

LOCAL ENERGY ACCELERATOR (LEA)

SUPPORT LETTER

1. Task Summary

Task ref / title		Kingston District Heat Network detailed project development (technical, commercial and financial expertise) - LEA		
Workstream / project codes	LEA	KUT180		
Type (✓):	e.g. New	✓	Change	
Budget:		£220,000		
Programme dates	Start date	16.03.2022	Finish date	30.09.2022

Change History

Revision	Issue Date	Description	Budget

2. Project Description

Provision of consultancy services focusing on technical district heating engineering, as well as commercial and financial expertise aiming to de-risk and progress the Kingston District Heat Network scheme. The intention is to apply for funding from the Green Heat Network Fund in 2022 and procure delivery partners following a full business case in 2022.

3. Scope of Task

The work undertaken under this Task Order comprises of:

Technical expertise:

1. Route proving for the scheme
 - Stage 1 - Minimise the risk of potential network route
 - Stage 2 – Underground surveys and developed design
2. Energy Centre design validation and development
3. Reviewing Cambridge Road Estate (CRE) first phases design outputs
 1. Planning/EIA advice
 2. Project Management services

Commercial and Financial support:

- i) Delivery Vehicles, Ownership & Funding Structure for the proposed scheme
- ii) Commercial business case refresh

Contract/Performance Management

At least fortnightly meetings with the supplier team in order to manage the performance of this contract. Management of a programme of work for this scope including progress against outputs, key decision points and monitoring of critical path, brief decision makers and partners and sign offs required.

4. Approach

RBK Drivers

Buro Happold (the selected consultancy for this work) have developed the following Critical Success Factors for the project which were used in the Outline Business Case:

1. Deliver **significant carbon** savings (highest priority) and social value Kingston Council having declared a climate emergency and pledged to become carbon neutral by 2038
2. Delivering **affordable heat** to the Social Housing tenants at CRE and competitive wholesale heat to community facilities including RBK new redevelopment sites such as Kingfisher and Guildhall
3. **Reduce risk** by bringing in expertise and capital, appropriate exit strategy
4. **Positive financial impact** on council over medium to long term, as return on investment (ROI)
5. A project which is **scalable** to decarbonise other areas of the Borough and can be secured via planning paid for via CIL and development

Work Package 1 - Co-ordination of services and deliverables and Project Management

Buro Happold will lead, drawing on input as required from other team members. We will support client-side project management activities as required including making allowance for frequent touchdowns on at least a fortnightly basis and circulate minutes of meetings.

Day to day project management will be carried out by Gizem Kahramann. Gizem will act as project leader and will support Justin to manage the programme, coordinate stakeholders, reporting and project deliverables. Justin will be the main point of contact and it is proposed that all correspondence will also include Gizem to ensure the flow of communication is consistent and responsive throughout the project lifecycle. Justin and Gizem will ensure appropriate attendance for the remainder of the project at all meetings to ensure continuity of communication from the outset, and stronger relationships with the RBK project team.

We will support client-side project management activities as required. This support includes

- making allowance for frequent touchdowns on at least a fortnightly basis
- circulate minutes of meetings.

- report to the AD for regeneration and RBK Major Development & Investment Project Group and RBK Major Development Investment (MDI) Board
- manage the delivery of the study
- Prepare a project plan, project initiation document, benefits realisation plan, change control procedures, quality assurance procedures, and reporting plan
- liaise with RBK and LEA in managing/supporting the delivery of the work
- undertake quality assurance for the technical work
- regular project progress reporting detailing milestone, budget, and risk reviews

Outputs: Coordinated team resourcing, information dissemination and deliverables on programme, maintained risk register and highlight reports for the Project Board.

Work Package 2 - Techno-Economic

We will re-engage with connection stakeholders, update and optimise the technical scheme at the Energy Centre and update the techno-economic modelling. The technical modelling will feed into an update of the Economic case for the OBC. We will structure technical reporting and integrate these with the Techno-Economic work package which feeds into the OBC 'Economic' section. Key technical considerations include:

Proving the route - Undertake C2 utilities records survey and update review of routing from the WWTP to the Hospital including ground penetrating radar (GPR) investigation at identified pinch points. Focus on priority points expected to be the DHN crossing underneath the Coombe Road railway underbridge, the Cambridge Road crossing and the cemetery main road with initial engagement with highways, Network Rail and other key Stakeholders identified. We will also begin consultation with Thames Water and South East Rivers Trust regarding necessary approvals for the Hogsmill pipe bridge crossing. We will also undertake a route proving exercise for the Extension network to develop the design to Kingfisher Leisure Centre, Guildhall and the University.

Please see Appendix for identified stakeholder engagement meetings concerning route proving with RBK highways, TfL, Network Rail, Kingston Hospital for blue routes, emergency access and delivery access around the hospital campus etc.

Develop the connections – We will continue to work with Thames Water to review the onsite development design, outfall offtake design at the WWTP and confirm the heat sources and arrangements/ demarcations with Thames Water as well as utility connections and access for the Energy Centre location.

We will re-engage with the Cambridge Road Estate and Kingfisher design teams to identify further opportunities to coordinate the schemes (e.g. peaking boiler arrangements, shared network routing) and update for most up to date iteration of the masterplan – we will assess the designs against CP1 compliance to include technical review and provision of comments and a technical meeting.

Planning and EIA advice will include an EIA screening assessment.

Planning advice will seek to gain clarity, agreed with Kingston Council, on the planning consenting route for the energy centre and the heat network and on the status of the project in parts or as whole regarding EIA.

The EIA scoping exercise will include:

- Preparation of an EIA Screening request (in the form of a desk study) for submission to the Royal Borough of Kingston (RBK) to determine whether an EIA is required for the KDHN project (proposed energy centre site and network route).
- The Screening request will consider the applicability of Schedules 1 and 2 of the EIA Regulations (2017), especially in relation to Schedule 2 3(a) and 3(b) which apply to the production and distribution of hot water. The request will also include consideration of the site on the proposed network route where slowworms have been relocated (details to be confirmed).
- RBK will have three weeks upon receipt of the Screening request to adopt an EIA Screening opinion with their view on the need for an EIA.
- Liaison with RBK post receipt of their EIA Screening opinion on any remaining technical matters

Planning advice will consider the project, the potential for Permitted Development, the limitations of this allowance and the parallel rights relating to clean water, the role the KDHN system has in existing operations, proposed Energy Centre massing and heights.

Our starting point would therefore be to advise on whether permitted development rights exist. If they do this can be confirmed by applying for a Certificate of Lawfulness of Proposed Use or Development. Permitted development rights in general are extinguished in the case of EIA development (that is development requiring EIA) which will be identified through the scoping exercise. The Metropolitan Open Land status may have some bearing on the project particularly if a planning application is required.

Regarding the buried network it must be addressed that the installation of the network will be development and hence will need to occur with planning permission – single or multiple, or if as an alternative approach which has been pursued elsewhere (eg Camden, Leeds) a Local Development Order (LDO) can be used. An LDO may be thought of as a super outline consent or a bespoke set of permitted development rights, although it is a thing of its own and is not either in reality. An LDO could effectively grant consent for the network across an area and with prescribed constraints

We will review the permitted development context of the energy centre and heat network, to advise on this and on the possible use of an LDO, to discuss with Kingston Council and to prepare a report recommending way forward including a meeting with RBK planning.

Land ownership – we have allowed for land searches for six key plots outside of RBK highway land which makes up the majority of the network route. Additional searches may be agreed as necessary.

Output – Updated Energy Centre design (plant, coordination, access DNO capacity requests), buried network route proving exercise and RIBA 2 design for town centre pipework route, Updated scheme costing schedule, Techno-Economic Model update and Economic case OBC chapter content

Work Package 3 – Commercial

The commercial workstreams have been split into three key elements.

- Project delivery structure
- Thames Water commercial agreement – Heads of Terms

- Connections -Supply and Connection Heads of Terms.

The desired outcome of the project is signed HoTs with connections and with Thames Water.

This stage of the project is a stage of negotiation and is therefore open ended, however we have made an allowance for a specific number of meetings for discussion and agreements with 3rd parties in keeping with our experience. Should agreement not be reached within this time allowance we will need to seek further fee to cover additional time.

The project is on a critical time path to meet external deadlines for:

- Funding – this is essential to make the returns work and the funding window for GHNF is limited
- Connections – the CRE and Kingfisher connections are driven by their external development programme which is a driving factor in getting the heat network to their plots in advance.

To undertake the commercial and financial workstreams there is a linear process which must be followed which starts with agreeing the respective roles of Thames Water and RB of Kingston. Until these roles are agreed Heads of Terms cannot be finalised and drafted and agreed and the financial modelling cannot be undertaken. This is of critical importance and requires focused work to reach this agreement.

The agreement with Thames Water will be led by Buro Happold (Chris Glover) and supported by Energy Direction. Buro Happold successfully agreed a similar deal with Renfrewshire Council and Scottish water – this project is now under construction.

The agreement with Thames Water allows the commercial structure to be developed. The financial model can then be built to reflect the agreed roles.

Ruth Rule (Energy Direction) will lead the RBK and connection orientated commercial work stream with support from Buro Happold. We will structure a series of workshops, to develop the commercial strategy, delivery structure and ownership boundaries:

Ruth will lead engagement with heat consumers (primarily Kingfisher Leisure [RBK estate], Cambridge Road Estate [RBK JV], Kingston Guildhall/Town Centre Redevelopment, Unilever, Kingston Hospital.

Ownership, Operational responsibilities and commercial arrangements for heat offtake at the Thames Water site and Crematorium and the core connections .

Agreement with Thames Water is critical to the existence of the project. Our commercial team (Ruth and Chris) have continued to collaborate and build rapport with Thames Water to develop their understanding of the scheme. Within this package of work we will arrive at an agreed arrangement to allow a GHNF application.

We will build upon the Heads of Terms documents the RBK project team (lead by Buro Happold) have developed to deliver signed HoTs with the core connections. Continued engagement with the Hospital on future potential operating model for DHN supply and potentially ownership of the on-site network.

Please note - If required, or appropriate, RBK will need to define consultant delegation of authority when in negotiation with heat suppliers and heat customers

Output – RBK delivery vehicle, delivery structure, procurement strategy and exit strategy, heat pricing, Connection HoTs for heat Offtake with Thames Water, Heat tariff development, Risk register update, agreed Commercial case for OBC.

Work Package 4 – Legal

We will work with the RBK appointed legal team to ensure all commercial documents are and the OBC is legally sound and mitigates risk to RBK.

Output – Collaboration with legal advisors for HoTs review

Work Package 5 – Financial

Energy Direction will lead the delivery of the financial work package for RBK but will also be proactive in contributing to the other work packages. Energy Direction will work in close collaboration with Buro Happold throughout the remit to ensure that the options available to RBK are considered through a financial lens. A bespoke financial model will be developed based on existing proven models as well as the QMPF DPD model to interface with the Techno-Economic model as developed in WP2. The model will be FAST compliant, based on HNDU guidance, and fully meets the specification for a Stage 2 Financial Model as is required should the Council intend to submit a Green Heat Network Funding application.

We will develop the financial model to include flexibility (which we know will be needed to arrive at an agreement between RBK and TW) to compare multiple scenarios, sensitivities, calculate tax, show real and nominal cashflows, represent different corporate and funding structures. It will be made available to RBK along with a data book and user guide.

Output: Updated Financial Model Agreed Financial Chapter for OBC

Work Package 6 – Preparation of Outline Business Case and GHNF application

The consortia Buro Happold team will act as lead authors for the Economic, Commercial and Financial cases only.

We will coordinate with the Kingston Project Manager who will draft the Strategic (Previously drafted by RBK Project Manager) and Management cases (previously drafted by Avieco Project Managers).

We have allowed time to compile a GHNF application and coordinate the required evidence and documentation for a single submission with a single round of minor comments.

Measures to avoid PDU Conflicts of Interest

The approach for this work above has been extracted from the proposal from Buro Happold, the selected consultancy for this work. Buro Happold are also the lead consultant for the GLA's external LEA Programme Delivery Unit (PDU). To avoid Conflicts of Interest with this LEA funded project the following measures have been agreed between the GLA and Buro Happold:

1. Col and competitive advantage from Specification and procurement:
 - a. The specification was produced by RBK with input from the advisory team (including Buro Happold) for use for open tender (as issued in December 2021). It is understood that the same document will be used and that RBK will be responsible independently for evaluation. Therefore Buro Happold do not have any advantage as all potential bidders have already seen the specification.
2. Col in project resourcing:
 - a. Buro Happold will ensure that there is no impact on LEA resourcing by servicing the work through alternative resources (not in PDU). Where it is necessary for continuity, and in as limited a way as possible, for those involved in the PDU to contribute to this work only where PDU servicing will not be impacted and will be outside of LEA committed time which will have priority.
3. Col in LEA support to RBK:
 - a. It is proposed that the dedicated project support from LEA to the beneficiary is provided through Turner and Townsend and the GLA to ensure RBK have a direct line of support.
4. Communication
 - a. All Staff (GLA, PDU and RBK project staff) will be briefed to ensure approach to Conflict of Interest is communicated and recorded to ensure compliance.

By implementing the above measures we propose that services can be provided to both GLA and RBK without conflict of interest.

5. Outputs

Agent	Deliverable (includes PM time)	Deliverable date	Project Week	Invoicing amount (£ excl. VAT)
Technical				
	Route proving study first stage finding	Beg. May '22	8	£ 45,000
	Route proving stage 2	Beg July '22	16	£ 32,800
	EIA and planning / property screening outcomes	Mid May '22	10	£ 14,100
	Agree preferred scheme – end April	Mid May '22	10	£ 10,400
	Techno-economic model updates (following agreements of preferred schemes)	end May '22	14	£ 12,600
Commercial				£ -
	Agree HoTs with Thames Water to support modelling	Beg. May '22	7	£ 16,200
	Agree HoTs with connections to support modelling	Beg. May '22	7	£ 20,300
	Develop the Commercial case and Financial Model	Mid July '22	11	£ 53,700
	OBC	Mid August '22	23	£ 6,900
	Submit GHNF application	End Sept '22	28	£ 8,000
Total				£ 220,000

6. Budget (forecast)

See forecast spend against deliverables in section 5.

7. Document Verification

Date	Filename		
	Description	Final for approval	
		Prepared by	Approved by
	Name		
	Signature		

Date	Filename		
	Description		
		Prepared by	Approved by
	Name		
	Signature		

Date	Filename		
	Description		
		Prepared by	Approved by
	Name		
	Signature		

8. Final GLA Authorisation

Name _____

Signed _____

Date _____ 16/3/2022 _____