



REPORT TO EXECUTIVE

PORTFOLIO AREA: RESOURCES

Date of Meeting: 19th December 2011

Public

Key Decision: Yes

Recorded in Forward Plan:

No

Inside Policy Framework

Title: SUSTAINABLE ENERGY PROJECT AT CIVIC CENTRE,
CARLISLE

Report of: The Assistant Director Resources

Report reference: RD.75/11

Summary:

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

Recommendations:

Members are requested to review their decision to approve the fitting of solar photovoltaic modules on the Civic Centre based on the changes to feed in tariff, electricity cost and capital cost resulting in a reduction in rate of return to 6% which is below the 8% minimum set in the business case.

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 information has been released into the media that the Government will reduce the Feed in Tariff rate from 32.9p to 15.2p per kWh from 12th December 2011. Also the new energy procurement contract has resulted in an increase of 17% in the cost of electricity. Because of the upheaval in the solar PV industry due to the unexpected reduction in the tariff and the likelihood that many projects will be cancelled it is thought that the capital cost of PV modules will reduce.

The net effect of these negative and positive factors is that the predicted rate of return on investment for the scheme has reduced from 9% to 6%.

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 December 2011

Feed in Tariff	Electricity Cost	Array Output	Capital Cost	Rate of Return	Payback Period
15.2p/kWh	8p/kWh	20kWp	£50,000	6%	12 years

2. CONSULTATION

2.1 Consultation to Date.

A specialist renewable energy and climate change consultant, Steven Cirrell, 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 Steven Cirrell for comment.

2.2 Consultation proposed.

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

3. RECOMMENDATIONS

Members are requested to review their decision to approve the fitting of solar photovoltaic modules on the Civic Centre based on the changes to feed in tariff, electricity cost and capital cost resulting in a reduction in rate of return to 6% which is below the 8% minimum set in the business case.

4. REASONS FOR RECOMMENDATIONS

- A review is required as the circumstances affecting the business case have altered significantly reducing the rate of return to a level below the previously agreed minimum.

5. IMPLICATIONS

Staffing/Resources –

Existing staff can accommodate the work within existing resources

Financial – The cost of installing the Solar photovoltaic modules on the Civic Centre will be £50,000 and can be met from the use of the capital receipts generated from the asset review. As this is an invest to save scheme, the payback will take 12 years, however the total income generated over the 25 year life will be £166,000.

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.

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 risks are failure to achieve the projected returns due to the predicted capital cost being exceeded or the equipment failing to achieve projected outputs. Both these risks are considered to be manageable.

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?

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

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

.....

.....

.....

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