

Report to CABINET – 23 January 2023

Wrigley Head Solar Farm – delivery options

Portfolio Holder:

Cllr Abdul Jabbar, Deputy Leader and Cabinet Member for Finance and Low Carbon

Officer Contact: Director of Economy

Report Author: Andrew Hunt, Green Energy & Sustainability Manager

Ext. 6587

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Reason for Decision

To provide a decision on the preferred option for delivery of Wrigley Head Solar Farm.

Recommendations

That Cabinet:-

- Notes that Wrigley Head Solar Farm could make a contribution towards meeting the Council's 2025 carbon neutrality target of around 50 tCO₂ / annum as well as contributing 891kW to the GM 5-year Environment Plan target of 4.5MW of solar PV for Oldham borough by 2025, demonstrating community leadership on renewable energy development at both borough and GM levels and building local energy security to support development of a Local Energy Market
- Notes that with improvements in technology, the scheme may have potential to achieve 1MW of generating capacity. This will be established by a procurement exercise for the main design and construct contractor
- Notes that the scheme has secured Planning Permission
- Notes that new financial modelling for the project suggests that it is viable using current assumptions around capital cost and forecast wholesale energy prices

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- Notes the potential to regain the circa 40% capital grant originally allocated to the scheme from the Unlocking Clean Energy in Greater Manchester project, which would further mitigate risks to the financial model from electricity price volatility
 - Notes the interest in the scheme from both construction contractors and energy infrastructure developers, as per Lots 4 and 5 of the GM Go Neutral framework
 - Agrees to the preferred delivery option (Option 2) and approves the allocation of £1,350,581 capital funding from the Creating a Better Place programme for construction of the project
 - Agrees to delegate appointment of a contractor further to a mini-competition on the GM Go Neutral framework to the Director of Economy and the appointment of an Owner's Engineer in consultation with the Executive Director for Place and Economic Growth, the Leader of the Council, the Cabinet Member for Finance and Low Carbon, the Chief Executive and the Directors of Finance and Legal Services
 - Agrees to delegate acceptance of any grant funding from the Unlocking Clean Energy in Greater Manchester project to the Director of Economy in consultation with the Executive Director for Place and Economic Growth, the Leader of the Council, the Cabinet Member for Finance and Low Carbon, the Chief Executive and the Directors of Finance and Legal Services

Wrigley Head Solar Farm

1 Background

- 1.1 The project is a 891kW ground mounted solar PV array at a Council-owned former industrial landfill site at Wrigley Head in Failsworth. The solar farm would improve the site, including in terms of biodiversity via wildflower planting and other measures, and would generate a significant amount of renewable energy, potentially contributing to the Council's 2025 carbon neutrality target and / or the borough 2030 target. The project would save an average of 50 tonnes of CO2 per annum over the lifetime of the scheme and cost around £1.1 million to develop. The specification of the project was set in 2019 when the original feasibility work was done – it is possible that with improvements in technology, the scheme could achieve 1MW of generating capacity.
 - 1.2 The project was originally conceived in summer 2018 as part of a prospective ERDF-funded Greater Manchester level project, “Unlocking Clean Energy in Greater Manchester”. An initial no-cost feasibility study carried out by Electricity North West indicated the potential for a viable solar farm at the Wrigley Head site, and further feasibility work by Aecom confirmed that such a facility would be viable, either (with a ‘private wire’ connection) supplying electricity directly to a local business, or (with an ERDF grant subsidy) supplying electricity to the Council via the grid, by means of a “sleeving” agreement with our main energy supplier.
 - 1.3 The ERDF project would have provided a grant subsidy at a rate of around 40% of the capital cost of the scheme. The Council has incurred costs of around £120K in developing the project up to and including the submission of a Planning Application.
 - 1.4 In spring 2020, the impact of the coronavirus pandemic and national lockdown on the economy meant that the long-term outlook for wholesale electricity prices was revised downwards. The change in this assumption underlying the financial model for the solar farm meant that with the new outlook, the solar farm no longer showed a viable business case.
 - 1.5 As a consequence, the project was considered by Cabinet in the summer of 2020 in the context of the Creating A Better Place capital programme review. A decision was taken at that time to stop work on the project.
 - 1.6 Before work on the project was paused, a fee was paid to Electricity North West to accept a grid connection offer. A further ‘staged payment’ of around £35K was due in 2020 but was not paid as a consequence of the Cabinet decision to pause work on the project. Electricity North West have confirmed that the grid connection offer is still valid and have provided updated details in terms of grid connection costs and timescales.
 - 1.7 The solar farm scheme is dependent upon a cable easement across third party owned land. Two adjoining landowners have indicated a willingness to grant a cable easement across their land, however, no terms have been agreed. It is expected that the third-party landowner will want a payment or the transfer of the council’s adjoining land for nil consideration for the grant of the easement.
- The Council’s 2025 and 2030 carbon neutrality targets, and GM 5-year Environment Plan
- 1.8 The Greater Manchester 5-year Environment Plan sets a carbon neutrality target for the city region of 2038. It also sets a target of an extra 45MW of solar PV generating capacity to be delivered across the city region by 2024 – which if divided equally between GM districts equates to 4.5MW per local authority area.

1.9 In July 2019 at Full Council, a new 2025 carbon neutrality target for the Council was announced - to cover Council buildings and street lighting. The Oldham Green New Deal Strategy (adopted in March 2020) confirms the Council carbon neutrality target for 2025 and sets an additional carbon neutrality target of 2030 for the borough as a whole. The strategy provides a framework for Oldham to work towards these targets and those in the GM 5-year Environment Plan, whilst bringing economic benefits to the Council and our partners, residents and businesses.

1.10 According to methodology from Salix, it is estimated that Wrigley Head Solar Farm could save around 50 tonnes per annum of CO₂. The outline financial model also shows that the project could generate an IRR of between 3.5% and 7% from savings on the Council's energy bill. The expected lifetime of the solar farm is 30 years.

2 Current Position

2.1 The project gained Planning Permission in December 2021, with a number of Planning Conditions attached relating to environmental surveys and the construction of a screening fence alongside the tram track, which was agreed with TfGM in order to remove their objection to the scheme.

2.2 Electricity North West have confirmed that the grid connection offer for the solar farm is still valid. ENWL are now waiting for the next 'staged payment' of around £35K for connection works already accepted (which was not made after the project was paused in 2020).

2.3 For the scheme to be taken forward, negotiations will need to resume with the third party landowners who own the land across which the cabling connecting the proposed solar farm to the ENWL grid connection point must pass. This will likely be done by ENWL as part of the grid connection works, rather than by the Council.

2.4 Since the scheme was paused in 2020, wholesale electricity prices have risen substantially, and are forecast to be high in the short to medium term before slowly falling again. This means that the solar farm project is now forecast to be viable, within a range of electricity price sensitivity. Although Oldham forfeited the ERDF grant subsidy from the project when the project was paused, the Council still benefits from technical support from Energy Systems Catapult who are leading that project, and ESC have provided an updated and more detailed financial model for Wrigley Head Solar Farm, which suggests that the project is viable. However, it may still be possible to regain the 40% grant from the UCEGM project due to an underspend on that project, which would further mitigate risks around electricity price volatility. In order to secure grant funding, the scheme would need to be delivered by September 2023.

2.5 The GM Combined Authority recently set up a framework agreement for low carbon projects called the "Go Neutral" framework. This framework has a number of lots, including two lots relevant to the Wrigley Head solar farm project. Lot 4 is for Council-funded ground mounted solar and Lot 5 is for developer-led and funded hybrid low carbon projects on Council-owned land, which can include ground-mounted solar. The framework agreement is available to Oldham Council.

2.6 In September / October 2022, the Council tested the market for the Wrigley Head project by placing an Expression Of Interest on both lots 4 and 5 of the Go Neutral framework. These EOIs were placed to attract market feedback in terms of the practical deliverability of the project (Lot 4) and the financial case for the project (Lot 5). The EOI process is now complete and attracted two returns on each of Lots 4 and 5.

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- 2.7 One of the two respondents on Lot 4 stated that due to a rise in costs, the Council should increase the available budget for the scheme by 25%. This would mean that the **estimated capital budget** required to construct the solar farm will rise from £1,080,465 to **£1,350,581**. This is the most accurate estimate of project cost available at the time of writing. A final cost can only be established through a full procurement process – which is likely to take the form of a mini-competition on the GM Go Neutral framework.
- 2.8 It is estimated that **a revenue budget of around £70K** will be required to progress the scheme to construction stage. This figure comprises £35K for a ‘staged payment’ on the grid connection, and £35K for the procurement and appointment of an ‘owners engineer’ in accordance with Contract Procedure Rules to act as a ‘client side’ external Project Manager for the scheme, overseeing the ‘Engineer, Procure and Construct’ (design and build) contractor.
- 2.9 The Council has been receiving support on the financial model for the scheme from Energy Systems Catapult via the Unlocking Clean Energy in Greater Manchester (UCEGM) ERDF-funded project in which Oldham is a partner. The sensitivity analysis included in this financial model shows that even with a 25% capital cost uplift on the original cost estimate, the project is viable using current assumptions around forecast wholesale energy prices, which have been modelled independently by Energy Systems Catapult.
- 2.10 If the Council decides to proceed with the recommended option (Council to fund and own the solar farm), the next step would be a mini-competition on Lot 4 of the Go Neutral framework. This will give the Council formal bids from contractors on the framework, from which a successful bidder will be selected. As two contractors have expressed interest in the project, it is likely that the Council will receive bids from these two in a formal mini-competition.
- 2.11 It should be noted though that the Council also received interest from two contractors on Lot 5 of the framework (contractor funds, constructs and operates) from the EOI. In the unlikely event that the Council does not receive any bids on a formal Lot 4 mini-competition, there may still be the option to run a mini-competition on Lot 5 and achieve delivery of the solar farm via a contractor funded model.
- 2.12 Alternatively, if no bids were received on Lot 4 and the Council’s preference continues to be to fund and own the solar farm itself, the Council could run an independent tender outside of any framework. However, this option could be time consuming and market research would need to indicate that this would be worthwhile and likely to achieve the desired result.

3 **Options/Alternatives**

- 3.1 Option 1: Do nothing. Under this option, no further work will take place on the project, and no further expenditure will be incurred. However, the project will not generate a revenue income for the Council nor make any contribution to reducing carbon emissions in Oldham, GM nor generate electricity for a future Oldham Local Energy Market.
- 3.2 Option 2: Proceed with a mini-competition under Lot 4 of the GM Go Neutral framework and procure the Owner’s Engineer. Under this option, the Council will see a contractor to design, build and operate the solar farm, which will be funded and owned by the Council, with the Council receiving the electricity generated via a Power Purchase Agreement with the Council’s main electricity supplier.
- 3.3 Option 3: Proceed with a mini-competition under Lot 5 of the GM Go Neutral framework and procure the Owner’s Engineer. Under this option, the Council will seek a contractor

funded and operated model for delivery of the Wrigley Head solar farm, with the Council purchasing electricity from the developer via a Power Purchase Agreement at a rate yet to be determined.

4 **Preferred Option**

- 4.1 Option 2: Proceed with a mini-competition under Lot 4 of the GM Go Neutral framework and procure the Owner's Engineer. Under this option, the Council will see a contractor to design, build and operate the solar farm, which will be funded and owned by the Council, with the Council receiving the electricity generated via a Power Purchase Agreement with the Council's main electricity supplier.

5 **Consultation**

- 5.1 Consultation on the scheme has taken place with the Leader and Deputy Leader of the Council, local ward members, local residents, and senior Council officers. The Moston Brook Project Officer has been closely involved in the development process for the solar farm and the public consultation process. The consultation for local residents was held on Thursday 13 February 2020 and was attended by around 50-60 people including local Ward Members. Some questions and concerns were raised, which were addressed in the Planning Application which was submitted at the beginning of March 2020. The Planning Application consulted the statutory consultees.

6 **Financial Implications**

- 6.1 The £1.35m costs associated with the construction of the Solar Farm would be capital expenditure and would need to be financed from Funds Held for Emerging Priorities within the existing Capital Programme. There would also need to be an allocation of £70k of revenue funding to progress the scheme to the construction phase which would need to be met from within the existing Regeneration revenue budget or the Creating a Better Place Earmarked Reserve.
- 6.2 The Council has engaged with Energy Systems Catapult to undertake financial modelling of the proposed Solar Farm and the modelling has indicated that the project would have a positive Net Present Value including Prudential Borrowing costs and, therefore, financially viable. However, this is largely due to large cashflows in the first few years, with high electricity prices, and the overall position becomes marginal once electricity prices are assumed to reach a more stable level from 2027/28.
- 6.3 It should be noted that the financial modelling is dependent on assumptions of the retail electricity price over a 30 year period which due to volatility could be higher or lower than anticipated and impact on the viability of the project over time. However, this should be offset by the impact on the Council's wider electricity bill.
- 6.4 Further modelling work will be required as the project develops and the total costs become more certain, along with the finer details of how any Power Purchase Agreement (PPA) will be secured. Any variance to the costs/financing of the project will be the subject of a further report.

[James Postle]

7 **Legal Services Comments**

- 7.1 The Greater Manchester Combined Authority has entered into multi lot framework agreements to enable local authorities to achieve carbon reduction and other benefits through the implementation of smart energy technologies on public sector owned assets.

The Council has carried out under Lots 4 & 5 and is recommending that the project is progressed by way of mini competition under Lot 4 (Ground mounted solar PV and battery storage (grid connected and private wire). There are 5 contractors appointed to this lot.

A mini competition conducted under the GMCA's "Go Neutral" Framework Agreement is a valid route to market and would be undertaken in accordance with Contract Procedure Rules, incorporating procurement legislation, and under the management of the Commercial Procurement Unit. The call-off contract would be in accordance with the terms and conditions prescribed by the Framework Agreement. Legal input into call-off contract will be essential.

The procurement of the Owner's Engineer would be conducted through the Commercial Procurement Unit in accordance with Contract Procedure Rules. A suitable form of contract would be put in place.

As detailed in this report, the solar farm scheme is dependent upon a cable easement across third party owned land. This would need to be agreed before any mini competition was progressed.

[Sarah Orrell – Commercial and Procurement Solicitor]

Property issues/risks

- 7.2 There are access and title issues affecting the site in terms of the main access and also access across third party land to install, run, maintain etc. the required cables. The Report author is working with colleagues in Legal, Estates and Highways to investigate these issues and possible solutions. At this stage however, it is not possible to guarantee that solutions can be found, or the costs involved, particularly in relation to the cable easements which require negotiation with adjacent landowners and the utility company has unfortunately advised that it is not able to use statutory powers to assist. There is no evidence of Council ownership for the main access way or for part of the greenspace at the opening of the tunnel.

In addition, there are issues with flooding in the vicinity of the site which need to be investigated further to ascertain whether this could pose any risk to the viability of the scheme, and/or further cost implications.

Further work and due diligence will be required to assess the impact of these issues and risks including investigating solutions and negotiating with third parties. This will take time and inevitably involve more cost to the Council which will require further reporting and approvals at a later stage. There is a risk that an ultimate inability to sort these issues at all/in a timely manner and at a palatable cost to the Council could render the scheme unviable.

(Rebecca Boyle – Group Solicitor, Corporate Team).

8. Co-operative Agenda

- 8.1 The proposed solar farm at Wrigley Head would demonstrate how a renewable energy generation facility can be sensitively incorporated into a semi-urban post- industrial setting with improvements in the ecology, amenity and visual appearance of the site, as part of the Moston Brook corridor. A local public consultation has been carried out as part of the Planning Application process, and if built the facility could also provide an educational resource for local schools. The project could potentially in future provide electricity for an

Oldham Local Energy Market to assist residents and businesses with their energy bills, as set out in the Oldham Green New Deal Strategy.

[Andrew Hunt]

9 **Human Resources Comments**

9.1 No HR implications

[Catherine Pearson, Strategic HR Lead]

10 **Risk Assessments**

10.1 The cost the scheme receives for the electricity it receives is likely to fluctuate and at certain levels below that it would currently generate may not cover the repayment of the capital costs on the scheme.

10.2 There is a possibility this project attracts a capital grant from the GMCA due to slippage elsewhere on the GMCA managed programme. Given the tight timescale to spend this grant it is expected if successful the scheme construction costs will not be completed in a timescale to maximise the total grant award

[Mark Stenson]

11 **IT Implications**

11.1 None.

12 **Property Implications**

12.1 As indicated in the report, the solar farm scheme is dependent upon the Council being granted permanent rights to install and maintain an electricity cable across third party owned land, to the ENWL grid connection point on Tweedale Way. Two adjoining landowners have previously been approached about this and both indicated a willingness in principle to the granting a cable easement across their land, however, given that limited technical information was available at that time, no terms were discussed or agreed. Only one adjoining landowner needs to grant the cable easement, however, it is expected that the third-party landowner will want a payment or the transfer of an area of the council's adjoining land (not required for the solar farm) for nil consideration. The Council will also be required to pay the third-party landowner's legal and surveying fees.

12.2 The report author has now confirmed that ENWL would deal with the cable easement across third party owned land as part of the grid connection works, rather than the Council.

12.3 I understand that access is required under the railway bridge for the purpose of constructing and maintaining the solar farm. As far as I am aware the council don't own the land under the railway bridge and it is not adopted highway. As such Legal Services need to confirm if the Council has the access rights required and/or that access rights can be acquired by the Council.

[Liz Garsrud]

13 **Procurement Implications**

- 13.1 The Commercial Procurement Team will lead on the procurement of both the Owner's Engineer and solar farm contractor in line with any applicable funding conditions, public procurement law and the Council's Contract Procedural Rules. Both procurements are estimated to be below the respective services and works thresholds with reference to the Public Contracts Regulations 2015. Due diligence has been conducted on the GMCA Go Neutral Smart Energy Framework Agreement DN562301 GMCA 374. Expressions of Interest run under the Framework Lots have not committed the Council to proceeding with the project through the Framework or otherwise but have established valuable information on levels of market interest, market insights and feedback which can now be used to inform strategy and the drafting of tender documentation. At the time of writing, research on the most appropriate and efficient route to market for the Owner's Engineer appointment has yet to be concluded, and the strategy finalized. There are potentially suitable third-party framework options available. Support from our Legal Team will be sought in particular with reference to the forms of contract to be employed.

[Emma Tweedie, Senior Category Manager]

14 **Environmental and Health & Safety Implications**

- 14.1 Environment: Development of the Wrigley Head Solar Farm scheme will contribute towards the reduction of the carbon footprint of the Council for our 2025 carbon neutrality targets and towards the reduction of the carbon footprint of the borough for our 2030 target. The scheme also aims to improve biodiversity opportunities at the development site through planting schemes and provision of wildlife runs under the security fence.

[Andrew Hunt]

14.2 Health and Safety:

Following approval of this scheme, it must be ensured going forward that health and safety legislation is complied with, in particular the Construction Design and Management Regulations 2015. During the procurement of any contractors, the health and safety performance of those contractors must be considered. Thereafter, ongoing monitoring of contractors throughout the construction project must be implemented.

[Laura Smith]

15 **Equality, community cohesion and crime implications**

- 15.1 Residents within the locality have experienced significant levels of anti-social behavior and criminal damage 2017/2018, however this was addressed by the District Team and funding was secured for a CCTV camera to be installed at Wrigley Head Crescent. More recently levels of anti-social behavior and criminal damage have been low.
- 15.2 Residents will be concerned about the security of the site and how this will impact their lives and property. Assurances at the consultation was given that the site would be appropriately fenced and have the necessary CCTV requirements.

[Penny Kenworthy]

16 **Equality Impact Assessment Completed?**

16.1 No

17 **Key Decision**

17.1 Yes.

18 **Key Decision Reference**

18.1 FLC-08-22

19 **Background Papers**

19.1 None.

20 **Appendices**

20.1 None