

CABINET

8 DECEMBER 2010

INSTALLING SOLAR PHOTO VOLTAIC PANELS ONTO COUNCIL OWNED
HOMES AND CORPORATE BUILDINGS

REPORT OF HEAD OF LANDLORD SERVICES

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RECENT REFERENCES:

[CAB2068](#) - Installing Solar Photo Voltaic Panels Onto Council Owned Homes – 13 October 2010.

EXECUTIVE SUMMARY:

In October 2010, Cabinet considered proposals for exploiting an opportunity to work with partners to provide solar photo voltaic (PV) panels to Council dwellings, offering free electricity to tenants at certain times of the day and potential income to the Council with no requirement for capital investment.

Whilst approval was given to continue with the project, Cabinet did not support providing officers with delegated authority to commence procurement. This report responds to the request for further proposals and specifications to be brought to Cabinet for final approval.

This opportunity is time-limited due to the Government's "feed in tariff" (FITs) which will fund investment being guaranteed at its current level for schemes up and running by April 2012. The Government has also indicated that if anticipated capacity is reached before this date, it could even review the FIT before that date.

Since the October report on this subject, tender documents have been prepared and officers are recommending using the open procedure for procurement, with an advert being placed this month. Also, a detailed on-site survey of all Council properties to assess their suitability for panels is nearing completion.

This report does provide further details on proposals, procurement and evaluation. It also proposes that delegated authority be provided to progress any outstanding issues as any further delay to the procurement process is likely to result in the opportunity to progress this project to its maximum extent being lost.

RECOMMENDATIONS:

- 1 That tenders be sought in accordance with the Open Procedure of the Public Contracts Regulations 2006 for the rights to place solar PV cells on relevant properties in the Council's housing stock and corporate buildings, such tenders to be evaluated on the basis of the most economically advantageous tender.
- 2 That the tender be sufficiently flexible to test best value and allow, but not commit to, the inclusion of Solar PV provision in the Council's corporate stock.
- 3 That the opportunity be advertised in the OJEU, the Council's website, and other publications as determined by the Head of Landlord Services and Head of Estates.
- 4 That delegated authority be given to the Head of Landlord Services, in consultation with the Head of Estates and Portfolio Holders for Communities and Resources, to approve the specification, evaluation model and other contract terms based on the approach set out in this report.
- 5 That a report be made to Cabinet in the New Year recommending Contract Award, full details of final lots and the approach to be adopted in conservation areas.

CABINET

13 OCTOBER 2010

INSTALLING SOLAR PHOTO VOLTAIC PANELS ONTO COUNCIL-OWNED HOMES AND CORPORATE BUILDINGS

REPORT OF HEAD OF LANDLORD SERVICES

DETAIL:

1 Introduction

- 1.1 In April 2010 the Government introduced electricity feed-in tariffs (FIT) to accelerate the implementation of technologies that create on-site renewable electricity. These rates are considered generous and ultimately reward investment in renewable technologies. Combined with this, the payback periods have also been set at what is considered to be at a realistic and competitive level.
- 1.2 Solar PV installation companies, together with the backing of private investment companies, have used these incentives to create a unique product for social housing landlords and Local Authorities.
- 1.3 Companies are now willing to pay for the capital costs of installing solar PV panels onto the roofs of homes if, in return, they receive the FIT incentive payment over a 25-year period. In addition, it should be possible for the Council to generate additional receipts, by some form of "profit share" agreement.
- 1.4 The proposal will help to tackle fuel poverty by reducing residents' electricity bills as they can use (free of charge) electricity that is being generated by the panels on their property during the day, with a consequential minimal need to draw upon the national grid electricity from a traditional supplier. This in turn will help the District to reduce its carbon footprint, as a number of residents will directly be using renewable energy to meet some of their electricity needs. Surplus electricity generated is fed back to the National Grid, thereby helping to reduce the need for electricity production from fossil fuels.
- 1.5 The Government will guarantee the feed-in-tariffs (set out in current legislation) for 25 years, although current tariff levels are only guaranteed if panels are installed and operational by April 2012. Panels installed after that date will still benefit but at a reduced level. It is possible that the tariff could be abolished or significantly reduced in the future for installations after April 2012, although at present the Government has only confirmed the tariff reduction.

2 Procurement

- 2.1 It is possible that each dwelling could have £7,000 worth of solar PV cells installed onto each roof. Assuming that approximately 2000 dwellings would

be suitable (due to the fact that roofs have to have a certain orientation and pitch to make them viable) then the total investment could be as much as £14m.

- 2.2 With this likely level of investment, the Council will be required to procure these services in accordance with the European Procurement Rules under the Public Contracts Regulations 2006. The process would include publication of an advertisement in the Official Journal of the European Union (OJEU).
- 2.3 Given the level of expected interest, it is in the Council's interests to tender for this type of arrangement, in order to obtain the best possible value as well as comply with relevant legislation and thereby minimise the risk of any challenge.

3 Feasibility Study

- 3.1 A detailed feasibility study is currently under way. Technical site surveys of all potential roofs are being completed to assess their suitability, potential problems from shading, orientation etc and assessing the potential outputs that could be achieved from installing panels on each roof.
- 3.2 The City Council has approximately 5000 dwelling roofs available but not all of these are suitable because of their orientation. Initial feedback from the surveys indicates that approximately 2,100 roofs will be suitable, although final modelling on outputs has yet to be completed. The survey is also investigating the suitability of any corporate buildings for the installation of PV panels.
- 3.3 Based on the 2,100 roofs projection, the PV proposal could create a reduction in CO₂ emissions in excess of 2,000 tonnes per year.
- 3.4 Tenants of houses with installed PV cells will get free electricity during daylight hours only and therefore experience reduced energy costs, the extent of which will depend upon the energy management practices employed (use of equipment during daylight hours etc). This could equate to an estimated saving of between £80 and £125 per year, which would make a material difference to those tenants suffering from fuel poverty. Corporate buildings would also benefit from reduced energy costs.

4 Procurement Process

- 4.1 As set out above, it is proposed to advertise for tenders by placing a public notice in the OJEU, and proceeding under the requirements set out in the Public Contracts Regulations.
- 4.2 It is proposed to carry out an Open Procedure tender with all interested parties being able to tender. In reality, capacity to deliver on this project will be limited and numbers of bids will be controlled by essential criteria that all tenders will need to comply with, including:
 - a) Guaranteed funding secured;

- b) Installation workforce already directly employed or contracts in place that are sufficient to secure installation targets;
- c) Adequate arrangements in place with manufacturers to ensure sufficient PV cells can be supplied to meet the installation targets;
- d) Bond/Insurance/liquidated sum proposals to protect the Council from potential costs of contractor failure, and/or for lost receipts arising from contract failure and for any maintenance liabilities to Council dwellings arising from the installations;
- e) A clear “open book” business model which clearly provides for all panel provision and installation costs, ongoing maintenance liabilities, data collection, FIT applications etc.

4.3 It is also proposed to structure the works procurement into framework agreements in two lots initially, with potential for a third and fourth, as detailed below:

- a) **Lot 1** – Up to 750 properties (addresses to be confirmed) where the Council wish to seek a minimum average of 1.8 kw per hour peak output from any installation (excluding conservation areas);
- b) **Lot 2** – Up to 750 properties (addresses to be confirmed) where the Council wish to seek a minimum average of 1.5 kw per hour peak output from installations (excluding conservation areas);
- c) **Lot 3** – Corporate Buildings deemed to be suitable for PV Panel installation;
- d) **Lot 4** - Properties sited within conservation areas but where installations are considered reasonable and where appropriate installations can be achieved that take full account of English Heritage guidance on the principles of good design.

4.4 It is recommended that approval be given for officers to undertake the procurement process on this basis and that delegated authority be given to the Head of Landlord Services, in consultation with the Heads of Legal Services and Estates and the Portfolio Holders for Communities and Resources to amend lot sizes and/or minimum outputs based on the outcome of the feasibility study currently being completed to determine detailed property suitability.

4.5 Further it is considered prudent within the contract documentation to enable flexibility in the letting of each “lot” to more than one contractor, a decision that will ultimately be determined following evaluation of tenderers proposals. For example, it may be advantageous to sub-divide work lots into separate framework contracts with two or more contractors to ensure successful completion by April 2012.

5 Tender Evaluation

- 5.1 It is proposed that provided tenderers can meet the essential requirements set out in 4.2 above, evaluation will be based solely on payments offered to the Council for the benefit of using council house roofs or buildings to site the panels. Evaluation will need to reward overall maximum receipts guaranteed to the Council whether through roof rental or through a profit share if performance targets are exceeded. They should also seek to reward proposals to “bring forward” any of those receipts rather than simply spread them evenly over 25 years. If schemes meet their projections, returns should increase in later years once debts have been reduced/cleared. It is proposed that an evaluation model be established that uses a net present value (NPV) approach to reflect this. Tenderers will be asked to detail how much they will pay in “roof rental” per annum and also how much profit share they will provide for any for any FIT paid over and above base projections in each year. The NPV calculation will provide a single total value of each tender. The evaluation model will apply tender responses to a pre-determined forecast prepared by officers and the Council’s consultants in order to compare tenders which are submitted.

6 Tenant/Resident Consultation

- 6.1 Installation of solar PV cells on dwelling houses will generally be “permitted development” (subject to requirements for the installation to be sited to minimise, so far as practicable, the effect on a) the external appearance of the building and b) the amenity of the area. In conservation areas, the same considerations apply to installations on roofs, but installation is not permitted on walls forming side or principal elevations visible from a highway. Installation on corporate buildings may require planning permission as it is not covered by these permitted development rights.
- 6.2 Whilst formal planning permission may not be required, it is proposed that a comprehensive community consultation exercise be completed in all areas affected by the proposals. The potential visual impact of the proposals cannot be underestimated and any final decision to proceed should take account of community opinion. Some of the strongest objections may come from those not in a position to benefit from the proposal and it will be necessary for the Council to consider what other energy efficiency/carbon reduction initiatives can be facilitated for the benefit of the whole community.
- 6.3 It is recommended that the procurement process proceed with no guarantee to tenderers of exactly how, when or if it will rolled out. This will allow the Council to consider all implications of the proposals before finally agreeing to implementation in or as near as possible to April 2011.
- 7 A number of questions have been raised in previous discussions with members and tenants and key ones, with responses are detailed below:
- a) **Who owns the panels?** – The contractor will buy, install, maintain and retain ownership of the panels for 25 years. Many are prepared to allow the Council to take ownership after that time.

- b) **What is the Expected life of a panel?** – Contractors will be required to install panels that have a minimum 25 year lifespan. They will be responsible for replacing any that fail within 25 years. In Europe, experience would indicate that whilst their output degrades over time, they are still effective beyond that time.
- c) **What if a roof needs repair/replacement?** – The Council will have the right to remove panels and reinstall them as part of normal repair works. This is likely to result in increased costs over time and it is advised that some of the receipts from the solar PV contract be retained to provide for this.
- d) **What if Council roofs are damaged by the panels?** - The contractor will be responsible for any such liabilities.
- e) **Isn't Planning Permission required?** – Installation of panels will generally be “Permitted Development”. Restrictions apply in conservation areas and it is proposed to defer any installations in such areas to “Lot 4” of any framework agreement to allow time for such implications to be reviewed and properly managed.
- f) **What if tenants refuse access?** – The Council has the right to access through tenancy agreements and could chose to take enforcement action in such cases.
- g) **What's in it for tenants?** – Tenants need to do nothing other than allow access to the roof of the property and for monitoring of consumption as they do now. They will benefit from reduced electricity costs if a panel is added to their roof as electricity produced by the panel in daylight hours can be consumed free of charge by the tenant.
- h) **What if tenants damage a panel?** – The tenant will be liable for any damage they cause through their own actions and may be pursued by the contractor in such cases for costs.
- i) **Will the tenant have to change energy providers?** – No, all providers are working with the Government on this scheme.
- j) **Who monitors energy use?** – The contractor will be responsible for monitoring usage and outputs and for claiming FIT payments. The Council will have no direct involvement, but will be entitled to consumption data from the Contractor.
- k) **What if the property is sold through Right to Buy?** – It should be possible for the purchaser to continue the agreement with the contractor. If agreement cannot be reached, the contractor may retain the right to remove the panel at no cost to the Council, other than a proportionate adjustment in receipts to reflect reduced energy generation.

- l) **What level of “carbon reduction” can the Council achieve through this scheme** - Based on the 2,100 roofs projection, the PV proposal could create a reduction in CO₂ emissions in excess of 2,000 tonnes per year.
- m) **Will this reduction be attributed to the Council or to the Energy Provider** – Future treatment of targets for energy providers and councils is not clear. However, the project will clearly make a very direct contribution to reducing carbon emissions in the Winchester District in addition to the other financial benefits to tenants and the Council.
- n) **Are there any Building Regulation issues?** – A separate building regulations application would be required for each installation, except where installers are registered with the relevant Department of Communities and Local Government “competent persons” scheme. This will be a requirement written into the tender documents. Registration with the national Microgeneration Certification Scheme is not sufficient, although this would also be required for the provider to apply for the FIT.

OTHER CONSIDERATIONS:

8 SUSTAINABLE COMMUNITY STRATEGY (RELEVANCE TO):

- 8.1 This proposal will make a positive contribution towards achieving the High Quality Environment outcomes included within the Sustainable Community Strategy.
- 8.2 It will also help to address Fuel Poverty issues in the two main priority neighbourhoods

9 RESOURCE IMPLICATIONS:

- 9.1 The key resource implications of this proposal were set out in report [CAB2068](#) dated 13 October 2010 and further detail has been provided in section 6 above. As confirmed in the previous report, it is proposed that the procurement process and tenant/resident consultation be co-ordinated by existing staff. Whilst this will no doubt have some impact on capacity to deliver other projects, the opportunity is considered too important to miss. At this stage, no additional budget provision to support this project is recommended. Some additional staffing provision for the project will be needed if the consultation process is to be effective. It is proposed that staff with good community consultation experience and links be used to support this work through the Council’s One Team approach, subject to the approval of the Corporate Management Team.

10 RISK MANAGEMENT ISSUES

- 10.1 There are a number of risks the Council may face through such a scheme and these are discussed in the paper. It is proposed that these risks be

addressed through procuring a fully externally funded solution with a specification which includes provision for risks as set out in paragraphs 4, 5 and 6 above.

11 TACT COMMENT

- 11.1 TACT gave a very positive support to this project in the October paper. TACT has not been able to prepare a comment or response to this report due to holiday commitments of the TACT chairperson. Subject to the approval of the Council leader, TACT will prepare a response and circulate their comments to Cabinet members and other consultees prior to the meeting date.

12 BACKGROUND PAPERS

Background papers held in the Landlord Services, and Environment Teams (other than papers which are exempt under paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)).

13 APPENDICES:

- 13.1 None.