

**REPORT TO:** Executive Board  
**DATE:** 20 September 2018  
**REPORTING OFFICER:** Chief Executive  
**PORTFOLIO:** Environmental Services  
**SUBJECT:** European Regional Development Funding (ERDF)  
Renewable Energy Scheme  
**WARDS:** Borough-wide

## **1.0 PURPOSE OF REPORT**

1.1 To seek authority to invite tenders for the Design, Build, Operate and Maintenance contract for the development of a Solar Farm on the former St Michaels Golf Course.

## **2.0 RECOMMENDATION: That**

- 1. approval be granted to invite tenders for the Design, Build, Operation and Maintenance contract for the development of a Solar Farm on the former St Michaels Golf Course; and**
- 2. the Strategic Director Enterprise, Community and Resources, in consultation with the Environment Portfolio holder be authorised to determine the most appropriate use for the electricity when the financial merits of the options highlighted in the report have been assessed and determine which is the most advantageous to the Council.**

## **3.0 SUPPORTING INFORMATION**

3.1 In October 2017 the Executive Board approved proposals to develop a 1MW Solar Farm (3,700 panels) on part of the former St Michaels Golf Course which lies to the south of the A562 Speke Road. (EXB 54 refers)

3.2 The initial proposal was to connect the Solar Farm to the Halton Stadium via a private wire. The scheme will bring back into use a brownfield site and make use of a Council asset that is unsuitable for major development.

3.3 The system will produce circa 900,000kwh per annum. The panels will have a lifetime of between 25 and 30 years. The energy generated by the Solar Farm will reduce CO<sub>2</sub>e emissions by circa 316 tonnes per annum.

Two options are currently been considered for the use of electricity.

3.4 Option 1 –Private Wire to Halton Stadium

It is estimated that the under a Private Wire arrangement the Stadium will use approximately 45% of the energy generated and this will significantly reduce the Stadium's running costs over the next 25-30 years by around £41,500 per annum. This will continue for 25 -30 years and will increase over time subject to energy price inflation which is estimated at between 3% and 6%. The surplus energy will be sold to a third party under a Power Purchase Agreement. Total offset over the 25 year lifetime of the project are in the region of £975,000 (at 2018 prices). With energy price increase of between 3 and 6% this will be significantly higher over the lifetime of the project. After year 10 the Council will also benefit from the surplus energy sales. Total estimated avoidance costs is in the region of £1.5m and £2m

- 3.5 The surplus energy put back into the grid will generate income of circa £24,500 per annum which will increase year on year subject to inflation estimated at 3 to 6%.
- 3.6 The maintenance costs will be circa £12,000 per annum, or £18k including loan interest repayments of the Solar Farm. This will offset the income generated from the sale of and electricity in the first ten years. The main benefit to the Council will therefore be the offset costs at the stadium over the initial ten year ERDF period, after which the Council can also benefit from electricity sales income.

#### Option 2 Sleeved Power Purchase Arrangement

- 3.7 The options would require the Council to enter into a Power Purchase arrangement where the Council would be able to use all the electricity generated. This would require a Power Purchase Agreement with a third party energy supplier.
- 3.8 If the Council is able to enter into a Power Purchase Agreement whereby all the electricity is used at Council facilities this would increase the offset costs to around £92,000 per annum and there would be no surplus energy to be resold. There are costs that would need to be met in order to facilitate such an arrangement and these are currently subject to discussion with potential providers. Our current estimate of the attendant network charges is in the region of £56,000 per annum. Once these discussions have been finalised, the financial merits of this approach will be fully assessed.

The maintenance costs are similar to those identified in 3.8 above.

- 3.9 The financial merits of both options are currently been assessed to determine which is the most economically advantageous to the Council.

#### **4.0 FINANCIAL COSTS/ERDF**

The capital costs of the construction of the Solar Farm are estimated between 1.1m - £1.3m depending on the approach taken. The construction costs are reduced by circa £230,000 under option 2 as the grid connection costs are

lower than under the private wire arrangements. The cost of solar construction has reduced since the costs estimates were produced and this may reduce the overall construction costs when tenders are invited. As part of the development of the scheme the Council has been granted ERDF monies to meet 50% of the costs of the Scheme. As part of the agreement the Council will need to provide the 50% match funding. This will be provided from the Capital Programme/Environmental Fund. A separate capital code has been set up for the Scheme.

## **5.0 CONTRACT DURATION**

The contract to build the Solar Farm will be approximately 8 months, including site preparation clearance and build and it is envisaged this will be let around January 2019 with an August 2019 completion. After the two year warranty period, there will be an ongoing maintenance contract for the lifetime of the system approximately 25-30 years.

The Construction Supplier will be chosen through an open tender procedure as specified in paragraph 1.5.2 of the Council's Procurement Standing Orders.

## **6.0 POLICY IMPLICATIONS**

Nationally the Government has set a target for the UK to reduce its Carbon Emission in the period 2028-2032 to 57pc below 1990 levels. The Council also set its own reduction targets and these are currently being met. The Council has reduced its emissions through a number of renewable energy schemes, reduced energy use in buildings and street lighting. This scheme will help contribute to further reductions.

## **7.0 FINANCIAL IMPLICATIONS**

The Council will need to provide 50% match funding of £650,000 towards the capital costs of the scheme and this will be met from the Capital Programme/Environmental Fund.

The income generated from the sale of electricity will offset the annual operating costs of the scheme. There will be offset electricity costs for the Stadium/Council facilities for the next 25-30 years.

## **8.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **8.1 Children and Young People in Halton**

None

## **8.2 Employment, Learning and Skills in Halton**

None

## **8.3 A Healthy Halton**

None

## **8.4 A Safer Halton**

None

## **8.5 Halton's Urban Renewal**

The Scheme will bring back into use a Council asset that has been unused for some years and is unsuitable for major development. It will contribute to the Council's targets to reduce carbon emissions and will demonstrate local leadership in promoting locally generated renewable energy, removing the reliance on traditional fossil based fuels.

The project will also act as a demonstrator project for the Liverpool City Region (LCR) and could provide a model to be replicated across the LCR on differing scales.

## **9.0 RISK ANALYSIS**

A risk register for the scheme has been developed that puts in place control measures to mitigate against the main risks.

In developing the bid legal advice has been taken in relation to State Aid. This is in relation to the income that will be generated from the sale of electricity. It is considered that the scheme is compliant with the requirements of Article 48 of the General Block Exemptions. This means the scheme can be funded at 50% ERDF and does not require it to be notified or pre-approved by the EU.

## **10.0 EQUALITY AND DIVERSITY ISSUES**

None

## **11.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None under the meaning of the Act.