

Frequently asked questions: Solar pv scheme - 3rd party provider

1. What is the benefit to our school?

The main benefits to the school are:

1. No up-front cost to the school. Installation, operation and maintenance costs will be met by the provider.
2. Reduced energy costs compared to business as usual - Agreement of a fixed price (Power Purchase Agreement) to purchase electricity generated by the solar panels at less than the current average price across the contract Laser price. The scale of benefit will depend on the size of the system and your electricity consumption. An estimate of financial benefit will be presented to you for consideration, but an indicative projected saving if purchasing at a fixed price of, for example, 5p/kWh plus RPI for a 30kw sized system is approximately £60,000 over 25 years.
3. Reduced carbon emissions and a demonstration of sustainability to the wider community.
4. A potential on-site case study resource for learning for sustainability.

NB See question 13 for the liabilities placed on the school in return for these benefits.

2. Is our school suitable?

Suitability of your building to take part in the scheme depends on a number of factors.

Principally these factors include:

- roof orientation and with no excessive shading
- sufficient spare capacity in the local area of the electricity grid
- structural soundness of roof
- compatibility with the configuration and quality of the electrical wiring
- eligibility for the Feed in Tariff, which is based on the Energy Performance Certificate level of the school. **NB** this funding stream will be directed to the funder.
- long term certainty of the school site being able to host the system for the 20 - 25 year lifetime of the agreement.

3. Who decides if the school is suitable?

Schools, of all statuses, are free to investigate and declare an interest in principle in any scheme. However certain approvals/permissions will be required and this depends on the status of the school and who owns the freehold of the buildings.

For further information please refer to Section 4 of the **'Solar PV for Surrey Schools'** document.

For all schools, it is ultimately the decision of the school's Governing Board to decide if the scheme is in the best interests for the school, taking account of the benefits and steps taken to control risks.

4. Does the scheme offer value for money?

Although Surrey County Council does not conduct full market testing on behalf of schools as compared to purchasing electricity from grid sources, we are aware of most offers available. We continuously assess these with regard to what is good value and are happy to assist schools in reaching the right decision for them.

5. Are there any risks or disadvantages?

There are a number of issues that must be addressed to ensure the panels are installed in a way that is in the best interest of the school, the investor and the county council. These can be mitigated, as set out below.

Risks	Response / Mitigation
1.The price of grid supplied electricity reduces to below the price of the solar electricity.	This is highly unlikely to occur, as industry predictions are for energy prices to increase at above RPI inflation, for the lifetime of the contract
2. The school instigates a change to its site which shades the panels and prevents the target level of electricity generation.	Preferably the panels could be relocated to another part of the site, possibly the new building, and continue as normal. However, if the school premises cannot provide a viable alternative location, <u>the school</u> is likely to be liable to compensate the investor, via compulsory purchase of the equipment at a pre-agreed depreciated rate.
3. The County instigates a change that means the school is no longer suitable to host the panels e.g. permanent closure of the school.	<u>The county</u> will be liable to compensate the investor, via compulsory purchase of the equipment at a pre-agreed depreciated rate. Therefore, any long term plans for development will be considered by the county in recommending suitable schools. The County would then offer the surplus panels to another school.
4. The roof requires routine maintenance or renewal during the lifetime of the solar panels	Provision should be made in the terms of the Lease to give the county and/or the school the ability to conduct necessary maintenance, with the removal and reinstallation of panels at no cost to the County or school to allow whole-scale re-roofing. To cover incidents of small scale patch repairs, which may be more frequent, a limited liability to the solar panel provider should be agreed. This is for the solar panel provider to provide appropriate personnel and all other associated costs excluding scaffolding, up to eg £5,000 over 25yrs per building on which PV is installed. If additional removals are required beyond this budget, the school would be required to cover reasonable costs of the panel provider.
5. Damage to the roof during installation	A structural survey will be conducted before installation to ensure the roof is suitable and fully qualified contractors will be used.
6. Disturbance of asbestos materials during installation	Contractors will be required to carry out necessary checks including of the schools asbestos register and consequently commissioning Refurbishment and Demolition surveys, for any identified risk area.
7. The panels do not generate as much	The installer will be responsible for maintaining the panels and their income will depend entirely on

electricity as anticipated	satisfactory performance of the panels. The school will only pay for the energy it uses from the system. There should be no maintenance fees for the school to pay.
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6. Why do Providers set deadlines for installation?

The Feed in Tariff 'current rates' are reviewed quarterly meaning that a new rate could be set from 1st April, 1st July, 1st October and 1st December. Installation should ideally be before the end of the month prior to any change in the rates. The installation will involve scaffolding and some internal electrical works, so the installer will work with schools approved for installation to minimise disruption to the schools operations.

7. What do the works involve?

Scaffolding will be erected to access the roof for the installation of the panels and associated cabling. There will be some internal works to route the cables from the roof to the grid electricity connection point.

8. Who owns the panels?

The provider will own the panels.

9. What's in it for the Provider?

The project is a partnership involving private companies to survey, install and maintain the systems for the lifetime of their operation. In return they receive various income streams; i) the Feed in Tariff and grid export tariff for 20 years and ii) the sale of energy to school for 20 - 25 years. In total, this provides a net benefit to the investor.

10. What legal contracts are involved?

There are four legally binding documents:

1. The Power Purchase Agreement, for the school to purchase electricity produced by the panels at a fixed rate for the agreed term.
2. A letter of indemnity from the Provider to permit surveys to be undertaken.
3. An Agreement for Lease to allow the Provider to proceed with the installation.
4. A Lease, covering the operational period of the system.

11. Who signs the Power Purchase Agreement?

The school and the Provider sign the Power Purchase Agreement.

12. Who signs the Agreement for Lease and the Lease?

This depends on the status of the school and who owns the buildings (for more information please refer to section 4 of the '**Solar PV for Surrey Schools**' document:

- SCC owned buildings eg Community status schools: The county will sign all legal agreements, using the County's standard lease documents for solar PV installations. The county's legal and surveyor costs will be charged to the installer.
- Buildings owned by a foundation/trust/diosece: The owning body, eg The Diocese or trust will sign all legal documents.
- Buildings held on long term lease from SCC eg an Academy: The school will enter into legal documentation with the Provider naming SCC as a 3rd Party giving consent to the underletting.

13. Is there a liability on the school?

In the unlikely situation that the school site ceases to be operational, or new development on the school site overshadows the panels and there is no possible way to incorporate the system into the sites redevelopment e.g. a new roof area, there is likely to be a requirement to purchase the system from the Provider. **If, and only if, the school instigates the change, then these costs will be incurred by the school (or passed to the school by the county council depending on the status of the school).** If the County Council instigates the change then it will incur the costs. The following is the basis on which the County currently calculate compensation figures. This cost is based on depreciated value, with straight line depreciation over 30 years. The formula is:

$$\text{Purchase cost of system, in Yr } a \text{ of the 25 yr period} = \text{Yr 1 cost} - (a/30)\text{Yr1 cost}$$

Where Yr 1 cost is calculated at a rates as below, depending on the type of roof:

Flat roof	£1,465.20 per kw of installed capacity
Pitched roof	£1,399.20 per kw of installed capacity

For example, a school with a '50kw' system on a flat roof, the compensation price would be:

$$\begin{aligned} \text{Purchase cost of system, in Yr 15 of the 25 yr period} &= 50 \times \text{£}1,465.20 - (15/30) \times 50 \times \text{£}1,465.20 \\ &= \text{£}36,630 \end{aligned}$$

To minimise this risk, the county will ensure that only schools with no current plans for developments are approved.

14. What happens to the equipment at the end of the lease and the power purchase agreement?

The Lease will give the County (on behalf of schools) or the school itself (depending on its status) the option to request the provider to remove the panels and associated equipment and reinstate any sections of the roof affected by the historic installation of panels; for the provider to choose to remove the panels, with the same roof reinstatement or should neither party instruct removal, then the solar PV system may remain and the school will become responsible for the systems maintenance and would receive power at no cost.

Further questions?

Should you have any further queries, please contact

Jo Stanworth, Sustainability Policy and Partnerships Officer,
jo.stanworth@surreycc.gov.uk or 020 8541 7305

Bronwen Chinién, Sustainability Policy and Partnerships Manager,
bronwen.fisher@surreycc.gov.uk or 020 8541 8538.