

Report to Steve Read, Assistant Director (Environment and Public Protection)

September 2022

Halewick Lane Battery Storage Project - Award of Pre-Construction Service Agreement

Report by Tom Coates, Senior Energy Projects Manager

Electoral division: Sompting and North Lancing

Summary

In March 2022, the Cabinet Member for Environment and Climate Change [approved the revised business case](#) for the development of a 24MW battery storage installation on a former waste disposal site at Halewick Lane, Sompting. Authority was delegated to the Assistant Director (Environment and Public Protection) to award the appropriate contracts.

This decision report outlines the recommendation to approve the Pre-Construction Service Agreement, to the value of £3,912,740, in order to complete the full design process for the Battery Energy Storage System (BESS). This sum includes a deposit for the order of batteries. A further decision will be required to award the main design and build contract.

Recommendations

1. That the Assistant Director (Environment and Public Protection) awards the Pre-Construction Services Agreement to the value of £3,912,740 to Kier Group as set out in section 2 of the report.
 2. That in a situation where the project cannot proceed, the Assistant Director (Environment and Public Protection), in consultation with the Cabinet Member for Environment and Climate Change, the Director of Finance and Support Services and the Director of Law and Assurance, is authorised to cancel the BESS pre-order and/or take such other action as agreed with the consultees.
-

Proposal

1 Background and context

- 1.1 The Halewick Lane battery storage updated business case received full approval in March 2022.

- 1.2 The updated business case outlined the proposed procurement strategy for the main contract for the project.
- 1.3 Procurement Services endorsed the use of the public sector Southern Construction Framework (SCF) for this project.
- 1.4 The SCF follows a two-stage tender process, with the first stage (MC1) selecting a small number of bidders to continue to submit a full tender submission (MC2).
- 1.5 The MC1 process was completed in May 2022 with three successful tender submissions being asked to proceed to MC2 stage.
- 1.6 The SCF requires that on completion of the MC2 stage a Pre-Construction Services Agreement (PCSA) must be awarded to one contractor ahead of the main design and build contract.

2 Proposal details

- 2.1 The MC2 scoring and moderation stage has now been completed and a tender by Kier Group is recommended for approval.
- 2.2 The PCSA contract will commit WSCC to the design and development fees with the main construction contract being awarded once the final costed design is reviewed and confirmed as viable.
- 2.3 In addition to the design and development fees, it is proposed that the battery storage system is ordered ahead of completing the PCSA process. A significant deposit is therefore included within the overall PCSA contract sum.
- 2.4 It is considered that the financial risk of securing the batteries as early as possible (as detailed in section 5) significantly outweighs the likelihood of further increasing capital costs and extremely long lead-in times for the battery storage system.
- 2.5 The main remaining risk to WSCC after securing the batteries at PCSA stage is that the planning amendment for the final detailed design is refused. Officers consider this risk is extremely low owing to the full planning approval already being in place (SDNP/18/06402/FUL). Keir Group has also consulted an independent, local planning consultant to contribute to their bid response and manage the amendment application. Kier Group has advised that their proposed design will also be less impactful all of which provides reassurance on the success of the planning amendment application.
- 2.6 Officers overseeing the project have therefore proposed a capped liability at 5% of the capital cost of the batteries for 16 weeks from agreeing to the final design and placing the order. This is thought to be sufficient time to submit and receive approval of the planning amendment.
- 2.7 Should a situation arise in which it may not be in the Councils best interests to proceed with the project, either prior to or following the 16-week capped liability period, it is recommended that the Assistant Director (Environment and Public Protection) would consult with the Cabinet Member for Environment and Climate Change, the Director of Finance and Support Services and the Director of Law and Assurance to determine the best course of action including mitigation of any financial implications.

2.8 The below table shows the breakdown of costs for the total PCSA value as provided by Keir. The Total PCSA Fees value shows the costs for design, planning submission and other required preparatory work such as surveys to be carried out by Keir. While these are estimated at this point, there is not expected to be any significant variation given these are standard surveys and Kier is an established developer. The second section shows the estimated value of the Battery Energy Storage System (BESS) deposit (which is optional). Keir already have a preferred supplier for the BESS system who has provided this information as accurately as possible prior to design/order. Keir currently project the BESS system deposit being paid in week 4 of the PCSA period.

2.9 The fees allow for up to £25,000 for an independent technical review of the BESS design which is deemed prudent given the overall project cost. This could be subject to downward negotiation with Kier.

Table 1

PCSA fees breakdown	PCSA estimated contract value	Notes
Preconstruction management fees	£ 6,725.00	As tender pricing schedule
Design fees	£ 22,775.00	As tender pricing schedule
Overhead and Profit	£ 295.00	As tender pricing schedule
Surveys – <i>Estimated in accordance with the framework</i>	£ 1,500.00 £ 6,000.00 £ 55,000.00	Bat Survey Buried Services Geotechnical and Structural investigations
	£ 625.00	OH&P @ 1%
Specialist advice/ design works	£ Nil	Included in down payment to BESS supplier
Any other additional fees - <i>Estimated in accordance with the framework</i>	£ 2,000.00 £ 5,000.00	Welfare facilities for surveys Temporary works design
	£ 70.00	OH&P @ 1%
Total PCSA fees	£99,990.00	
Optional Fees		
Indicated deposit of battery storage system and/or other key component infrastructure within the PCSA period to deliver programme supplied within the tender pack. (to be confirmed at time of placing the order).	£ 3,750,000.00	Reservation payment (c30% of total quoted system cost) for Battery Energy Storage System (BESS) design and manufacture. Special insurances to protect the deposit payment to be assessed in the selection of BESS supplier. If required, it would be included in the deposit value

		<i>Note: Further stage payments for the manufacturing of the batteries would be applicable following the PCSA period: 50% of value to be paid on monthly basis 20% paid on commissioning of BESS</i>
	£ 237,500.00	A cancellation charge of 5% of order value applies up to 16 weeks from order placement Cancellation costs beyond 16 weeks TBC but likely to the deposit value as a minimum plus any stage payments we are liable for at point of cancellation.
	£37,500.00	OH&P @ 1%
Any other optional fees to protect programme/budget	£ 25,000.00	Third party review of BESS system design
	£ 250.00	OH&P @ 1%
Total optional PCSA fees	£ 3,812,750.00	
Total PCSA value	£ 3,912,740.00	

3 Other options considered (and reasons for not proposing)

3.1 Option 1: Award the PCSA contract but place no deposits on key component items within the PCSA period.

3.1.1 If the Council does not commit to securing the batteries during the PCSA period, there are a number of risks to the project.

3.1.2 The capital costs of batteries have been shown to increase rapidly over the previous 6 months. If the batteries cannot be secured until after the PCSA duration, market assessment by Faithfull & Gould as well as Keir Group indicates there is a high likelihood that capital costs could increase to the extent that the project is no longer viable.

3.1.3 Waiting until the end of the PCSA (and the approval of the planning amendment) would have severe impacts on the project timetable. Lead-in times are extremely long for commercial batteries currently and it could delay the programme and associated income generation by at least 6 months.

3.2 Option 2: Do not award the PCSA and instead proceed direct to awarding a Design and Build contract to the winning bidder.

- 3.2.1 Awarding a Design and Build contract to Kier Group prior to the PCSA would mean that only one approval process would need to be followed in order to select the contractor.
- 3.2.2 However, if the Council were to award the Design and Build contract without the PCSA it would be liable for the contract sum costs even if the project were deemed unviable following completion of the design process.
- 3.2.3 While this is an unlikely scenario, awarding the PCSA allows the design process to be swiftly commenced, the batteries secured for the project and leaves the Council with liability for a nominal fee as indicated in Table 1.

4 Consultation, engagement and advice

The project team has maintained regular communication with the Parish Council and residents most impacted by the project. The local District Councillor and County Councillor have also been kept updated on the project.

5 Finance

- 5.1 The PCSA cost of £3,912,740 will be taken from the approved overall capital budget allocation for the project.
- 5.2 The cost of awarding the PCSA contract can be met from within the overall project budget that has been approved as part of the original key decision.

Item	Estimate Cost
Phase 1 stage:	
Demolition Stage and Prep Stage	197,561
Grid connection costs (UKPN, DNO, and MDC support)	964,000
Sub total	1,162,000
Phase 3 Construction Phase:	
Proposed PCSA Contract Phase (including battery deposit)	3,912,740
Batteries & ancillary works	13,990,260
LECSea contribution	- 535,293
Grid connection with ICP discount	2,643,203
UKPN costs (including variation)	344,537
Sub total	20,355,447
Contingency	2,098,944
Total	23,615,953

5.3 The effect of the proposal:

(a) How the cost represents good value

A fully compliant public procurement process was undertaken to encourage competitive bids.

(b) Future savings/efficiencies being delivered

The proposal to secure the key component items within the PCSA period offers an opportunity to avoid costs later in the process. Securing the batteries early will fix costs during economic uncertainty and shorten the overall project delivery period.

The below table demonstrates the potential cost of the battery deposit/full cost of the batteries based on 3-5% inflation each month for the next six months –

Battery Deposit Cost (circa 30%)	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
3% increase	£3,750,000	£3,862,500	£3,978,375	£4,097,726	£4,220,658	£4,347,277	£4,477,696
5% increase	£3,750,000	£3,937,500	£4,055,625	£4,177,293	£4,302,612	£4,431,690	£4,564,641
Full Battery Costs	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
3% increase	£13,990,260	£14,409,967	£14,842,266	£15,287,534	£15,746,160	£16,218,545	£16,705,102
5% increase	£13,990,260	£14,689,773	£15,424,261	£16,195,474	£17,005,248	£17,855,510	£18,748,286

(c) Human Resources, IT and Assets Impact

No additional HR or IT resources are required for the scheme. There is no impact on WSCC assets.

6 Risk implications and mitigations

Risk	Mitigating Action (in place or planned)
Due to global supply-chain issues across multiple areas on construction projects the capital costs for the project may increase beyond the budget within the PCSA period.	Securing the batteries within the PCSA period will mean costs will be fixed from this point on. As detailed above (2.6) the Council will only be liable for 5% of the deposit within the first 14 weeks from placing an order. The market has indicated that lithium costs for example have increased 100% in the last 12 months, strengthening the requirement to order key components as early as possible.
The planning amendment required for the final design of the site is not approved.	The existing planning permission design is for a larger overall footprint than now required. All other key factors such as acoustics, visual impact and impact on local ecology will not be greater

Risk	Mitigating Action (in place or planned)
	<p>than the original application. It is therefore considered that planning refusal for the amendment is extremely unlikely.</p> <p>As mentioned above, in the extremely unlikely event of receiving planning refusal the Council would remain liable only for 5% of the deposit placed at order.</p>
<p>WSCC does not support the contractor's proposal on completion of PCSA period and therefore loses the battery deposit (5% for first 16 weeks)</p>	<p>All bidders have been through a two-stage process prior to submitting a proposal. In the event of, at the end of the PCSA period, the proposal not being approved, the second highest scoring bidder will be asked to submit a fully costed proposal, without the requirement to undertake a further procurement.</p> <p>This is considered a low risk as the design period is a collaborative process. Additionally, mitigation has been put in place by Keir to address planning concerns early in the process to ensure a smooth amendment application. Planning permission for the site has also already been granted.</p> <p>WSCC will discuss with Keir/Faithful & Gould to investigate deposit insurances which may be available for the battery deposit.</p>

7 Policy alignment and compliance

7.1 The March 2022 [decision](#) taken by the Cabinet Member for Environment and Climate Change outlined how the scheme will support the County Council's policies.

7.2 Legal Implications

The procurement of the main contractor is being led by the internal procurement team and fully aligned to the corporate procurement policy. Adequate insurances will be secured from the successful tenderer in order to provide robust protections from design, product and/ or contract disputes.

7.3 Equality duty and Human Rights Assessment

There are no foreseeable impacts for groups with protected characteristics. However, the council will ensure that the project complies with public sector equality duties in the procurement, construction, and operational phases of the project.

Steve Read

Assistant Director (Environment and Public Protection)

Contact Officer: Tom Coates, Senior Energy Projects Manager T: 0330 2228717 tom.coates@westsussex.gov.uk

Appendices - none

Background papers - none