

CAMBRIDGE CITY COUNCIL
Record of Executive Decision

Intelligent Energy Europe (IEE) Bid re. Cambridge City District Heating Scheme
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Decision of: The Leader and Executive Councillor for Strategy Climate Change – Councillor Sian Reid

Reference: Special Urgency

Date of decision: 23 April 2012 **Recorded on:** 24 April 2012

Decision Type: Key

Matter for Decision: To support the IEE bid as described in the briefing note attached.

Why the decision had to be made (and any alternative options): The IEE bid submission deadline is Monday 23rd April.

The Leader's decision(s): The Leader agreed to support the IEE bid as set out in the briefing note.

Reasons for the decision: The reasons for the decision are explained in the briefing note by the Director of Environment and Head of Corporate Strategy which is attached.

Scrutiny consideration: The Chair of the Strategy and Resources Scrutiny Committee agreed that the decision of the Executive Councillor cannot be reasonably deferred. The Chair's agreement is a requirement under Special Urgency as stated in the Council's Constitution paragraph 16 of Part 4B Access to Information Procedure Rules.

Report: Attached

Conflicts of interest: None

Comments:

BRIEFING NOTE

Intelligent Energy Europe Bid Cambridge City District Heating Scheme

1. Purpose of this Note

- 1.1 On the 16th January 2012 the Executive Councillor for Strategy and Climate Change gave delegated authority for officers to negotiate and complete the IEE Bid subject to consultation on the proposed governance arrangements and formal financial details.
- 1.2 The Intelligent Energy Europe Bid paperwork is being finalised and final agreement of the wording in the Bid is required before close of play on Monday the 23rd April. The purpose of this note is to report back on the outcome of the negotiations and to consult before the IEE Bid wording has been completed.
- 1.3 The matter is being dealt with as an emergency item as there is a fixed deadline for submission of the IEE bid wording to Brussels and the terms of the bid have only today been finalized.

2. Background

- 2.1 Cambridge City Council has been working with partners (principally Anglia Ruskin University, the Low Carbon Development Initiative, Cambridge University and the colleges) to develop proposals for a District Heating Scheme.
- 2.2 For the City Council, the primary objectives from such a scheme would be:
 - Reduction of the Council's own carbon footprint by using electricity and heat generated by the scheme (which is lower carbon than the sources we would otherwise be buying electricity from); and
 - Providing the potential for an income from selling the electricity and heat generated by the scheme to other users (expected to be primarily the University and colleges) for more than it costs to develop, set-up and run the scheme.
- 2.3 There would secondary benefits of
 - helping to develop a scheme that would allow key partners (and therefore the city overall) to reduce the city's carbon footprint through the use of this lower-carbon heat and electricity;
 - demonstrating the city's commitment to being at the forefront of low carbon living and inspiring other agencies and the wider community to explore or invest in renewables and/or energy efficiency;
 - working in partnership to explore and develop new forms of investment in and delivery of renewable or low carbon technologies; and

- helping to offset the impact of future rises in electricity prices for the City Council.

3. Proposed Scheme

- 3.1 The full background to the scheme is set out in reports to Strategy and Resources Committee on 10th October 2011 and 16th January 2012.
- 3.2 The proposals have been evaluated as part of a study by Aecom and are based on a single local energy centre that is gas fired close to the city centre or Mill Road. The total capital costs of the proposed scheme would amount to £22.2 million, which would include over £1 million of preliminary costs (including detailed design costs. Since the Aecom study, the LCDI advisor has recommended that the local energy centre should be future-proofed to allow carbon neutral energy generation and it is possible that a future proofing could lead to additional costs.

4. Intelligent Energy Europe Bid

- 4.1 The Intelligent Energy Europe Project, led by Cambridgeshire County Council, presents an opportunity to meet a portion of these development costs. The City Council has a notional budget through this initiative of around €100,000 to pay for some staff time working on this scheme, if matched by the City Council's own budget at a ratio of 3:1 (i.e. IEE would contribute €75,000 and the City €25,000 in staff time).
- 4.2 The IEE Project also proposes to develop a financial model for securing large scale investment in renewable technologies in Cambridgeshire including an investment fund or funds for low carbon infrastructure; and to develop a delivery vehicle / vehicles (such as an Energy Services Company - ESCO) to deliver such schemes.
- 4.3 It is proposed that the City Council element of the IEE Bid would support the work of a Cambridge District Heating Delivery Vehicle and support the development of the Cambridge District Heating Scheme from the stage when LCDI has completed early development work (including a detailed financial viability assessment) to the point that a delivery partner is commissioned to prepare detailed designs; obtain planning permission and deliver the energy centre and network.
- 4.4 It is proposed that the relationship between the Cambridge District Heating Delivery Vehicle and the IEE Project will follow the following principles:
- (a) the City Council, together with its chosen partner(s), will both determine the precise nature and governance of the Delivery Vehicle, and be in control of the decisions of that Delivery Vehicle;
 - (b) there may be co-ordination between the Delivery Vehicle and the IEE Project and the details of this would be agreed between the City Council and partners; and
 - (c) the Delivery Vehicle will be able to decide whether or not call on any available funding low carbon infrastructure funding held within the IEE Project.
- 4.5 There are financial risks for the City Council in pursuing the Bid and these are twofold, firstly, if the Project does not reach procurement of the design and build project within 36 months then the City Council would have to pay back €75,000

(possibly with interest) that would have been received from IEE. It is proposed that any draw down of funding is phased to minimize this risk. Secondly, there would be a collective responsibility with the County Council and other local authority partners to the whole IEE Bid with the potential for the claw back of an additional payment of no more than €26,000.

- 4.6 However it has been agreed through Cambridgeshire County Council that if the City Council withdrew from the IEE Project within the first three months from the start date, and decided not to draw down funds from the project, then there would be no clawback of any sum of money from the City Council including any of the moneys referred to in 4.5.

5. Recommendations

- 5.1 The Cambridge District Heating Scheme provides a significant opportunity to reduce carbon emissions and in both the medium term (through greater energy efficiency and local electricity generation) and in the longer term through the development of a carbon neutral energy centre.
- 5.2 The Project is still at an early stage and a number of uncertainties remain. These uncertainties have been described in the previous reports to the Strategy and Resources Committee.
- 5.3 It is recommended that the IEE Bid goes forward on the basis that within 36 months it may allow the procurement of a delivery partner that can design and build the scheme. The Executive Councillor for Strategy and Climate Change is requested to support the Bid on the terms expressed in 4.6.

Simon Payne
Director of Environment

23 April 2012

Cambridge City CHP/District Heating Project

Capital Costs

The AECOM study identified the capital costs (excluding land costs) to be the order of :

Component	Base case £million	Option 1 £million	Option 2 £million
DH network	£0.9	£5.5	£5.5
CHP plant	£1.3	£6.4	£6.6
Energy centre boilers	£0.5	£2.9	£2.9
Energy centre building	£0.4	£0.8	£1.5
Thermal store	£0.3	£0.3	£0.3
DH connections	£0.9	£4.9	£4.9
Gas connections	£0.1	£0.1	£0.2
Electricity connections	£0.1	£0.1	£0.2
Private wire (to ARU)	£0.2	£0.2	£0.2
Preliminaries (at 5%)	£0.2	£1.1	£1.1
Total capital cost	£5.1	£22.2	£23.4

Note: The study examined in detail three network layout options as described in the table above:

- Base case – A single scheme connecting Parkside Pool to ARU and a few other smaller sites around the East Road/Mill Road area. The location of the energy centre housing the CHP plant for this option was the Kelsey Kerridge/Queen Anne Terrace car park area;
- Option 1 – A single scheme comprising the base case and a higher density western area comprising the New Museums Site, the Downing Site, Old Addenbrookes site and a number of other Council, University of Cambridge, College and private buildings in the city centre. An energy centre could be located at the Kelsey Kerridge/Queen Anne Terrace car park area;
- Option 2 – A single district heating scheme covering the same area as in Option 1, but with two energy centres, one located at the car park and the other located somewhere within the New Museums site/Downing Site.