

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2315

Title: Smart Energy Systems (including decentralised energy) Consultancy Services

Executive Summary:

To achieve the Mayor's carbon dioxide reduction targets and to be a zero-carbon city by 2050, London will need smart, flexible and integrated energy systems utilising local and renewable resources. Buildings will need be supplied with decentralised energy from clean and renewable resources.

District heat networks and smart, flexible energy systems have an important role in helping to achieve the Mayor's aim. The GLA's Smart Energy Systems (SES) team is delivering the Mayor's decentralised energy projects that support the public and private sectors to develop and deliver their large-scale district energy heat networks. The SES team is working to improve London's energy systems. The team is designing and delivering a programme and projects that will support Londoners' and London businesses to cut their energy bills, supply additional, flexible electrical power to local and national electricity networks (helping to meet Londoners' variable demands for power, i.e. at peak times of the day), earn rewards for flexible use and supply of energy, and contribute to a smarter, cleaner and more secure energy system for London.

Human resource changes within the SES team mean there is a requirement for (short term) external consultancy services to support the delivery of London Environment Strategy energy policies and proposals.

This ADD seeks the approval of the purchase of external consultancy services to support:

- 1) the design and development of smart energy policies, programme and projects.
- 2) the continued design, development and delivery of the Mayor's decentralised energy programme and projects within London's public and private sectors.

Decision:

That the Executive Director for Development, Enterprise and Environment approves:

1. Expenditure of up to £50,000 on smart energy (From Element Energy Limited - £35,000) and decentralised energy (from Calorem Limited - £15,000) services in support of the GLA's smart energy services activities; and
2. A related exemption from requirement of the GLA's Contracts and Funding Code to procure such services competitively.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities. It has my approval.

Name: Lucy Owen

Position: Executive Director for Development, Enterprise and Environment

Signature:



Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The reduction of greenhouse gas emissions is a core element of the Mayor of London's new London Environment Strategy (LES) and supports the ambition for London to be a zero-carbon city by 2050. Decarbonising London's energy supply is critical to achieving this ambition.
- 1.2 Objective 6.2 of the London Environment is to develop clean and smart, integrated energy systems utilising local and renewable energy resources. The strategy sets a target to supply 15% of London's energy demand from renewable and district energy by 2030.
- 1.3 Element Energy Limited is a specialist consultancy in the low carbon energy sector with expertise, and consulting service provision, in smart energy systems. It is proposed that Element Energy Limited provide external consultancy services to conduct a detailed review and analysis of the Mayor's smart energy policies, programmes and projects. A similar, but high-level review will be carried out regarding UK Government, industry and international policies, programmes and projects. The outputs will be in the form of a Theory of Change, recommend how the smart energy agenda could be taken forward by the Mayor and Greater London Authority. It is proposed that Element also support the lead for smart energy systems to develop a specification for updating the GLA's zero-carbon modelling to enable the assessment and prioritisation of smart energy contributions to the zero-carbon pathways for London.
- 1.4 Calorem Limited has extensive know-how and experience of urban energy system project development and delivery, particularly in the context of London and the Mayor's London Environment Strategy. It is proposed Calorem Limited will provide the skilled resource and capacity to complement the activities being carried out by GLA officers in supporting public and private sectors to develop and deliver their larger-scale heat network projects. This will include helping appraise new opportunities to support, developing decentralised energy and related carbon reduction strategies, developing specifications to procure services from the DEEP (Decentralised Energy Enabling Project) consultancy framework for feasibility studies, outline business cases, works procurement documentation, and providing information and advice regarding existing decentralised energy projects and activities. These services will also be available to other GLA teams, including officers within the Smart Energy Systems team, Zero Carbon Policy team, Waste, Planning and the Infrastructure Development Coordination Unit.
- 1.5 Officers acknowledge that section 9 of the GLA's Contract and Funding Code require, where the expected value of contract for services is between £10,000 and £150,000, that such services be procured completely or called off from an accessible framework. Section 10 provides however, that an exemption from this requirement may be approved where the proposed contractor has had previous involvement in the project or is to continue existing work which cannot be separated from the new project/work.
- 1.6 Officers propose that:
 - Element Energy Limited are contracted (with a value of £35,000) to provide consultancy services (set out in paragraph 1.3) to the GLA's Smart Energy Systems team, who will manage the contract. Element has carried out recent services that gives them knowledge and understanding of the GLA's smart energy policies, proposals and work programme. This included the production of the zero carbon pathways report for London which formed part of the London Plan evidence base and an update to the GLA's zero-carbon model to develop carbon budgets for the next 15 years. They have a detailed knowledge of London's current energy system, what is required to decarbonise the city, and have effective relationships with external stakeholders in the local, national and international energy sectors that the Mayor and GLA need to work with and influence.

- Calorem Limited is contracted (with a value of £15,000) to provide the consultancy services (set out in paragraph 1.4) to the GLA's Smart Energy Systems team (and others as required and appropriate), who will manage the contract. Calorem has extensive experience and understanding of the GLA's approach to decentralised energy programme and project development in London, including DEEP and Licence Lite.
- These required external services will be provided more effectively, and at a lower cost, than other consultancies who would need a considerably longer-time, and therefore incur higher costs passed on to GLA in higher fees, to attain the same level of knowledge and understanding and provide the required services effectively. This approach represents value for money, and demonstrates an effective use of time and resources compared with procuring different consultancies to deliver the same service. It also responds to the fact that the specific technical knowledge, expertise, experience and staff resource required to deliver the work outlined in sections 2.2 and 2.3 is not currently available in the GLA. Approval of an exemption from the requirements of section 10 of the GLA's Contracts and Funding Code is therefore sought on that basis.

1.7 The total cost to the GLA will be up to £50,000. Element's services should be completed during financial year 2018/19. Calorem's services will be available until September 2019.

2. Objectives and expected outcomes

2.1 The objective is to provide GLA officers with specific technical knowledge, expertise, experience and staff resource required to deliver the LES. This will ensure the Smart Energy Systems team maintains effective development and delivery of a programme and projects that achieve smart, integrated energy systems utilising local and renewable energy resources.

2.2 Element Energy Limited shall provide the following services:

2.2.1 A detailed review and analysis of the Mayor of London's smart energy policies, programmes and projects;

2.2.2 A high-level review of UK Government, industry and international smart energy policies, programmes and projects;

2.2.3 Produce a Theory of Change report and recommendation for the Deputy Mayor for Environment and Energy, Senior Managers and Energy for Londoners teams, detailing how they could take the smart energy agenda forward. This shall include:

- Maximising synergies within, and across, the Energy for Londoners and Air Quality teams and prioritise actions to maximise smart energy's contribution towards London becoming zero-carbon by 2050.
- Identification of low, medium and high intervention options, with the costs and benefits detailed for each scenario.

2.2.4 Support the lead for Smart Energy to develop a specification for updating the GLA zero-carbon model, and to build the smart energy low, medium and high interventions into the model (including the full range of flexibility technologies and services), to enable the assessment and prioritisation of smart energy policies and proposals in the context of zero-carbon pathways for London.

2.3 Calorem Limited shall provide the following services:

2.3.1 The provision of consultancy services related to decentralised energy supply, including its technical and commercial development and delivery. This will help deliver:

- A pipeline of at least 20 heat network projects with high potential for implementation. The projects will reduce at least 17,500 tonnes per year of the greenhouse gas carbon dioxide and 3 MW of renewable energy generating capacity by 2021. This will contribute towards the Mayor's climate change targets.
- The development of 30 km of high-quality heat network supplying low to zero carbon heat to buildings in alignment with the LES.
- Stakeholder engagement for schemes in the pipeline and their implementation through the public sector, public/private partnerships and the private sector initiatives. These include schemes that would benefit from the government's Heat Network Investment Project (HNIP). These schemes include district heating associated with energy from waste plants at Bexley and the South East London Combined Heat and Power (SELCHP), the London Boroughs of Lewisham and Southwark, and the work being carried out by the London Borough of Waltham Forest to implement two district heating projects.
- The GLA's role in strategic heat network development for London that informs the current European Regional Development Fund (ERDF) bid for a successor to the Mayor's DEEP initiative, and research into longer term development and delivery options for the Mayor and GLA.
- Required advice and history on individual heat network schemes coming through the planning system to assess compliance with London Plan policy and any exemptions required for strategic schemes
- The final billing arrangements for Licence Lite.

3. Equality comments

- 3.1 As public authorities, the Mayor and the GLA must have due regard to the Public Sector Equality Duty; namely the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2 Heat networks, along with energy efficiency, can ensure protected groups such as old and young people and those who are vulnerable, have access to and are better able to afford domestic energy. Heat networks specifically aim to reduce Londoners' energy costs compared with their current energy bills. Heat networks will help improve air quality over the medium term by replacing the combustion of fossil fuels to produce heat, along with their associated harmful emissions, with heat pumps that utilise environmental (air, ground and water) and waste heat sources. Those protected groups are known to live in areas of poor air quality. The implementation of heat networks in those areas will help to alleviate the health inequalities they currently suffer resulting from harmful emissions and fuel poverty.
- 3.3 Smart energy systems can ensure those protected groups that are currently excluded from certain benefits of the current energy system (i.e. how you can buy and use energy more flexibly to cut bills and reduce demand) are able to start benefitting. The installation of smart meters across London will

help Londoners to understand their energy use and make informed choices about how they could change to cut their bills and reduce demand. This technology upgrade, along with the increasing electrification of heat and transport (away from fossil gasoline fuels) will enable all Londoners to benefit from a changing energy system that is becoming more decentralised, decarbonised, digital and democratised.

4. Other considerations

- 4.1. By ensuring the Smart Energy Systems team maintains effective development and delivery of programmes and projects, London local authorities, businesses and domestic households will be helped to act to reduce climate change impacts by implementing smart, integrated energy systems utilising local and renewable energy resources. This will help London become a cleaner and greener city and work towards the Mayor's ambition for London to be zero-carbon by 2050. These consultancy services will also advance the evidence base underpinning the policies and proposals of the LES. And support the Mayor's leadership role in helping others to develop their larger-scale decentralised energy projects, including heat networks.

5. Financial comments

- 5.1 Assistant Director's approval is sought to spend up to £50,000 to procure Element Energy Limited and separately, Calorem Limited, to provide consultancy services in support of the Mayor's work to develop and deliver smart, integrated energy systems utilising local and renewable energy resources. This will be funded from the Environment Team's 2018/19 programme budget.

6. Legal comments

- 6.1 The foregoing sections of this report indicate that:

6.1.1. the decisions requested of the Assistant Director fall within the powers of the GLA, to do anything which may be considered to be facilitative of or conducive or incidental to the exercise of its functions in a way which promote the improvement of the environment 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 health of persons, health inequalities between persons and to contribute to the achievement of sustainable development in the United Kingdom; and
- c) Consult with appropriate bodies.

- 6.2 Section 9 of the GLA's Contracts and Funding Code ("Code") requires that a tender exercise be conducted for services with values of that proposed or that they be called off from an accessible framework. However, section 10 of the Code provides that exemptions from that requirement may be approved by the Assistant Director where a specific ground for exemption applies. One of those grounds is that the suppliers in question has had previous involvement in the project or is to continue existing work which cannot be separated from the new project/work. Officers have indicated at paragraph 1.5 and 1.6 that this ground applies. Therefore, if the Assistant Director is satisfied with the content of this report and the grounds for exemption outlined they may approve the exemption

sought. If so approved officers must ensure that appropriate contract documentation is put in place between and executed by the GLA, Element Energy Limited and Calorem Limited before any commitment is made to the commencement of such services.

- 6.3 In taking the decisions requested, the Assistant Director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not (section 149 of the Equality Act 2010). To this end, the Assistant Director should have particular regard to section 3 (above) of this report.

7 Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	January 2019
Delivery Start Date	16 January 2019
Delivery End Date (smart energy services)	31 March 2019
Delivery End Date (decentralised energy services)	30 September 2019

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved 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: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Daniel Barrett has drafted this report in accordance with GLA procedures and confirms the following:

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 14 January 2019.

ASSISTANT DIRECTOR OF FINANCE AND GOVERNANCE:

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

Signature



Date

14-01-19

