complete;
 - discharge planning conditions - complete;
 - and obtain the title of the land that has been purchased.
- 1.4 Separately, areas of work were agreed in the construction contract between Bouygues and the County Council as pre-conditions before work could commence on site (called the 'Notice to Proceed'). These were negotiated in recognition that there was likely to be a gap between signing the contract and when work could commence on-site while the full application for grant funding was being assessed.
- 1.5 An update on each of the conditions set out in paragraphs 1.2 to 1.4 above are included in Section 2 below.
- 1.6 The intended outcome of this paper is to secure approval for the minor works recommended in paragraph 2.8 below to commence on site so as to avoid the expiration of our planning permission.

2. MAIN ISSUES

- 2.1 **Land Title Registration.** MHCLG has identified that registering the land titles which comprise the site is the last condition prior to offering the funding agreement. Their lawyers

wish to review the land titles for any conditions which may interfere with the smart energy grid and will only complete that work once the titles have been registered by the Land Registry. This is normal practice ahead of funding being provided. LGSS Law submitted an application to the Land Registry in December 2019, which was unfortunately rejected as two title deeds were missing. An amendment to the land title has been sent to the previous land owner for signature but is now dependent on access rights over an unadopted road on Meadow Lane being agreed. Once this is completed, LGSS Law can resubmit the application to register the Transfer with the Land Registry.

- 2.1 This presents a large risk to the critical path of the project. The Executive Director of Place and Economy has had regular conversations with MHCLG over the last few months to discuss these issues, find a way forward and to ensure MHCLG's continued support for the project, which it has confirmed. An offer for CCC to underwrite risk from the title was made in February 2020 and the team is awaiting a response. It should be noted that many staff within the MHCLG team have been redeployed to COVID related roles.
- 2.2 **Finalising project costs.** As the quotes making up the Investment Grade Proposal expire after 90 days, the project components were put out to tender again in March and April 2020. Tenders have been returned for the majority of the project and there has been an increase of £30k. The Project Team will need to go back out to market once the Letter of Intent has been received from MHCLG signalling their intent to negotiate a Funding Agreement. The cost to connect to the grid via one of the PPA customers is anticipated to be a low cost in relation to the overall project budget.
- 2.3 **Power Purchase Agreements.** The business case for the project is predicated on selling energy to local businesses. In meetings with both customers during March 2020, both have indicated their willingness to negotiate a Power Purchase Agreement (PPA). One has returned the signed Memorandum of Understanding and shared key technical documents and drawings, while the other has unfortunately had to furlough staff owing to the COVID-19 crisis and return on 5 May 2020 when we expect to receive the signed MOU soon thereafter.
- 2.4 **Concluding a Funding Agreement.** MHCLG staff have stopped assessing grant applications during COVID-19 owing to staff being redeployed and have focussed remaining staff on processing grant claims. At MHCLG's request, potential risks and delays owing to COVID-19 were identified and shared, these are summarised in **Appendix 1**, alongside the wider potential risks and delays.
- 2.5 **Planning Permission.** The planning permission was granted on 6 July 2017. In order to retain the planning permission, works must commence on site within 3 years i.e. by 6 July 2020. As the delegation conditions described in paragraph 1.2 above have not all been met, this paper seeks approval for minimal on-site works to commence in order to preserve the planning permission. Bouygues will therefore require a Notice to Proceed for minor works.
- 2.6 There are three options for starting on site as described in the table below. All three options contribute to the full project being built in the future and include related project management costs. CCC and Bouygues will negotiate an appropriate contract to cover these minor works.

Option	Description	Cost (including markups)
Option 1	Carport Prototype – excavations, foundations, refinish concrete and tarmac, carport erection, solar module mounting (non-operational)	£40,000
Option 2	Carport Foundations only - excavations, foundations, refinish concrete and tarmac	£20,000
Option 3	Carport Prototype and Battery Energy Storage System Compound – As Option 1 plus pouring foundation for BESS compound, fencing and gates	£52,000

- 2.7 Having discussed the minimum amount of work required to implement the planning permission with planning colleagues, and considered the least amount of disruption to users of the Park and Ride site should there need to be a substantial time lag between these initial works and progression of the full scheme, officers are of the opinion that option 2 is the preferred option that they would like Members to endorse. Given that this is also the least expensive option, this should help to minimise the risk to the project.
- 2.8 Bouygues will develop risk assessments and method statements ahead of all on-site work which shall align with government guidelines and Bouygues Group's operational safeguarding procedure. Workers on site will receive daily inductions on safe working practices and will comply with social distancing guidelines from government in place at the time. On the advice of the Senior Public Health Manager, Bouygues' attention has been drawn to the guidance available from Government and the Construction Leadership Council.¹
- 2.9 Once work begins on site, the County Council as the local planning authority must be notified of such within 14 days.

3. ALIGNMENT WITH CORPORATE PRIORITIES

3.1 A good quality of life for everyone

The project will provide clean renewable energy to power the Park and Ride site's usage, and local customers either directly or via electric vehicle charging, thereby reducing the Council's and Cambridgeshire's carbon footprint and mitigating climate change.

3.2 Thriving places for people to live

As part of the project, a Business Support Programme will be delivered to share the lessons learned in developing and designing a Smart Energy scheme. Twelve hours of business support for a minimum of 40 companies will be delivered and this is costed as part of the

¹ <https://www.constructionleadershipcouncil.co.uk/news/site-operating-procedures-during-covid-19/>
<https://www.gov.uk/guidance/social-distancing-in-the-workplace-during-coronavirus-covid-19-sector-guidance#construction>

overall business case. The expectation is that the support will reduce barriers for other companies to develop complex energy projects like this one.

3.3 The best start for Cambridgeshire's children

There are no significant implications for this priority.

3.4 Net zero carbon emissions for Cambridgeshire by 2050

This project has a positive contribution to achieving net zero carbon emissions in the county by 2050.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource Implications

The cost of the preferred option (option 2), alongside the alternative options (options 1 and 3), are described above in paragraph 2.6.

4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

Bouygues Energies & Services were originally procured under a mini-competition run under the Refit 2 Framework. CCC and Bouygues entered into a construction contract in November 2016 prior to its expiration. That contract will be varied to reflect changes since it was agreed and prior to works commencing.

4.3 Statutory, Legal and Risk Implications

Please see Appendix 1. Note that these reflect overall risks to the project, not solely to this stage of works. No statutory or legal risks have been identified by officers.

4.4 Equality and Diversity Implications

There are no significant implications within this category.

4.5 Engagement and Communications Implications

Local residents, Local Members, the St Ives Town Council, commuters, the Park and Ride team and St Ives in Bloom (a voluntary gardening group that plant at the park and ride) have been notified as to the status of the project. An article on the project was published in the Town Council publication *The Bridge* in September 2019, and has been posted online at various corporate sites and local newspapers. Communication with the public and local Members will increase once a Funding Agreement is offered.

4.6 Localism and Local Member Involvement

See paragraph 4.5 above.

4.7 Public Health Implications

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

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Ellie Tod
Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?	Yes Name of Officer: Gus DeSilva
Has the impact on statutory, legal and risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Have the equality and diversity implications been cleared by your Service Contact?	Yes or No Name of Officer: Jeremy Smith
Have any engagement and communication implications been cleared by Communications?	Yes Name of Officer: Eleanor Bell
Have any localism and Local Member involvement issues been cleared by your Service Contact?	Yes Name of Officer: Emma Fitch
Have any Public Health implications been cleared by Public Health?	Yes Name of Officer: Iain Green

Source Documents	Location
<ol style="list-style-type: none"> 1. Smart Energy Grid Demonstrator Project, St Ives Park and Ride – Outline Business Case, paper to 16 September 2016 Assets and Investment Committee 2. Smart Energy Grid – Update on European Regional Development Funding and Risks, paper to 15 September 2017 Commercial and Investment Committee 3. Smart Energy Grid – Business Case and European Regional Development Fund Update, paper to 15 December 2017 Commercial and Investment Committee 4. Progress and Risk Update for St Ives Smart Energy Grid project Member briefing note, June 2018 5. Progress and Risk Update for the St Ives Smart Energy Grid project, 13 December 2018 6. Notice to Proceed for St Ives Smart Energy Grid, paper to 13 September 2019 Commercial and Investment Committee 	<ol style="list-style-type: none"> 1. https://tinyurl.com/yxaytd88 2. https://tinyurl.com/y3d25zgw 3. https://tinyurl.com/yyc46odl 4. Available upon request 5. Available upon request 6. https://tinyurl.com/yyjy5o5e

Appendix 1. Project Risks and Mitigation Strategies

Causes	Impacts	Mitigation Strategy	RAG Status
COVID-19 related			
Supply chain disruptions are likely across all types of equipment – battery storage, solar modules, electric vehicle chargers, cabling, etc.	Project delay, increased cost of construction	Monitor the market regularly through subcontractors and normal channels	A
The GBP loses value against other foreign currencies – Purchasing abroad becomes more expensive (PV panels, inverters and equipment)	Project costs increase	<ul style="list-style-type: none"> - Where possible, limit the number of transactions in foreign currencies. - Make batch purchases for more than one clean energy project 	A
Restriction on working practices for staff on site	Social distancing rules may hamper safe working practices	Perform a thorough risk assessment and on-site induction before work commences	A
MHCLG have reduced staff working on ERDF projects to a minimum, focussing on processing claims, rather than on negotiating new Funding Agreements	Should the offer to underwrite the risk of the land title be accepted by MHCLG, entering into a Funding Agreement could still be delayed.	The Project Team is focussing on preparing as much as possible pending MHCLG staff returning to normal duties.	G
Infection or redeployment of key staff from CCC, Bouygues or subcontractors	Project delay	Key project staff are shielded from redeployment and follow government guidelines to protect themselves from the virus.	G
Non COVID-19 Related			
Expiration of planning approval	Significant delay in the programme as permissions are sought	Start minor works on site before 6 July 2020 to avoid losing the planning permission	A
Fail to secure agreement from MHCLG on ERDF funding	Project cessation	Explore other funding routes	R
Commencing works on site will set up expectations with the public that works	Reputational damage	Clear communication to the public about the scope of works to be completed.	A

will continue to completion.			
The new immigration policy intended to come into effect early next year relating to low paid workers. The installation staff are often hired from outside the UK and typically make less than the threshold declared.	An increase in staffing costs is expected.	Where possible, hire staff from within the UK	A
The Project Team are unable to negotiate satisfactory PPAs with customers.	Projected revenues suffer	The business case is revised to examine the expansion of electric vehicle chargers on-site, as well as other commercialisation strategies, as a means of replacing revenue from the PPA customer.	A
The revised Investment Grade Proposal exceeds the approved costs and/or the investment parameters.	Project costs increase	Appropriate scrutiny will be applied to the business case inputs to confirm that costs are appropriate. Should the cost or investment parameters be exceeded but the project is still sound, a paper will be brought forward to Committee for direction.	A
Failure to negotiate a PPA with Marshalls	Unable to sell excess electricity	Alternative commercialisation plans are being explored which, while less financially beneficial, are still viable.	A
Further delays in negotiating either the PPA or the Funding Agreement, or securing the land title result in the quotes forming the business case to expire.	<ul style="list-style-type: none"> - Another round of tendering will be required, further delaying the project. - Internal costs to manage the project continue to increase 	<p>Until a Letter of Intent is received from MHCLG</p> <ul style="list-style-type: none"> - Retendering will be delayed - All non-essential work on revising the Full Application for funding, varying the construction contract and finalising the IGP is put on hold 	G