Stage 2: Secure funding & resources

Summary

At this point you will want to consider your funding approach for the project, identifying and contacting external funding sources as required. Further information on the potential funding options available under the Framework is available from the PDU, which includes:

- Salix
- MEEF
- Own funding
- Direct Borrowing
- Third party finance, including 'off- balance sheet'
- Combination of the above

Specialist funding advice is available through PA consulting, who are part of the PDU team.

You need to

- Determine your funding approach. This is a good time to approach funding organisations if you are considering external sources of funding.

The PDU will

- Review the benchmarking results with you to determine the most appropriate scope for your RE:FIT project.
- Assist you in approaching external funding organisations, such as the Mayor's Energy Efficiency Fund (MEEF) or Salix Finance.
- Provide specialist support through PA consulting when needed

Stage 3: Start the Tender process

Summary

The identified goals and scope will form your project brief, which is a key part of the Invitation to Tender (ITT) documentation. The ITT will also include your building data, energy data and reports, site and floor plans, Display Energy Certificates (DECs) and organisational policies and procedures. If you have any specific requirements, such as those relating to financing, these will also be included.

There are a few tender options available which are outlined later in this guide. The PDU will help you choose the most suitable option for your project.

Do be ambitious in your scope. This is a golden opportunity to explore the potential for improving your building environments while reducing your energy costs and saving money.

If you intend to apply for external funding, you will now have enough information to begin these applications. Alternatively, you can transfer the application process to the winning Service Provider by including this as a requirement on the ITT.

At the end of this stage, you will have completed your project brief and ITT document to issue at mini-competition stage to the 16 Service Providers.

You need to

- Complete your ITT documentation in line with the provided ITT template.
- Ensure that your procurement resource and systems are ready for the mini-competition stage and that all internal approvals have been obtained.
- Begin applications for external funding, if appropriate.
- Issue your ITT for mini-competition to the 16 Service Providers.

The PDU will

- Provide the tried and tested mini-competition template, which is designed to reduce the amount of time you need to develop the ITT.
- Support you through your preparation for the ITT so that you are clear about the brief for your project.
- Assist with applications for external funding.

Stage 4: Do a Mini-competition

Summary

Your ITT has been issued and you are now in mini-competition phase. This stage breaks down into three phases:

1. Site visits The Service Providers who are interested in bidding for your project will visit your site(s) at a set time and date, to gather information in order to respond to the mini-competition.

The visits will need to be planned in advance by your organisation and will require time and resource to ensure that all Service Providers have the information they require. The site visits should be attended by your Project Manager and technical staff – who are typically best placed to answer questions regarding the operation and services of each building.

2. Bid submissions. The Service Providers that decide to bid will provide a High Level Appraisal (HLA) (when using a partner bid option, this is done after the appointment). The HLA sets out the minimum guaranteed level of energy (kWh) savings, a not-to-exceed capital sum and payback period (in years), and proposals covering the other requirements that you stated in the brief, such as financing, maintenance or service output.

3. Review and selection. You, as the buyer, will receive the proposals directly from the Service Providers for your evaluation. The PDU will also receive a copy and will support you through the evaluation and selection process.

Due to the nature of an Energy Performance Contract (lasting several years), we would encourage you to conduct a series of presentations and interviews to help with your selection.

At the end of this stage, you will have selected a preferred Service Provider that is able to deliver the agreed ECMs and provide you with a indicative level of savings.

You need to

- Arrange site visits for the Service Providers, attended by your Project Manager and technical staff.
- Respond to any questions arising from the mini-competition documents and site visits from the Service Providers.
- Receive, review and evaluate bid submissions.
- Hold interviews.
- Select preferred Supplier.

Care should be taken at this point to ensure that the proposals being put forward are realistic and practicable within your operational environment and that formal approval of works, including any planning permission, is considered.

Stage 4: Do a Mini-competition

The PDU will

- Provide advice on how best to plan for and organise the Service Provider site visits.
- Provide support and advice to help you deal with Service Provider queries.
- Support you in evaluating the Service Providers proposals, providing benchmarks and cost comparisons to help you determine value for money in the bid responses.
- Support you through the interview process and assist you in asking the right questions and clarifications of the Service Providers proposals.

Stage 5: Find out how much you can save

Summary

Once selected, your preferred Service Provider is formally appointed under Call-Off Contract to proceed with the Investment Grade Proposal (IGP) (or High Level Appraisal when using the partner bid option. This is the first stage of your RE:FIT project at which you commit to capital expenditure: if you do not proceed to implementation, you would be required to cover the agreed costs for producing the IGP.

The IGP is a detailed proposal that sets out the Energy Conservation Measures (ECMs) to be installed, tonnes of CO_2 to be saved each year, capital costs (binding on the Service Provider), payback period and a Monitoring & Verification (M&V) plan. The IGP will also detail how and when the Service Provider proposes to install the identified ECMs.

The IGP provides a binding price for the works and a binding guarantee of the subsequent energy and carbon savings, which cannot be below those that the Service Provider proposed at mini-competition stage.

The IGP process involves a thorough survey of your buildings and normally takes around 40-60 working days. It is important that you engage with the appointed Service Provider during this time so that you understand the ECMs that are being considered and proposed and are content with the overall approach that the Service Provider is pursuing.

The IGP will provide all the data and information for you to obtain your next level of approvals, both internally and for external funding applications, if required. This includes any approvals required for building works to be carried out to implement the IGP, including asbestos removal notifications.

At the end of this stage you will have received a firm proposal, in the form of the IGP, detailing the works required and subsequent guaranteed energy savings.

You need to

- Prepare and complete Call Off Contract from the provided template.
- Arrange IGP start-up and final review meetings with the Service Provider.
- Provide the Service Provider with access to your buildings and any building information or data required.
- Engage with the Service Provider during the IGP process, responding to reasonable requests for information.
- Forward a copy of the IGP to the PDU for review when received.
- Agree the IGP in writing.
- Confirm project funding arrangements, if not already in place.

The PDU will

- Attend the IGP start-up and final review meetings with you and the Service Provider and provide advice throughout the IGP process.
- Carry out an outline review of the IGP and provide feedback on the proposals.

Stage 6: Install energy saving measures

Summary

Once the Investment Grade Proposal (IGP) has been completed and agreed, the Service Provider will proceed with the implementation of the IGP works. It is at this point that works commence on site, in line with the agreed IGP methodology and programme. The installation period will depend on the different technologies that are being installed.

Our experience identifies that this can be the most resource-intensive time for the Project Manager. The Project Manager and your technical staff will need to work closely with the Service Provider, so that all the practicalities of implementation can be planned and any issues resolved. Your responsibilities are as per any building works carried out on your site. This includes Construction (Design and Management) Regulations 2015 and asbestos management.

The implementation of the ECMs, commissioning and handover of the equipment are an important part of this phase of the project and should not be overlooked. Likewise the Service Provider should provide any necessary training for the new equipment, in accordance with maintenance arrangements.

Your organisation can begin to measure the energy and carbon reduction savings from the earliest point identified in the IGP.

You need to

- Prepare users in your buildings for the work of the Service Provider to install the ECMs.
- Enable the Service Provider to carry out the work and implement the measures as soon as possible.
- Monitor the progress your Service Provider is making in installing the energy conservation measures against agreed plans.
- Liaise with the PDU team throughout.

The PDU will

Assist you throughout this stage and help you check that the Service Provider is implementing the ECMs as planned and budgeted, and fulfilling its obligations.

Stage 7: Monitor Performance

Summary

Your Service Provider is responsible throughout the payback period for measuring and reporting the performance of the ECMs that have been installed within your buildings. This is carried out through the Service Provider's M&V plan which is agreed within the IGP.

The Service Provider will set up reporting systems and collect and verify the energy reduction data from your buildings throughout the payback period. It must comply with all requirements of annual energy and bi-annual financial performance reviews, including requests for attendance at meetings by you, throughout the payback period.

Reporting requirements of the Service Provider are thorough and cover the following:

- The performance of all installed ECMs and energy initiatives.
- Calculation and reporting in detail on energy and carbon reductions achieved over the reporting period.
- Identification of installations that are underperforming, distinguishing between those where a deficit is of a short-term nature and those where the deficit is likely to be longer-term and establishing the reasons
- Preparation and issuing of proposals to rectify any shortfall in performance and agreeing programmes with you for the implementation of any such rectification measures.
- Identification of any external factors impacting on, or likely to impact on, the payback calculation.
- Finally, the Service Provider must prepare Annual Reconciliation Reports throughout the payback period and a Final Reconciliation Report at the end of the payback period detailing energy and carbon reductions records over the annual reporting period.

You need to

- Provide a management and technical point of contact for the Service Provider throughout the payback period.
- Review and approve (as appropriate) Reconciliation Reports and engage with the Service Provider on any discrepancies in the savings or consumption information.
- Report any changes in building use, significant changes in occupancy, operational or any other changes that may impact upon energy consumption to the Service Provider.
- Manage the Service Provider's access to the buildings at periodic intervals.

The PDU will

- Be on hand throughout the M&V process - including during the review of the M&V proposals at the IGP stage - to advise and help you on all aspects of service delivery and monitoring performance.

Financing RE:FIT Projects

The RE:FIT savings guarantee creates a strong basis for a “spend-to-save” project with the savings being used to repay the initial project investment. For many organisations this will help to facilitate additional low cost direct borrowing and potentially an allowable increase in any prudential borrowing limits.

We recognise that obtaining funding for RE:FIT projects may be difficult for some public sector organisations, particularly where there are borrowing restrictions. We have therefore created a flexible model that enables a wide range of funding options to help meet your needs.

We have a number of approaches that can help avoid the RE:FIT project being a call on your organisation’s capital budget, including options for the project, or parts of the project, to be treated as a pay-as-you-go services contract, a service concession, an operating lease, or a purely output contract.

The RE:FIT programme aims to provide the best project solution, including how the project is funded, to meet the needs of your organisation. While we do not provide financial or funding advice, we can support you to achieve:

- An appropriate financing solution for your requirements,
- Value for money assessment of financing solution (including risk),
- A detailed overall business case and cost profile including financial savings, both through the guaranteed savings and wider savings proposed.

The main funding options are:

- **Self-financed** – either funding direct from reserves or from own borrowing. This is the most common source of funding for RE:FIT projects and may be the cheapest financing method, particularly for those organisations who can access low rates from the Public Works Loans Board or similar arrangement.
- **Supplier arranged finance** – all suppliers on the framework can provide full or part funded solutions. Their ability to support clients - whether through providing finance or helping the client to obtain the best cost and cashflow for alternative funding options - was part of the initial assessment criteria for selection onto the RE:FIT framework.
- **Third party finance** – you may already have a loan facility in place at preferential rates or may want to go out to the wider financing market to help achieve optimal funding arrangements. The London Energy Efficiency Fund has been established with support of GLA and EU funding to provide flexible loans for energy efficiency projects at below commercial rates. Salix Finance may be able to provide interest free loans and the RE:FIT team hold regular sessions with Salix senior management to help optimise the process for applying for such loans cover all or part of the costs for RE:FIT projects.
- **A mix of the above** – the overall financing solution may include a mix of different approaches to cover different elements of the project. For example, some aspects may be directly funded by the buyer, some elements funded through third party finance linked to the contract, and some elements funded by the supplier.

Tender Options

The Programme sets out three main tender options for the mini competition to appoint the Service Provider. These are designed to reflect a wide range of potential project values, building complexity and portfolio size. The options are:

Option 1 - "PARTNER BID". You are essentially selecting a delivery "partner". Selection is based primarily on their capability and approach in response to the project, your specific requirements, pricing rates and costs for Investment Grade Proposals. There is no detailed technical solution bid (no High Level Appraisal is submitted), no specific technical proposal or bid performance level (although performance levels that would need to be met during the contract may be stated in your Project Brief). This approach aims at recognising the potential cost and resource requirements of detailed bidding. It may also help enable tendering of very bespoke / complex requirements (such as listed building portfolios where any ECM proposal may need lengthy approvals), and also make smaller value opportunities more viable. Organisations selecting this option may state the performance levels (e.g. minimum level of savings and maximum payback period), that need to be achieved for the Investment Grade Proposals to be deemed acceptable.

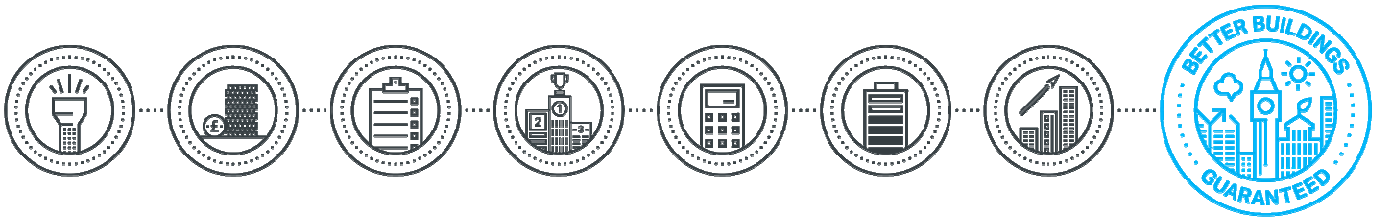
Option 2 - "TARGET BID". You are selecting the Service Provider based on their technical solutions (covering areas such as the proposed ECMs and guaranteed savings proposed across the buildings portfolio from those ECMs), and potentially a range of other criteria including supplier capability and approach in response to the project, response to requirements, pricing rates and costs for the Investment Grade Proposals.

Option 3 - "INVESTMENT GRADE BID" the detailed technical and commercial proposal is required across all buildings and may require maximum pricing and fixed savings levels at an individual ECM level. The level of detail equates to an Investment Grade Proposal. Given the greater level of detail required and the increased bid effort, it is expected that this level of information will only be required at the final part of a multi-stage mini-competition. This option is more likely to be used for large single site properties, such as a hospital or university campus, and/or where larger individual ECMs, such as district heating, are considered.

The PDU will work closely with you to determine the most appropriate tender option for your project and organisation.

To summarise

The RE:FIT Programme Delivery Unit supports clients through the whole RE:FIT process:



SEE WHAT RE:FIT CAN DO FOR YOU

SECURE FUNDING & RESOURCES

START THE TENDER PROCESS

DO A MINI-COMPETITION

FIND OUT HOW MUCH YOU CAN SAVE

INSTALL ENERGY-SAVING MEASURES

MONITOR PERFORMANCE

ENERGY SAVINGS. GUARANTEED.

COST SAVINGS. GUARANTEED.

IMPROVED PERFORMANCE. GUARANTEED.

Contact details

For more information about the RE:FIT Programme, visit our website at:

www.london.gov.uk/refit

Or contact:

REFIT@london.gov.uk

Appendix 6

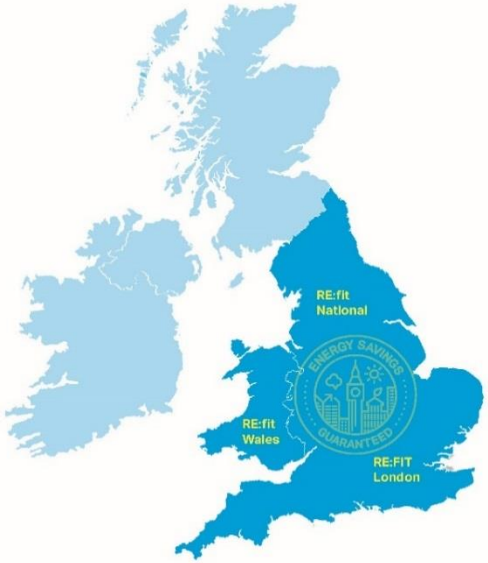
MAYOR OF LONDON

INTRODUCING
RE:FIT

European Union
European Regional
Development Fund

WHAT IS RE:FIT LONDON?

- The Mayor of London's ambition for London to be a zero carbon city by 2050
- Award-winning building retrofit programme for public sector organisations
- Fast-track OJEU compliant framework with 16 service providers to choose from
- A tried and tested Energy Performance Contracting model in place since 2010
- A Programme Delivery Unit that provides technical assistance and continual support from design to implementation
- Guaranteed to save you money and energy



RE:FIT is part of the Mayor's £34m Energy for Londoners programme which aims to make London's homes warm, healthy and affordable, its workplaces more energy efficient, and to supply the capital with more local clean energy

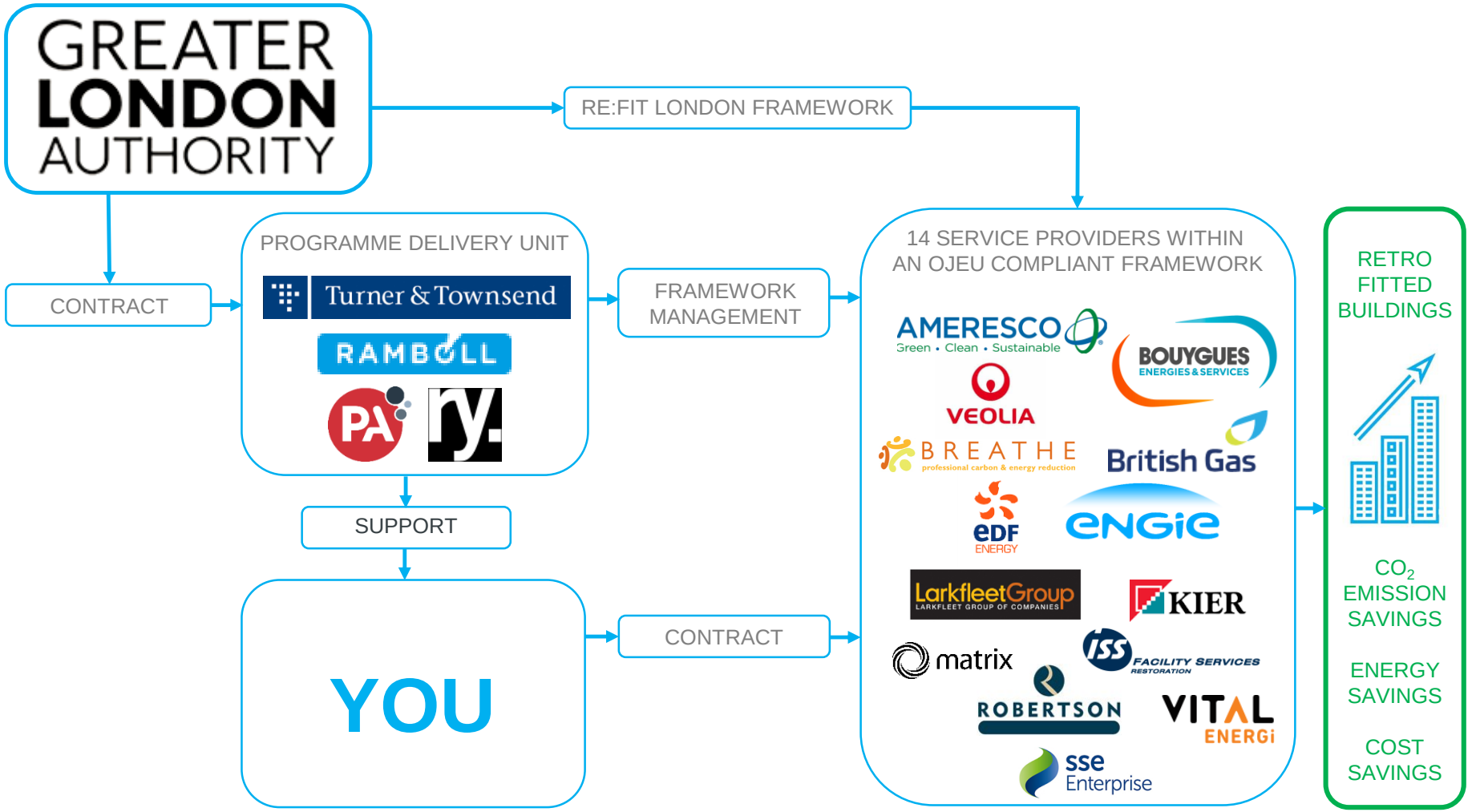
WHY USE RE:FIT LONDON?

- Energy savings GUARANTEED
- Average savings of 15-25% on energy bills
- You keep 100% of your savings – no sharing or hidden costs

- Fully funded consultancy and advice from start to finish (until October 2019 only!)
- Expert benchmarking, funding advice, business case and ITT support and guidance
- Additional training and project support available
- Full range of standard and innovative technologies and solutions supported

- Reassurance to use a tried and tested scheme which has already supported over 200 organisations
- Fast and efficient process using an OJEU compliant framework of 16 service providers to choose from

RE:FIT LONDON STRUCTURE



HOW DOES RE:FIT LONDON WORK?

IT'S A SIMPLE SEVEN STEP PROCESS

SEE WHAT RE:FIT CAN DO FOR YOU

SECURE FUNDING & RESOURCES

START THE TENDER PROCESS

DO A MINI-COMPETITION

FIND OUT HOW MUCH YOU CAN SAVE

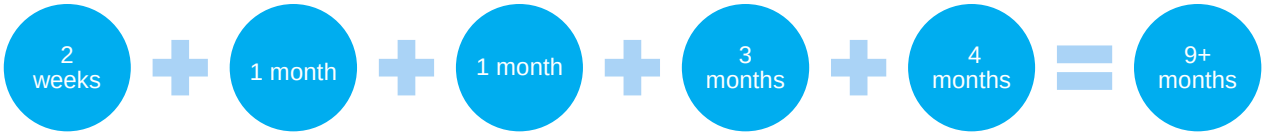
INSTALL ENERGY-SAVING MEASURES

MONITOR PERFORMANCE

ENERGY SAVINGS. GUARANTEED.

COST SAVINGS. GUARANTEED.

IMPROVED PERFORMANCE. GUARANTEED.



WHAT HAS RE:FIT LONDON ACHIEVED SO FAR?

220+

PUBLIC SECTOR ORGANISATIONS PARTICIPATING

35k+

TONNES OF CO_2 SAVED EACH YEAR

550+

BUILDINGS SUPPORTED FOR RETROFIT

£106m+

TOTAL INVESTMENT IN RETROFIT PROJECTS

210k

TONNES OF CO_2 SAVED SO FAR

£8m

PUBLIC SECTOR COST SAVINGS EACH YEAR

ENERGY CONSERVATION MEASURES

- CHP
- Variable speed drives
- Lighting & controls
- BMS controls
- Heat recovery
- Solar thermal
- Heat pumps
- Photovoltaic panels
- Secondary glazing
- Draught proofing
- Radiator reflector panels
- Street lighting

1E Nightwatchman software for PC auto shutdown

BENCHMARKING PROCESS

SEE WHAT RE:FIT CAN DO FOR YOU

Building Data Sheet

- Consumption Data
- Building systems data

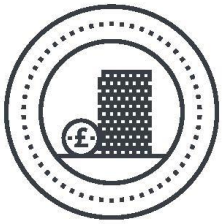
Benchmarking Analysis

- CIBSE and Carbon Trust
- Display Energy Certificate
- RE:FIT and Turner & Townsend own

Results

- kWh
- tCO2
- Investment level
- Payback

FUNDING YOUR PROJECT



SECURE FUNDING & RESOURCES

RANGE OF FUNDING OPTIONS

Own funding

Direct borrowing

Third party finance, including 'off- balance sheet'

A mix of the above

MAYOR OF LONDON'S ENERGY EFFICIENCY FUND
supported by European Regional Development Fund

SALIX
SOLVING ENERGY EFFICIENCY FINANCE IN THE PUBLIC SECTOR

TENDER OPTIONS

DO A MINI-COMPETITION

Flexible to suit client requirements

OPTION 1
Partner Bid

Selecting a Service Provider primarily on their approach, capability and understanding of your project requirements.

OPTION 2
Target Bid

Selecting a Service Provider based on the guaranteed savings level and detailed technical proposals.

TYPES OF RE:FIT LONDON PROJECTS

FIND OUT HOW MUCH YOU CAN SAVE

Major Works
All Sectors
Project values £1m +

Small Works
All Sectors
Project values up to £1m

Schools / Colleges
Project values £100K +

Quick fix / fast track projects

Optimising existing sites

Maintenance back log

Large Infrastructure

Work Delivered

RE:FIT ENGAGED ORGANISATIONS

London Boroughs

ENFIELD Council

merton

BRENT COUNCIL

Sutton

Ealing
www.ealing.gov.uk

HarrowCOUNCIL LONDON

Camden

CROYDON

Haringey Council

London Borough of Hounslow

Education

LSE The London School of Economics and Political Science

Goldsmiths University of London

LONDON metropolitan university

WMC

University of London

Imperial College London

Tower Hamlets College

GLA Family

Transport for London

METROPOLITAN POLICE Working together for a safer London

LFB
LONDON FIRE BRIGADE

NHS & Health

Barts Health NHS
NHS Trust

NHS
Waltham Forest

Epsom and St Helier University Hospitals NHS
NHS Trust

Culture & Heritage

Kew
ROYAL BOTANIC GARDENS

Central Government

Department of Energy & Climate Change

Department for Environment Food & Rural Affairs

Other Organisations

BANK OF ENGLAND

RE:FIT Schools

FULHAM COLLEGE BOYS' SCHOOL
RAISING BOYS' ACHIEVEMENT

Oak Lodge School

Waverly,
Colville
Broomfield

WOODSIDE Primary School & Children's Centre

RE:FIT SMEs

Camden arts centre

efdss english folk dance and song society

BUSH THEATRE

STRATFORD CIRCUS BEST FAMILY VENUE

SINCE WE STARTED, WE'VE WON NUMEROUS AWARDS FOR OUR WORK

MAYOR OF LONDON

SOME RELEVANT CASE STUDIES

European Union
European Regional
Development Fund

CASE STUDY – NEWHAM UNIVERSITY HOSPITAL

"I chose to use the RE:FIT Framework because it was tried and tested, OJEU compliant and easy to access. It has shown the benefits, support and savings that can be achieved as a programme and also allowed the best solutions to be taken up by the organisation."

[redacted]**Assistant Director of Site Development and Facilities**

What has Newham University Hospital Science achieved through RE:FIT London?

- £234,000 saved over 4 years
- 2130 tCO2 saved over 4 years
- 4 years monitoring period
- 120% cost saving in year 4

Newham University Hospital is a 379 bed hospital in East London. Now a part of Barts NHS Trust, the Hospital invested in a range of energy and environmental improvements, including two phased installations under the RE:FIT Framework, to help reduce their carbon emissions and enhance the healing environment for their patients through better air quality.

CASE STUDY – EPSOM & ST HELIER UNIVERSITY HOSPITALS NHS TRUST

"The RE:FIT Programme has allowed us to procure a specialist partner to help us identify a significant level of saving in our annual energy cost. In addition, we will be replacing our existing energy infrastructure, reducing our backlog maintenance and improving the environment for our patients."

[redacted] **Deputy Director of Estates Strategy, Property and Capital**

What has the Trust achieved through RE:FIT London?

- £1m savings guaranteed per year
- £10m backlog maintenance offset
- 9 years payback time
- 27% carbon reduction

Epsom & St Helier University Hospitals NHS Trust is a large acute Trust in England and operates from two acute hospitals. The Trust are in the process of implementing an Energy Performance Contract through RE:FIT and have identified guaranteed energy savings of £1m per year. In addition through the replacement of life expired equipment they will offset £10m from their backlog maintenance.

CASE STUDY – LONDON BOROUGH OF SUTTON (LSB)

"RE:FIT is a very effective program as it tackles the one most sensitive issues of any energy efficiency investment: up-front costs. Combined with guaranteed savings, it is a no brainer for any local authority"

[redacted] – Energy Manager

What has LBS achieved through RE:FIT London?

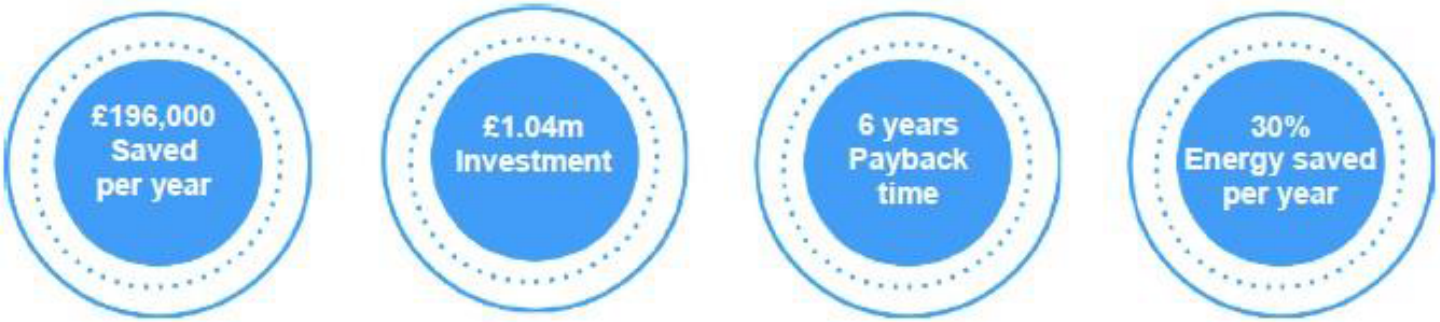
LBS used the RE:FIT programme to support its carbon management plan, by delivering energy efficiency across the Boroughs' buildings, and driving down both energy consumption and carbon emissions. The selected buildings for this phase of RE:FIT ranged libraries, offices, depots, a public hall and the LBS Civic Centre; 9 buildings of varying age, condition and usage.

CASE STUDY – LONDON BOROUGH OF EALING (LBE)

"Without the structure and support of RE:FIT, it would have been much more challenging for Ealing to gain the necessary support and approvals to move our programme forward. Also the guaranteed energy savings allowed us to quickly secure confidence with internal stakeholders."

[redacted] - **Sustainability Programme Manager**

What has LBE achieved through RE:FIT London?



LBE was one of the first London Boroughs to engage with RE:FIT London energy retrofit programme, as part of its carbon management plan to drive down energy usage and carbon emissions.

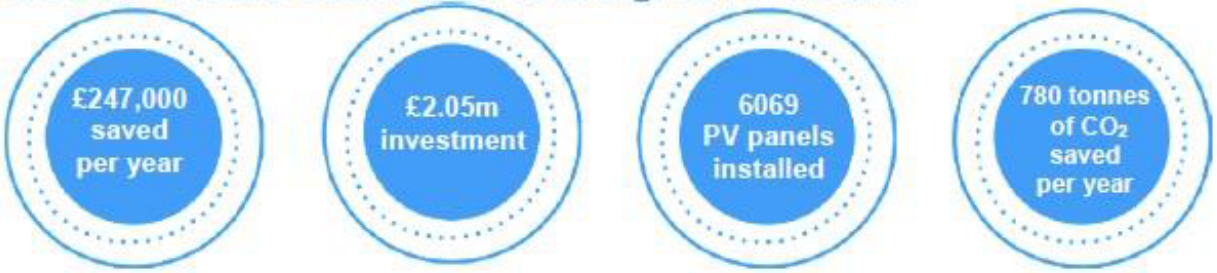
The selected buildings included Perceval House, Ealing Town Hall and Greenford Hall, some 300,000 sqft of offices and administrative accommodations of varying age, condition and usage.

CASE STUDY – LONDON BOROUGH OF HOUNSLOW

""This solar PV and battery storage project demonstrates LB Hounslow's aspiration to convert Western International Market to a carbon-zero site. It is a real business success story, and a great example of working together with RE:FIT to put sustainable energy at the heart of future plans. In addition to the financial benefits, the project will provide carbon free power for decades reducing carbon dioxide emissions, thereby underscoring the Council's commitment to environmentally friendly projects via the largest public storage in the UK."

[redacted] ***Hounslow Energy Manager***

What has Hounslow Council achieved through RE:FIT London?



Hounslow Council, supported by the Mayor of London's RE:FIT programme, has installed the largest roof-mounted solar PV array by a UK local authority, and the first to incorporate battery storage. Some 6069 panels generate nearly half of all the required electricity used on site, while a battery storage system with advanced controls software optimises the amount of electricity utilised on site.

The Council expects to recover the £2m invested in the project back in well under 7 years. Cumulative benefits over 20 years are estimated at £7.5m and the site will contribute 2 per cent of the council's carbon reduction target. Cost savings (including Feed-in-Tariffs, export tariff) of £247,000 are expected in the first year of operation (2016/17).