Reason for Decision

There is an opportunity to install a solar photovoltaic system on the roof of Tommyfield Market, to take advantage of current generous Feed In Tariff rates, generate revenue income for the Council, and contribute to the Generation Oldham programme.

Recommendations

Option 3: That the Council immediately commission Renewables 4 Business, one of the companies on Oldham’s solar PV framework and the company who have provided the enclosed quotation, to install a solar photovoltaic as specified, utilising funding from the 2015/16 capital programme. The Council will own and operate the system, receiving the income and energy bill savings from it, and will make a contribution to the Generation Oldham community benefit pot from the income generated.
Solar photovoltaic system for Tommyfield Market Hall

1 Background

1.1 As part of the Council’s invest to save initiative, and the Generation Oldham community renewable energy programme, a feasibility study has been carried out to ascertain the suitability of Tommyfield Market hall for a solar photovoltaic (PV) system to generate low carbon electricity, generate a revenue income stream (both for the Council and as a contribution to the Generation Oldham programme) and cut electricity bills associated with the Market Hall.

1.2 The feasibility study was carried out by Renewables 4 Business, one of the installers on Oldham Council’s solar PV framework, and shows that a 109.5 kilowatt system is feasible.

1.3 The cost of the system will be £117,875 with a pay-back period of around 5 years.

1.4 Although the Government has announced that the Feed In Tariff, which subsidises solar PV systems, is likely to be cut significantly in 2016, currently the existing higher rates still apply.

2 Current Position

2.1 Currently the more generous FIT rates are still available, and are anticipated to be available until 15th January 2016. The installer, Renewables 4 Business, indicate that they have the capacity to complete and commission the proposed solar PV installation by then in order to secure the current more generous FIT rates, but they will need to be instructed to commence work as soon as possible in order to secure the stock of solar PV panels required for the work.

2.2 The installer has agreed that they will not proceed with the installation if they feel there is a risk that they may not complete it in time, even if they have already received our purchase order number and instruction to begin.

2.3 Unity Partnership will support the Council’s Energy & Capital Works Manager in terms of project management, supervision, electrical checks, CDM, design interface, site health & safety issues etc. This service will add a cost of £3,250 to the project.

3 Options/Alternatives

3.1 Option 1: do nothing. This option will incur no capital expenditure cost from the Council but will result in no revenue income to the Council or contribution to the Generation Oldham programme.

3.2 Option 2: install a solar PV system on the roof of Tommyfield Market through the Generation Oldham programme, to be funded by Oldham Community Power Ltd., the community group which the Council is supporting to deliver the programme. Under this option, no capital expenditure will be incurred by the Council, and a modest saving on the Council’s electricity bill will be made. Oldham Community Power will benefit from
Tommyfield Market being included in the scheme, but will not be able to complete the installation in time to take advantage of the current generous FIT rates.

3.3 Option 3: install a solar PV system on the roof of Tommyfield Market immediately, funded by the Council. Under this option, the current generous FIT rates will be able to be secured and the installation will generate a revenue income for the Council through FIT payments and savings on the electricity bill for the market hall. The Generation Oldham programme will not benefit directly from the installation, although the income from the solar PV could contribute around £1,000 per annum to the Generation Oldham community benefit pot, whilst the Council would receive the majority of the income from the system.

4 Preferred Option

4.1 The preferred option is Option 3 above. Choosing this option will maximise the financial benefit of the scheme, demonstrate Council leadership on renewable energy, and can still make a contribution to the objectives of the Generation Oldham programme.

5 Consultation

5.1 The relevant Council officers, Executive Directors and Cabinet members have been consulted in the preparation of this report.

6 Financial Implications

6.1 Capital Implications

6.1.1 The capital cost of the installation and panels are estimated to be £117,875. As this project will provide a revenue stream capable of financing prudential borrowing costs, then this would suggest the most appropriate method of funding the capital expenditure. The costs would be an increase to the Capital Programme which would be funded via prudential borrowing repaid utilising the Feed in Tariffs. In addition there is a cost for Unity Partnerships management, CDM etc support at a value of £3,250 which will be financed from capital resources.

6.1.2 Only utilising the Feed In Tariffs (FIT) extended the payback period to 15.5 years compared to the 5 years detailed above by Renewables 4 Business. Their analysis of payback excludes for interest and capital repayment costs and includes for savings in the electricity costs of the Market Hall. As the Council operates the Corporate Landlord function the savings will be taken into this service and not be attributable to the project.

6.1.3 It should be noted that should Renewables 4 Business not be able to achieve the timescales to ensure the higher Feed In Tariffs, once the order has been placed the work will not be carried out.

6.2 Revenue Implications

6.2.1 The revenue implications of this proposal are the annual borrowing repayments of £6,920 offset by the average FIT of £10,238 across the 20 years. The starting annual FIT is £8,179 which gives the Council an on-going revenue surplus of £1,259. Changes to the FIT are a risk for the Council. Should these not be received the Council will need to fund the repayments.

6.2.2 There will also be a reduction in electricity costs for the building on average of £21,387 across 20 years starting at an annual saving of £10,124. These costs have been advised upon by Renewables 4 Business, if the scheme is undertaken the reduction in fees will be
monitored through the Council’s budget monthly monitoring processes. The electricity costs for the building currently are c £112k per annum.

(Sam Smith, Senior Finance Manager/ Anne Ryans)

7 Legal Services Comments

7.1 The Council is able to undertake this activity under the statutory power of general competence. The procurement team have specified that there has been compliance with the EU and National Procurement regulation as regards the proposed contract. (Paul Entwistle)

8 Co-operative Agenda

8.1 The installation of the solar PV system on Tommyfield Market hall will demonstrate the Council’s leadership in renewable energy and reputationally support the Generation Oldham programme. Making a contribution to the Generation Oldham community benefit pot will further support the Generation Oldham programme, which is one of the Council’s flagship co-operative initiatives. (Andrew Hunt)

9 Human Resources Comments

9.1 N/A

10 Risk Assessments

10.1 N/A

11 IT Implications

11.1 None

12 Property Implications

12.1 The installation of solar panels will reduce the on-going liability for energy costs and will reduce the carbon emissions of the council from its use of electricity. (Barney Harle)

13 Procurement Implications

13.1 This procurement was conducted in accordance with EU Regulations and the Contract Procedure Rules. An OJEU compliant tendering process was undertaken, securing value for money and the best commercial solution. This resulted in the establishment of a framework which ranked suppliers in order, with Renewables 4 Business ranked first. The framework is open to other AGMA Council’s and/or public bodies. (Nicola Spence)

14 Environmental and Health & Safety Implications

14.1 Environment: The solar PV installation will save around 50 tonnes of CO2 per annum, and around 1,111 tonnes over a 25 year period. It will make a significant contribution to reduction in greenhouse gas emissions from the Council’s own estate.

14.2 Health & Safety: Prior to the commencement of any works the relevant project manager must ensure that works are only undertaken by suitably competent contractors and that all relevant health and safety documentation has been received (e.g. method statements, risk assessments). Throughout the project contractors must be managed and supervised. (Laura Smith)
Equality, community cohesion and crime implications

Equality Impact Assessment Completed?

Key Decision

Key Decision Reference

Background Papers

Appendices

Quotation from Renewables 4 Business for installation of solar PV system on Tommyfield Market Hall.