

Report

Greater Gwent Crematorium Joint Committee

Part 1

Date: 29 September 2021

Subject **Provision of renewable electricity to Gwent Crematorium via community owned roof-mounted solar panels**

Purpose To allow the installation of solar panels via a community energy group to deliver carbon and revenue savings for the cremation services delivered from Gwent Crematorium. The community energy group would manage the installation and the ongoing operation and maintenance for 20 years.

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Summary A Welsh community energy group (Egni Co-op) are proposing to install solar panels on both flat and pitched rooves at Gwent Crematorium. The community energy group has already successfully installed 7,000 roof-mounted solar panels on 27 buildings owned by Newport City Council over the last 18 months. The installation of solar panels that are generating renewable electricity would result in significant carbon and revenue savings for the Joint Committee managing the crematorium. Due to the operational energy use of the building it has made it a very good candidate for this type of renewable energy generation installation. The community energy group would provide the solar panel installations free of charge and renewable electricity supply at up to 10% below the current electricity contract rates to EDF Energy for the solar power output for the next 20 years.

Proposal **Agree to roof-mounted solar panels to be installed at Gwent Crematorium, and allow Newport City Council Carbon Reduction Team to work with the community energy group (Egni Coop) to deliver the installation.**

Action by The Joint Committee for Gwent Crematorium

Timetable Action required between now and the next Joint Committee meeting to allow the drafting of the necessary lease documentation.

This report was prepared after consultation with:

- Gareth Price - Head of Law and Regulation (Newport City Council)
- Ross Cudlipp – Carbon & Sustainability Manager (Newport City Council)
- Richard Leake – Head of Procurement (Newport City Council)
- Daniel Morris – Head of Assets (Torfaen County Borough Council)
- Polly Ellis – Principal Solicitor (Torfaen County Borough Council)

Signed

Background

In March 2019, Newport City Council were approached at a senior level by a Welsh community energy group named Egni Co-op with the offer of free solar panel installations and renewable electricity supply below our current contract rates for the solar power output.

The proposal was to establish a long list of potential sites suitable for solar PV installations in the first instance. Due to timescales for the first phase of installations, the community energy group could only consider buildings and assets owned and managed by Newport City Council. As part of the second phase of installations the community group are able to consider other buildings being managed by Newport City Council.



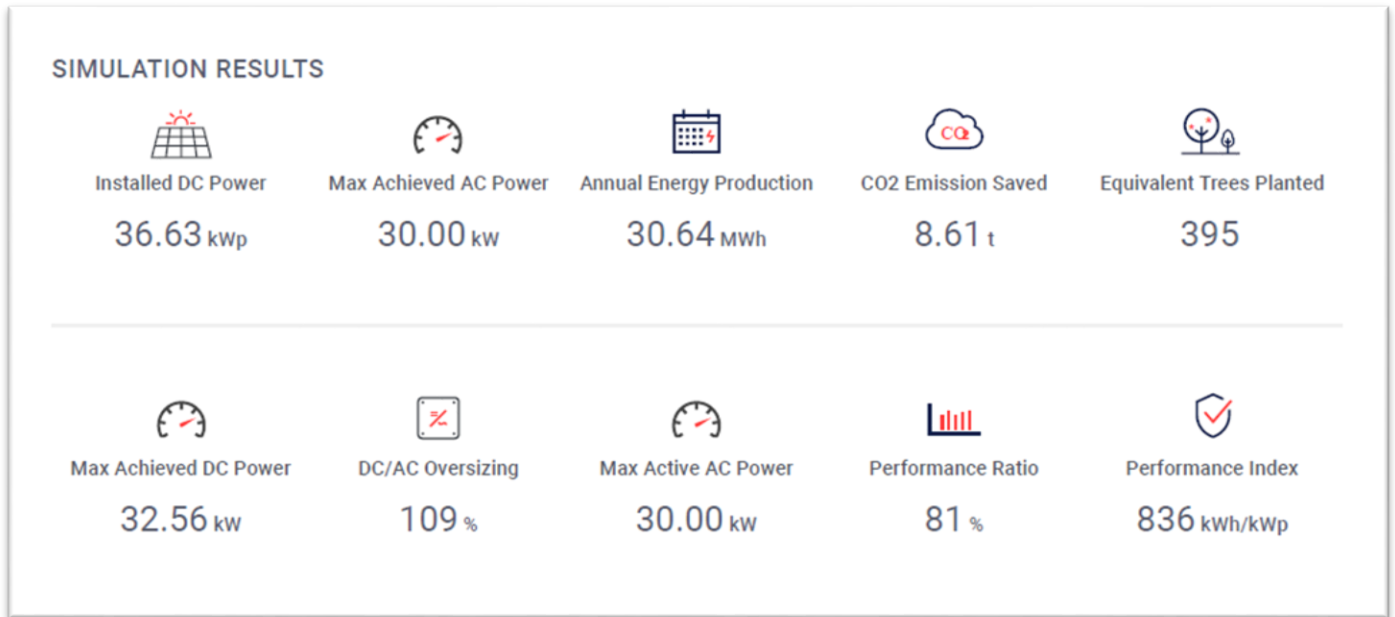
The arrangement is:

- Egni Co-op takes a lease of the airspace with the building owner (Torfaen CBC) for 21 years and installs solar panels at their cost, using an experienced contractor.
- A Power Purchase Agreement is put in place to sell power from the panels to the site (Joint Committee) at a favourable rate.
- Egni Co-op will undertake all maintenance for the 21-year period and cover the costs of all of the necessary insurances.
- If for some reason the panels need to be removed for works during the 21-year period, Egni Co-op will pay for them to be taken down and re-installed during the term of the lease (21 years).
- Once the 21-year lease has finished, Egni Co-op can either transfer ownership of the installation to the Joint Committee or remove the installation at their cost.
- If the Joint Committee wishes to buy out an installation, the capital cost would be a proportion of the installation's capital value (+25% in year 1 for most sites) depreciated over 21 years in proportion to the buy-out year (straight line method). After buy-out, the Joint Committee managing Gwent Crematorium would receive greater revenue savings but also have great liabilities for the installations.

The community energy group Egni Coop would provide a turn-key solution to the Joint Committee, carrying out all the necessary preliminaries at their own cost which would include:

- Solar PV design work
- Grid Connection applications to WPD
- Structural surveys
- Legal work on draft leases and Power Purchase Agreements

Please find the solar panel design brochure attached. The following modelled results have been extracted for ease of reference.



Reasons / Rationale

As part of the Welsh public sector, there is a requirement for whole of the Welsh Public Sector to decarbonise by 2030. The installation of on-site solar PV is one of the major solutions to truly decarbonising the electricity we consume.

Reasons for engaging with the proposal include:

Environmental

- Would further assist the Welsh Public Sector to hit carbon targets (organisational and national).
- To support the Welsh Government's Low Carbon Pathway targets for 70% of energy consumed in Wales to be from renewable energy generated in Wales by 2030.
- To support the Welsh Government's targets for all new renewable projects to have an element of community ownership by 2020 and for 1GW of capacity to be in community ownership by 2030.

Financial

- No financial investment required from the Joint Committee
- Ability to realise revenue savings for the site from year 1.
- Guaranteed reduced electricity rates via Power Purchase Agreement terms
- Over £30k revenue savings over 20years

Other

- Opportunity to deliver significant amount of renewable energy capacity in a very short time frame, far more than possible delivering a scheme internally.
- Streamlined procurement as installation would be covered by contract variation on the existing OJEU direct award justifiable (VEAT notice) that was set up for the large scale roll-out across Newport City Council estate.

The Carbon Reduction Team of Newport City Council has already collaborated with and involved a range of stakeholders to develop the scheme internally, including Egni Co-op, Newport Norse, service areas and host sites themselves via communications and face-to-face engagements.

Legal implications

As vested land owners Torfaen County Council would be the entity required to enter into 21 year roof space lease with the community energy group. Through the Joint Committee's approval for solar panel installation to proceed, it would be deemed that the Joint Committee view the requirement to utilise green renewable electricity as integral to the cremation services provided by the site.

Timescales

The Joint Committees decision required as soon as practical, before next Quarterly meeting.

Staffing Issues

There will be a very minimal requirement in terms of staff resource outside of the community energy group to manage this process. Newport City Council will adopt landlord responsibilities in terms of Construction Design and Maintenance regulations (2015).

Financial Summary

This scheme will deliver revenue benefits through a reduction in energy bills from year 1, revenue benefits will increase in line with energy price rises (typically 3% per year) for the 20 year power purchase agreement period. This is shown in the financial model below, where immediate revenue savings of at least £1,184 will be realised for the first 12 months of operation. The Power Purchase agreement will dynamically track the annual electricity rates to ensure the Joint Committee are always receiving a reduced electricity rate compared to electricity purchased from the grid via the existing electricity provider EDF Energy.

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
revenue savings	£1,184	£1,220	£1,256	£1,294	£1,333	£1,373	£1,414	£1,456	£1,500	£1,545
cumulative savings		£2,404	£3,660	£4,954	£6,287	£7,660	£9,074	£10,530	£12,030	£13,575
	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16	Yr 17	Yr 18	Yr 19	Yr 20
Revenue savings	£1,591	£1,639	£1,688	£1,739	£1,791	£1,845	£1,900	£1,957	£2,016	£2,076
cumulative savings	£15,166	£16,806	£18,494	£20,233	£22,024	£23,869	£25,769	£27,726	£29,742	£31,819

Risks

In terms of long term leases, the main risk is a site being demolished or sold and no alternative location being able to found for the equipment which would mean a the system would have to be bought out by the Joint Committee (at a depreciated value, based on number of years since commissioned).

Risk	Impact of Risk if it occurs* (H/M/L)	Probability of risk occurring (H/M/L)	What is the Council doing or what has it done to avoid the risk or reduce its effect	Who is responsible for dealing with the risk?
Unfavourable lease terms	M	L	The lease have been reviewed in detail by several officers including the Head of Law and Regulation to check terms. Newport City Council has already signed up to 27 separate leases of the same nature with the community group.	NCC Head of Law and Regulation
Site demolition or sale	L	L	Community Energy group working with Newport City Council have only considered sites with a high probability of longevity	NCC Carbon Reduction Team
Roof Replacement	H	M	The lease states that Egni Co-op will remove and replace the installation to facilitate roof works an unlimited number of times over the 20 year period.	NCC Carbon Reduction Team / Newport Norse / Egni Co-op
Procurement Challenge	M	L	Scrutinised level of variation to original contract agreed for installation of solar panels by NCC. Original contract notice published on OJEU.	NCC Head of Procurement / NCC Head of Law and Regulation
Torfaen CBC liabilities acting as Landlord via the lease	M	L	Due to the discharge of cremation service duties to the Joint Committee as per 2014 agreement, a separate agreement will be drafted to ensure TCBC are indemnified against any claims that could result from the Lease. Newport City Council will take on these liabilities.	NCC Head of Law and Regulation

Links to Local and National Policies and Priorities

The Environment Act (Wales) 2016 mandates that Wales must achieve a carbon reduction of 80% on 1990 levels by 2050, to help meet this goal the Welsh Government is setting interim Carbon Budgets. Welsh Government has set out the requirement for the Welsh Public Sector to show leadership and become net carbon neutral by 2030.

In order to achieve carbon neutral by 2030, The Welsh Public Sector needs to undertake projects of a significant size and impact, such as the ambitions rollout of solar panels in a short timeframe.

Local issues

No specific local issues.

Wellbeing of Future Generations (Wales) Act 2015

The proposed scheme takes into account the long term needs of all Local Authorities as well as the short term by being implemented rapidly and through securing real carbon and revenue savings over a 20 year period.

The scheme helps to prevent/mitigate increased financial pressures experienced from energy price rises in over time; the carbon reductions from the scheme will help to prevent climate change.

Options Available and Considered

Option 1 - Do Nothing

Do not approve the installation of Solar PV panels on the rooves of Gwent Crematorium.

This option would delay the decarbonisation of the Welsh public sector.

Option 2 - Deliver the scheme by another method

Do not accept the lease agreement method proposed and work to deliver the scheme by another method.

We do not feel this is currently a realistic proposition. Aside from the resource requirement, the financial case for Local Authorities to invest in building mounted solar PV is challenging. Even if 10-year, interest-free loans are taken, the 10-year paybacks on investment mean that there would be no net-revenue benefits for the first 10 years of the installation. There is also the added complexity of Torfaen CBC being vested land/building owners and as such there would need to be an amendment to the existing agreement for discharge of cremation services from the facility.

Option 3 – Proceed with the scheme

Agree to the installation of solar panels on the rooves of Gwent Crematorium. Allow Newport City Council and Egni Coop to work together to deliver the scheme by end of this Financial Year.

This option would assist the Joint Committee in achieving revenue savings and carbon savings.

Preferred Option and Why

Option 3 – Proceed with the scheme

Agree to the lease arrangement model proposed for the installation of solar panels on Gwent Crematorium and work to deliver the scheme by March 2020.

The rationale for this recommendation is explained above and covers a range of benefits as compared to Options 1 and 2. The principle benefits being the delivery of renewable energy capacity, carbon savings, financial savings and community benefits.

Dated: 22 September 2021