

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2032

Title: Growing Places Fund – Tempus Energy

Executive Summary:

This decision seeks approval of the novation and variation of the GLA's Growing Places Fund agreement with Tempus Energy Limited to Tempus Technology Limited to optimise delivery of the 'Tempus Energy' project and repayment of funding to the GLA.

Decision:

That the Mayor:

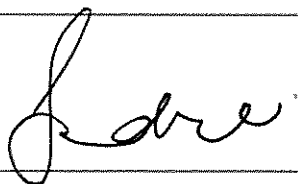
1. approves the novation of the GLA's Growing Places Fund agreement with Tempus Energy Limited to Tempus Technology Limited and its related variation to reflect a re-profiled repayment from profits rather than fixed funding repayment model (albeit with a five year long stop date for repayment) and entry into appropriate supporting security arrangements with Tempus Technology Limited; and
2. delegates authority to approve any future re-profiling of loan repayments to the Executive Director-Development, Enterprise & Environment provided always that such re-profiling does not alter the five year long stop date for repayment noted above.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

30/9/16

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

1.1. In July 2013, bids were received in response to the second round of the Growing Places Fund (GPF) which sought proposals that delivered LEP Jobs and Growth Plan objectives. Although not approved by the LEP as part of the GPF Round 2, Tempus Energy was invited to resubmit their proposal in early 2014 when GPF funding became available. At the LEP meeting in March 2014 the LEP provided in principle approval for the funding of the Growing Places Fund Tempus Energy proposal. The evaluation panel found their bid to be novel and innovative, and acknowledged that their model offered an interesting pilot and that they were trialling something new. The bid from Tempus Energy also responded well to the technology priority of the GPF Round 2 prospectus. Stage 1 and 2 approval from the Investment Performance Board was granted in July 2014 and August 2014 respectively and Mayoral Decision approval was granted through MD1416 in November 2014 for the provision of £250,000 of funding to be invested in Tempus Energy.

1.2. Progress to date

1.3. Tempus drew down all its funding in 2014/15 and is being delivered by Tempus Energy Limited. As a start-up business a condition for the drawdown of GLA funding was that other investor funding was in place. This investment was confirmed prior to drawdown. Tempus Energy was a new energy supply business. The Tempus Energy model aims to develop and implement a smart energy business model to optimise energy use for domestic and commercial customers, with the aim that this would lead to lower peak demand on electricity networks and enable increased utilisation of existing infrastructure, reducing costs and energy bills.

1.4. Previous approval for the Tempus project is in place under cover of MD 1416 (11 November 2014). Over the two years since this approval, the Tempus project progressed against the planned programme as follows:

- In 2015, Tempus Energy Supply launched successfully, set up their Control Room to manage and monitor electricity utilised by customers, signed their first blue-chip customer (supply contract) and ran their first fundraising round in March 2015 (£1 million raised). These all aligned with the planned milestones for the project. In addition to this, Tempus ran a second fundraising round in November 2015 (which closed at £3.78 million). (See part 2 of this report for the details).
- In Q4 2015/16 the company had 33 staff plus 7 apprentices which aligned to the planned project milestones, were supplying 148 UK customers, including 33 customers in London (which included some high profile companies and organisations (e.g. Channel 4, Paul (the Bakery) and GAME)). Through their UK customers Tempus were supplying an annualised electricity consumption of around 24.5GWhs. This milestone for customer numbers however was lower than projected for the project milestones at this stage.
- In Q4 2015/16 Tempus went through a re-organisation to refocus on the technology side of its business; as a start-up Tempus were still learning what works and what does not and where to best focus their efforts. Tempus were also considering the possibility of licencing their technology platform to utilities globally (and for this they would need to perfect their technology).
- Since the project started delivery in March 2015 Tempus Energy has been challenging and changing the traditional electricity supplier model, through a unique mix of technological and commercial innovations. Tempus Energy was one of the winners of the Ashden Awards on 9 June 2016 for the 'Smart Energy' category. In addition to this, Tempus Energy fed in recently to central government's inquiry into low carbon networks.

1.5. Based on the information presented, the GLA opened up a conversation with Tempus on converting the loan; it should be noted that the proposition to convert the loan on this GPF project is being

put forward under exceptional circumstances and is not intended to set a new precedent for the programme.

1.6. In line with Tempus re-focusing on the technology side of their business, and following on from the GLA performing due diligence on Tempus Technology, the funding agreement and security agreements will be novated to Tempus Technology in order to optimise delivery and repayment. See part 2 of this report for details.

1.7. Novation of agreement to Tempus Technology

1.8. A range of options were explored to optimise the likelihood of the repayment of the GPF by Officers and these were then presented to LEP Delivery Board (officer board overseeing programme delivery and performance; see part 2 of this report for the details). Members have identified 'repayment from profits' as a preferred option that would maintain a route to optimise the likelihood of securing repayment of our investment and would enable jobs (and other outputs) to be retained. This option is also simple to structure and arrange (which is of particular relevance given this is a comparatively small investment for GPF) and also enables the GLA to retain security, thus reducing the risk of this option when compared to other options.

1.9. This Mayoral Decision seeks approval to novate the GLA's Growing Places Fund agreement with Tempus Energy Limited to Tempus Technology Limited and its related variation to reflect a re-profiled repayment from profits rather than fixed funding repayment model (albeit with a five year long stop date for repayment which aligns to the long stop period provided in the original funding agreement with Tempus Energy Ltd) and entry into appropriate supporting security arrangements with Tempus Technology Limited (see part 2 of this report for the details). Under this option, Tempus Energy Technology Ltd would repay GPF funding and accrued interest as certain profit thresholds are met and exceeded. Tempus propose to pay £93,520 (20% of pre-tax profits) to the GLA at the end of financial year 2017/18 and the remainder of the capital (£156,480) and interest in 2018/19 based on their projected levels of profit. This will re-profile repayment from the current profile of £83,000 in November 2017, £83,000 November 2018 and £84,000 November 2019 (see tables 1 and 2 in section 8 below). This option would mean the GLA continues to hold security against their loan (see part 2 of this report for the details).

1.10. Tempus Energy have developed a Smart Aggregation Manager (SAM) which brings together demand information, price fluctuation predictions, as well as predictions of user demand to generate a schedule for the optimised management of flexible energy usage resulting in savings to users and reduced energy consumption. The technology company (Tempus Technology) has further developed a real time price predictor and an imbalance predictor marketed under the name of the 'Tempus Imbalance Predictor'. This is cutting edge technology utilising artificial intelligence data techniques (further information provided in Part 2 of this report).

2. Objectives and expected outcomes

2.1. The GLA objectives underpinning this Mayoral Decision are to enable the expected outcomes identified in section 2.2 to be delivered and to optimise the likelihood of securing a return on the GPF investment.

2.2. The objectives of Tempus Technology are to: (i) provide a new business model which challenges the existing corporate structure of generation and supply of electricity, to focus on reducing consumption and peak consumption. And (ii) licence out IP (Tempus Imbalance Predictor) which optimises energy use to lower overall consumption and peak demand, resulting in reduced infrastructure costs and energy bills. This will enable energy suppliers that licence the Tempus Imbalance Predictor to better predict and manage customer usage and buy electricity more cost effectively on their behalf.

2.3. Expected outcomes

- 2.4. The GLA is seeking a return on its investment in Tempus and the details of this, which are commercially sensitive, are set out in Part 2 of this report.
- 2.5. In addition to this, the Tempus Technology business plan suggests that the project will also deliver the following outputs between 2016/17 – 2018/19:
- Provide 20 employment opportunities including 7 apprenticeships
 - 3 batteries deployed into developments in London (by deploying batteries into new developments the capital cost of network infrastructure can be reduced)
 - Reduction in CO2 emissions (annual figures will be identified once Tempus have finalised their tool to quantify this emissions saving in late October/early November 2016)
 - 2 international utility customers licensing the technology platform
 - Development of new skills and indirect jobs in the smart energy industry
 - Support the delivery of the Smart Cities Agenda
 - Increase the collaboration of private sector, academia and the energy sector through the development of new technology
 - The business plan suggests outputs will be delivered in line with the below timescales:

Financial Year	Deploying batteries into new developments	Jobs created	apprentices	Reduction in CO2 emissions **
2016/17	1 (in existing site)	6*	4*	tbc
2017/18	1 (in new site)	4	1	tbc
2018/19	1 (in new site)	3	2	tbc
TOTAL	3	13	7	tbc

*Maintained staff/apprentices from current business (which have all been 'new jobs' created to date).

**As a result of charging batteries at times of low carbon intensity and discharging at times of high carbon intensity in the grid mix, a carbon benefit is created. Tempus are building a tool to quantify this CO2 emissions saved (at which point levels of CO2 emission reductions for 2016-2019 can be agreed).

- 2.1 Outcomes that were included in MD1416 which will no longer be achieved by moving to the Tempus Technology business model (from the Tempus Energy Limited model) are:
- A reduction in energy bills by an average of £180 per customer per annum (potentially equating to £2.3m per annum additional spend in London)
 - Secure 1,000 domestic and 30 commercial customers in year 1 rising to 100,000 in year 3
 - Help London meet decentralised electricity generation targets
 - Provide 30 employment opportunities including 2 apprenticeships (this figure in the latest business plan has been revised to 20 employment opportunities, including 7 apprenticeships)

3. Equality comments

- 3.1 The GLA Regeneration Team work with delivery partners to target investments in places with the greatest potential to secure inclusive jobs and growth opportunities, and ensure all investments promote equality and work to deliver new and secure existing diverse and inclusive opportunities and services. The GPF application process invited bidders to demonstrate how they will give due regard to the requirements of the Public Sector Equality Duty Act; this was compulsory for all bidders and all proposals were checked during the validation phase of evaluating the bids to ensure bidders had demonstrated this in their bids.
- 3.2 As a requirement of the provision of funding, Tempus energy are required to meet the requirements of the Public Sector Equalities Duty and are required to report activity against this. They are also required to recruit through open and fair processes to ensure equality of opportunity for all groups.

4. Other considerations

4.1. Key risks and issues

	Risk description	Likelihood	Mitigation / Risk response
1	Licensing model for Tempus Imbalance Predictor unsuccessful – pipeline or business won does not provide sufficient revenue to make Tempus Technology viable	Medium	Discussions are taking place with Tempus' pipeline to secure early adopters of the licensing model; early discussions have indicated that there is some interest amongst companies. Tempus Board and Advisory Board will provide steer to business to assist in establishing a suitable pipeline and marketing materials to sell the licensing model.
2	IT infrastructure – project is hinged on robust communication and aggregation of energy demand data	Low	Tempus undertake systems testing processes.
3	GPF repayment - Tempus unable to make repayment in part / full	Medium	Tempus have set out a strategy business plan for the Tempus Technology company which forecasts returns of GPF loan funding by 2018/19. Officers will review financial statements on a quarterly basis to monitor the progress of Tempus Technology and this will also provide the GLA an avenue through which to provide direction should the projects financial progress not match the forecasts in the business model. The GLA have also allocated a five year longstop date to the repayment profile to account for potential slippage in repayment should Tempus Technology revenue grow more slowly than anticipated. If Tempus Technology do not repay within the 5 year longstop period then the GLA have the option to call on their security against the loan to get their return on investment.

4.2 Links to Mayoral strategies and priorities

- 4.2.1 This project supports a number of Mayoral priorities; this includes supporting the Mayor's manifesto to support small businesses that are at the heart of London's economy, to create new jobs and to make London a low-carbon beacon. Finally it supports the Smart Cities agenda by promoting the efficient use of existing infrastructure.

4.3 Impact assessments and consultations

- 4.3.1 As part of the GPF Round 2 prospectus, applicants were required to provide evidence of market failure and market need. The evaluation panel were content with the evidence provided by Tempus Energy.
- 4.3.2 A valuation of the company's intellectual property, which is being used as security against the loan, was undertaken in 2014 (the Part 2 paper contains further details).

5. Financial comments

- 5.1. The decision would mean that no impairment of the loan with Tempus is required at this stage. There would be some slippage in the repayment profile and this would be subject to on-going review. Further comments are included in part 2 of this decision.

6. Legal comments

6.1 The foregoing sections of this report indicate that:

6.1.1 the decisions requested of the Mayor fall within the powers of the GLA to do anything which promotes or which may be considered facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and

6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

- (a) pay due regard to the principle that there should be equality of opportunity for all people;
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- (c) consult with appropriate bodies.

6.2 Officers must ensure that:

(a) they continue to liaise with the GLA's finance team and TfL Legal in order to ensure that appropriate novation, variation and security documentation is agreed with Tempus Energy and Tempus Technology Limited; and

(b) such documentation is put in place and executed by the GLA and the counterparties before any commitment is made to the proposed novation.

6.3 The Mayor may delegate the exercise by him of the powers of the GLA to the Executive Director-Development, Enterprise & Environment (as proposed) pursuant to section 38 of the Greater London Authority Act 1999.

7. Investment & Performance Board

7.1. No IPB was in place at time of writing, therefore the LEP DB (which includes financial and legal advice) and the Deputy Mayor for Planning, Regeneration and Skills were consulted and briefed directly, and the item has been taken forward directly for Mayoral Decision approval in this paper.

8. Planned delivery approach and next steps

8.1. The organisational structure will consist of a CEO and posts that focus on technology development, data analytics, IT support, battery installation, finance, legal & regulatory, battery management and economic analysis. In 2016/17 Tempus will employ ten staff, including 4 apprentices.

8.2. Tempus will continue to have a Board and Advisory Board. The Advisory Board will include advisors on electricity markets competition, energy economics and artificial intelligence.

8.3. Tempus will submit financial statements to the GLA quarterly and a copy of audited accounts annually. This information will be provided to finance officers within the GLA to help monitor the performance of the business model moving forward.

8.4. Tempus will be required to provide the GLA with regular quarterly updates on the progress being made against patenting the IP (against which the GLA hold security as a first charge).

8.5. Tempus will provide the GLA with an updated business plan for Tempus Technology as it is developed and with a clearer programme for successfully delivering against the plan.

8.6. Tempus have set out financial forecasts for a three year period (2016/17 – 2018/19) in their business proposal highlighting the net profits they are projecting during this window (the Part 2 paper contains further details).

8.7. The GLA investment was made available in 2014/15 to cover costs of developing the technology. The investment will be repaid from profits from Tempus Technology, with the capital and interest

forecast to be repaid between 2017/18 and 2018/19 (the Part 2 paper contains further details). Repayment up to a longstop date of five years from the Deed of Novation (ca. October 2021) is advised. Security against the loan is offered in the form of a charge on intellectual property (the Part 2 paper contains further details).

- 8.8. Loan terms were developed in 2014 with regard to the European Union Reference Rates for the provision of public sector loan financing based on the collateral available and credit worthiness of the applicant. Again the detail of the proposed rates can be regarded as commercially sensitive and are set out in the Part 2 of this report. Deeds to update the loan and security documentation will be prepared and executed by the GLA with the Tempus in October 2016 to reflect this Mayoral Decision.
- 8.9. The LEP Delivery Team will have responsibility for overseeing delivery of the project at the GLA.
- 8.10. Project performance will be reported through monthly dashboards and presented to the LEP DB. Projects which have identified amber and red risks will be required to report to the GLA Regeneration Unit's Budget and Performance Review process to ensure all steps are taken to reduce the likelihood and potential impact of risks. The LEP Delivery Team Lead Officer will meet with the project on a quarterly basis to review progress and to ensure the project is delivered on time and meets objectives.
- 8.11. Tempus will be required to report progress on a monthly and quarterly basis, including an explanation of expenditure, milestone and output/outcome delivery, and updates on risks and issues.
- 8.12. Project progress and success will be measured against identified and agreed milestones and targets set out in the Funding Agreement, which will be covered in the 'Overall Impact' section of the agreement.
- 8.13. The GLA will ensure that appropriate contract provisions are included in the Funding Agreement to ensure that payment is aligned with specific, measurable, achievable, realistic and time bound milestones. Where milestones are delayed or not delivered, payment may be withheld, unless good reason is provided that overall delivery of objectives is still on target.
- 8.14. In line with the standard GPF funding agreement, the project will be required to undertake an evaluation six months from practical completion and a review at three years after practical completion.

Activity	Timeline
Mayoral Decision	29 September 2016
Deed of Novation and Variation	31 October 2016
Debenture agreement arrangements updated	31 October 2016
Updated business plan and programme provided to GLA	December 2016
Repayment complete	March 2019
Self-evaluation (6 months)	September 2019
Self-evaluation (3 years)	March 2022

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: n/a

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Sarah Hayward has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Debbie Jackson has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Fiona Fletcher Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Jules Pipe has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. Bellamy

Date

29.9.16

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date

29/9/2016