

ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	6 December 2011
DIRECTOR	Gordon McIntosh
TITLE OF REPORT	Connections to Combined Heat and Power District Heating Network
REPORT NUMBER:	EP&I/11/313

1. PURPOSE OF REPORT

The purpose of this report is:

- to seek authorisation for the connection of three Council owned properties to the extended CHP district heating network - Constitution Court sheltered housing, Hanover Street Community Centre, and, the Town House
- to inform Committee of other connections to the extended district heating network.

2. RECOMMENDATIONS

It is recommended that Committee:

- Agree to enter into Installation Agreements with Aberdeen Heat & Power covering the capital costs and specifications of three new connections at Constitution Court sheltered housing, Hanover Street Community Centre, and, the Town House.
- Agree to enter into a Heat Supply and Maintenance Agreement for each of these three properties covering the running costs.
- Agree to the standard Agreements between the Council and Aberdeen Heat & Power being used in respect of these three new connections.

3. FINANCIAL IMPLICATIONS

As reported to the Finance & Resources Committee of 2 December 2010, the Scottish Government grant is covering 100% of the cost of extending the district heating network, which is the capital intensive part of the system. The only cost to the Council will be for the connections to the extended heat network as follows:

- Constitution Court sheltered housing: connection cost £10,000, to be covered out of the current year's Housing Capital Programme
- Hanover Street Community Centre: connection cost and upgrade of internal heating system £20,000 to be covered out of the Central Energy Efficiency Fund (CEEF)
- Town House: connection cost and changes to the connection between the old and new boilerhouses work to ensure they work effectively £34,000, to be covered out of CEEF.

These costs for Hanover Community Centre and Town House meet the criteria for use of CEEF funding as savings on the heating costs fully cover the capital outlay in less than five years.

4. SERVICE & COMMUNITY IMPACT

The report supports the “Vibrant, Dynamic & Forward Looking” Policy Statement for Aberdeen, the Corporate Strategy, the Corporate Plan and the Community Plan. The development of CHP schemes, and the support that the Council gives to AH&P, demonstrates the ongoing commitment to sustainable development, improving homes, raising environmental standards, improving access to affordable energy, and tackling fuel poverty.

5. OTHER IMPLICATIONS

Installing CHP district heating schemes reduces the City’s carbon emissions, and tackles fuel poverty.

CHP reduces fuel costs in public buildings which frees up resources that can be redirected into other areas by the Council.

6. REPORT

Combined Heat and Power in Aberdeen – Background

To date 14 multi storey blocks and 8 public buildings are being provided with space and water heating from the three combined heat and power (CHP) district heating schemes at Stockethill, Hazlehead and Seaton. At present work is on-going to link a further 8 multis storey blocks into the Seaton CHP scheme with completion due mid 2012. These projects have achieved the objectives of:

- Fuel poverty proofing “hard to heat” flats, ensuring the occupants can afford to heat them adequately, and that these flats reach the Scottish Housing Quality Standard in terms of energy efficiency
- Reducing energy related costs in 7 Council owned public buildings (Hazlehead Academy, Hazlehead Swimming Pool, Hazlehead Sports Pavilion, Beach Ballroom, Beach Leisure Centre, Linx Ice Rink and Aulton Sports Pavilion) plus Aberdeen Sports Village
- Reducing CO2 emissions by around 45% across all the properties linked to the CHP district heating systems

AH&P was set up by the Council in 2002 to develop and manage CHP schemes, in particular schemes linked to clusters of multi-storey blocks. AH&P is a not-for-profit company limited by guarantee. It has a board of unpaid Directors and an external CHP consultant who carries out design, procurement and project management. A Framework Agreement is in place between the Council and AH&P and, before each development begins, project specific agreements are drawn up detailing what is to be developed, capital costs, heat charges and maintenance arrangements. The underlying principles of all the CHP schemes developed by AH&P to provide heating to Council owned properties are that:

- AH&P’s procurement is in line with the public procurement policy

- Ownership of all parts of the heating system within Council owned flats or common areas of flatted properties reverts to the ownership of the Council upon installation
- The CHP plant is located on land owned by the Council and all mains distribution pipes run through Council owned land, and that the Council will grant AH&P a license for the long-term use of such land
- Surplus operating profits made by AH&P will be used to offset the capital costs of linking more Council owned multi-storey blocks into CHP schemes in the future.

Aberdeen is a leader in the field of CHP district heating in Scotland. We have a sound reputation for delivering projects and hence have been able to secure external capital funding for CHP schemes. Without such external funding the capital cost of CHP schemes would have been unaffordable.

Extension of the Seaton CHP district heating network

At the Finance & Resources Committee of 2 December 2010 Committee agreed to accept a £1 million grant from the Scottish Government to cover 100% of the cost of extending the CHP district heating network in the City. Aberdeen Heat & Power are currently undertaking this work and during 2012 the heat network will be completed from the Beach Ballroom to the Town House.

Sufficient generating capacity exists at the Seaton CHP station to meet the heat demand from these three additional properties. Some additional back up boiler capacity will be required but that can be provided at no cost by re-using the redundant gas boilers at the Beach Leisure Centre. The heating previously supplied by these boilers was replaced when the building was linked into the Seaton CHP district heating system. Leasing these boilers to Aberdeen Heat & Power at a peppercorn rent for the next 10 years avoids the need for additional capital expenditure on plant.

Committee may also be interested to know that the new NHS Health Village at Frederick Street will also be provided with space and water heating from the CHP district heating scheme.

Discussions are also on-going with Satrosphere about them linking into the extended heat network. The Council leases the Old Tramsheds building to Satrosphere and, in accordance with the lease conditions, any improvements to the building are at Satrosphere's expense. The connection cost and upgrade of internal heating system at the Old Tramsheds is estimated to be £22,000. As the benefit of the lower running costs would not accrue to the Council we are unable to offer Satrosphere the use of CEEF funding. Advice is, however, being provided to them about loan schemes they could access from the Carbon Trust and the Energy Saving Trust with the loan repayments being made out of savings on their heating bills.

7. REPORT AUTHOR DETAILS

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