

Chief Officer Key Decision Report

Date: 28th January 2022

Wards: All

Subject: Award of Contract for Photovoltaic Installation and Associated Services

Lead officer: Mark Humphries - Assistant Director, Infrastructure and Technology

Lead member: Councillor Owen Pritchard

Contact officer: Richard Neal – Energy & Sustainability Manager

Recommendations:

1. That Merton awards a 4 year contract for Photovoltaic Panel Installation and Associated Services.
 2. That authority to take up the optional 1-year extension to the contract be delegated to the Director of Corporate Services
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Council has a long history of successfully installing Solar Photovoltaic panels on its buildings across the borough. Since 2011 we have installed over 2 MWp of panels, equivalent to over 550 standard domestic installations. Since the conclusion of the government supported Feed In Tariff which previously supplied much of the return on invest for these installations, we have had a hiatus on new installations, during which they would not have returned on their investment. It is now considered that due to decreases in the price of solar panels, and increases in utility costs, new systems will now pay for themselves through utility savings, enabling investment from the Energy Invest to Save budget.
- 1.2. This is considered a good time to recommence installations also because all electricity generated by the panels would support the council's Climate Emergency Declaration from 2019, requiring all council activities to be zero carbon by 2030.
- 1.3. This report seeks approval to directly award a four year contract to the successful bidder of a call off tender via the Fusion 21 Framework.

2 DETAILS

- 2.1. The Council's installation of solar PV through the Energy Invest to Save has been ongoing for some time, with panel systems installed every year from 2011 2018. The return on investment for these installations was based on the government's Feed In Tariff and utility bill savings for sites where the panels were installed.
- 2.2. The Feed In Tariff was created by central government to provide support for the solar industry. Money was provided per kWh of renewable electricity generated from the panel systems, even if the electricity was used on site. Over time, the amount received per kWh decreased until the subsidy was

removed in March 2019. This reduction went hand in hand with a reduction in costs of the panels themselves.

- 2.3. Since the end of the Feed In Tariff, the price of panels has continued to decrease steadily until system installation costs can now be supported entirely by utility bill savings.
- 2.4. The installation of solar panels is intended to be a key part of the Energy Team's response to the Declaration of a Climate Emergency. The Council's goal of being carbon neutral by 2030 will be supported by an increase in renewable electricity generation. Furthermore, the Climate Emergency Declaration will require many sites to convert their heating systems to electricity. Solar electricity generation will support this change by reducing the amount of electricity needed from the national grid.
- 2.5. Currently utility prices have increased significantly over the last year and it is anticipated that costs will remain high. Solar generated electricity is free to use and will assist the council as a whole in keeping costs lower. Where installations are recommended for school sites and the saving cannot be directly reclaimed, a Power Purchase Agreement (PPA) will be put in place, ensuring that the schools' installations return their initial costs while also ensuring that costs for schools stay at or below the national grid price.
- 2.6. With lowered installation costs and increased utility costs, the energy team felt this is the time to recommence installation of panel systems. Many sites have already been installed on, and we will be reviewing both new sites and those that already have panels, which might be able to receive an increase in system size.

3 ALTERNATIVE OPTIONS

- 3.1. Not procuring a contractor will mean that the council has no ability to increase renewable electricity generation. This will reduce our ability to meet the agreed Council Climate Emergency Declaration targets and reduce our production of renewable electricity.
- 3.2. An in-house tender exercise was considered, but Officers considered there was little advantage to this approach over a mini-competition on the Fusion 21 framework, and would entail duplication of considerable work that had gone into selecting the bidders on the Framework.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. A tender has been completed with approval of the Procurement Board via the Fusion 21 framework.
- 4.2. This produced a viable contractor who we recommend should be appointed to the contract.

5 TIMETABLE

- 5.1. A mini competition from Fusion 21 was published on the London Tenders Portal on 10/11/21, with returns by the 8/12/21.
- 5.2. Evaluation of returned bids was carried out on the 17/12/21 with support from facilities management and commercial services staff, and a contractor was selected.
- 5.3. It is intended for the contract to start as soon as possible with the contract lasting over 4 years with the possibility to extend for a further year if suitable for all parties.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. The maximum amount of the contract is £750,000. It is considered that up to £750,000 of expenditure may be made through this contract over its lifetime. Current capital programme up to 2024/25 has sufficient budget available within the Invest to Save programme.
- 6.2. All installs will only be conducted after structural and technical surveys to ensure work will not create any problems for the property.
- 6.3. It is considered that up to £750,000 of expenditure may be made through this contract over its lifetime. These funds are already available via the council's invest to save programme over the lifetime of the proposed contract.
- 6.4. Each solar panel installation or group of installations will be required to provide a return on investment within roughly 10 years, based on utility savings on site or an agreed PPA.
- 6.5. Installation of PV systems will be carried out on an invest-to-save basis, with anticipated paybacks of 8-12 years. Precise revenue savings will be highly dependent on system sizing and type. As savings are in the form of offset grid electricity costs, revenue implications of install systems will also be dependent on the cost of electricity going forward. It should therefore be noted that the electricity market is currently at a 3-year high.
- 6.6. A credit check was carried out on the successful bidder and the recommended contract value is £360,000 and the recommended total value of all contracts is £750,000.
- 6.7. Although the recommended value for this company is lower than the value of the proposed contract, the Service Financial Advisor is comfortable that, as works are paid for on completion this should not preclude the award of this contract to the preferred supplier. The way this contract is structured also means each installation project will be governed by an individual NEC Engineering and Construction Short contract and no one project will exceed £360,000. Given the recommended value across all contracts aligns with the overall value of the proposed contract the risk to the Council is minimal.
- 6.8. The provider has confirmed they pay the London Living Wage.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The contract will be under Fusion 21 Terms and Conditions using a NEC4 contract for each package of work. This will be finalised by SLLP.

- 7.2. At an estimated value of £750,000, this is a contract for works that is below the threshold for advertising under the Public Contracts Regulations 2015 (PCR).
- 7.3. The use of a framework would meet the Council's obligations under the Contract Standing Orders (CSOs) in accordance with CSO 19 which determines the process for CSO upper threshold procurements. CSO 19.2.1 allows the use of existing frameworks and when awarded the relevant publication of the award must be made. The Council must ensure that it publishes relevant notices on contracts finder as required by CSO 19.3 and 20.
- 7.4. It is noted that the framework proposed is set up by the organisation Fusion21. Although there is a debate as to whether Fusion 21 frameworks are set up by a contracting authority, Councils regularly utilise Fusion21 frameworks use and there have been no challenges to such usage. In the case of this procurement the use of a framework is below the PCR threshold and as such a procurement under this framework would be lawful where it is procured in a fair and transparent manner.
- 7.5. The Council will be required to comply with the award notification requirements under regulation 108 of the PCR as well as entering the relevant information on the contract register once awarded.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. None identified

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None identified

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None identified

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix A - Commercially sensitive tender evaluation summary

12 BACKGROUND PAPERS

- 12.1. None.