

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk & Scrutiny Committee
DATE	24 th November 2016
INTERIM DIRECTOR	Marc Cole
TITLE OF REPORT	Solar Photovoltaic Agreement
REPORT NUMBER	CHI/16/286
CHECKLIST COMPLETED	Yes/No

1. PURPOSE OF REPORT

This report is in response to the Committee Decision from AR & S Committee dated 27th June 2016, relating to Compliance with Procurement Related Legislation and Financial Regulations – Internal Audit report requesting the Head of Land and Property Assets to present the circumstances relating to the solar panel incident specifically around the financial implications and the total loss to the Council.

2. RECOMMENDATION(S)

- a) To note the circumstances leading to the payment of £275,000 to Our Generation Solar in 2015.
- b) To request that a future report is submitted to the FP&R Committee with an action plan to mitigate any further contractual payments towards loss of income to Our Generation Solar.

3. FINANCIAL IMPLICATIONS

In April 2012 the council entered into a tripartite agreement with Mark Group Ltd and Our Generation Ltd for the supply and installation of PV panels to council buildings.

The Council has a contractual obligation to pay loss of generation income to Our Generation Solar, which includes loss of income from the electricity sales and Feed in Tariff, for sites that have Solar PV switched off and not generating electricity. These Solar PV installations were switched off on instruction by the Council due to health and safety

concerns following several thermal events involving the Solar PV installations. The eventual agreed loss of income amounted to £275,000 and was funded from the 2015/16 electricity budgets.

4. OTHER IMPLICATIONS

Mark Group Ltd., the company appointed in the 2012 Agreement to provide the ongoing operations and maintenance of the Solar PV installations, entered into administration in September 2015.

Our Generation have now taken over the ownership of the PV Installations and took over the responsibility for the operation and maintenance of the systems in Spring 2016 by appointing Effective Energy.

During this period the Council has also undertaken work to upgrade fire detection systems in specific properties. As a result of the Mark Group entering administration there are Legal and Financial issues that require to be resolved which may result in a further claim for loss of generation which will require to be evaluated. It is therefore suggested that a future report is submitted to the FP&R Committee with an action plan to mitigate any further contractual payments towards loss of income to Our Generation Solar.

5. BACKGROUND/MAIN ISSUES

In April 2011 the Finance & Resources committee approved to undertake a tendering exercise in relation to photovoltaic panels, and delegate authority to the Director of Enterprise Planning and Infrastructure to instruct officers to enter into the related agreements. The report was tabled due to the existence of favourable Feed In Tariffs (FITs) available from the government for renewable technologies.

In May 2011 Aberdeen City Council issued an invitation to tender to procure a contractor to “survey, supply, install, test, complete, monitor and maintain PV systems for the purpose of generating renewable electricity through the medium of photovoltaic panels”. The tender stipulated that the panels should remain in ownership of the contractor.

On conclusion of the tender process, the Council entered into a tripartite agreement with Mark Group Ltd and Our Generation Ltd in April 2012. An update report on progress was provided to Finance & Resources committee in October 2012.

Under the agreement Mark Group was responsible for the agency supply and installation of the PV panels, with Our Generation retaining title, the electricity sales and responsibility for the maintenance. Two

income streams were expected from the companies as a result of the agreement; the full benefit of the FITs available, and income from selling the electricity produced by the PVs to the Council. The Council expected to receive the benefit of cheaper electricity by purchasing the PV output, rather than through the usual electricity contracts available on the utilities markets. The Council was also obliged to provide and maintain the infrastructure necessary to host the panels i.e. appropriate sites with roofs in good order, and also to provide necessary access to the Mark Group for installation and maintenance of the PVs.

Subsequent to the installation of the PV Panels there were three thermal events that were classed as RIDDOR incidents (Reporting of Injuries, Diseases and Dangerous Occurrences) that required to be reported to the Health & Safety Executive. Following these incidents the Mark Group were instructed by the council having considered all risk factors to switch off all systems as a precautionary measure to ensure buildings and their inhabitants were safe. This was to allow the council to be satisfied that systems were safe and the cause of the 'thermal events' was clear. Fire Risk assessments of all the properties were carried out and a list of required actions was prepared to enable the systems to be re-commissioned and switched back on. Some of these works were a responsibility of the contractor and some were an additional requirement for the council. The majority of systems were however considered to carry no risk and were switched on following this review.

The remedial works that were required included works to upgrade fire alarm systems in some properties, installation of fire detectors and the re-location of some equipment in a limited number of properties.

Due to the actions of the council a number of sites did not generate income for the contractor which resulted in them being due payment for the loss of income under the terms of the contract. This was eventually agreed at £275,000.

6. IMPACT

Improving Customer Experience –

The building users which have the solar PV installations on the roof would be able to learn and understand more about the benefits of on-site renewable electricity generation.

Improving Staff Experience –

There staff involved in the process would benefit from the knowledge and understanding of how solar PV installations could reduce carbon emissions and promote renewable energy.

Improving our use of Resources –

The electricity generated from the solar PV panels will be renewable electricity which reduces carbon emissions helping to alleviate climate change. The Council will also benefit from the cost saving in electricity charges as the electricity generated from the solar PV is at a lower rate than the grid electricity rate.

Corporate -

The generation of renewable electricity through the installation of solar PV meets Aberdeen the Smarter City – Smarter Environment Objective.

Public –

The EHRIA form will be completed.

7. MANAGEMENT OF RISK

Risk	Risk level	Mitigation/Control
The solar PV electrical equipment causing damage to the buildings electrical installations or introducing health and safety risks, in particular fire risks..	High	Emergency shut down procedures, 24hour emergency call out service to be provided by the solar PV company. Council Health and Safety team to be informed of any incidents and any improvements from risk assessments are carried out.
The solar PV panels are not operating for unplanned reasons such as re-roofing and refurbishment projects in the future.	High	The Council need to be aware of the financial impact of these projects on the solar PV contract.
The solar PV company does not maintain the solar PV panels to ensure maximum efficiency.	Medium	Regular maintenance checks.
The solar PV panels causing damage to building roofs.	Medium	Any leaks or damage to roofs need to be reported to solar PV company as soon as possible to rectify the issues.

The inflation rate increases significantly from current rate, adding cost to the electricity rates from the solar PVs.	Medium	Annual check on RPI inflation rates to ensure that there is a cost benefit from the contract arrangement.
The cost of electricity from the grid lower than the cost of electricity generated from solar PVs.	Low	Annual check on electricity prices to ensure that there is a cost benefit from the contract arrangement.

8. BACKGROUND PAPERS

- Finances & Resources Committee report no: EP&I/11/129 dated 21st April 2011
- Finances & Resources Committee report no: EPI/12/205 dated 4th October 2012
- Audit, Risk & Scrutiny Committee Article 15 dated 27th June 2016
Compliance with Procurement related Legislation and Financial Regulations – Internal Audit Report

9. REPORT AUTHOR DETAILS

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