



Department for
Business, Energy
& Industrial Strategy



Triple Point
HEAT NETWORKS
INVESTMENT MANAGEMENT

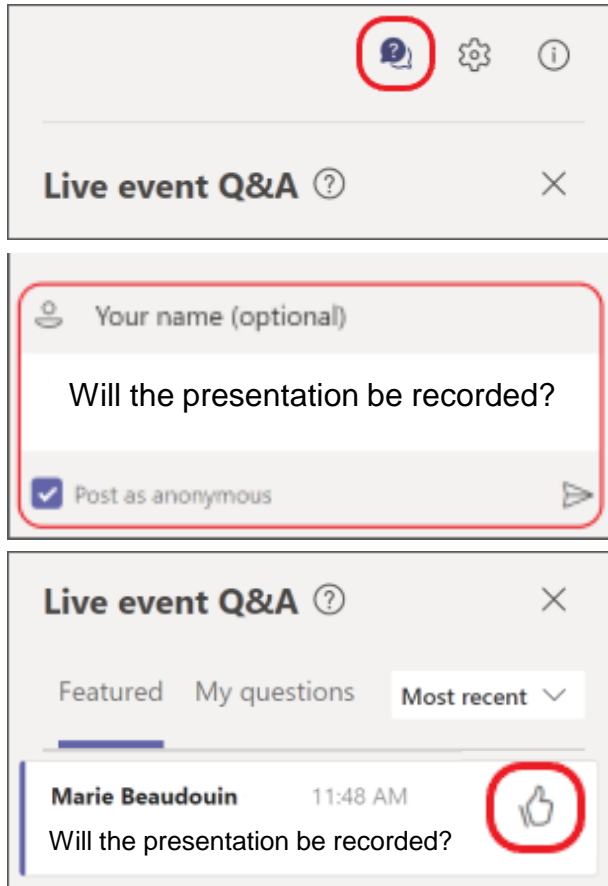



Lot 1: Active Capital

Lot 2: Asset Finance

June 2023

Asking questions







Select the Q&A icon  at the top of the pane when the pane is open to close it.

You can select to post your question with your name or anonymously. Any questions that remain unanswered and that relate to BHIVE specifically will be answered via the relevant FAQ documents.

To like someone else's question, select the thumbs up  icon next to it.



Agenda

 Ken Hunnisett	 Ludo Tolu	 Steve Ransom Helen Reed	 Richard Turner George Robinson
What is BHIVE and why was it set up?	Supporting a self-sustaining market, reflections on the DPS and why it is important for market growth	Structuring a heat network project, case study: Bristol City Leap	Using BHIVE and procuring finance through the DPS
~10 mins	~10 mins	~15 mins	~15 mins



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Management LLP

Duration
Ending 31 March 2025

Further Information
<https://tp-heatnetworks.org/bhive>

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(2020/s 240-594964)

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Ken Hunnisett, Triple Point



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Why Now?

80 billion reasons.



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Why is this the right time to look at private finance?

✓ Public sector does not always want to own heat network infrastructure

✓ Capital support - GHNF, PSDS

✓ Other support – HNDU, TPHN BHIVE team, Net Zero Hubs

✓ Timing imperative – net zero goals

✓ Social imperative – job creation, energy bills, investing in communities, enabling them to thrive

✓ Investors are looking for local low carbon investments

✓ Zoning and regulation are giving investors the confidence to invest in DH

✓ Investors are increasingly looking to prove real social value in their investments and want to actively work with public sector partners to maximise value, this isn't just about the money.

Professionalise the sector with independent investors



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Why now? Why BHIVE



£80bn opportunity



**Pressure on LA resources
and public funding**



Net zero imperative



Government supported Dynamic Purchasing System



Arranged with advice and support from CCS



BHIVE helps to professionalise the market



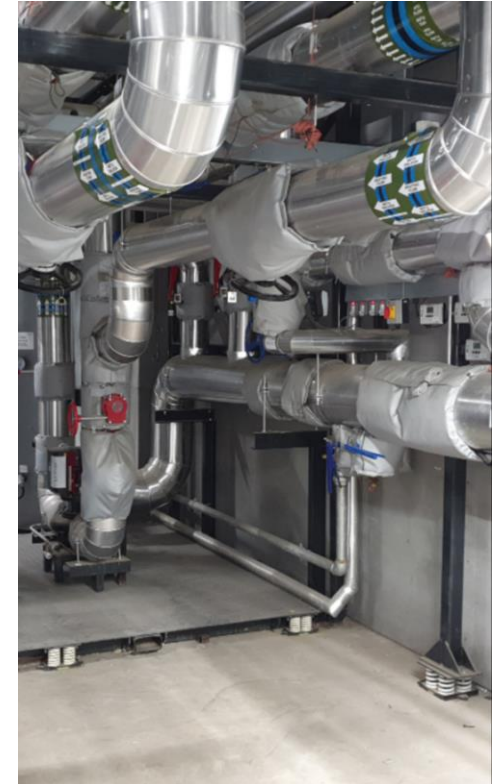
Independent of any supplier



Ability to access resources to commercialise projects while retaining control of key outcomes



Give confidence to LA's to look at funding options – with support



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Q&A



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Ludo Tolu, Department for Energy Security and Net Zero



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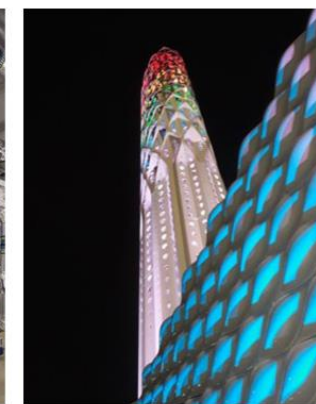
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Supporting a self-sustaining market with private finance

Ludo Tolu

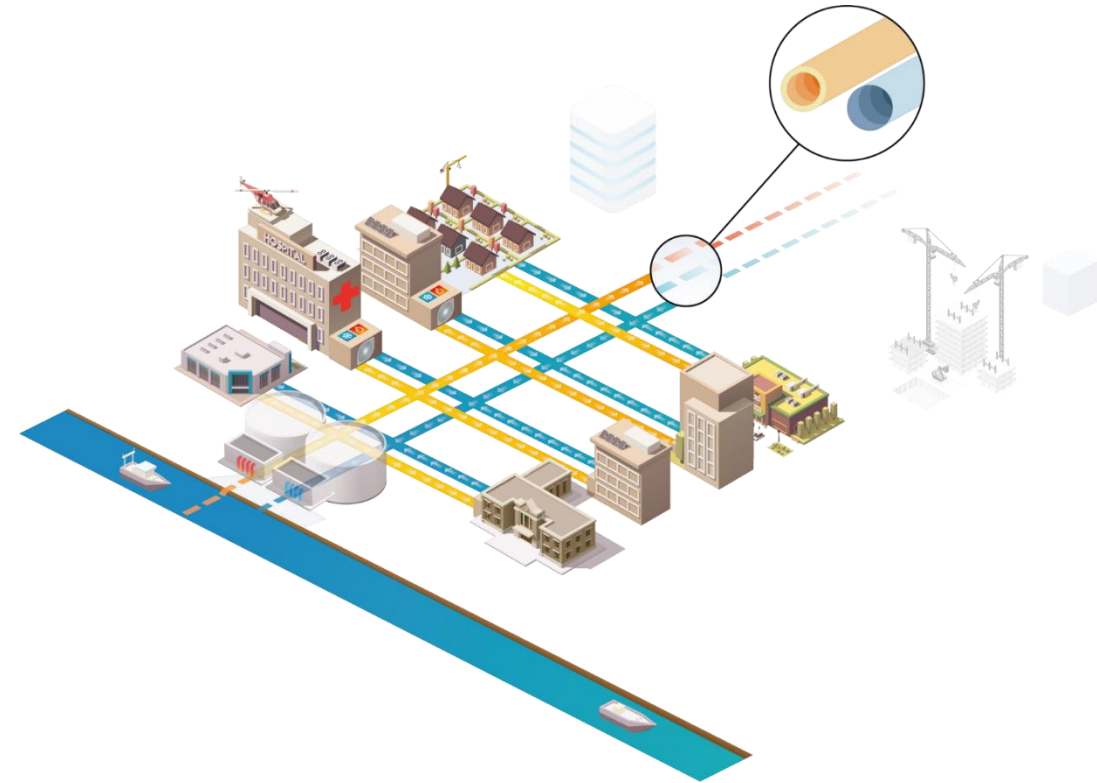
Deputy Director, Heat Networks and Biomethane Team



Growing the Heat Network Market and making it investable

We are committed to continuing the growth of the UK heat network market and will transform the market over the next decade through:

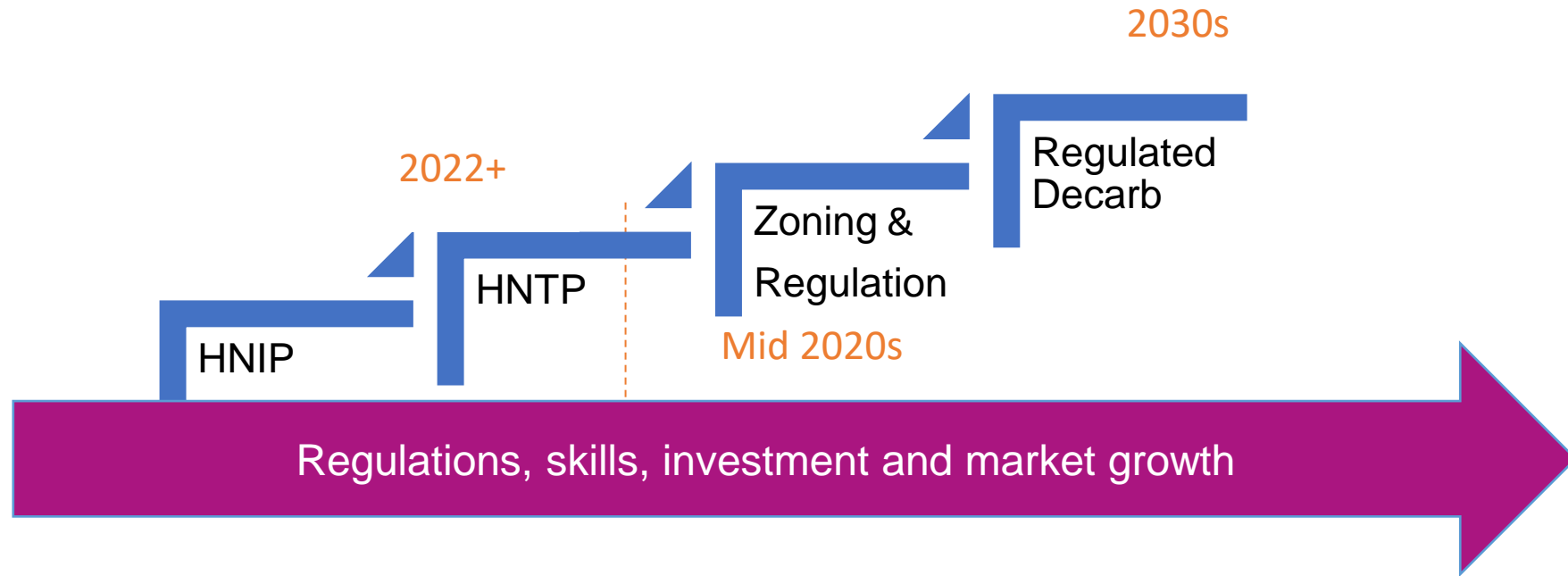
- Accelerating the deployment of low carbon heat through the **Green Heat Network Fund**
- **Introducing heat network zoning** in England by 2025
- Introducing regulation to **improve consumer protection** and **limit emissions**
- **Improve performance of existing networks** through the Heat Networks Efficiency scheme
- **Provide grant funding and guidance** for heat network project development to local authorities and other key stakeholders
- Work with industry to **increase skills and capacity in the UK supply chain**



Heat Network Transformation Programme 2022 - 2025

Current situation: supplies around 2-3% of the UK's heat supply.

Future situation: 18% share as part of a lowest cost pathway.



Q&A



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Bristol City Leap

Monday 5th June 2023

Steve Ransom
Operations Manager
Bristol City Leap

Helen Reed
City Leap Client Lead
Bristol City Council

Why Bristol City Leap?

Bristol City Council has invested heavily in decarbonisation, but we need to increase speed and scale to:

- meet our own carbon neutrality targets,
 - demonstrate leadership in Bristol,
 - address the climate emergency.
- In order to achieve this, we've procured a private sector partner to form a joint venture with the council that is focused on strategically delivering decarbonisation projects in a joined up way over a 20-year partnership.

What is Bristol City Leap?

- A new approach towards public and private sector partnership for the delivery up to £1bn of low carbon energy infrastructure investment.
- Focus on a range of project types, including low-carbon heat networks, renewable energy from wind and solar, energy efficiency, EV charging and smart energy systems.
- Builds on the council's investment to date and works to leverage the local knowledge and expertise that we have established over the years.
- Supports the council's and national government's decarbonisation targets and creates a scalable and replicable model for other cities to follow.



What has the council procured?

- The council has let a **20-year concession** to a City Leap Strategic Partner, Ameresco Ltd, to deliver and fund low carbon energy projects across the council's estate via the City Leap joint venture in partnership.
- The council now has a pre-procured partner that has the **right of first refusal** to deliver and fund all low carbon energy projects on the council's estate, including its social housing.
- City Leap will work in collaboration with the council to develop projects.
- These projects will need to meet a number of **pre-set Project Acceptance Criteria** – if they do so, they will be approved by the council.

Key commitments



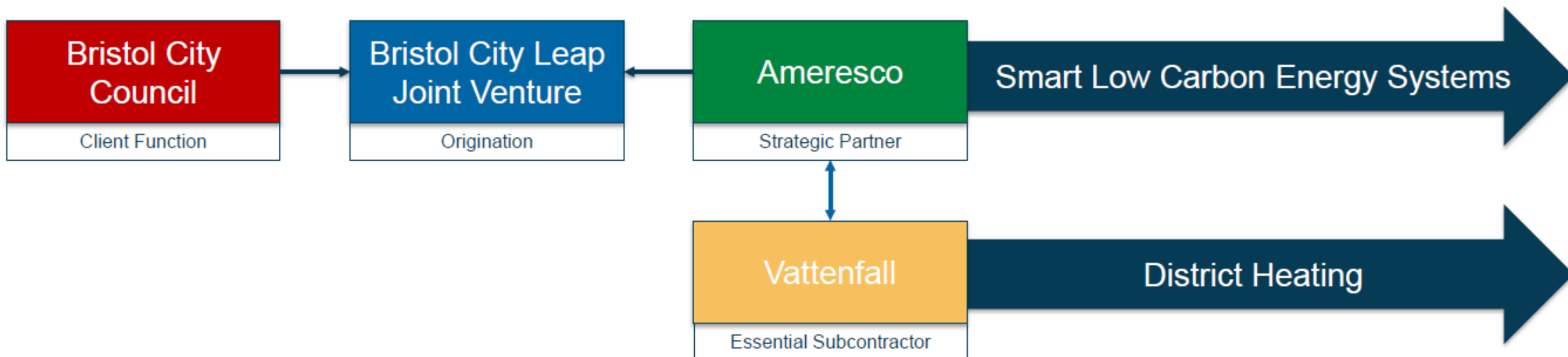
- Deliver a minimum capital investment of £424m by 2027 and up to £1bn over the 20-year partnership.
- Make the council's own operations carbon neutral by 2025.
- Decarbonise the council's social housing by 2030.
- Substantially expand the council's heat network and make it carbon neutral by 2030.
- Making a material reduction in the overall carbon emissions for Bristol.

Social value highlights



- **Creating over 1000 jobs** over the first five years.
- **£61.5m of social value** including c£50m of expenditure with the local supply chain
- A **Community Energy Development Fund** (£1.5 million in the first five years) will be established to support community energy projects get to financial close.
- A further **£500,000 R&D Fund** will support Bristol's innovation sector in developing low carbon technologies.
- Create a **Community Benefit Fund** based on the level of heat sales, match funded by Ameresco, which is estimated to generate a value of £2.8 million over the lifetime of the partnership.

How City Leap works



Key elements of the Concession

- Established a JVCo:
 - Business Plan is approved by BCC and contains certain requirements as to projects proposed
 - Outward face of City Leap
 - Enables both parties to ensure origination meets strategic objectives of City Leap
- KPIs – enforcing bid commitments
- Project Approvals Process
 - Protects Council's interests (e.g. VFM)
 - Assurance provided by the Client Function
- Additional protections around heat network (and other future strategic city assets):
 - Fair and transparent pricing
 - Continued operations
 - Special share requirement

Replicable, scalable model



- In order to address the climate crisis, rapid and sustained action must be taken over the next 10 years.
- The City Leap model has the potential to be replicable and scalable, both in the UK and internationally.
- Many UK local government bodies have expressed an interest in Bristol City Leap and are keen to follow Bristol's lead.
- Currently in discussions with UK Government around creating a standard set of documents, e.g. tender, legal, and procurement route.
- Bristol City Council are promoting the City Leap model internationally via 3Ci and other national networks.

Key takeaways

- The procurement process was lengthy and expensive, but:
 - World first (as far as we know!)
 - Concession agreement
 - Sale of existing heat network (M&A)
 - TUPE transfer – BCC Energy Service
- Council team needed to manage the contract
 - Approvals & protections
- Social Value
 - Economic goals
 - Environmental goals



Thank you

Q&A



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George Robinson, Department for Energy Security and Net Zero

Richard Turner, Amberside Advisors Limited



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Why BHIVE?

An effective way for LAs to appoint a partner that brings **active capital**



BHIVE is about procuring **commercialisation services** (and funding), not supply chain, therefore the procurement should be **simpler and quicker (and cheaper)**



We believe the BHIVE competition can come earlier in commercialisation than other procurement routes - potentially post-feasibility. Project-by-project view on minimum work that needs to be completed before the competition to ensure investors can price their response



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BHIVE

PCR-compliant platform to procure **active capital** ie capital + **commercialisation services** and **asset finance**

Open to **public sector** heat network owners/developers in **England & Wales**

Investors already on-boarded to the **Dynamic Purchasing System**

Separate from the **Green Heat Network Fund**, but designed to work alongside it

Runs to **March 2025**

BHIVE can be used to finance a **new heat network**, **expand an existing** heat network or to **refinance/sell** part or all of an existing operational network



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Drivers



Increasingly, public sector does not want to own heat DH networks



Public sector may not have the skills or financial resources to deliver DH schemes



Public sector wants to retain some control over future development of network



Investors attracted by strong ESG impact of DH sector



Zoning and regulation giving investors the confidence to invest



Investors have the skills to optimise, commercialise and deliver DH schemes at scale



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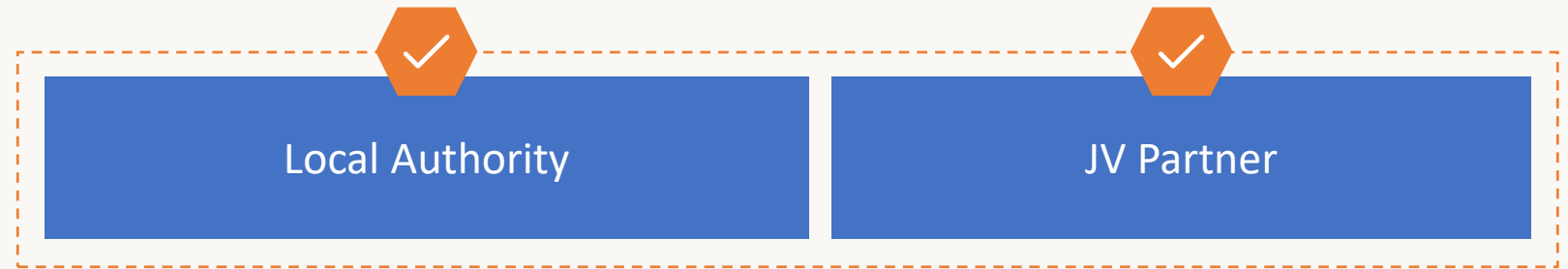
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How it works

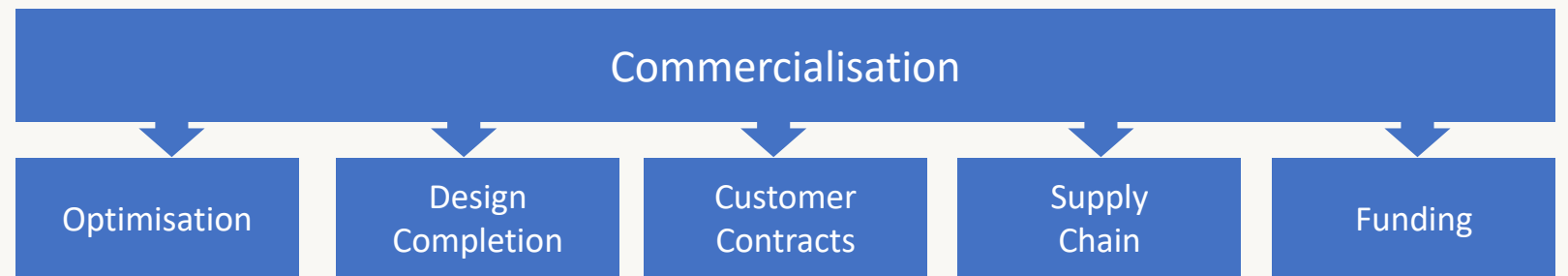
STEP 1:

BHIVE
Procurement



STEP 2:

JV Commercialises
Project



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What could a JV look like?

Full JV or Golden Share

Private sector brings commercialisation expertise and funding

LA can invest in different ways: money, assets, land or Golden Share

LA influence/control through voting and/or reserved matters



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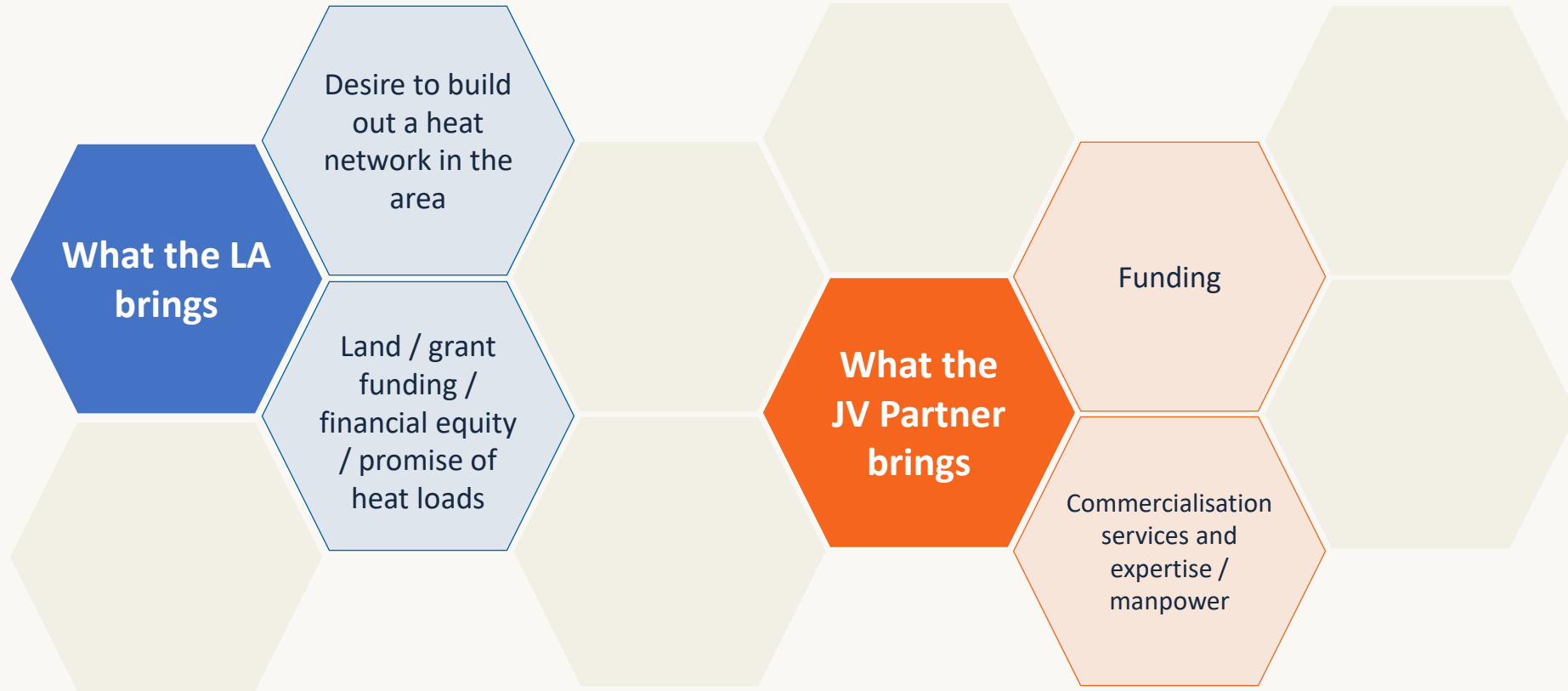
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Scenario



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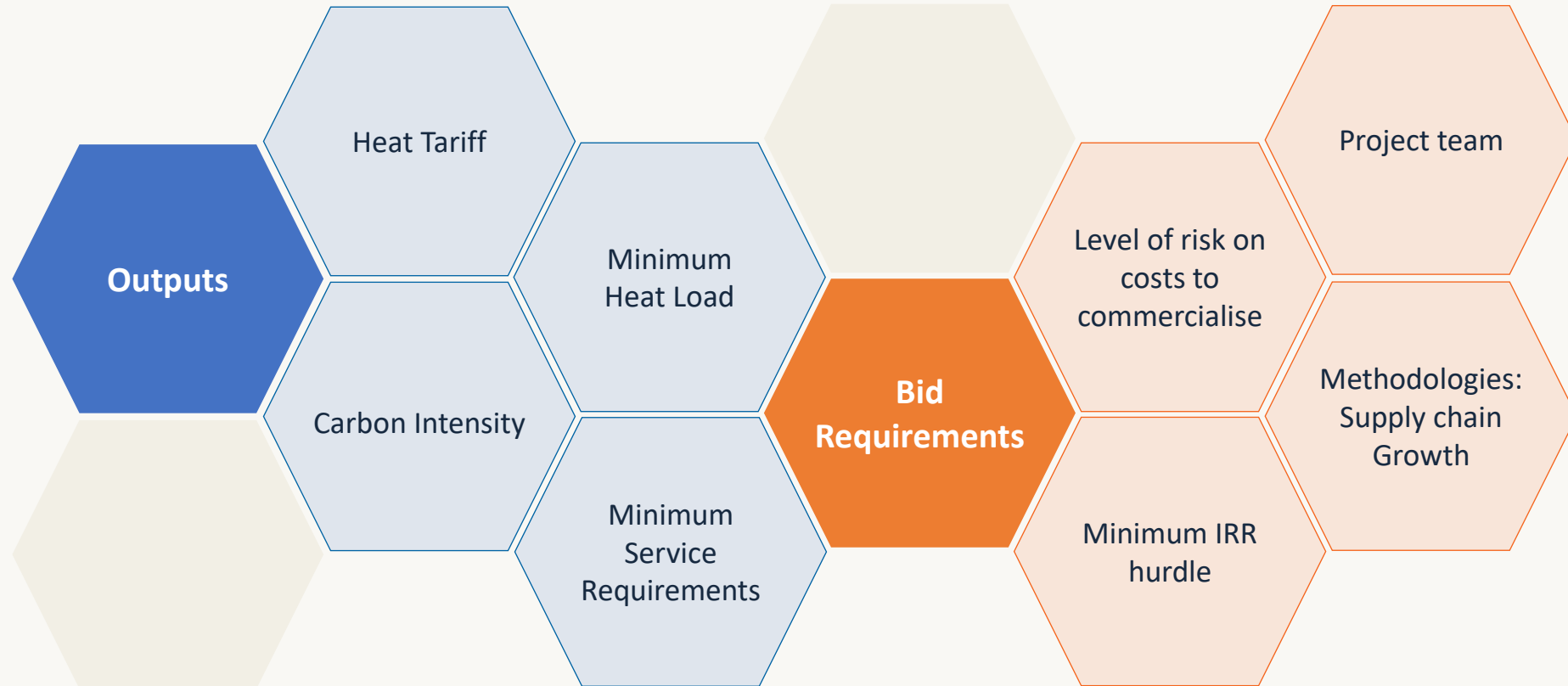
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What to Consider



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BHIVE Benefits

- ✓ **Speed:** initial procurement of investment partner
- ✓ **Cost:** narrower scope of procurement
- ✓ **Flexibility:** JV agreement
- ✓ **Control:** Shareholding/Golden Share



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Who can use it?

Public Sector Bodies in England and Wales. This includes:

Central Government
Departments, Arm's
Length Bodies and
Executive Agencies



Non-Departmental
Public Bodies, Devolved
administrations



Local Authorities,
NHS bodies



Universities,
colleges, schools, further
education providers



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Further guidance and contacts

BHIVE Customer Guidance:

<https://tp-heatnetworks.org/bhive/>

Contact

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