
Subject: Energy Masterplanning and Decentralised Energy - Gateway B (Business Case)
Report No: Public Item 2.4.2
Meeting date: 16 September 2009
Report to: LDA Board
Report of: Peter Bishop, GD Design, Development & Environment
Key Theme: 2. Climate Change
Programme: 4. Energy and waste

Confidentiality Status: This document will not be treated as confidential.

1. Recommendations

The LDA Board is asked to:

- 1.1. **Approve** the Gateway B business case for the Energy Masterplanning and Decentralised Energy (project no. 25446) for a total of 6.431m of which £5.351m is LDA funding (£1.061m in 09/10, £1.509m in 10/11, £1.434m in 11/12 and £1.347 in 12/13).
- 1.2. **Note** that this project may be subject to further budget scrutiny in order to address the current over programming for Programme 4 (Energy & Waste).

2. Context

- 2.1. The LDA aims to establish an Energy Master Plan for London, available to public and private sector via a LDA hosted website, to identify Decentralised Energy (DE) opportunities and facilitate investment decisions in developing district heating networks. A support service will also be provided for boroughs to build capacity for delivering DE projects in London. The LDA is also committed to invest capital and human resources to facilitate the delivery of one or more DE projects across London.
- 2.2. The GLA are currently updating the Community Heating Study but have no outlet for making the data available for wider use. The LDA has developed the 'Brownfield Site Database' with the HCA. This has systems in place for boroughs to upload information to a central resource (website). A number of boroughs have carried out heat mapping and fewer have progressed to feasibility stage for DE projects, but there had been very limited success in delivery. A strategic, pan-London approach is required to identify, assess and identify opportunities for developing DE projects to build up a district heating

network across London. There is currently no other organisation with this remit in London.

- 2.3. Currently the LDA is supporting the London Borough of Croydon (project no. 24951) and the City of London (project no. 24892) in carrying out a CHP feasibility study and a DH preliminary design. The projects outputs will be complimentary to the EMP by providing a greater level of detail than heat mapping. The LDA involvement in this project will ensure consistency with the pan-London EMP.

The EMP project is also complimentary to the LTGHN project (project no. 25365) as it will identify local area distribution networks that will link into the LTGHN main transmission pipeline.

3. Project Narrative

- 3.1. At present only a small number of DE schemes are operating in London. The implementation of such schemes requires comprehensive information gathering and processing. Although the potential for district heating installation in London is high, at present only a very few boroughs do own a detailed database of significant heat loads, thus reducing the possibility of project investment decisions.
- 3.2. This LDA investment will help breakdown the barriers to DE by informing the boroughs in regard to establishing appropriate strategies, policies and development frameworks supporting the implementation of DE. This work will identify within appropriate boroughs the basis of particular DH networks in specific areas (AAP etc).
- 3.3. This, and other related information, will be made available to the private sector via a LDA hosted web site to provide a platform to inform the private sector of the investment opportunities.
- 3.4. If approval from the LDA Board will be obtained on the 16th September 2009, the project would start in October 2009 and last for four years with the following key milestones and objectives:
 - a) Website launch, October 2009;
 - b) Contractors appointed, November 2009;
 - c) Boroughs start benefit from LDA support service, November 2009;
 - d) All boroughs to produce energy master plans and to have identified their potential contribution towards London's CO₂ emission reductions, April 2013;
 - e) All boroughs to have received a support service from the LDA to identify the opportunities for decentralised energy in their area and to identify the potential carbon savings from delivering the projects, April 2013;

f) All boroughs to include policy wording in their LDFs (Core Strategy) to encourage and facilitate appropriate DE investments, April 2013;
g) LDA to have identified and taken 10 area specific DH concepts to market and the contribution they will make towards CO2 emission reductions, April 2013;
h) LDA to have established the design principles of a pan-London heat transmission network and the CO2 emission reductions it will deliver, April 2011;
i) LDA to have secured Energy Masterplan for all Opportunity Area Planning Frameworks developed within the four years of the programme.

- 3.5. Being classified as a Research Project, that by definition has no standard LDA outcomes/outputs, it is therefore difficult at this stage to set up clear KPIs to measure the project's performance. However, the objectives d) – i) above all contain targets and deadlines to measure the project's success.
- 3.6. In particular, objective f) sets targets for Policy Teams within boroughs to encourage and facilitate appropriate DE investments in their documents. At present it is difficult to say whether this will happen through mandatory requirements or not but in both cases this will make the developers' take-up more realistic.
- 3.7. It is also important to highlight that the impact made by the delivery of infrastructures such as DE schemes with DH networks on housing costs will be positive. Developers will not incur in any additional costs because DE schemes and DH networks will be financed by Energy Services Companies (with potential co-funding from the public sector) which will enter into long term individual agreements with customers offering energy at a price that is lower than the market.

4. Consultation with the Mayor's Office

- 4.1. No formal Mayoral Direction or Delegation has been received. However, The LDA, London Councils, the Greater London Authority (GLA), Capital Ambitions, London Boroughs, London First and the London Energy Partnership (LEP) are collectively committed to the development and delivery of DE opportunities in London and recognise that local authorities must play a key role in facilitating and in some cases delivering DE projects at the local level.
- 4.2. Also, the project is strongly encouraged by the Mayor's Advisor as it will support:
- the London Plan (February 2004) Policy 4A.7 - Energy efficiency and renewable energy, Policy 4A.8 - Energy assessment, Policy 4A.9 -

Providing for renewable energy and Policy 4A.10 - Supporting the provision of renewable energy;

- the Mayor's Energy Strategy Policy 11, 17 and 18;
- the Mayor's Climate Change Action Plan (25% DE by 2025).

5. Approval Requirements

5.1. The attached workbook has been fully appraised by the Corporate PMO and has been signed off by the Legal, Risk, Procurement and Finance Teams. If any, further comments can be found at section 10 of the workbook.

6. Appendices

- Appendix 1 – Workbook (Part 1)
- Appendix 2 – Workbook (Part 2)

7. Background documents

None

Report approval checklist

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This checklist must be completed and should state the name of the person who has signed off this coversheet and the appended workbook. Please click on the relevant box to select it.

	Yes	No
Approved by Director of Finance and Performance or nominee (please state): Fiona O'Reilly. Management Accountant - DDE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Director of Law and Governance or nominee (please state): Richard Dunford, Head of Commercial Law	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Approved by Group Director (please state): Martin Powell - Director Project Delivery	<input checked="" type="checkbox"/>	<input type="checkbox"/>