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Heat Pump Ready Phase 1

Date: 15/06/2022

Report of: Senior Project Officer

Report to: Chief Officer Sustainable Energy and Air Quality

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

What is this report about?

Including how it contributes to the city's and council's ambitions

- Leeds City Council has been successful in bidding for the government's Heat Pump Ready grant fund. The bid is to carry out a feasibility study into networked ground source heat pumps as an alternative to mains gas for heating domestic properties and is for a funding total of £197,928.49. The council is the lead bidder in a consortium that includes a number of partners including Arup, Kensa, Leeds Beckett University, Legal and General and Otley Energy.

- This project will contribute to the Leeds's climate emergency and net zero ambitions through examining the potential for networked ground source heat pumps to provide a mainstream alternative to mains gas and contribute to the decarbonisation of domestic heat.

- In order to undertake this work, the council must enter into a contract with the Department for Business, Energy and Industrial Strategy and authorise expenditure on the project.

Recommendations

The Chief Officer for Sustainable Energy and Climate Change is requested to

a) Approve Leeds City Council entering into a grant agreement with the Department for Business, Energy and Industrial Strategy

b) Approve the injection of £197,928.49 into the capital programme

c) Authorise total expenditure of £197,928.49 to carry out the phase 1 feasibility study

Why is the proposal being put forward?

1 Decarbonisation of heat is one of the principal challenges to meet our net zero ambitions. This requires innovative alternatives to mains gas, particularly in areas that may not be suitable for existing low carbon heating solutions like individual air source heat pumps. The government launched the Heat Pump Ready scheme in early 2022 to identify such alternatives and fund their development and readiness for mainstream commercial deployment.

2 In February this year, the council submitted a bid for phase one of Heat Pump Ready as the lead partner in a consortium alongside a range of other organisations including Kensa, Arup, Parity Projects, University of Leeds and Leeds Beckett. In June we were informed that we were successful in this bid. Successful phase 1 bidders are to develop feasibility studies into their proposed solutions, around which bids for phase 2 of the fund will be developed, which if successful will see them deployed to homes.

What impact will this proposal have?

Wards affected: None		
Have ward members been consulted?	☐ Yes	☒ No

3 The feasibility study will improve understanding of the potential for networked ground source heat pumps to replace mains gas in areas of predominantly low rise, private tenure homes, where there is little experience of deploying this technology.

4 Should the project be selected by BEIS for phase 2 a further grant will be awarded to the consortium to deploy the technology and make it available to households.

5 The technology has potential cost benefits both compared with gas and with existing heat pump technology. If it is successfully brought to market, it increases the range of options to decarbonise domestic heat and is particularly valuable for homes where a conventional heat pump or district heating connection isn't viable.

6 Irrespective of the outcome of the study, conducting it will enhance our knowledge of the housing stock in these areas and highlight potential routes to decarbonisation which can be applied more widely in the city.

What consultation and engagement has taken place?

7 The executive member was informed of the proposal in May 2022. Ward members will be consulted ahead of the commencement of the feasibility study.

What are the resource implications?

8 The study is fully funded by BEIS to the value of £197,928.49 which requires injection into the capital programme.

9 There is no requirement for match funding from the council or any other consortium partner.

What are the legal implications?

10 The proposal is a significant operational decision to be taken by the Chief Officer for Sustainable Energy and Air Quality. It is not eligible for call in and can be implemented immediately.

11 Procurement legal have reviewed the grant documentation and approved it for signing.

12 Because the council is the lead consortium partner, funding from BEIS will be handed to us and then distributed to the other partners to reimburse their work on the project. This requires a further written agreement between the council and bid partners which is being drafted in collaboration with colleagues in the procurement and commercial services team.

What are the key risks and how are they being managed?

13 A comprehensive risk matrix was submitted to government as part of the bid.

14 The primary risk of the project lies in its collaborative nature and involvement of multiple parties which can delay or degrade delivery if not properly co-ordinated. This will be managed through monitoring of the work schedule and progress reporting to all partners. Dedicated project management resource from Arup will help to mitigate this.

15 Potential changes to government policy could worsen the viability of the chosen technical solution; this risk will be managed through regular contact with BEIS throughout the course of the project.

16 Poor data quality risks undermining the modelling of technical performance or of the consumer insight element of the study. The consortium includes partners with expertise in these areas which help to minimise these risks, which will also be managed through progress reporting and work schedule monitoring.

17 Because this project is fully funded by government there is no direct risk to council finances from our involvement.

Does this proposal support the council's three Key Pillars?

☒ Inclusive Growth ☒ Health and Wellbeing ☒ Climate Emergency

18 The project works towards the decarbonisation of domestic heat which is one of the primary challenges of reaching net zero. Helping people keep their homes warmer for less money also reduces cold related illness and reducing fuel bills means people can spend more in the local economy.

Options, timescales and measuring success

What other options were considered?

19 The council could have chosen not to bid for the funding. Given the lack of any direct financial commitment required of bidders and the potential benefits of the project, bidding for the funding was seen as the preferred option.

How will success be measured?

20 Success will be determined by the selection of the project by government for deployment in phase two of the Heat Pump Ready programme.

21 The feasibility study will be completed by the end of November this year and submitted to government for assessment, along with a bid for phase two. The government will select three projects for deployment in this next phase.

What is the timetable for implementation?

22 The grant agreement must be returned to BEIS by 22nd June, with the project to start shortly after. The study must be completed and submitted to government by the end of November 2022.

Appendices

23 None

Background papers

24 None