

ABERDEEN CITY COUNCIL

| | |
|---------------------------|--|
| COMMITTEE | Capital Programme Committee |
| DATE | 22 September 2021 |
| EXEMPT | Section 4. FINANCIAL IMPLICATIONS is exempt under: LOCAL GOVERNMENT (SCOTLAND) 1973 Part 1t Schedule 7A, parag 8: ESTIMATED EXPENDITURE ON CONTRACTS: |
| CONFIDENTIAL | No |
| REPORT TITLE | Torry Heat Network |
| REPORT NUMBER | RES/21/207 |
| DIRECTOR | Steve Whyte |
| CHIEF OFFICER | John Wilson |
| REPORT AUTHOR | Bill Watson |
| TERMS OF REFERENCE | 1.1 |

1. PURPOSE OF REPORT

The purpose of this report is to update the Committee on the progress of the Torry Heat Network.

2. RECOMMENDATION(S)

That the Committee:-

2.1 Notes the current on-going work leading to the anticipated completion of the construction of the approved phase of the Torry Heat Network by late 2023.

3. BACKGROUND

3.1 During 2016 it was recognised that a district heating infrastructure project in Torry might be viable, given that heat (reserved by a SEPA license for a heat network) was expected from the EfW project.

3.2 The extent of the proposed infrastructure within the phase of the Heat Network that was approved by the City Growth and Resources Committee on 28 October 2020 is:

- a Heat Distribution Facility (containing controls, valves, heat buffer tanks and back-up boilers and other equipment required to effectively operate and supply heat to the district heating network). It is proposed that this facility will be located within the former Waste Transfer Station building, Greenbank Crescent, Tullos (i.e. immediately adjacent to the EfW site);
- the main spine heat distribution pipes from the Heat Distribution Facility (routed underneath the Aberdeen to Dundee railway line) so as to connect with the existing heating network in Torry) to supply heat for 146 homes (to the 3 high rises) and 3 public buildings (Deeside Family Centre, Provost Hogg Court and Balnagask House): sufficient for the future district heating needs of Torry, and a potential future connection to the city centre network;
- new internal installations, heat metering and heat supply pipes to Tullos Primary School and Torry Social Work office; and
- new internal installations, heat metering and heat supply pipes to an additional (circa) 150 homes to Balnagask Circle, Balnagask Court and the Farquhar Road stub blocks, i.e. that upon completion of this phase of the Network, circa 296 homes will be provided with heat from the EfW plant.

3.3 The Council has received an offer of a capital funding grant from the Scottish Government's Low Carbon Infrastructure Programme (LCITP) towards the approved phase of this Network.

3.4 The Scottish Government have, in addition, invited the Council to apply for a second grant, so as to assist with the delivery of a further phase of this Network. The City Growth and Resources Committee, on 28 October 2020, approved the use of the budget for the project (that is not required for the first phase of works) being used as match-funding against a future grant application. This second grant application is due to be submitted by end of September 2021. Assuming successful, it is anticipated that this will facilitate a substantial second phase of this network being constructed in the period up to the end of 2024. The results of this second grant application will be reported to a future committee.

Project Progress

3.5 The Council have appointed specialist Engineers and Solicitors to assist with the various aspects of the project, including: design, specification, and contracts.

3.6 An outline scheme has been agreed with Network Rail. Network Rail have allocated resources to this project and entered a Basic Asset Protection Agreement (BAPA) with the Council.

3.7 The Council has appointed Barhale as its specialist Design and Build Under Track Crossing (UTX) contractor. This specialist contractor will be responsible for all subsequent liaison with Network Rail. This specialist contractor will also construct an access route (under the rail track) from Tullos Primary School playing fields to Greenwell Road, in preparation of the district heating pipes being pulled through in autumn 2022.

3.8 The Council is well advanced in the procurement of a specialist Main Works district heating contractor. Final proposals, from the short-listed bidders, have been called for. The selection of the preferred bidder is to be undertaken in autumn 2021. This Main Works contractor will be responsible for the detailed design of the project. It is anticipated that the initial design phase will be concluded in early 2022, and it is anticipated that the construction works will commence in spring 2022. It is anticipated that construction and commissioning of the main infrastructure of the approved phase will be completed in spring 2023. It is planned this will then be followed by the noted (item 3.2) additional house connections throughout the rest of 2023.

3.9 It is noted that the Main Works contract is being procured through a framework mechanism, so as to facilitate rapid commencement of subsequent phases of works, e.g. should the Council's forthcoming grant application as outlined in paragraph 3.4 prove successful.

3.10 The Council has commenced the first stage of procuring an Operations Contractor. It is intended that there will be an extended soft landing from the Main Works contractor to the Operations Contractor.

3.11 Summary of anticipated programme:

| Milestone | Indicative Timescale |
|--|-----------------------------|
| UTX D & B Contractor appointment | autumn 2021 |
| UTX design & Network Rail approval process | autumn 2021 to spring 2022 |
| UTX works commencement | summer 2022 |
| UTX works completion | autumn 2022 |
| Main Works D & B Contractor appointment | autumn 2021 |
| Main Works design & approval processes | autumn 2021 to spring 2022 |
| Main Works infrastructure works commencement | spring 2022 |
| Main Works infrastructure works completion | spring 2023 |
| House connections commencement | spring 2023 |
| House connections completion | winter 2023 |
| Second grant application submission | autumn 2021 |
| Second grant application decision | spring/summer 2022 |

4. FINANCIAL IMPLICATIONS

Information is exempt

5. LEGAL IMPLICATIONS

5.1 None at this time.

6. MANAGEMENT OF RISK

| Category | Risk | Low (L) Medium (M) High (H) | Mitigation |
|-----------------------|--|-----------------------------------|--|
| Strategic Risk | An undertrack crossing is not successfully achieved | M | <p>The methodology employed to procure an undertrack crossing contractor has been specially chosen so as to minimise this risk.</p> <p>In addition, the Council has the fall-back option of undertaking the crossing via the underpass at Ladywell Place. This should be achievable, albeit at uncertain cost and time, due to the significant number of service adaptations, that would be required. Network Rail consent would also be required.</p> |
| Compliance | It is anticipated that in the future this network may become regulated by the Heat Trust | L | This future proofing has been allowed for in the proposals |
| Operational | Covid-19 pandemic restrictions impacting on work practices. | L | There is a potential for a future pandemic event. There would have to be full closure of the construction industry for there to be much of a delay to the main infrastructure works. The vaccine programme has greatly reduced the likelihood of this delay risk. |
| Financial | Covid-19 pandemic restrictions and Brexit impacting on the cost of labour and materials | H | Contractors will be appointed to undertake works on a fixed price basis. Extent of works to |

| | | | |
|------------------------------|--|---|---|
| | | | be chosen to keep project within budget |
| Reputational | Late delivery will delay provision of lower cost heat to a number of potential domestic customers. | L | This is to be mitigated through the communication plan being aligned with the development of the delivery programme. |
| Environment / Climate | That the activities of the contractor will have a negative impact on local residents | M | Monitoring of works and liaison with the contractor to ensure that appropriate measures are in place to ensure inconvenience and disruption is kept to an absolute minimum. |

7. OUTCOMES

| COUNCIL DELIVERY PLAN | |
|---|--|
| | Impact of Report |
| Aberdeen City Council Policy Statement | <p>Unleashing the non-oil and gas economic potential of the city: The construction of the heat network will create over 50 jobs many using skills transferable from the oil and gas sector. Furthermore, during operation, skilled, engineering based staff will be required, again utilising skills common in the oil and gas sector.</p> <p>Maximising community benefit from major developments: There are numerous community benefit obligations built into the contract including the establishment of apprenticeships, placements and training. Links are being established with schools in the region to support environmental education.</p> |
| Aberdeen City Local Outcome Improvement Plan | |
| Prosperous Economy Stretch Outcomes | The proposals within this report support the delivery of LOIP Stretch Outcome 1 – 10% increase in employment across priority and volume growth sectors by 2026. The construction of the heat network will create over 50 jobs. Furthermore, during operation, skilled, engineering based staff will be required. |
| Prosperous People Stretch Outcomes | 2.1 Promoting inclusive economic growth for our most disadvantaged communities. There are numerous community benefit obligations built into |

| | |
|--|--|
| | the contract including the establishment of apprenticeships, placements and training. Links are being established with schools in the region to support environmental education. The facility is being developed close to one of the disadvantaged areas of the city. |
| Prosperous Place Stretch Outcomes | 14.1 Reducing emissions across the city through delivery of Aberdeen's Sustainable Energy Action Plan 'Powering Aberdeen'. Construction of the heat network will provide a low carbon heat supply to local housing and other premises, and will also help reduce fuel poverty. |
| Regional and City Strategies | Strategic Development Plan: Sustainable Development and Climate Change. This network will increase the supply of renewable energy in the region and diversify the mix of renewable sources. |
| UK and Scottish Legislative and Policy Programmes | <p>This project will assist the Council and Governments meet their carbon emission reduction targets.</p> <p>This project will also provide both the Council and Scottish Government with key reported information on the challenges and methodology of delivery of heat networks to existing domestic properties.</p> |

8. IMPACT ASSESSMENTS

| Assessment | Outcome |
|--|---|
| Impact Assessment | Not required for this report. This will, however, be relevant to the future operating business case |
| Data Protection Impact Assessment | Not required for this report. This will, however, be relevant to the future operating business case |

9. BACKGROUND PAPERS

9.1 Special Council meeting on 24th October 2016, decisions

- 9.2 Communities, Housing and Infrastructure Committee on 24th January 2017, report
- 9.3 Communities, Housing and Infrastructure Committee on 24th May 2017, report
- 9.4 Council, 4th March 2019, report Joint Energy from Waste Project Contract Award
- 9.5 General Services Capital budget 2021-22 to 2025-26, approved 10th March 2021

The Heat Network budget is listed under “Projects with indicative budgets” on page 118 of GF Appendix 2.

- 9.6 Housing Revenue Account budget 2021-22, approved 10th March 2021.

The Torry Heat Network aspects fall under section 3.3 of the appendix 2.1.

- 9.7 Items 9.9 and 14.3 Torry Heat Network - Third Progress Report; City Growth and Resources Committee; 28th October 2020

10. REPORT AUTHOR CONTACT DETAILS

| | |
|----------------------|--|
| Name | Bill Watson |
| Title | Principal Architect |
| Email Address | williamwatson@aberdeencity.gov.uk |
| Tel | 07801 129455 |