



## PORTFOLIO AREA: GOVERNANCE AND RESOURCES

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Date of Meeting: 13<sup>th</sup> February 2012

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Public

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Key Decision: No

Recorded in Forward Plan:

No

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Inside Policy Framework

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**Title:** SUSTAINABLE ENERGY PROJECT AT THE SANDS CENTRE,  
CARLISLE

**Report of:** The Director of Resources

**Report reference:** RD.89/11

### Summary:

This report provides revised details of the Council's opportunity for investment in a renewable energy project at the Sands Centre based on the feed-in-tariff for micro-generation.

### Recommendations:

That the Executive:

- i. Exempt the procurement for the fitting of solar photovoltaic modules on the Sands Centre, as specified in the Report, from the Council's Contract Procedure Rules pursuant to CPR1(d);
- ii. Approve the fitting of solar photovoltaic modules on the Sands Centre based on the changes to feed in tariff, electricity cost and capital cost resulting in a rate of return to 11% which is above the 8% minimum set in the business case; and
- iii. Approve the use of the Asset Review receipts to fund this £60,000 capital scheme, for recommendation to Council.

**Contact Officer:** David Kay

**Ext:** 7230

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None**

## 1. BACKGROUND INFORMATION AND OPTIONS

Report LE.12 11 was approved by the Executive and proposed various options for investment in renewable energy including solar photo voltaic modules. Report LE. 22 11 subsequently provided further information on the financial viability of the proposals, the criteria for approval was a return on investment of at least 8%. Since then the Government reduced the Feed in Tariff rate from 32.9p to 15.2p per kWh from 12<sup>th</sup> December 2012. However a legal decision has revised this date to the 2<sup>nd</sup> March.

This has opened a window of opportunity for the Council to commission an array prior to this date and obtain the higher rate of feed-in tariff. By negotiating with the successful tenderer for the Civic Centre PV project and duplicating the specification for that project then it is possible to meet this deadline and achieve 11% rate of return on investment. It would not be possible to achieve the target date if it was necessary to carry out a further procurement exercise.

### Agreement with Carlisle Leisure Limited

The share of the benefits from the project is yet to be negotiated between the Council and Carlisle Leisure Limited. The benefits arise from the feed in tariff payments and the value of electricity generated on site. This will be subject to a negotiation between the two parties. The return shown in the table below is based on the Council taking the feed in tariff and the value of electricity generated being shared equally.

#### Business Case October 2011

Feed in Tariff	Electricity Cost	Array Output	Capital Cost	Rate of Return	Payback Period
32.9p/kWh	7p/kWh	25kWp	£70,000	9%	9 years

#### Business Case January 2012

Feed in Tariff	Electricity Cost	Array Output	Capital Cost	Rate of Return	Payback Period
32.9p/kWh	8p/kWh	30kWp	£60,000	11%	8 years

## 2. CONSULTATION

### 2.1 Consultation to Date.

A specialist renewable energy and climate change consultant has visited the Civic Centre and delivered a presentation to officers on how Councils can take advantage of the Feed-in-Tariff. A specialist consultant has surveyed the site and produced a

detailed report. The report has been sent to the Climate Change consultant for comment.

2.2 Consultation proposed.

Planning Officer - Planning permission is required before the project can proceed.

### **3. RECOMMENDATIONS**

That the Executive:

- i. Exempt the procurement for the fitting of solar photovoltaic modules on the Sands Centre, as specified in the Report, from the Council's Contract Procedure Rules pursuant to CPR1(d);
- ii. Approve the fitting of solar photovoltaic modules on the Sands Centre based on the changes to feed in tariff, electricity cost and capital cost resulting in a rate of return to 11% which is above the 8% minimum set in the business case; and
- iii. Approve the use of the Asset Review receipts to fund this £60,000 capital scheme, for recommendation to Council.

### **4. REASONS FOR RECOMMENDATIONS**

The circumstances relating to feed-in tariffs have resulted in significant changes to the business case for solar PV projects. The unexpected changes and subsequent legal challenges have created uncertainty. However the current situation presents an opportunity to achieve the Council's objectives both financial and environmental, however, a rapid response is essential to meet the deadline for grid connection by 2<sup>nd</sup> March 2012.

### **5. IMPLICATIONS**

- Staffing/Resources – Existing staff can accommodate the work within existing resources.
- Financial – The cost of installing the Solar photovoltaic modules on the Sands Centre will be £60,000 and, if approved by Members of the Executive, can be funded from capital receipts generated from the asset review. As this is an invest to save scheme, the payback will take 8 years, with the total feed in tariff generated over the 25 year life being £266,000; however the share of the utility savings is still subject to further negotiations with CLL.
- Legal - The feed-in tariffs scheme was introduced from 1 April 2010 under powers in the Energy Act 2008 and the scheme is designed to encourage

deployment of additional small scale low carbon electricity generation by organisations, communities, businesses and individuals.

The proposed contract is below the relevant EU threshold to engage the Public Contract Regulations 2006. However, the Council's own Contract Procedure Rules (CPR) require that contracts of this estimated cost are procured by at least 3 persons, firms or companies being invited to tender. The cut-off date for the feed – in tariff makes this process impossible. CPR 1(d) provides that the Executive may exempt any process from the CPR requirements subject to such conditions as the Executive may require. Such a decision must be reasonable and be properly documented.

Lastly, any agreement with Carlisle Leisure Limited should also be satisfactory and properly recorded.

- Corporate – The renewable energy project will help achieve the corporate objectives of reducing carbon emissions and helping to prevent climate change.
- Risk Management – The main risk to the project is failure to achieve grid connection and registration before the deadline of 2<sup>nd</sup> March 2012. If the deadline is not met then the feed in tariff achieved will drop to 15.2p and the rate of return would be 6%.
- Environmental – The renewable energy project will provide good environmental benefits through displacement of fossil fuel energy generation by renewable energy.
- Crime and Disorder – No effect
- Impact on Customers – Savings achieved will free up resources for other local benefits
- Equality and Diversity – No effect

### **Impact assessments**

**Does the change have an impact on the following?**

<b>Equality Impact Screening</b>	<b>Impact Yes/No?</b>	<b>Is the impact positive or negative?</b>
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Does the policy/service impact on the following?		
Age	<b>No</b>	
Disability	<b>No</b>	
Race	<b>No</b>	
Gender/ Transgender	<b>No</b>	
Sexual Orientation	<b>No</b>	
Religion or belief	<b>No</b>	
Human Rights	<b>No</b>	
Health inequalities	<b>No</b>	
Rurality	<b>No</b>	

**If you consider there is either no impact or no negative impact, please give reasons:**

There is no impact on equality or diversity, the project is purely of a technical / financial nature to improve efficiency in energy generation

**If an equality Impact is necessary, please contact the P&P team.**