

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2086

Title: Royal Docks & Beckton Riverside Power Supply

Executive Summary:

Due to the proposed high levels of growth within the Royal Docks & Beckton Riverside, electricity demand is anticipated to exceed current capacity within the area at a certain point in the future. This decision seeks budget to forecast future electricity demand based on the proposed growth assumptions and consider and evaluate the available options to secure sufficient capacity to support the proposed growth.

Decision:

That the Executive Director of Housing & Land approves a budget of £70,000 to commission consultancy and legal support to:

- forecast future demand for electricity in the Royal Docks and Beckton Riverside areas; and
- propose a deliverable solution to meet the said demand.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: David Lunts

Position: Executive Director Housing & Land

Signature:



Date:

01/03/07

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Royal Docks are experiencing significant growth through the delivery of a wide range of developments, a significant proportion includes land owned by the GLA via Greater London Land & Property (GLAP) and is within the Royals Docks Enterprise Zone. . This growth is forecast to continue and the draft Royal Docks & Beckton Riverside Opportunity Area Framework (OAPF) sets out the level and locations of these future developments.
- 1.2 This growth will place pressure on existing infrastructure, including utilities. Therefore, in support of the OAPF the planning team are to commission a full Development Infrastructure Funding Study (DIFS) in 2017, which will calculate the levels of supporting infrastructure required to support the proposed developments.
- 1.3 Discussions with developers within the area and UKPN the local Distribution Network Operator (DNO) have indicated that electricity supply to the area needs to be reinforced to ensure this growth can be accommodated. As such this paper seeks funding to forecast future demand in the area and propose a deliverable solution to ensure that this demand can be met in a coordinated and timely way. The data collected and proposed solutions will support the DIFS work once it comes forward.
- 1.4 **Why does the GLA need to intervene?**
- 1.5 The supply of local network capacity largely relies upon the local DNO reacting to requests from customers & developers for additional supply. Statute restricts significant investment prior to demand, meaning that DNOs cannot easily invest in supply infrastructure prior to customer requests, even when demand is forecast. This is to protect consumers, who would in part be liable for these costs through their bills. This in turn means that once a network is at capacity, the first developer to request capacity over that currently available will trigger the requirement for the provision of network improvements and be liable for a significant proportion of the cost involved.
- 1.6 This is a well-known, pan UK issue and the GLA have previously lobbied central government to consider flexibility in some circumstances.
- 1.7 This uncoordinated approach is likely to mean that a developer will only pay for their own capacity improvements, meaning that the infrastructure will be delivered piecemeal and is unlikely to have sufficient capacity for any future growth.
- 1.8 It has been indicated by UKPN to the GLA and a number of developers within the area that to meet current growth projections, a new primary substation is required to deliver the additional capacity. This has a significant land requirement – of a minimum of 1,600m² and has high capital cost. Estimates of these costs can be found in Part 2.
- 1.9 Developers could potentially place a substation on their own site to meet their own demand, but in this scenario significant development would be lost. Depending on the site location this could mean loss of income to the Enterprise Zone, if it replaced income generating income for the LEP. This would also mean that a less than optimal solution would be delivered, with each individual developer providing sufficient capacity for their own site.
- 1.10 As the GLA has a number of sites within the Royals either with development partners (such as ABP and Silvertown Partnership), in procurement (such as Albert Island and Gallions 3b) or pre-

development (such as Thameside West) it is in the GLA's interest to ensure sufficient capacity is available to meet demand.

- 1.11 Potentially an uncoordinated approach to capacity delivery would result in delayed and restricted development delivery. This in turn would limit income to the Enterprise Zone and LEP and inhibit development of future sites in the area (for both GLA and other landowners).
- 1.12 Initial discussions have taken place with developers in the area and there is the potential for cost sharing for any proposed solution. It is assumed at this stage that the GLA would seek to recover costs from 3rd party developers, unless the capacity is secured for future GLA sites. This would require a number of legal agreements to set out the various parties' obligations and commitments.
- 1.13 UKPN have indicated that there is likely to be at least a 3 year lead in to delivery, to accommodate land negotiations, planning, procurement of the required assets & delivery. This means that if this issue is not addressed now there is the potential for development to be constrained until a solution is delivered.

1.14 Previous infrastructure investment

- 1.15 UKPN are the local DNO (distribution network operator) and have a virtual monopoly in the area. SSE are present in the area, but they are not the DNO and their substation is at capacity.
- 1.16 Historically the LDA spent circa £7m on re-enforcing the local network and had reserved capacity for a number of development sites. An EDF (now UKPN) Special Connection Agreement was drafted reserving capacity for LDA developments, but the majority of this has now expired. Unfortunately development did not occur in line with the schedule and the reservation was time limited. Therefore the majority of capacity has been allocated to other developments in the area.

2. Objectives and expected outcomes

- 2.1 The objective of this work is to assess the future demand for electricity in the Royal Docks & Beckton Riverside and propose solutions to address any constraints identified. The outcome will be a better understanding of any constraints and a recommendation as to any intervention required or advised.

3. Equality comments

- 3.1 It is not anticipated that this project will not have any negative impact on any equality group, however equalities considerations will be taken into account in that all work will be procured in accordance with GLA policy.

4. Other considerations

4.1 Key risks and issues

- 4.2 The main risks associated with the project at this stage are attributable to taking no action. As its role as a land owner and development promoter the GLA need to understand the constraints on development. Also as the draft OAPF seeks to explore further growth within the area it is essential to understand the demands that this will place on the local are regional electricity infrastructure.
- 4.3 If Stage 1 is not undertaken, then future demand will not be interrogated or solutions to anticipated capacity constraints sufficiently explored. This could lead to constraints in supply and restricted development.

4.4 This would impact delivery of both present and future GLA developments, therefore restricting housing and job delivery and potential income for the LEP which partially relies upon income from new business rate income from the Enterprise Zone.

4.5 Links to Mayoral strategies and priorities

4.6 A key Mayor priority is to increase the delivery of housing within London. This work aims to ensure that delivery within the area is not constrained.

4.7 The draft Royal Docks & Beckton Riverside OAPF sets out that the area will seek to provide 25,000 new homes, 60,000 new jobs. This work will support their delivery.

4.8 Impact assessments and consultations

4.9 To ensure a successful outcome, it is envisaged that close liaison with developers and power companies in the area will be essential and built into the project. Consultation with London Borough Newham will also be required as planning permission for a new substation will be necessary and therefore early consultation is envisaged.

5. Financial comments

5.1 This decision requests an approval to spend £70,000 to commission consultancy and legal support in relation to forecast future electricity demand within the Royal Docks & Beckton Riverside. These funds have been earmarked in Housing & Land's Management & Consultancy Budget and will be expended in 2017/18 financial year.

6. Legal comments

6.1 Under section 30 of the Greater London Authority Act 1999 (the 'Act') the GLA, after appropriate consultation, is entitled to do anything that will further the promotion, within Greater London, of economic development and wealth creation, social development and the improvement of the environment.

6.2 Furthermore, section 34 of the Act allows the GLA, to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the GLA. In this case, the approval of budget to undertake a study into the future electricity needs of the Royal Docks and Beckton Riverside areas may be viewed as being calculated to facilitate and conducive and incidental to economic development within Greater London.

6.3 Further legal comments are set out in part 2 of this decision form.

7. Planned delivery approach and next steps

7.1 In order to understand and address this issue, it is proposed that the GLA should firstly assess the extent of the issue (demand forecasting and capacity analysis) and to scope out potential solutions. This would form Stage 1, part of which would also contribute towards the OAPF DIFS work.

7.2 Stage 1. Demand analysis, technical solutions and potential commercial & legal structures

7.3 Aim: To assess current capacity, model future demand and propose a deliverable solution. To ensure that any outstanding value in the existing Special Connection Agreement is utilised.

7.4 How: Appoint external consultants to carry out the above work, working with the GLA, UKPN and external developers to model demand and scope out potential solutions. These may include delivery on GLA land and the potential for the GLA to secure capacity for its remaining sites.

7.5 Who: This stage would require:

- Utility Consultant (Electricity) – to review UKPN proposed solution, scope technical solutions in terms of required infrastructure, potential costs and locations. Working with legal team on any commercial & legal structures that should be considered.
- Specialist utility & procurement legal support – to work with the Utility Consultant to propose commercial and legal structures for delivery, including procurement advice.
- Valuer – An external valuer may be required to assess the valuation implications of site selection and location.

Estimated Cost: Total: £70,000 (an estimate of the split between consultants is located in Part 2)

7.6 Outcome: Once this work has been completed the extent of demand will be understood and a solution proposed. It will be at this stage that the GLA should decide if and how it wishes to intervene. This is most likely to take the form of a Mayoral Decision. If the decision is to progress then it is envisaged that this would come forward as Stage 2.

7.7 If any action is required under the pre-existing Special Connections Agreement with UKPN then these recommendations will also be made. This could include the requirement for a budget to complete the network improvements works previously postponed.

7.8 Future Stages for which budget is not being requested:

7.9 Stage 2. – Negotiation & Contracting

7.10 Whilst the outcome of Stage 1 cannot be pre-empted, it is anticipated that the demand forecast will require the delivery of a new substation within the Royal Docks, as anticipated by UKPN. Therefore the decision required is likely to centre on what role the GLA should take in securing delivery.

7.11 If the evidence supports the requirement for a substation and the decision is made to progress, then Stage 2 would take the proposal from Stage 1 and aim to create the requisite commercial and legal agreements to secure delivery. At this time it is envisaged that similar consultants would be required to assist with negotiations, legal agreements and valuations to support that delivery.

7.12 Stage 3. – Delivery

7.13 If Stage 1 & 2 are agreed and necessary then the project will need to be delivered. The GLAs role could range from high level facilitator through to a main contracting party & delivery, depending on the outcomes of Stage 1 & 2 and the decisions made as a result.

Activity	Timeline
Draft detail briefs for external consultants	February 2017
Approval of Directors Decision	February 2017
Procurement of contracts	March 2017
Appointment of consultants	April 2017
Conclusion of Stage 1.	June 2017
Recommendations	June 2017

Appendices and supporting papers: None

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Michael Payton has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Simon Powell has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 27 February 2017.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. J. Allge

Date

28.2.17