

**To: City Executive Board**

**Date: 7 Dec 2011**

**Report of: Head of Environmental Development**

**Title of Report: Feed in Tariff**

## **Summary and Recommendations**

**Purpose of report:** To seek approval to proceed with the pilot of a scheme to realise the benefits of the Feed in Tariff

**Key decision Yes**

**Executive lead member: Cllr John Tanner**

**Policy Framework: Cleaner Greener Oxford**

**Recommendation(s):**

- **Grant project approval for installation of photovoltaics on the buildings set out in the report.**
- **Make available £670k of capital expenditure to fund the project and include in the GF and HRA capital programmes subject to sufficient shortfall being identified in the quarter 3 monitoring report.**
- **Authorise Executive Director for City Services to undertake the project subject to the payback period not exceeding 15 years.**

Appendices to report :

Appendix A Financial model

## **Introduction**

1.0 The Feed in Tariff (FIT) presents Oxford City Council with an opportunity to generate revenue through the generation of renewable energy on its estate. In addition, maximising renewable energy generation and use on its estate will ensure the continuation of Oxford's reputation as an exemplar Local Authority in the field of tackling Climate Change.

2.0 Initial surveys have been carried out to establish the optimum buildings on which to install photovoltaics (PVs) with a view to running a pilot scheme to formulate

lessons learnt and inform a wider roll out of installations across a broader range of properties.

3.0 This paper sets out the proposed pilot scheme, the properties, timescales, likely costs and risks.

### **Proposed Properties**

4.0 A shortlist of Council properties has been created including both domestic and commercial which optimise the opportunity for installing PVs. The following have been taken into account as a minimum: likely term of ownership greater than 25 years; roof structure; aspect and shading; space available; maintenance requirements; access; vandalism and third party interest. In addition this list has been further refined following more detailed site surveys.

5.0 The shortlist of properties has been developed to ensure that the pilot can proceed at a reasonable pace whilst addressing some of the key issues that may be encountered in the roll out of a wider scheme to inform lessons learnt. With this in mind the following properties have been identified to be included in the pilot scheme:

- Cardinal House
- Headley House
- Knights House
- Barton Leisure
- Ferry Leisure

6.0 The installations will focus on PV installations of less than 50KWH which currently provide a better financial return.

### **Financial Return**

7.0 The financial model for the pilot scheme is set out in Appendix A and states that the initial cost is circa £665,000 with a total financial benefit of circa £1.9M after 25 years and a 14 year pay back period.

8.0 The financial benefits from the installation come from the following areas:

- FIT payment – payment received as part of the scheme from the electricity generated.
- Energy exported - payment received for any energy that is exported
- Value of energy saved – savings on electricity bill from energy used on site.
- Carbon Reduction Commitment (CRC) saving - amount saved on CRC payments each year.

9.0 The financial model has been created based on the best and most up to date information available on the following:

- Electricity generated
- Electricity used on site/not used on site
- Panel performance estimates
  
- RPI rates
- Electricity price increases
- Borrowing rates
- Feed in tariff rates (energy generated)
- Feed in tariff rates (energy exported)
- Annual maintenance costs
- Current fuel costs
- Installation costs and contingency levels

The above are all subject to change and not a guarantee of performance. The model does not include the relatively small savings generated by the reduction in CRC.

10.0 Whilst currently correct the FIT rates are likely to change post December 2011 in line with current national consultation.

### **Issues and Benefits**

11.0 A national consultation is currently underway on the FIT Scheme which is likely to result in a change to the FIT rate and this will impact on pay back times and the rate of financial return. However it is also likely to result in a drop in installation costs and this has been evident in the market since the consultation opened. Currently the stated date of change for the FIT rate is December 12<sup>th</sup>. It is worth noting that this is before the current consultation closes.

12.0 For the installation to proceed the following will need to be completed as appropriate:

- Planning permission granted
- Detailed design submission to the District Network Operator (DNO) for formal approval.
- Communication with tenants
- Finance and project approval

To date, the planning applications and submission to DNO are underway and the communication with tenants where appropriate will be carried out through existing tenants groups and led by the Housing Projects Manager. This report seeks to secure the latter.

13.0 Whilst it is unlikely that the pilot will be installed by the current projected change in FIT rate the Council is well placed to proceed with the pilot to realise

the benefits of lessons learnt and to demonstrate its leadership in addressing Climate Change in the City of Oxford.

### **Financial Implications**

14.0 The project requires a capital expenditure of £ 664,539.75. It is anticipated that this can be accommodated from under spends within the existing 2011/12 Capital Programme.

### **Equalities Impacts**

14.0 There are no significant equalities impacts at this stage in the project. However, as part of the tenants' consultation the issue of how best to share the benefits across the Council's Housing stock in a wider roll out will be addressed.

### **Risk**

15.0 There are two key areas of risk; the first is reputational. Since we are leading the Low Carbon Oxford initiative we should be demonstrably supporting the generation of renewable energy on our own estate or risk losing our exemplar reputation.

16.0 The second key area of risk is the Department of Energy and Climate Change consultation on the FIT and the likely outcome which is currently unclear. This could affect the rate of return and so payback periods.

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