

ITEM No ...5.....

REPORT TO: FAIR WORK, ECONOMIC GROWTH AND INFRASTRUCTURE COMMITTEE – 19 FEBRUARY 2024

REPORT ON: ELECTRIC VEHICLE CHARGING INFRASTRUCTURE OPERATION AND MAINTENANCE PROCUREMENT SOURCING STRATEGY

REPORT BY: EXECUTIVE DIRECTOR OF CITY DEVELOPMENT

REPORT NO: 42-2024

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to present a sourcing strategy for the tender process for the operation, maintenance, and improvement of the Council's electric vehicle charging infrastructure, and to seek approval to commence a compliant tender process, leading to the award of a contract for 10 years, with a plus 5, plus 5 option to extend, totalling 20 years.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee:
- a approves the commencement of a procurement exercise in respect of the commission described, based on the sourcing strategy, summarised in this report; and
 - b note that the tender submissions received will be brought back to Committee for approval in due course.

3 FINANCIAL IMPLICATIONS

- 3.1 To accommodate growth and increased utilisation in EV charging demand forecast, bidders will be required to submit a rate per kWh for the operation and maintenance of the charging network asset. The rate will also finance the replacement of EV chargers by the supplier at the end of the assets serviceable life. The successful bidder's rate will be applied to the tariff fee to apportion and recover the cost. This method of payment will reduce the Council's risk exposure to variance in the demand growth profiled, and provide cost certainty in respect of operation and asset management when setting tariff rates.
- 3.2 With reference to Article VII of the minute of the City Development Committee held on 9 September 2019 (Report 300-2019 refers), the Executive Directors of City Development and Corporate Services are delegated authority to set EV charging tariffs in future years to cover costs, minimise financial risk to the Council, and support future expansion of the charging network. To support social inclusion in access to zero emission transport, the Council currently operates a cost neutral EV tariff pricing strategy.
- 3.3 The Executive Director of Corporate Services confirms that the revenue costs associated with the work can be met from electric vehicle charging income contained within the Revenue Budget/Corporate Fleet Budget.

4 SOURCING STRATEGY SUMMARY

- 4.1 The Council's EV charging infrastructure comprises of 112 publicly accessible chargers, and 103 private chargers for use solely by Council vehicles. The charging infrastructure asset includes associated electrical inventory such as battery storage facilities, solar arrays, and cabling. The gross replacement cost of these assets is circa £10,000,000. Annual maintenance costs are approximately £300,000 with varying levels of additional expenditure on asset renewals utilising capital funding and grants available.
- 4.2 To ensure ongoing reliability of charging infrastructure, the Council requires to establish a whole lifecycle asset management regime, funded from tariff income as part of a self-sustaining operating model. Suppliers bidding for the procurement opportunity will consider a range of growth profile scenarios, including acceleration through varying levels of private investment, which is anticipated to result in a wide range of tender prices submitted.

- 4.3 In addition to maintenance, servicing and renewal of infrastructure, from 1 July 2024 the Council also requires to provide back-office administration of the EV charging network, which has to date been provided by Charge Place Scotland on behalf of Transport Scotland.
- 4.4 The Council aims to procure a supplier to operate and maintain the Council's EV charging infrastructure. This will include renewal of assets at the end of their serviceable life, and upgrade of assets with new technology to ensure the system operation is efficient and in keeping with advancements in charging technology. The contract will also include provision to order expansion of the network to accommodate future funding available.
- 4.5 Due to the requirement for life cycle renewal of assets contained within the procurement, an initial 10-year contract term is proposed to enable commercial investment recovery certainty associated with the significant cost of replacing EV charging infrastructure in the early years of the contract.
- 4.6 This Sourcing Strategy seeks approval to progress with an appropriate compliant tender process via Public Contracts Scotland. This is a specialist market and as such it is anticipated there may be a limited number of bids, therefore pre-qualification is not required. Bidders will, however, go through a selection process to assess capability to the needs and requirements of the contract.

5 RISK ANALYSIS

- 5.1 There are four standard risks in any procurement and for public sector regulated procurements, a fifth is added, that of the procurement exercise itself breaching the public contracts regulations and leaving the Council open to a legal challenge.

Description of Risk	Actions to Be Taken to Manage Risk
Commercial Risk – that either the price objectives are not achieved up front or there are other costs that arise during the contract and diminish the overall benefits.	Low Risk - the contract will be tendered and awarded through a compliant tender procedure, through which all costs have been considered.
Technical Risk – this concerns the difficulty in being able to specify the desired outcome and on the market being unable to deliver to the specification.	Low Risk - the contract will be tendered and awarded through a compliant procedure. Bidders will be required to demonstrate technical competence as part of the tender evaluation process.
Performance Risk – this concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits.	Low Risk – a contract management process will be put in place with the use of KPI's and agreed penalty clauses.
Contractual Risk – being able to remedy the shortcomings in the contractor's performance without severely damaging the contract and about avoiding reliance on the contracted supplier as the contract develops.	Low Risk - DCC are contractually protected via the contract terms and conditions. The contractor shall be proactively managed during the term of the contract.
Procurement Risk – where a procurement is found unsound in law, through the public procurement rules.	Low Risk – this is a regulated contract.

6 POLICY IMPLICATIONS

- 6.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate Senior Manager has reviewed and agreed with this assessment.

7 CONSULTATIONS

- 7.1 The Council Leadership Team have been consulted in the preparation of this report and are in agreement with its content.

8 BACKGROUND PAPERS

- 8.1 None.

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APPENDIX A

OPTION ASSESSMENT SUMMARY

In considering the financing and operating model options for Dundee's EV charging network the following factors have been assessed:

Reliability - minimise charger unavailability and provide a reliable system to access and use.

Price Equality - half of Dundee's properties have no off-street parking and may require access to public charging facilities.

Asset Management - ensuring finance is available for future life cycle renewal of assets.

Network Improvement - provision of finance to enable modernisation and expansion of the charging estate to support growth in charging demand.

Income Options - accommodate the option of future transition from a cost recovery to an income generating service.

The following operating models have been assessed and summarised in the table below:

Option 1 – Council owned assets with separate contracts for back office services, routine maintenance, and asset renewals. Council retains full tariff income and commissions contracts on a direct cost basis.

Option 2 – term contract for back office, maintenance, and renewal combined. Council retains asset ownership and costs are financed by rate recovery from the tariff.

Option 3 – transfer of assets to private sector operator under revenue share agreement.

Option 4 – sale of assets to private sector operator.

	Option 1 Separate contracts	Option 2 Term contract	Option 3 Asset transfer	Option 4 Asset sale
Reliability	Council retains control of specification and service provision		Council relinquishes direct control of service provision	
Price Equality	Council sets tariff price providing market price stabiliser and alternative to private sector competitors		Council either relinquishes tariff control or shares profitability risk	Council relinquishes direct control of tariffs
Asset Management	Council requires to set aside income and owns risks of future recovery of asset renewal costs	Cost certainty and reduces under recovery risk. Provides private finance for early year renewals.	Council relieved of all asset management and operation costs	
Network Improvement	Limits private investment opportunity as commissioned on service provision payment basis.	Incentivised private sector investment through share of tariff income and increasing revenue generation	Attracts private sector investment with immediate income generation and established customer base	
Income Options	Retains option to provide income stream.		Provides annual income stream	Provides initial income receipts

Conclusion – Option 2 lessens the risk of widening the equality gap in EV charging, allows the Council to retain direct control of reliability performance, provides asset management cost certainty, attracts private sector investment in the charging network, and leaves open the option of income generation in future once the EV charging market matures and provision stabilises.

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