

## LOW CARBON ENERGY NETWORK STRATEGY: COVERING NOTE

This working proposal was created by the Low Carbon Working Group for consideration by the Clay Cross Town Deal board on 24<sup>th</sup> September. It provides a snapshot view of the status of the project, the current hypotheses / working assumptions and the current plan to deliver the completed Strategy by Q3 2022.

Please note that all elements of this document are potentially subject to change, should that be necessary, and will be iterated further as required during the course of the business case creation.

### **Key Points to note:**

The Board should draw its attention to:

- **Potential changes in scope:** the Working Group is recommending the following changes to the original Town Investment Plan scope at this stage:
  1. **Scope and phasing of the proposed strategy:** recognising the importance of ensuring a robust evidence base and clear vision for future interventions, a staged approach is now proposed. The first stage will involve detailed baselining, scoping and engagement to determine the rationale for intervention and clear objectives for future investment. Once approved, a range of potential interventions would be scoped and evaluated to identify a phased programme of investment. The second stage would allocate funding to early stage projects. Under this approach, it is envisaged that the Board would approve both stages, with funding drawdown for the stage two interventions dependent upon the preparation of a compliant business case which would be subject to an appropriate appraisal and approval process.
  2. **Cost:** as a result of the above recommendation, it is likely that the preparation of the first stage strategy will not cost the £1,000,000 allocated from the Town Deal and nor will it need match funding. However, the project wishes to retain the allocated Town Deal funds for now, to invest in measures identified through the strategy as part of the second stage described above.
- **Key working assumptions:** no decisions have yet been taken but the chosen focus of the Working Group will be based on the above changes to scope unless the Town Board directs otherwise.

### **Recommendation:**

**That the Clay Cross Town Deal Board:**

- **notes the current detail and proposals contained within the document;**
- **notes the caveats therein and the potential for change in future iterations;**
- **acknowledges the particular focuses that the Working Group has chosen, and;**
- **endorses the broad approach of the Working Group described in this paper and confirms their willingness to build the business case based on that approach at this stage.**

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

Should the approach be endorsed, the Working Group commits to returning with a further iteration to the next Town Deal board on (date to be confirmed) which will primarily focus on providing more detail around (i) the full scope of the strategy based on the final brief agreed by the Working Group and (ii) details of the process for procuring the strategy and (iii) arrangements for appraising and approving interventions promoted through the strategy. The Board is asked to minute, as part of this approval:

- any particular steer they wish the Working Group to pursue in advance of the next meeting, and;
- any specific detail they wish to see in the next iteration.

### **Proposers & quality assurance**

The proposers of this document are the Working Group comprising:

- Cllr Jeremy Kenyon, Chair of the Working Group (joint lead and joint ultimate author of this document)
- Karl Apps, Lead Officer (joint lead and joint ultimate author of this document)
- Other members of the Working Group (outlined below)

This document has been reviewed and quality assured by the following Gill Callingham Director of Growth NEDDC, based on this early stage of the proposal development, deems this to be a reasonable and achievable proposal.

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

CLAY CROSS TOWNS FUND – BUSINESS CASE SCOPING PLAN	
1. Project Name	<b>Low Carbon Energy Network Strategy</b>
2. Project Aim	<p><b>Summary aim of the overall project:</b> To strategically assess the feasibility of developing a low carbon energy network in Clay Cross and identify a phased programme of interventions as part of an action plan; to progress first phase enabling and pilot interventions in support of the strategy.</p> <p><b>Summary aim of current stage:</b> to produce an interim “Strategic Assessment” document which will allow funding to be released for the full Strategic Outline Business Case.</p>
3. Project description / initial considerations	<ul style="list-style-type: none"> <li>• The town and wider area have a long-standing association with energy generation linked to coal mining and the associated development of the rail line. This process of developing and subsequent economic restructuring has resulted in a range of long term social, environmental and economic challenges. One of these challenges is anecdotal reporting of the relatively widespread use of coal as a domestic heat source, alongside issues of fuel poverty.</li> <li>• The legacy of historic mine-workings also present a potential asset and opportunity linked to mine water heating and cooling. Other potential assets and opportunities have been identified, including the presence of key sector businesses (Worcester Bosch) and proposed capital investment linked to private sector led housing development (for example at Egstow Park) and through the Towns Fund. Initial engagement with sector partners has highlighted the importance of considering assets as part of a network led strategy.</li> <li>• There is a strengthening commitment to pursuing a low carbon agenda under the UKG climate change targets. These national targets are reflected in the commitments of partners at the local level (including the declaration of a climate emergency by NEDDC and other project partners).</li> <li>• The project recognises that there is a need for significant further investigation and analysis to provide a robust basis for setting appropriate objectives for the local area, underpinning a programme of targeted intervention.</li> <li>• The project was identified as one that could be potentially advanced on a fast-track basis. The original timescales are not capable of being achieved and there will be a need to agree a revised timeline with CLG.</li> </ul>
4. Definitions	<ul style="list-style-type: none"> <li>• <b>Low carbon:</b> defined as measures that contribute to achieving net reductions in the level of carbon emissions beyond those that would be achieved under existing commitments at the UK and regional levels.</li> <li>• <b>Energy Network:</b> a whole system of energy generation, distribution, storage and utilisation.</li> <li>• <b>Pilot:</b> an intervention that seeks to test or otherwise enable wider investment to be secured through de-risking or demonstrating effectiveness/viability.</li> <li>• <b>“Clay Cross”:</b> for the purpose of this document it is accepted that the area under consideration within the scope of the strategy will reflect the existing infrastructure and opportunity assets that lie outside the area designated under the Town Deal, including former mine workings, which nevertheless have the potential to directly contribute to a strategy for Clay Cross Town.</li> </ul>

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

<p>5. TIP Stage assumptions</p>	<p>At the point at which the TIP was submitted to CLG the proposals for this project were at a very early stage of concept development. The TIP recorded the following assumptions in relation to this initiative:</p> <ul style="list-style-type: none"> <li>• “Low Carbon Energy Network Pilot – to confirm the feasibility of a low carbon energy network for the town exploring the scope for ground sources heat, hydrogen ready technology and a local heat network” pg. 6</li> <li>• “Low Carbon Energy Network Pilot – working with Worcester Bosch, Cadent and other partners, a project to confirm the feasibility of a local carbon energy network” pg. 12</li> <li>• “Development of a detailed strategy and route map to achieve local targets for net zero carbon underpinned by detailed baselining and feasibility” pg. 45</li> <li>• “Capitalises on opportunity afforded by: <ul style="list-style-type: none"> <li>○ new leisure centre delivery with a significant heat load;</li> <li>○ the commitment of Worcester Bosch to energy innovation within Clay Cross;</li> <li>○ the presence of a number of significant industrial uses with high energy load;</li> <li>○ the presence of significant ground source heat to develop a clean growth energy;</li> <li>○ strategy for the town, potentially utilising hydrogen as part of the energy mix.</li> </ul> <p>Addresses high instances of energy poverty and continued extensive use of coal as a domestic energy source and Attraction of new energy sector businesses and development opportunities” pg. 53</p> </li> <li>• Delivery programme – Commence Q1 2021, complete Q2 2022. Pg. 66</li> </ul> <p>Regard should also be had to the TIP2 document which sets out further detail in respect of the aims and assumptions at the point at which the Town Investment Plan was prepared.</p>
<p>6. Scope of Delivery</p>	<p><b>Scope of overall project:</b> the project has two components:</p> <p>(i) Low Carbon Energy Network Strategy (Stage 1) – to prepare a strategy that establishes a clear vision and evidence based actions for a clean growth strategy for Clay Cross based on enhancements to the local energy network. It is envisaged that the Strategy will be prepared on a staged basis, to include (i) baselining; (ii) scoping; (iii) establishing strategic goals; and (iv) formulating a phased action plan including an initial package of ‘pilot’ interventions (Stage 2). This first stage will be delivered by Q4 2022.</p> <p>(ii) Package of interventions (Stage 2) – an initial package of ‘pilot’ interventions that will seek to test, catalyse or otherwise enable a future of investment in support of the objectives agreed through the strategy.</p> <p><b>Scope of current stage:</b> to produce a ‘Strategic Assessment’ document which will allow TF funding to be released in advance of procuring the Stage 1 Strategy. This document will cover, at a high-level: (i) the local context, (ii) the study objectives, (iii) the study goals, (iv) the procurement process (v) how to expedite the output (vi) Governance and approval process for initial package of investment.</p> <p>Note: This assumes that the Clay Cross Town Board will approve the full investment (£1 million) in advance of procuring the strategy, which will scope the initial package of works. This is based on the assumption that there will be a</p>

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

	requirement for a full business case to be prepared in accordance with UKG guidance in relation to the initial package of capital investments.
7. Working assumptions / Hypotheses	<ul style="list-style-type: none"> <li>• Spatial area – the Strategic and implementation will focus upon achieving strategic objectives in respect of Clay Cross, but will recognise that the town forms part of a network of assets and infrastructure that extends beyond these boundaries. It is assumed that this will fall within the scope of the study and may also be a focus for initial investment where justified by the localised benefits.</li> <li>• Wider energy network context – the Strategy will be developed and implemented within a wider context of energy policy and investment at a range of scales. The scope of the Strategy should adopt a community level focus. It should reflect a comprehensive understanding of this wider context and support a localised strategy that is complementary. Key assumptions relating to strategic drivers and associated sensitivities should be clearly described in the strategy.</li> <li>• Project scope – the TIP makes reference to a range of potential measures as part of a strategy, including ground sources heat (including heat from flooded abandoned coal workings in the locality), hydrogen ready technology and a local heat network (linked to other TF projects). All of the identified options would be in scope and should be evaluated as part of an evidence led approach.</li> <li>• Strategy objectives – no decisions have been made regarding the objectives of the Strategy. It is proposed that objectives will be informed by further detailed baseline work and consultation. It is envisaged that the Strategy will be prepared on a staged basis, with approvals at key gateways to ensure local level ownership of the objectives and ultimate scope of the strategy and action plan.</li> <li>• Project approval – it is assumed that the full TF allocation can be approved through the preparation of a high level ‘Strategic Assessment’ (including allocations for future capital investment under Stage 2) subject to demonstrating appropriate processes for the appraisal and approval of proposed interventions.</li> </ul>
8. Key Dependencies	<ul style="list-style-type: none"> <li>• The procurement of a suitable and expert delivery partner for the preparation of the strategy</li> <li>• Confirmation from CLG that infrastructure outside of the defined Town Deal area may form part of the agreed scope for the Low Carbon Energy Network Strategy</li> <li>• Securing ongoing engagement from key stakeholders such as the Coal Authority, Cadent and other energy sector partners</li> <li>• The scope and required funding for the pilot(s) will only become known once the Feasibility Study has been completed. Capital investment opportunities/funding for the pilots will be required from the Council and/or partners/ funders.</li> <li>• Unlocking funding for Stage 2 (package of interventions) will be dependent upon identifying an acceptable approval process, to be agreed with MHCLG and the Town Board; identifying a package that fulfils the identified requirements.</li> </ul>

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

9. Outputs	<p>Outputs:</p> <table border="1" data-bbox="459 237 1433 472"> <thead> <tr> <th data-bbox="459 237 1198 282">Indicator</th> <th data-bbox="1198 237 1433 282">Quantity</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 282 1198 327">Low Carbon Energy Network Strategy</td> <td data-bbox="1198 282 1433 327">1 document</td> </tr> <tr> <td data-bbox="459 327 1198 472">A programme of capital works determined through the Strategy development process</td> <td data-bbox="1198 327 1433 472">As determined by the project team and Working Group</td> </tr> </tbody> </table> <p>Following the submission of the Town Investment Plan and the ‘in principle’ funding award, MHGLG now requires additional mandatory outputs to be collected/ reported annually. These are as follows:</p> <ul style="list-style-type: none"> <li>• Monies spent directly on project delivery (either local authority or implementation partners)</li> <li>• Co-funding committed (private and public)</li> <li>• Co-funding spent on project delivery (private and public)</li> <li>• Number of temporary FT jobs supported during project implementation</li> <li>• Number of full-time equivalent (FTE) permanent jobs created through the projects</li> <li>• Number of full-time equivalent (FTE) permanent jobs safeguarded through the projects</li> </ul>	Indicator	Quantity	Low Carbon Energy Network Strategy	1 document	A programme of capital works determined through the Strategy development process	As determined by the project team and Working Group															
Indicator	Quantity																					
Low Carbon Energy Network Strategy	1 document																					
A programme of capital works determined through the Strategy development process	As determined by the project team and Working Group																					
10. Costs	<p>The following high-level assumptions around costs have been made:</p> <table border="1" data-bbox="459 1055 1449 1256"> <thead> <tr> <th data-bbox="459 1055 619 1099"> (£million)</th> <th data-bbox="619 1055 756 1099">2021/22</th> <th data-bbox="756 1055 893 1099">2022/23</th> <th data-bbox="893 1055 1031 1099">2023/24</th> <th data-bbox="1031 1055 1168 1099">2024/25</th> <th data-bbox="1168 1055 1305 1099">2025/26</th> <th data-bbox="1305 1055 1449 1099">Total</th> </tr> </thead> <tbody> <tr> <td data-bbox="459 1099 619 1178">Towns Fund</td> <td data-bbox="619 1099 756 1178">0.05</td> <td data-bbox="756 1099 893 1178">0.45</td> <td data-bbox="893 1099 1031 1178">0.50</td> <td data-bbox="1031 1099 1168 1178"></td> <td data-bbox="1168 1099 1305 1178"></td> <td data-bbox="1305 1099 1449 1178">1</td> </tr> <tr> <td data-bbox="459 1178 619 1256">Match/co-funding</td> <td data-bbox="619 1178 756 1256"></td> <td data-bbox="756 1178 893 1256"></td> <td data-bbox="893 1178 1031 1256">0.25</td> <td data-bbox="1031 1178 1168 1256"></td> <td data-bbox="1168 1178 1305 1256"></td> <td data-bbox="1305 1178 1449 1256">0.25</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• <b>Strategic Assessment costs:</b> it is not assumed that any physical drawdown of money will be needed to create the Strategic Assessment and, instead, this will be completed out of NEDDC / Town Deal BAU resource.</li> <li>• <b>Strategy costs:</b> the initial stage will involve commissioning the preparation of a Low Carbon Energy Network Strategy to provide a comprehensive analysis of needs, demands and opportunities. The costs of this stage have been indicatively estimated at £100k but will be determined through a procurement exercise.</li> <li>• <b>Capital works costs:</b> the balance of the TF funding will be set aside to support capital works needed to pilot or test key interventions identified within the Strategy. These interventions will be detailed within the Strategy and draw down of funding will be supported by a dedicated business case.</li> <li>• <b>Match costs:</b> the TIP suggested that up to £250k match funding may be possible for this project. An initial review has identified a range of established funding sources. A detailed review of match investment opportunities will be carried out as part of the strategy and it is envisaged that this will inform the proposed programme of pilot works.</li> </ul>	(£million)	2021/22	2022/23	2023/24	2024/25	2025/26	Total	Towns Fund	0.05	0.45	0.50			1	Match/co-funding			0.25			0.25
(£million)	2021/22	2022/23	2023/24	2024/25	2025/26	Total																
Towns Fund	0.05	0.45	0.50			1																
Match/co-funding			0.25			0.25																

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

11. Team Roles

The business case team will primarily comprise the following:

Partner	Lead	Role
AMION:	Pete Alford	Coordination and managing project team support Engaging with MHCLG / Appraisal team re. business case/approval requirements
Ramboll:	Ed Kerr	Scoping strategy study brief
Nexus:	Pete Tooher	Partner engagement

The wider Working Group, who still steer the project between reports to the Town Board, comprise the following:

Partner	Lead	Role
NEDDC Economic Development	Karl Apps	Lead NEDDC Team inputs and coordination of wider inputs; Support coordination of links to the Town Centre Regeneration WG
	Maria Curran	PMO
NEDDC / DCC	Cllr Kenyon, Cllr Dale, Cllr Cupit, Cllr Renwick	Chair; Strategic oversight and link to Town Board
NEDDC Leisure	Chris Mills	Linkages with Sharley Park leisure centre
NEDDC	Ed Owen	Low Carbon strategy
Worcester Bosch	Gary Golden; Bob Murdoch	Town Board Chair, energy sector stakeholder
Coal Authority	Charlotte Adams	Energy sector stakeholder
Cadent	Sally Brewis; Stuart Easterbrook	Energy sector stakeholder
Midlands Energy Hub	Michael Gallagher	Energy sector stakeholder
DCC	Denise Ludlum; Karen Lynam; Jane Cressey	

The overall owner of this project within the Working Group is Cllr Jeremy Kenyon (as Chair of the Working group) and Karl Apps (as the officer appointed to lead). Both are ultimately responsible for the output and practical achievability of the proposal.

Specialist inputs and guidance will be provided by other members of the Low Carbon Working Group as required.

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

12. Workplan	Outputs and timeline:		
	Task	Date	Lead/role/responsibilities
	Determine funding approval requirements	July 21	<ul style="list-style-type: none"> <li>MHCLG engagement – AMION</li> <li>S151 Officer engagement – NEDDC</li> <li>Agree local assurance requirements – NEDDC</li> </ul>
	Prepare Tender Brief for Study based on WG agreed objectives. Determine the procurement route	August 21	<ul style="list-style-type: none"> <li>Determine compliant procurement route - NEDDC</li> <li>Identify potential suppliers – NEDDC/ AMION</li> </ul>
	Produce a draft Strategic Assessment for review by WG	Sept 21	<ul style="list-style-type: none"> <li>AMION</li> </ul>
	Working Group review of draft Strategic Assessment	Oct 21	<ul style="list-style-type: none"> <li>NEDDC</li> </ul>
	Board approval of tender action	By email	<ul style="list-style-type: none"> <li>NEDDC</li> </ul>
	Procure consultancy to undertake the Feasibility Study	Oct-Nov 21	<ul style="list-style-type: none"> <li>NEDDC</li> </ul>
	Finalise Strategic Assessment based on tender price	Nov 21	<ul style="list-style-type: none"> <li>AMION</li> </ul>
	Strategic Assessment appraised by external assurance	Nov 21	<ul style="list-style-type: none"> <li>Respond to queries - NEDDC/AMION</li> </ul>
	Board Approval of Strategic Assessment for submission to MHCLG	Nov-Dec 21	<ul style="list-style-type: none"> <li>NEDDC</li> </ul>
Completion of Feasibility Study	Q3 2022	[Supplier to be confirmed]	

13. Risk	Key risks:				
	Risk name	Description	Rating	Mitigations	Status
	Business risk	Lack of clarity in relation to the objectives of the study	Medium /high	<ul style="list-style-type: none"> <li>Establish clear objectives for the study through the Working Group that are aligned with wider strategic aims for Clay Cross</li> </ul>	Open
	Procurement risk	Difficulty in securing an appropriate supplier to carry out the study	Medium	<ul style="list-style-type: none"> <li>Investigate various procurement frameworks and suppliers</li> <li>Tender via a robust open procurement process</li> </ul>	Open
Programme risk	Difficulty in defraying identified TF allocation within the timescales set out in the TIF	Medium /High	<ul style="list-style-type: none"> <li>Work with MHCLG to agree alternative funding schedule</li> </ul>	Open	

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21

	Programme risk	Reporting timescales are misaligned with delivery plan for low carbon projects funded through TF	High	<ul style="list-style-type: none"> <li>Scope the brief to ensure that initial findings inform scoping for low carbon projects</li> <li>Engage with CLG to confirm expected timescales</li> </ul>	Open
	Funding risk	Risk that match funding cannot be sourced	Medium /High	<ul style="list-style-type: none"> <li>Ongoing engagement with partners to secure match (cash or in-kind contributions)</li> </ul>	Open
14. Comms / consultation	<ul style="list-style-type: none"> <li><b>Communication assumption:</b> Given that the preparation of the strategy will run in parallel with the implementation of other Low Carbon projects, there will be a need to consider alignment and positioning in terms of communications.</li> <li><b>Consultation assumption:</b> the Working Group is keen to run a high-level initial consultation. This could be carried out in relation to the scoping stage to inform the baseline analysis. In addition, there may be opportunities to promote community engagement through the strategy.</li> </ul>				
15. Assumed Business As Usual Status (BAU)	<ul style="list-style-type: none"> <li>BAU status – progress towards a low carbon energy network at the local level is determined by UK level policy and market led intervention under national commitments.</li> <li>Baseline work undertaken as part of the first stage (Low Carbon Energy Network Strategy) will clearly define the business as usual position to ensure clarity around the ‘additionality’ of proposed interventions.</li> </ul>				
16. Business Case stage deliverable	<p>In advance of a defined scope of works for any proposed capital commitment, a Strategic Assessment will be prepared. This document will cover, at a high-level:</p> <ul style="list-style-type: none"> <li>the local context</li> <li>the study objectives</li> <li>the study goals</li> <li>the procurement process and</li> <li>how to expedite the output.</li> </ul> <p>It is proposed that the Strategy will set out a package of initial interventions (described in the TIP as ‘pilot’ measures) as a focus for TF investment as the first stage of a phased investment plan. A business case will be prepared as part of the commission to secure the draw down of funds.</p>				

Version 1.0	PMO
Clay Cross I: Low Carbon Energy Network Strategy	17/09/21