



Report to Leader

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| Decision Date: | 19 March 2021 |
| Reference number: | L03.21 |
| Title: | Aylesbury Electricity Grid Works Procurement |
| Relevant councillor(s): | Martin Tett |
| Author and/or contact officer: | David Johnson, Ed Barlow |
| Ward(s) affected: | None |

Recommendations:

To NOTE that the Non-Contestable Works can only be delivered by UK Power Networks, due to their regulated role in the local network, noting also the exemption for such works from Public Contracting Regulations.

To AGREE for the Contestable Works and Adoption Agreement to be subject to a competitive tendering process. Contract award will be subject to a separate key decision subject to costs remaining within the allocated grant funding

Reason for decision:

Under the existing regulatory regime, the non-contestable works must be delivered by UK Power Networks, the relevant Distribution Network Operator.

After consideration of the available options, conducting a competitive tendering process for award of the contestable works and adoption agreement have been assessed as likely to provide the Council with best value for money, suitable levels of control over the project delivery and the best opportunity for long term reservation of the new capacity for delivery of housing.

1. Executive summary

- 1.1 The electricity supply to the town of Aylesbury is highly constrained, with the cost and funding arrangements for new grid connections potentially acting as a barrier to housing development.

- 1.2 The Aylesbury Grid Reinforcement project, funded through a capital grant from the Homes England Housing Infrastructure Fund will alleviate this by using the forward funding to deliver new supply capacity in Aylesbury to support housing development.
- 1.3 An options appraisal was conducted to assess the preferred procurement route for the electricity supply infrastructure and has recommended that the delivery of the non-contestable works by UK Power Networks and a competitive tendering process for the contestable works and adoption agreement be pursued by the Council.
- 1.4 This option has been assessed as representing the best value for money for the Council with the greatest opportunity for long-term reservation of the new capacity exclusively for housing development in Aylesbury.

2. Content of report

- 2.1 In 2018, Buckinghamshire County Council submitted a bid to the Housing Infrastructure Fund (HIF) for a range of infrastructure to support growth in Aylesbury Garden Town. In March 2020, the Government confirmed £171m of funding from HIF was awarded to Buckinghamshire County Council (Buckinghamshire Council from 1st April).
- 2.2 One element of the HIF bid involved reinforcements to Aylesbury's electricity distribution network. This was on the basis that the funding structure for network reinforcements, when an area becomes highly constrained, are an impediment to growth – requiring a single developer to pay for significant upgrades upfront. Whilst, over time, such a developer should recover funds via payments from subsequent connecting developers, this may take many years to complete posing an additional financial burden on such developers.
- 2.3 The HIF funding for the Grid Reinforcement project will be used to overcome these challenges by providing greater capacity through the electricity distribution network to Aylesbury. The infrastructure will, subject to detailed design, include a new primary substation, new cabling to connect the substation to the local supply network administered by UK Power Networks (UKPN) and upgrades to the local network connection point to facilitate an additional ~31MVA of supply.
- 2.4 Delivery of this new infrastructure can be procured in several different ways, as allowed by the relevant regulatory regime, The Electricity (Connection Charges) Regulations 2017. An Options Appraisal has been conducted to determine the preferred procurement route.
- 2.5 The infrastructure works are, according to the regulatory regime, separated into “Contestable” and “Non-Contestable” works. The non-contestable works can only be

undertaken by the incumbent Distribution Network Operator (DNO), which for Aylesbury is UK Power Networks.

- 2.6 The contestable works may be undertaken by the DNO, or the construction may be awarded to an Independent Connection Provider (ICP).
- 2.7 The operation, or “Adoption”, of the contestable works may be awarded to the DNO – again, UKPN for Aylesbury, or can be awarded to an Independent Distribution Network Operator (IDNO).
- 2.8 An options appraisal was conducted by Local Partnerships on behalf of and with input from Buckinghamshire Council. The available procurement routes were evaluated in detail and the conclusions were: 1) To recommend that the non-contestable work be undertaken by UK Power Networks, as per regulation and 2) That the contestable works and adoption agreement be subject to a competitive tendering process.
- 2.9 The key reasons for this recommendation are that it is considered to represent the best value for money, offers the greatest ability to reserve the additional supply capacity for housing development and provides the greatest reassurance of completion of the project within the requisite timeframe.

3. Other options considered

- 3.1 Two other distinct options were considered as outlined below.
- 3.2 To award both the contestable and non-contestable works to UK Power Networks. This option would have the advantage of a simpler procurement requiring less resource from the Council. This option may not offer the best value for money and holds risk with respect to the long-term reservation of the new supply capacity for housing development.
- 3.3 To award the non-contestable works to UK Power Networks; to award the contestable works to an Independent Connection Provider (ICP) and award the adoption agreement to UK Power Networks. This option could offer better value for money compared to the above UKPN only option, as an ICP may deliver the contestable works at a lower cost compared to UKPN. Whilst the competitive tender process for the ICP would require additional internal resource, this holds the risk with respect to the long-term reservation of the new supply capacity for housing development.

4. Legal and financial implications

- 4.1 Legal advice during the options appraisal was obtained from Pinsent Masons who have specific expertise and experience relating to electricity grid connection regulations.
- 4.2 The options appraisal included a financial assessment of the shortlisted options which has been factored into the recommendation.
- 4.3 The grid reinforcements are to be fully funded through the Housing Infrastructure Fund.

5. Corporate implications

- 5.1 For those Aylesbury Garden Town sites which can connect to the new electricity supply resulting from the grid reinforcement project, the grid constraint barrier to housing development will be significantly reduced. This will improve the viability of the affected sites, encouraging housing development. This will deliver on the objectives of the Housing Infrastructure Fund and Buckinghamshire Council's Corporate Plan key priority "Strengthening our Communities" by providing the homes needed by growing communities in Aylesbury.
- 5.2 This decision is important in ensuring that the project delivers the greatest value for money.

6. Local councillors & community boards consultation & views

- 6.1 This decision is technical in nature, determining only a preferred procurement route. Consultations with the relevant community boards and local councillors will be conducted at the appropriate time.

7. Communication, engagement & further consultation

- 7.1 The Housing Infrastructure Fund Investment Board have been briefed on the project, including the Leader and Cabinet Member for Environment and Climate Change .

8. Next steps and review

- 8.1 Discussions with UK Power Networks will continue with a view to providing a suitable connection offer which the council can accept, subject to subsequent agreement.
- 8.2 Tender documentation for the contestable works and adoption agreement will be developed.

9. Background papers

9.1 Confidential: Options Appraisal for Grid Procurement Final - Confidential

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk

