

Greater Manchester Combined Authority

Date: 17 December 2021

Subject: Greater Manchester Go Neutral – Smart Energy Opportunity Pipeline

Report of: Councillor Emmott, Portfolio Lead for Green City Region and Pam Smith,
Portfolio Lead Chief Executive for Green City Region

Purpose of Report:

To update and set out how we will establish the Go Neutral Smart Energy call-off framework, to support the city region's public bodies in optimising renewable energy generation and storage on their estates and assets. The Go Neutral Framework aims to accelerate the delivery of up to 300MW of renewable generation across the conurbation over the next 3 years through the creation of portfolios of smart energy opportunities.

Recommendations:

The GMCA is requested to:

1. Approve GMCA establishing a Smart Energy call-off framework.
2. Approve a call-off framework fee structure.
3. Note that if viable projects are achieved, GMCA partners may require additional support to access funds to further develop and deliver the projects.
4. Note the environmental outcome is to substantially reduce the carbon emissions of Greater Manchester's public estate, through new and additional renewable energy generation and storage capacity.

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Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire			
Impact Indicator	Result	Justification/Mitigation	
Equality and Inclusion			
Health			
Resilience and Adaptation	G	<p>increased local renewable energy generation and or storage, supporting our local need. Thus mitigating the risk of national blackout and increasing resilience of the local energy network. Reducing GMS carbon footprint.</p> <p>By increasing local renewable generation we are more resilient to national challenges</p> <p>Increased biodiversity will be built into the delivery of land based renewable generation and storage schemes</p>	
Housing			
Economy	G	<p>Increased job and investment</p> <p>Increase job opportunities</p> <p>Surveyors, designers, consultants and installers will all be required to develop and deliver the programme</p> <p>The programme will link to wider innovation GM and the GM Local Energy Market detailed design.</p> <p>There is a potential to attract new business startups and relocation of other business to the area</p> <p>There will be a need for increased local skill to deliver the known and future programme</p>	
Mobility and Connectivity	G	The programme could and seeks to deliver increased EV charging infrastructure e.g. EV hubs	
Carbon, Nature and Environment	G	<p>Construction works and traffic associated with the build out of renewable energy generation might generate noise for the duration of the construction project. However the longer term benefits will be more beneficial.</p> <p>The development of renewable energy schemes on sites might change the visual appearance of the site, dependent on how much it is already screened from view. This will need to be assessed as part of the planning process to minimise impact.</p> <p>Sites will be assessed for local nature recovery opportunities as part of the smart energy development project</p> <p>Some of the sites put forward by partners for smart energy development might have public access. This will be considered as part of the site development and planning process, with appropriate stakeholder engagement and consultation.</p> <p>The project will reduce the CO2 emissions as a result of direct interventions</p>	
Consumption and Production			
Contribution to achieving the GM Carbon Neutral 2038 target		This project will directly reduce emissions from public sector buildings through onsite generation connected to the building or by sleeving the renewable generation through electricity supply contracts.	
Further Assessment(s):	Carbon Assessment		
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.	 Negative impacts overall.

Carbon Assessment		
Overall Score	[Redacted]	
Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenance	N/A	
New Build Commercial/Industrial	N/A	
Transport		
Active travel and public transport	N/A	
Roads, Parking and Vehicle Access	N/A	
Access to amenities	N/A	
Vehicle procurement	N/A	
Land Use		
Land use	[Redacted]	
No associated carbon impacts expected.	High standard in terms of practice and awareness on carbon.	Mostly best practice with a good level of awareness on carbon.
		Partially meets best practice/ awareness, significant room to improve.
		Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management:

The timescales associated with setting up the framework are putting at risk the ability to spend the existing retained business rate funding on feasibility studies within the current financial year. Options are being explored with Legal and procurement to facilitate activities to ensure this funding is delivered in FY21/22.

Additionally, attracting sufficient suitable suppliers to bid for a place on the framework, at a time of limited capacity and significant wider opportunities, is a risk. Providing them with sight of an attractive pipeline will be key to overcoming this challenge.

Legal Considerations:

Both Legal and Procurement Teams have and remain engaged to ensure the requirements, support, compliance and resources for framework are all addressed.

Financial Consequences – Revenue:

The total financial consequence is £450k expenditure from a blend of previously agreed retained business rates, GM LEM project funds and existing procurement revenue budgets. These will be utilised to fund the required set up costs for the framework, along with initial feasibility studies for shortlisted sites, on behalf of the 10 Districts.

Time from GMCA and District Officers will be required to support the process, but this will be covered by existing budgets.

Financial Consequences – Capital:

Funding for Capital works is expected to come from asset owners or the market, dependent on the preferred investment option / delivery model. Successful suppliers appointed to the framework will be encouraged to present a range of investment models ranging from third party fully funded solutions to Local Authority fully funded solutions.

Number of attachments to the report: 0

Comments/recommendations from Overview & Scrutiny Committee

N/A

Background Papers

N/A

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution?

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

Will be considered in early December 2021.

1. Introduction/Background

- 1.1 Greater Manchester has set ambitious plans to be carbon neutral by 2038. Key to achievement of this is increasing investment in smart energy infrastructure and clean energy generation.
- 1.2 The Scatter GM preferred carbon reduction pathway sets out the need for solar PV on 50% of domestic properties and an additional 5.5km² on commercial roof space and ground mounted sites. Deployment at this scale will require the region to develop a long-term pipeline of land, car park and building based generation opportunities with an effective route to market.
- 1.3 Our response to this challenge is Go Neutral - a GMCA-led smart energy programme to decarbonise our city region and deliver social value, community wealth-building and inclusive growth, with a focus on affordability and impact.
- 1.4 In conjunction with other GMCA-led low-carbon initiatives, Go Neutral will put GM on the pathway to:
 - Take control of how we generate, use and trade our energy locally to create a resilient and connected energy system;
 - Create investment opportunities that will support new jobs and skills on our pathway to carbon neutral by 2038; and
 - Create greener, healthier, and more affordable lifestyles.
- 1.5 Go Neutral will identify, develop, and deliver a pipeline of smart energy opportunities via a range of investment and delivery models. The initial phase will seek to deliver 85 MW of solar power generation with battery storage and electric vehicle charging infrastructure. These will be located on circa 430no. public sector owned land, car park and building assets. It is expected to require circa £155m of capital investment and £5.5m at-risk revenue expenditure, via a range of investment and delivery models.

2. Progress

- 2.1 Activity to assess, prioritise, and shortlist public sector owned assets is now nearing completion. This has involved geospatial assessment of the sites, GMCA/partner review and determination of a preferred shortlist for the call-off framework. This exercise will help to de-risk the sites being brought to market and provide clear signals to the market on partners readiness to engage.
- 2.2 A total of 9,436 land assets, 864 car parks and 2,495 buildings were submitted by public sector partners for the site assessment and prioritization exercise. For the initial phase, circa 10% of these assets are undergoing review by GMCA partners. Of the sites that have been reviewed and confirmed onto a preferred shortlist so far, we are on track to achieve our target size of opportunity pipeline for the call-off framework.
- 2.3 Through this activity we have received unanimous support from partners (ten Districts, Environment Agency and TFGM) to engage with the next stage of the process.

- 2.4 Ongoing soft market testing and engagement has endorsed our approach to developing the opportunity pipeline and the intention to bring forward portfolios of opportunities into the call-off framework. It is acknowledged that a portfolio approach will provide greater opportunity for innovation, investment, and value sharing propositions.
- 2.5 Positive discussions are underway with Electricity Northwest Ltd (regulated business) to support the programme in reviewing shortlisted sites for potential grid constraints and opportunities. This insight will provide valuable information to support prospective bidders in developing their proposals.
- 2.6 Discussions with GMCA's Internal Governance Team and partners are underway on a solution for data sharing, which will utilise the ISG structure already in place and will require a NDA between GMCA and bidders to the call-off framework.

3. Framework Process

- 3.1. The framework is proposed to have 4 lots to enable a broad coverage and/or portfolio of assets to be catered for across buildings, car parks, ground mounted generation, storage and or EV infrastructure. A 5th lot will encompass all measure types with the ability for third party investment options to be included.
- 3.2. It is proposed the framework be open to all public bodies across the UK, with a £300m framework value. Entrants/users will be asked to sign a framework licence agreement, which enables use of the framework alongside formalising a 1% rebate to GMCA.
- 3.3. Mini competitions will be operated to appoint suitable contractors for portfolios of assets, with 4 stage gates thereafter leading to supply of services and installation as follows:
- Stage Gate 1: Feasibility and Options Appraisal
 - Stage Gate 2: Investment Grade Proposals
 - Stage gate 3: Development of Integrated Smart Energy System
 - Stage Gate 4: Delivery of Integrated Smart Energy system
- 3.4. GM districts will benefit from the recycled 1% rebate in the form of underwritten investment grade audits, as from Stage Gate, abortive costs are incurred by the framework users. This will de-risk the process for both user and developer/contractor to ensure delivery is achieved.

4. Opportunities/risks

- 4.1. The key opportunities include:
- Potential to deliver circa 85MW of new additional generation capacity to GM and associated carbon savings.
 - Identification of a procurement framework that offers a flexible approach to project development and delivery, based on strategic need and value
 - Opportunity to support local supply chains, apprenticeships, and employment initiatives through deployment at scale
 - Options to leverage investment from the supply chain and private and community sector funders to ensure that all viable projects can be brought forward to delivery

- Utilisation of existing networks for potential suppliers/ consortia members, including collaboration with Growth Company
- Opportunity for Districts to collaborate with consequential efficiencies of scale
- This work will dovetail with the ERDF-funded Unlocking Clean Energy GM project and the IUK-funded Local Energy Market project to benefit from relevant intelligence, as well as valuable insight for the local energy market platform and value sharing propositions.

4.2. The key risks include:

- A lack of appetite from GMCA partners to participate in the framework and tender portfolio opportunities/ schemes meaning there is insufficient opportunity to make a call-off framework worthwhile.
- The sites that are offered to the market prove unviable/ undevelopable, meaning wasted time and cost in developing opportunities. It might also raise a lack of confidence in the GM opportunity among prospective suppliers, with reputational impact.
- Offered pipeline or opportunities are unattractive to the market, giving rise to a lack of interest from the market that will impact on delivery of targets.
- Partners unwilling to share data on shortlisted assets to prospective bidders, giving rise to insufficient interest from prospective suppliers in bidding for the framework due to limited insight of the opportunity pipeline.
- Insufficient resource/ timescales to support the set-up and ongoing management of the call-off framework, meaning that we are unable to proceed, or proceed at slower pace putting the previously agreed retention of business rate funding at risk.
- Commercial case doesn't stack up, creating a lack of investible opportunities, which puts the development spend and ability to achieve targets at risk.

5. Financial Implications

- 5.1 Day to day management of the programme and working with the partners to build the opportunity pipeline will be undertaken by committed funded roles in GMCA's Low Carbon, Data and Research Teams.
- 5.2 A call-off framework percentage fee model is proposed, whereby 1% of the capital works is charged to the project/supplier for using the framework. It is proposed this fee would be used to support framework management, quality assurance, and further feasibility studies to enable future additional pipeline delivery.
- 5.3 Once the framework is up and running, GMCA and asset owners will seek to procure feasibility studies and investment propositions via the framework. This will also be funded using the previously agreed retained business rate funding (£400k less spend on legal costs) and supplemented by the percentage fee model.
- 5.4 There is no financial requirement on Districts in setting up the framework and there will be an agreed quota of feasibility studies that will be procured by GMCA on behalf of the partners. However, District Officers will need to work with the central coordinating team to identify and bring forward prospective smart energy opportunities.

- 5.5 The future financial implications on the partners will depend on what investment model and delivery model they decide to take. This might involve 100% development and capital expenditure, 0%, or a shared investment proposition. This is likely to be determined before partners tender specific portfolios of opportunities. GMCA might be required to support partners with accessing funds to develop and deliver their projects.

5. Recommendations

The GMCA is requested to:

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