

GM UNLOCKING CLEAN ENERGY – STOCKPORT'S SOLAR PV SCHEMES

Report of the Corporate Director for Place Management & Regeneration and
Corporate Director of Corporate & Support Services

1. PURPOSE OF REPORT

- 1.1 To provide an update on the Greater Manchester Unlocking Clean Energy bid for European Structural Investment Fund (ESIF) monies to support local clean energy generation as part of the Council's emerging Climate Action Now draft plan.
- 1.2 To provide an outline of project proposals in Stockport.
- 1.3 To request authority to enter into contract and funding arrangements, and to seek the required Council's match funding, to deliver Stockport's projects, subject to the Government's approval of the Full Business Case. Section 5 of this report highlights the potential financial risk to the Council if, after contract, it is unable to progress
- 1.4 Appendix 1 is confidential by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in respect of which the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

2. BACKGROUND

- 2.1 On the 28th March 2019 Stockport Council declared a climate emergency and pledged support for the Greater Manchester Five Year Environment Plan, including the target of becoming a carbon-neutral city region by 2038. Since then the Council's draft Climate Action Now (CAN) plan has been prepared and includes clean energy, and specifically solar PV (photovoltaic), as one of its key actions. Also in March 2019, a report commissioned under the Go Neutral feasibility study identified potential sites in Stockport for solar PV (photovoltaic).
- 2.2 Within the ESIF programme (2014-2020) allocated to Greater Manchester, additional funds became available in 2019 to support clean energy generation technology. A co-ordinated approach to access this funding was encouraged by the Greater Manchester Combined Authority.
- 2.3 As an early response to the climate emergency through Climate Action Now, the findings of the Go Neutral work and the ESIF funding opportunity, a number of clean energy generation opportunities were scoped in Stockport. Three have been selected to go forward as they fit the funding criteria, are high profile, and will act as early demonstrators by including the latest technology and optimising on-site power consumption. These projects form part of the all-party Climate Task Group draft report on Climate Action Now and are embedded in the draft plan.

- 2.4 It is the intention the ESIF supported schemes will be early demonstrators acting as catalysts for wider clean energy investment by both the Council, its partners and businesses. Building expertise, learning and engagement are part of a wider workstream that supports the ESIF application.

3. GM UNLOCKING CLEAN ENERGY CONSORTIUM AND ESIF FUNDING

- 3.1 To access the ESIF funding opportunity the Council joined its GM Low Carbon Network partners in a joint outline bid in early 2019. This informal consortium now comprises six councils, Oldham, Manchester, Rochdale, Salford, Stockport and Wigan. The work was led by 'not for profit' clean energy experts Energy Systems Catapult who will also act as accountable body for the ESIF funding. The Government's North West Local Energy Advisor are acting as impartial advisors. Manchester City Council also have an additional role with their Technical Assistance team which will provide assurance for the ESIF monies.
- 3.2 An outline funding application was submitted 7th June 2019 under the title "Unlocking Clean Energy in Greater Manchester (UCEGM)". In August 2019, the lead Government Department MHCLG, invited the scheme to go forward to full business case stage. This case was subsequently submitted on 15th November 2019 under Priority Axis 4: Supporting the Shift Towards a Low Carbon Economy in All Sectors.
- 3.3 Since this submission further funding has become available within the ESIF programme. This has allowed Stockport to include the Merseyway Centre, now making three projects rather than the original two of Endeavour House and Stockport Exchange. Additional information on Merseyway has now been submitted. A decision on the full business case is expected in July this year with a Funding Agreement and Partner Agreement to follow.
- 3.4 To clarify, the ESIF funding is not affected by the UK's transition arrangements with the EU. The funding is secured and is required to be spent before June 2023.
- 3.5 The ten projects proposed in the consortium range from roof mounted solar PV (photovoltaic) arrays to large ground mounted solar farms and one hydro scheme. Proposals have to be on publicly owned assets, with Council's receiving the cost and benefit. The schemes are required to be innovative by generating, storing and managing power, and where able, consuming energy on-site. Collectively the GM projects will generate some 10.34MW, 23% of GM's target to increase renewable energy by 2024. It is expected to save over 3,135 tCO₂ per annum. Total investment is currently around £15.8m with an additional workstream to develop local energy market business models. This will enable these projects to act as market demonstrators, encouraging future investment from Councils and their partners.

4. STOCKPORT'S PROJECTS

4.1 Stockport has three projects in the full business submission that meet the funding criteria and are deliverable within the timescale. Individual cost estimates are provided within Appendix 1.

- **Endeavour House, Bredbury.** A solar PV roof array, battery storage, 10x EV (electric vehicle) charge points under solar car ports and grid connection. Estimated array of 326kW, saving 157 tCO₂ per annum. Forecast financial breakeven is in Year 16 with an Internal Rate of Return (IRR) of 4.69%. This project, along with Manchester's, is a good demonstrator for Council depots and will help pave the way for electrifying fleet vehicles.
- **Stockport Exchange new MSCP.** A solar PV array on roof ports, battery storage and c.20x EV charge points on the proposed new MSCP. Estimated array capacity of 180kW, saving 49 tCO₂ per annum. Forecast financial breakeven is in Year 18 with IRR at 3.58%. This project is innovative that could act as a lead for other multi-storey car parks within Greater Manchester.
- **Merseyway Centre.** A solar PV array on vacant roof space, battery storage, two solar car ports one of which would house 10x EV charge points. The design and specification has been designed to take advantage of the additional funding. An array with a capacity of 214kW can be housed on the vacant former BSH roof and solar car ports on the opposite side of Merseyway. This would contribute power to the centre's common areas. A 66 tCO₂ saving per annum is anticipated. Forecast financial breakeven is in Year 16 with an IRR of 4.77%. This is a proof of concept project, that once in place, could lead to further solar PV installation on a modular basis.

4.2 Operational and management arrangements for the above schemes form part of a wider review of how best the Council can strategically manage its existing and future clean energy assets.

5. COSTS AND MATCH FUNDING REQUIREMENT

5.1 The GM portfolio approach allows some flexibility between schemes as the whole programme progresses. All estimated costs are cautious and lifetime, hence they include mid-life electrical inverter replacement and borrowing. The costs are also before any competitive tendering process.

5.2 Appraisals have been modelled to ensure that the Council can recover its capital contribution within the standard 25 year borrowing period, which is less than the lifetime of solar PV panels. Energy cost inflation is not allowed to be included, if it is the payback period becomes more favourable. Across the GM portfolio the overall IRR is around 4%.

5.3 The estimated individual, and combined value, of capital investment is provided within Appendix 1. The estimated ESIF grant rate is conservatively at least 42% with the Council's contribution being a maximum of 58%.

- 5.4 The Partner Agreement between the partaking local authorities and the lead body allows for some flexibility if an authority is unable, or unwilling, to bring a scheme forward. In the first instance, if Stockport had to withdraw some or all of its schemes, then other authorities would be asked to take up the spare grant. At present there are other authorities with additional projects not included who could step in. If withdrawal was not due to feasibility or viability, and other authorities were unable to take up the remaining grant, then there may be a risk to the Council to reimburse its contribution to the shared costs workstream on energy markets and technical assistance support. There will be an agreed cap on this amount, the current maximum projected risk to the Council, if all schemes were withdrawn, is approximately 8% of the capital costs as set out in confidential Appendix 1. The Partner agreement also protects the Council from costs if other authorities are unable to progress their schemes.

6 RECOMMENDATIONS TO CABINET

- 6.1 That the contents of this report are noted.
- 6.2 That delegate authority is given to the Corporate Director for Place and the Borough Treasurer, in consultation with the Cabinet Member for Economy & Regeneration, to:
- a) take all necessary steps to implement the strategy in this report, reporting back as necessary and appropriate to the Cabinet;
 - b) enter into contracts, procurement and funding agreements, as required, with Energy Systems Catapult and partner authorities within the GM Unlocking Clean Energy Consortium, in order to deliver Stockport's proposed projects; and
 - c) receive and administer European Structural Investment Fund (ESIF) monies in respect of Stockport's Unlocking Clean Energy in Greater Manchester (UCEGM) projects.
- 6.3 That delegate authority is given to the Corporate Director for Place and the Borough Treasurer, in consultation with the Cabinet Member for Resources, Commissioning & Governance, to source the necessary capital match funding to the ESIF.

7.0 RECOMMENDATIONS TO SCRUTINY COMMITTEE

The Scrutiny Committee is invited to comment on the report

Background Papers

There are none.

Anyone wishing to inspect the above background papers or requiring further information should contact Michael Fisher on 0161 474 3742 or email: michael.fisher@stockport.gov.uk