

GREATER LONDON AUTHORITY

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD2187

Title: Solar PV collective purchasing pilot project

Executive Summary:

A solar PV (photovoltaic) collective purchasing scheme would test the extent to which a reverse auction approach can increase domestic rooftop solar installation rates in London, currently the lowest of any region in England.

It is proposed that, through the RE:NEW programme, the GLA procures a service provider with an online platform and marketing expertise to encourage households within the private sector (owner occupiers and private landlords) to register an interest in solar PV installations. This aggregated interest would be shared with a pre-agreed framework of solar suppliers (vetted by the service provider), with each supplier bidding in a reverse auction to deliver solar installations to those households expressing an interest – at the lowest price possible. The scheme marketing and project management would be funded through existing RE:NEW Programme budget, approved by the Mayor under cover of MD1289.

This pilot would focus on three to four boroughs to prove the concept in London and help determine whether the approach could be delivered at scale. It would also serve as an early deliverable of the Mayor's draft Solar Action Plan.

Decision:

That the Assistant Director of Environment approves:

- i. an exemption from the GLA's Contracts and Funding Code so that the Authority may without a competitive procurement exercise enter into an agreement with iChoosr (at no cost to the GLA), which will manage a solar PV collective purchasing scheme; and
- ii. expenditure of up to £50,000 – from the RE:NEW budget (approved by the Mayor under cover of MD1289) for marketing and promoting the scheme.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

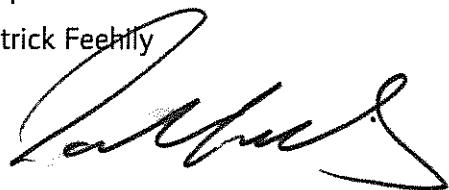
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Patrick Feehily

Position: Assistant Director, Environment

Signature:



Date:

21/12/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The Mayor's draft Solar Action Plan, published alongside the London Environment Strategy in August 2017, outlines how more of London's heat and power can be generated from solar energy.
- 1.2 The Plan also commits to piloting a 'solar reverse auction' (also known as a 'solar PV collective purchasing scheme') which aims to test the extent to which a reverse auction approach can increase domestic rooftop solar installation rates above the current baseline, which is the lowest of any region in England.
- 1.3 The GLA proposes to procure a service provider with an online platform and marketing expertise to encourage households within the private sector (owner occupiers and private landlords), to register an interest in solar PV installations.
- 1.4 This aggregated interest would be shared with a pre-agreed framework of solar suppliers (vetted by the service provider), which would bid in a reverse auction to deliver solar installations to those households which have expressed interest, at the lowest price and highest quality possible.
- 1.5 The pilot will focus on three to four boroughs to prove the concept in London on a low-risk basis, and help determine whether a reverse auction approach could be delivered at scale. It would also serve as an early deliverable of the Solar Action Plan.
- 1.6 An identical approach has already been undertaken in Norfolk and has been successful in reducing solar installation costs and increasing uptake.

Rationale

- 1.7 The Mayor wants to make London a zero carbon city by 2050. For this to happen, London will need to be supplied by a range of clean and renewable energy sources.
- 1.8 To this end, in the Draft Solar Action Plan, the Mayor outlines how more of London's heat and power can be generated from solar energy. Meeting the Mayor's ambitious zero carbon target is estimated to require ten times more solar energy generation to be installed – 2 gigawatts (GW) by 2050, and around 1 GW by 2030.
- 1.9 There is a strong case for a solar PV collective purchasing scheme. Without active Mayoral support for domestic solar PV in the short to medium term, delivery levels are likely to remain far behind other regions (despite public perceptions of solar PV technology improving and delivery costs reducing). For example:
 - 1.9.1 the London Assembly report '*Bring me sunshine! How London's homes could generate more solar energy*' (October 2015), noted that London has particular barriers to solar PV in terms of demographics and home typologies (see Appendix 1 for more information on London's barriers)
 - 1.9.2 as a result of the significant reductions to the solar PV Feed in Tariff in 2016, the rate of solar PV uptake in London has slowed drastically, with eleven RE:NEW pipeline projects being cancelled as a result (totalling a projected 6,700 installations), and interest in new schemes remaining low
 - 1.9.3 solar PV panels are currently installed on around 0.5 percent of London's 3.4 million homes, and there are currently fewer than thirty installs of domestic solar PV installations being undertaken each month
 - 1.9.4 consequently London has the lowest amount of installed solar power capacity of any region in the UK, despite being the most affluent and populous part of the country, and having a favourable climate by UK standards.

- 1.10 With this in mind, the draft Solar Action Plan promised to “pilot a new solar reverse auction scheme to reduce installation costs for Londoners.”
- 1.11 An identical reverse auction approach undertaken in Norfolk is estimated to have increased installation rates by 83 per cent, and saved households on average 16 per cent on the installation cost of solar PV.

Single Source Supplier Justification

- 1.12 Officers acknowledge that section 9 of the GLA’s Contracts and Funding Code requires, where the expected value of a contract for services is between £10,000 and £150,000, that the services required should be procured competitively. Section 10 provides however, that an exemption from this requirement may be approved where there is an absence of competition or the proposed contractor has had previous involvement in a specific current project or the work is continuation of existing work that cannot be separated from the new project/work.
- 1.13 We propose that a contract be awarded to iChoosr to act as a delivery partner for the solar PV collective purchasing scheme. Although there are multiple suppliers of PV panels active in the UK market, the services that iChoosr provide, as an aggregator, are distinctly different, as outlined above from a PV supplier.
- 1.14 There is no other company delivering the services required for this solar PV community purchasing scheme; iChoosr is the only realistic source of supplying these services.
- 1.15 In the Netherlands and Belgium iChoosr have been running solar PV schemes for over five years, working with local authorities and regional governments. Approximately 40,000 households have taken up their bespoke solar PV offer, leading to an installed capacity of 120MW.
- 1.16 iChoosr will make money from a small fee per installed PV panel, paid for by the selected solar PV provider – this fee will be the same and agreed by iChoosr with all suppliers who will participate in the reverse auction, so that there will be no preferential treatment.
- 1.17 The majority of London boroughs have an existing relationship with iChoosr through the Big London Energy Switch, a successful collective energy tariff switching scheme. This scheme was started with support from London Councils in 2013, when the Department of Energy and Climate Change made money available to local authorities to promote energy tariff switching.
- 1.18 A group of 20 London boroughs, led by the Royal Borough of Kingston-upon-Thames and supported by London Councils, procured iChoosr through a shortened OJEU process, with iChoosr the only supplier in the market at that time who could deliver the online platform and the dedicated helpdesk, among other services, to run the collective switching scheme. The Big London Energy Switch is still going today, as are similar schemes such as the Big Community Switch, Unison Switch, and Ready to Switch, all of which are run by iChoosr.
- 1.19 Extensive market research to identify potential other suppliers and have found none.
- 1.20 The contract itself with iChoosr is a service concession in nature (co-branded between the boroughs and the GLA), meaning:
- that the GLA will allow iChoosr to exploit the services commercially (see 1.16 above)
 - that iChoosr assumes the entire commercial risk of the arrangement (they must continue to provide the services fully in accordance with the contract even if they are making a loss)
 - the forecast gross turnover of iChoosr as a result of the contract (net of VAT) attributable to the exploitation rights granted will be below the €5,225,000 limit of the Concession Contracts Regulations 2016 (£52,500 is the low estimate, £210,000 high estimate and median estimate £131,250 – all dependent on the eventual number of installations).

1.22 The Assistant Director's approval of an exemption from the requirement of section 10 of the GLA's Contracts and Funding to seek competitive bids for the services required is sought accordingly.

2. Objectives and expected outcomes

- 2.1 Given the low levels of solar deployment in London, is it necessary to explore initiatives that can rapidly boost uptake in order to realise additional carbon savings, improve security of our energy supplies, and bring down technology costs.
- 2.2 A scheme could help deliver solar PV installations and increase uptake in London through:
- raised awareness through targeted marketing and advertising
 - reduced costs through aggregating demand for bulk purchasing
 - improved market confidence through borough endorsement
 - re-invigoration of the solar supply chain
- 2.3 A pilot scheme across three to four boroughs is calculated to deliver between 150 and 600 domestic installations, generating investment of between £0.6 - 2.4m, and saving between 225 - 900 tCO₂ each year.
- 2.4 Eleven London boroughs, have provided in principle support for a pilot at a workshop and two more have subsequently declared an interest.
- 2.5 A scheme would also help to refine delivery and marketing approaches aimed at achieving higher uptake of solar PV in future iterations of this pilot or a pan-London scheme.

Scheme design

- 2.6 A reverse auction pilot would operate a delivery model similar to the Big London Energy Switch, that is, it works on the basis of two principles: 1) aggregation of demand to create greater bargaining power than would happen individually, and 2) energy companies/installers competing to offer their best prices. This means that together they can get energy companies to compete to offer their best prices.
- 2.7 The estimated cost of the pilot is £50,000, which would be met from the existing RE:NEW programme budget (MD1289) . The majority of this cost will be assigned to the selected London borough partners for marketing (primarily direct mail), although existing borough marketing resources will be utilised wherever possible. The GLA Marketing and Digital Teams are engaged and have final sign-off on all aspects of marketing the scheme. No funds will go from the GLA to the platform supplier.
- 2.8 Project management of the pilot would be undertaken through existing RE:NEW programme resources – by both the RE:NEW Support Team and GLA officers. This would be undertaken in liaison with boroughs.
- 2.9 The pilot would also be evaluated. If deemed a success, this approach could then be rolled out more widely across London. At this stage, it may then be preferable to deliver the programme through an Energy for Londoners branded online platform.
- 2.10 The delivery approach would therefore be designed to be repeatable, scalable and flexible (including the ability to market other energy efficiency and supply measures in the future), with the aim of providing greater delivery impact on each repeat 'auction'.
- 2.11 Development work to date includes the following:
- analysis and modelling of trends and installation rates of solar PV in London compared with other regions to identify potential take up rates and target market (resulting in a more detailed scoping paper on which this briefing is based)
 - identification of similar UK and international schemes (including the Norfolk Together pilot, and New York City's Solarize project)
 - design of detailed delivery approach options and delivery timescales
 - soft market testing with the supply chain

- engagement with London boroughs to gauge interest
- development of conditions all suppliers competing to win the collective purchase solar scheme must meet. These conditions are part of the supplier-agreement to be concluded with the winning supplier. Suppliers need to sign a supplier agreement before competing in the auction and are only allowed to do so after they passed a qualification procedure where they are tested for ability to execute the scheme in a professional manner and to the highest standards of quality and safety
- development of a funding prospectus for interested boroughs
- development and agreement of a Single Source Justification (SSJ) with Procurement for the platform supplier, subject to approval in this ADD
- several meetings with GLA Marketing and Digital teams to discuss branding, the online platform for the project and the customer journey.

Selection of borough partners

- 2.12 All outer London boroughs will be notified about the scheme and sent the grant prospectus and guidance on how to apply.
- 2.13 For logistical reasons, the pilot focusses on outer London boroughs and the preference is for a neighbouring cluster of three or four boroughs. These 'sub-regions' of boroughs would be encouraged to bid in a single application.
- 2.14 Selection criteria will include the proportion of homes within the borough fitting the scope, what senior-level buy-in they have, and what extra officer and marketing resource they could employ.
- 2.15 The bids would require Director-level sign off, as well as Members' endorsements.
- 2.16 Included in bid documents would be the agreement boroughs would need to sign with GLA to access the marketing budget.

3. Equality comments

- 3.1 The GLA will take appropriate steps to ensure that there are no potential negative impacts expected on those with protected characteristics. Those with protected characteristics will gain from the positive benefits of this scheme in equal measure should their properties be selected, and there will be equality of access to participate in the delivery and benefit from the scheme, without discrimination.
- 3.2 Electricity generated by a home through solar PV can especially benefit those more housebound (e.g. as result of disability or age), since they can take advantage of the power as it is generated (through for example running appliances in the daytime when the panels will be producing the most electricity), rather than the majority of the power being exported to the National Grid.
- 3.3 Though this pilot programme is necessarily designed for the 'able to pay' market, it is hoped that the success of this scheme will have a longer-term positive impact on lower income and fuel poor households as the solar PV market grows in London, encouraging a stronger supply chain and cheaper installations. A successful pilot could also lead to social and private landlords also participating in similar schemes, benefiting their own, potentially vulnerable, residents.

4. Other considerations

- 4.1 The key risks and issues this programme are set out in the table below:

Risk	Likelihood (out of 4)	Impact (out of 4)	Rating	Mitigation
Boroughs won't want to get involved with the project	1	3	3	Ongoing soft-engagement from the RE:NEW Team and GLA officers has been undertaken and shows a willingness on their part to get involved. The Draft Solar Action Plan, also stimulated interest
Uptake could be low	1	2	2	While it is impossible to accurately predict the level of interest from residents, as this would be the first of its kind in London (and only the second in the country), uptake levels from the Norfolk scheme give reason to be optimistic
If uptake is low and this scheme fails it could further dent consumer confidence in solar PV	1	2	2	The scheme is deliberately set up as a pilot project, in only three to four boroughs, and while we don't anticipate failure, in the event of low uptake then the repercussions would not be as loud or pronounced as if it was a pan-London scheme
Low uptake could represent a reputational risk for the GLA and the Mayor	2	2	4	As a pilot project, we are focussed on only a few boroughs and so while we would use Mayoral branding appropriately, marketing would be targeted at a limited demographic within these boroughs rather than widely publicised across London and on the GLA website
If uptake is low the platform supplier could ask the GLA to pay more	1	1	1	The platform supplier accept that all of the risk is on them and that their income stream on this project relates directly to the number of installations (on a commission basis). Nevertheless, our contact (potentially a concession) with them will be set up by Legal to reflect this
Brexit and government policy changes (including potential changes to the rate of Feed-in Tariff) may have an impact on consumer confidence which could dampen demand	2	2	4	This is a 'known-unknown' and potentially unavoidable. However, this project should help to mitigate this by improving resilience in consumer confidence through driving down costs
Installer quality presents a reputational risk for the GLA and boroughs	1	3	3	The platform supplier must specify a recognised, fully accredited installer as a prerequisite. The scheme is designed to improve quality as well as affordability.

Risk	Likelihood (out of 4)	Impact (out of 4)	Rating	Mitigation
The scheme could attract criticism as it is predominantly aimed at the able-to-pay, rather than the fuel poor	2	1	2	<ul style="list-style-type: none"> - the GLA is currently developing other schemes more focussed at fuel poverty (with budgets far larger) - PRS landlords could potentially use it as a simple way to comply with the forthcoming Minimum Energy Efficiency Standards - if the scheme helps to grow the supply chain and encourage lower costs, less able to pay households and social housing could be encouraged.

Links to Mayoral strategies and priorities

- Draft Solar Action Plan
- Draft London Environment Strategy

5. Financial comments

5.1 Approval is sought to spend up to £50,000 on marketing and promoting the Solar PV (photovoltaic) collective purchasing scheme detailed above. This will be funded from the 2017-18 RE:NEW budget agreed under MD1289 that is 90% ELENA (European Local Energy Assistant)/ European Investment Bank funded and 10% GLA funded. The marketing of this scheme will be completed in 2017-18.

6. Legal comments

6.1 The foregoing sections of this report indicate that:

6.1.1 The activity in respect of which approval is sought may be considered to be facilitative of and conducive to the exercise of the GLA's powers:

- (a) and discharge of its obligations under part 7A (Housing and Regeneration) of the Greater London Authority Act 1999; and
- (b) under section 30 of the Greater London Authority Act 1999 to undertake such activity as may be considered to promote economic development and wealth creation, social development and the improvement of the environment in Greater London and have complied with the Authority's related statutory duties to:
 - (i) pay due regard to the principle that there should be equality of opportunity for all people;
 - (ii) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
 - (iii) consult with appropriate bodies.

6.2.1 The GLA must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010 ("the Act");

- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 6.2.2 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it; and
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 6.2.3 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 6.2.4 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to: tackle prejudice; and promote understanding.
- 6.2.5 Compliance with the above duties may involve treating some persons more favourably than others, but that is not to be taken as permitting conduct that would otherwise be prohibited by or under the Act.
- 6.2.6 The relevant protected characteristics are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation.
- 6.2.7 A reference to conduct that is prohibited by or under the Act includes a reference to a breach of: an equality clause or rule; or a non-discrimination rule.
- 6.2.8 To this end the Assistant Director should have particular regard to section 3 (above) of this report.
- 6.3 Section 10.1 of the GLA Contracts and Funding Code (the 'Code') requires the GLA to call off the services required from an accessible framework or conduct a competitive procurement exercise for the same. The Director may however, approve an exemption from this requirement under section 11 of the Code upon certain specified grounds. Two of those grounds are that exemptions may be approved where there is an absence of competition and/or the proposed contractor has had previous involvement in a specific current project or the work is continuation of existing work that cannot be separated from the new project/work. Officers have indicated at section 1 of this report that this ground applies, The Assistant Director may therefore, approve the exemption proposed if satisfied with the supporting content of this report.

- 6.4 Should approval of the proposals set out as decisions be granted officers must ensure that appropriate contract documentation is put in place and executed by the GLA and iChoors before the commencement of the services.
- 6.5 It should be noted that, given the information set out at section 1.21 above there is no procurement law obligation to tender the services competitively.

7. Planned delivery approach and next steps

8.1 The pilot scheme has five key steps:

- 8.1.1 Procurement of a service provider, with an online platform and marketing expertise to encourage households within the private sector (owner occupiers and private landlords), to register an interest in having solar PV installed on their roofs
- 8.1.2 Selection of borough partners
- 8.1.3 Registration on the platform by London households interested in installing solar on their roofs
- 8.1.4 Aggregation of interest is shared with the pre-agreed framework of solar PV suppliers (vetted by the service provider)
- 8.1.5 Suppliers bid through a reverse auction to deliver solar installations to those households which have expressed interest, at the lowest price possible and highest quality.

Table 1: Proposed timetable

Timeline	Activity
Approvals finalised	18 Dec 2017
Contract/concession with platform provider finalised	21 Dec 2017
Specification documents finalised	21 Dec 2017
Expression of Interest (EOI) finalised and sent to boroughs	21 Dec 2017
Respond to any questions and queries	8 Jan 2018
Evaluate EOIs, select sub-region for pilot	14 Jan 2018
Kick off meeting with selected boroughs and platform supplier, prepare campaign, including mapping & targeting, engagement plan, etc.	w/c 21 Jan 2018
Market the scheme	w/c 5 Feb 2018
Reverse auction	March 2018
Send out offers, start of 1 month acceptance period	Mid-late March 2018
Start installations	Mid-April 2018
Complete installations	Autumn 2018
Evaluate scheme	Autumn 2018

Appendices and supporting papers:

- Appendix 1: Barriers and motivations

Appendix 1: Barriers and motivations

The main barriers to domestic solar PV deployment in London, include:

- a cityscape of thin, tall buildings as well as much terraced housing with little roof space
- greater proportion of residents living in flats rather than houses
- higher installation costs in London
- planning issues and high prevalence of conservation areas
- greater transience in the residential population and large and growing private rented sector
- high housing costs, and concentrations of deprivation and high levels of fuel poverty.

Conversely, the BEIS report 'Identifying trends in the deployment of domestic solar PV under the Feed-in Tariff scheme' notes the following:

- affluence – the lower the level of deprivation, the greater the prevalence of solar PV installation
- tenure – higher levels of installation amongst owner occupiers, particularly in detached properties
- age – increased levels of investment from 45–65 year olds

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

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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer:

Ben Coombes has drafted this report in accordance with GLA procedures and confirms that the Finance and – if relevant- Legal teams have commented on this proposal as required, and this decision reflects their comments.

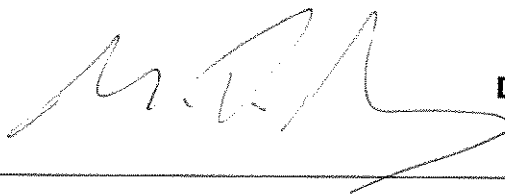
Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 18 December 2017.

HEAD OF FINANCE AND GOVERNANCE:

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

Signature:



Date:

18-12-17

