

ABERDEEN CITY COUNCIL

COMMITTEE	Capital Programme Strategic Commissioning City Growth and Resources
DATE	Capital Programme: 23 rd May 2018 Strategic Commissioning: 7 th June 2018 City Growth and Resources: 19th June 2018
REPORT TITLE	Torry Heatnet Pilot Project (Torry Phase 1A)
REPORT NUMBER	RES/18/022
DIRECTOR	Steve Whyte
CHIEF OFFICER	Stephen Booth
REPORT AUTHOR	Bill Watson
TERMS OF REFERENCE	Capital Programme: Remit 1.1 Strategic Commissioning: Remits 3.4 City Growth and Resources: Remit 1.1, 1.2, 1.3, 2.2 & 3.2

1. PURPOSE OF REPORT

- 1.1 Capital Programme Committee: to report on development proposals and to seek approval for the principals of their implementation and the incorporation of this project within the capital programme.
- 1.2 Strategic Commissioning Committee: to report on commissioning proposals and to seek approval for the implementation of their procurement.
- 1.3 City Growth and Resources Committee: to report on investment proposals and to seek approval for the use of resources for their implementation.

2. RECOMMENDATION(S)

2.1 That the Capital Programme Committee:-

2.1.1 approves the extension of the existing district heating network (located in Balnagask Circle) so as to serve Deeside Family Centre, Balnagask House and Provost Hogg Court.

2.2 That the Strategic Commissioning Committee:-

2.2.1 approves the appointment of Aberdeen Heat and Power to design, build and maintain this installation on behalf of the Council (with an estimated design and build contract value of £606,000, and with an estimated heat supply and maintenance contract value of £61,513 per annum) and delegates authority to the Head of C&PS to enter into a legal agreement with Aberdeen Heat and Power Company Ltd for this.

2.2.2 approves the establishment of an agreement between the Council and Bon Accord Care, so that the Council becomes the heat supplier to Balnagask House (with an estimated heat supply and maintenance contract value of £14,150 per annum) and delegates authority to the Head of C&PS to enter into a legal agreement with Bon Accord Care Ltd for this.

2.3 That the City Growth and Resources Committee:-

2.3.1 approves the utilisation of the previously allocated Council and Interreg North West Europe HEATNET project funding for this purpose.

3. BACKGROUND

3.1 The Special Council Meeting convened on 24th October 2016 approved the development of:

- an Energy from Waste facility (due to be operational in 2021);
- a large-scale district heating project in Torry (so as to capitalise on the heat to be generated by the EfW plant from 2021 onwards); and
- and this early-action, small-scale, district heating project.

3.2 Aberdeen Heat and Power (AH&P) designed, built and maintain the existing district heating installation within Torry. This project is a small scale extension of this existing installation. Accordingly, it is considered that AH&P is well placed to be the service provider for this project.

(NB the various options for the Service Provider to the large scale Torry Heat Network will, in due course, be considered as part of the Full Business Case for the larger project).

3.3 This Special Council Meeting approved the allocation of £365,000 (at current € exchange rates) to provide match-funding to allow €608,485 of funding to be secured from Interreg North West Europe HEATNET project – so as to assist

the development of transition strategies for delivering low carbon district heat. This transition strategies project included this pilot project.

- 3.4 The Interreg North West Europe HEATNET project seeks to establish transition strategies for delivering low carbon district heat.
- 3.5 Scotland Energy Strategy – The Future of Energy in Scotland was published December 2017. This outlines the objectives towards energy efficiency and carbon reduction targets for Scotland up to 2050 with interim targets of 2020 and 2032. This policy supports the development of district heating as a methodology for decarbonising the heat sector.
- 3.6 The district heating that has, so far, been installed in Aberdeen is regarded as a low carbon standard. It has been constructed of well-insulated, pre-assembled pipes, using relatively low pipe pressures and relatively low flow and return temperatures.
- 3.7 A Feasibility Study has been prepared for this pilot project. See Appendix 10.1: Project Heatnet, Torry Phase 1A District Heating Feasibility Study, prepared by Integrated Energy Utilities, 31st December 2017.
- 3.8 This project will employ the same pipe design philosophy, as employed elsewhere in Aberdeen, so as to minimise carbon emissions through pipe design, while also pragmatically meeting the heat and hot water needs of these existing buildings.
- 3.9 This project will:
 - in the short term, provide heating and hot water from the existing boilers within the Heat Centre to Balnagask Circle, and Provost Hogg Court;
 - in the short term, seek to further reduce carbon emissions through the employment of “smart” controls;
 - in the medium term, seek to reduce carbon emissions, to this pilot area, by switching from gas heat to heat from waste incineration (i.e. once the EfW plant is operational) (the gas boilers will then be used as back-up, for whenever the EfW heat source is not available); and
 - in the long term, seek to achieve further carbon savings by utilising recycled heat and heat from a variety of renewable sources that could, conceivably, be developed in this Locality.

4. FINANCIAL IMPLICATIONS

- 4.1 The capital cost of providing district heating to Provost Hogg Court, Balnagask House and Deeside Family Centre has been estimated as £606,000. See

Appendix 10.1 Project Heatnet, Torry Phase 1A District Heating Feasibility Study, prepared by Integrated Energy Utilities, 31st December 2017.

This is within the budget approved by Council on 24th October 2016. Which allocated of £365,000 from the General Account (at current € exchange rates) to provide match-funding to allow €608,485 of funding to be secured from Interreg North West Europe HEATNET project.

- 4.2 Immediately after the delivery of this project small revenue savings are anticipated (see Feasibility Study):
- the current all-in annual cost of heating and providing hot water to these properties has been calculated to be £68,648.
 - the all-in cost of providing heat and hot water to these buildings, after conversion to district heating, has been calculated to be £61,513.
- 4.3 It is anticipated that this project will achieve significant revenue savings once the wider Torry network has been established and the Energy from Waste plant supplies heat to this network:
- economies of scale will be achieved; and
 - gas, as a heat source, will be largely replaced by the waste heat from the EfW plant.

5. LEGAL IMPLICATIONS

- 5.1 This project is part of a wider project: between fourteen north-west European partners and Interreg North West Europe. The lead partner is the City of Dublin Energy Management Agency. See Appendix 10.2.
- 5.1.1 Interreg North West Europe is a managing authority of the European Regional Development Fund.
- 5.1.2 The Council is accountable to the Lead Partner for the proper fulfilment of its part in the over-all project as detailed in the Partnership Agreement (attached to this report). The Lead Partner is accountable for proper fulfilment of the over-all project to Interreg North West Europe. The Lead Partner has reviewed these proposals and reported that they are:

“very thorough and well planned, I am very excited for this pilot and we are very keen that it can get under way as soon as possible so Aberdeen can avail of the HeatNet NWE Interreg 5B funding.”

- 5.2 A legal agreement will be required between the Council and Aberdeen Heat and Power for the design, build and maintenance of this proposal. Aberdeen Heat and Power are a Council Arm’s Length External Organisation (ALEO) already undertaking similar projects, so this agreement is considered to be normal business. Aberdeen Heat and Power and the Council already have a legal agreement for the maintenance and operation of the existing network within Balnagask Circle. It is envisaged this new agreement will take the form

of an amendment to the existing agreement: retaining the same split of responsibilities. Aberdeen Heat and Power undertake the maintenance. The Council undertake the billing, and own the infrastructure.

5.3 A heat supply agreement will be required between the Council and Bon Accord Care. It is envisaged that this agreement may also require an alteration to the existing operating agreement with regard to the alteration of the heating plant.

5.3.1 This will, be the first time the Council has entered into an agreement to supply heat to another organisation.

5.3.2 It is not envisaged that Aberdeen Heat and Power form an agreement with Bon Accord Care to supply heat:

- so as not to alter the split in responsibilities for the existing heat network; and
- so as not to prematurely inhibit the Council's choice as to how it wishes the large-scale district heating scheme to be operated. (It is intended that a variety of Operating options will be presented to the Council for consideration as part of the Full Business Case for the larger district heating project).

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Currency exchange rates	H	Contingency allowance has been made
Financial	Loss of grant due to Brexit	L	UK and Scottish Governments have given back-stop undertakings
Legal	no significant or unusual risks		
Employee	no significant or unusual risks		
Customer	no significant or unusual risks		
Environment	no significant or unusual risks		
Technology	no significant or unusual risks		

Reputational	no significant or unusual risks		
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7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	The recommendations of this report will have a positive economic impact.
Prosperous People	<p>The recommendations of this report will reduce the risk of an adverse impact on the People (many of whom are elderly) within the affected buildings.</p> <p>These proposals will provide greater resilience to the heating provision to these buildings. Currently when a boiler fails, within one of these buildings, there is the risk of loss heating and hot water, particularly if the failure occurs in the winter. This project will reduce this risk.</p>
Prosperous Place	The recommendations of this report will have a positive impact on Torry.
Enabling Technology	The recommendations of this report will have a positive technological learning impact: both within the City and across Europe.

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	NA
Organisational Design	NA
Governance	NA
Workforce	NA
Process Design	NA
Technology	Positive
Partnerships and Alliances	Positive

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	<i>Undertaken</i>
Privacy Impact Assessment	<i>not required</i>
<u>Children's Rights Impact Assessment/Duty of Due Regard</u>	<i>not applicable</i>

9. BACKGROUND PAPERS

- 9.1 The Chancellor issued a statement on October 3rd 2016 which guarantees funds for projects which are signed up for European Programmes up until the point at which the UK leaves the European Programme. These conditions will be applied in such a way that committed projects are not disrupted.

<https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects>

- 9.2 The Scottish Government advised they have a similar policy, on 2nd November 2016.

<https://news.gov.scot/news/eu-funds-guaranteed>

10. APPENDICES (if applicable)

- 10.1 Project Heatnet, Torry Phase 1A District Heating Feasibility Study, Integrated Energy Utilities, 31st December 2017
- 10.2 HEATNET NWE PARTNERSHIP AGREEMENT

11. REPORT AUTHOR CONTACT DETAILS

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