Invitation to Tender

To prepare an Excel computer model to show the financial feasibility of a Solar Energy Park project in the East of England.

Responses to this tender must be received by Renewables East no later than 1600hrs on Tuesday 27 January 2009.

1. Introduction

Renewables East ("RE") is developing a feasibility study for East of England for a photovoltaic Solar Energy Park project. The project is likely to have a rated power of approximately 2MWp (approximately 50,000m^2) and be sited on or near an industrial park.

The project is intended to be an inspirational, pioneering initiative that will contribute to establishing a leading cluster of renewable energy related activities in the region. This will promote not only renewable energy but also jobs linked to this industry in the East of England.

The objective of this investigation is to identify whether the delivery of a Solar Energy Park in the East of England is financially viable, exploring different financial models.

2. Background

The East of England is the leading English region for renewable electricity, currently producing 9% of the electricity it uses from renewable sources. It benefits from wide scale deployment of bio energy (for example the world's first chicken litter electricity plant at Thetford, the UK's first bio ethanol plant at British Sugar Wissington, and the world's fastest biofueled car at Lotus in Norfolk) and 2007 saw a record year for deploying onshore renewable energy.

The region's coast is also surrounded by the majority of the UK's offshore wind installations, with around £50 billion capital investment anticipated by 2020 as well as being the host region for OrbisEnergy, a Centre of Excellence focussed wholly on R&D, innovation, business development & growth for offshore wind, wave and tidal technologies.

As a result, the region is well on target to meet its 2010 target of 14% electricity from renewable sources.

The purpose of this ITT is:

- To seek bids to build an Excel model to investigate the financial feasibility of the project.
- On the assumption that the financial viability is indicated, we then expect that the successful tenderer will become the financial adviser for the project.

Consequently tenderers are requested to respond on the basis of both the above roles.

Please note that successful collaboration on the Solar Energy Park project will be an important factor in choosing advisers for future work.

3. About Renewables East

Renewables East is a private company delivering the services associated with being the renewable energy agency for the East of England. The Company is funded by the East of England Development Agency (EEDA) and officially designated as an EEDA sister organisation. For the year 2008/09, RE has been allocated £2.4M from various sources including EEDA, EMDA, EU, Local Authorities and central government to continue its mission.

The objectives of the Company are:

a. To enable the East of England to meet its adopted target for the production of energy from renewable resources, within the context of national energy policy and the need to move towards a lower carbon economy; and
b. To maximise the rate of growth of the renewable energy sector and the economic benefits to the East of England and East Midlands' regions, especially through stimulating investment and job opportunities, supply chain development and innovation.

RE's primary work areas are Bioenergy (Biomass and Biofuels,) Offshore/Onshore Wind and the emerging marine renewables (i.e. Wave & Tidal technologies), Planning, Supply Chain Development and the On-site Renewables agenda. If you have not already done so, you may find a visit to our web-site useful www.renewableseast.org.uk.

4. Further information

The delivery of the Solar Energy Park will address the following strategic priorities:

- Innovation: the park will demonstrate the potential for large scale Photovoltaic (PV) technology supported by an innovative financial model.
- Entrepreneurship: the public sector led development and financing of the solar park will be an exemplary investment model for low risk, long term carbon reduction projects
- Sustainability: the project has potential to reduce carbon emissions by approximately 17,000 tonnes over 25 years
- Gross Value Added (GVA): the project will support employment in the clean technology sector through the design, planning, construction and monitoring of the Solar Energy Park.
- Inward investment: working with EEI and UKTI presents a good opportunity to encourage a significant inward investment into the region, whilst highlighting the R&D expertise in the region.

Delivering the solar park concept requires the following key components, collectively making up the 'target specification':

- A suitable site (land or large roofs) equivalent to approximately 220x220m
- A connection to end-users to sell electricity
- A public investment partner
- A technology partner
- The creation of a special purpose vehicle (most likely a community interest company) that manages and operates the park in the long term

Size of the project. For the purposes of deciding whether to bid for this assignment, tenderers should assume that the total project cost will be approximately £6million based on German experience of projects of this size. We anticipate that there will be a public body grant available of approximately £2.5million to reduce project costs.

RE has commissioned a technical feasibility study that will help identify preferred options for delivering the Solar Energy Park. This study will include the following aspects:

- Suitable solar technology: Mono/Polycrystalline cells or thin film modules
- Array design: Double axis tracking or static systems
- Grid connectivity: Private wire or grid connected
- Assessment of the technology supply markets in Europe to establish what capital cost reductions can be realised at the scale of the project
- Supply chain gaps

The technical feasibility study will also cover financial aspects and inform revenue scenarios and outline potential delivery vehicle options.

This information will be useful for guiding accurate assumptions for the more detailed financial modelling and it is essential that the model is flexible enough to test options highlighted in the technical feasibility study.

Representatives of RE will also be available throughout the tender period and assignment to discuss further assumptions for the project.

5. Scope of Work

The successful bidder will be expected to provide and deliver a discrete presentation as part of the overall tender which includes the following:

Stage 1

Financial model. To prepare an Excel model to test the financial viability of the Solar Energy Park project. This includes the investment, operational cost/income and the projected rate of return of the project. The model should incorporate and evaluate the following aspects:

- Both public and private sector investment models and public-private partnerships
- Public sector investment rules (European and UK)
- Supplier-based finance packages.
- Electricity supply/power purchase contracts to maximise value from the electricity generated.
- Soft loan facilities available for use by public bodies

The model should be capable of investigating the sensitivities of key assumptions:

CAPEX
- Cost of land or roof space to host the project
- Construction/system cost and phasing
- Potential cost reductions in technology provision given the global downturn.
- Cost of grid connections

Revenue
- Sale of electricity to the grid and/or over private wire
- ROCs/double ROCs/feed in tariff/other carbon credits
- Timing and certainty of load and revenues

O&M
- Operation and maintenance costs
- Plant replacement costs
- Insurance

Financing

- Public and private sector investment models
- Cost of project development
- Gearing
- Cost of debt
- Inflation
- Taxes and Enhanced Capital Allowances
- Interest margins, arrangement fees and commitment fees
- Effects of delays in construction/revenue generation

The successful tenderer will be expected to discuss the model with RE and its advisers, and there may be a number of iterations prior to the model hand-over. The successful tenderer will then be expected to present the model and summarise its findings to stakeholders. The successful tenderer will be required to incorporate the findings of the technical feasibility study.

Stage 2

Financial Advisory Role.
On the assumptions that the Solar Energy Park project goes ahead, act as financial adviser to the project.

6. Tender Details

Responses to this tender must be received by Renewables East no later than 1600hrs on 27th January 2008. They should be sent via email to:

John Heath
Delivery Manager
Renewables East
ZICER Building
School of Environmental Sciences
University of East Anglia
Norwich
NR4 7TJ

johnheath@renewableseast.org.uk

Responses should be submitted electronically, and should include:

- your total fee for stage one of the assignment
- the basis upon which you would expect to be remunerated for stage 2
- whether, and to the extent, your remuneration for stage 1 would be rolled into the stage 2 remuneration, should stage 2 proceed
- All costs are to include VAT and expenses

The Excel financial model will be the property of Renewables East.

The successful applicant will be notified by 30 January 2009 at the latest and must be in a position to start work immediately upon notification.

The materials produced will be the property of Renewables East and will need to be supplied in formats (hard copy and/or electronic) that can be reproduced by us without further project cost.

7. Outputs & Timings

ITT publicised	16th January
Deadline for response to ITT	26th January
Confirmation of successful tenderer	30th January
Delivery of draft report and initial model	20th February
Review of initial findings with RE team	w.c.23 February
Questions and answers and model iterations	w.c 23 February
Delivery of model and final report	2 March
Presentation to RE client team	w.c.2 March

Although the dates set out above are fixed, we would anticipate significant interaction between the successful tenderer and the RE team throughout the assignment. Furthermore, the successful tenderer will be working closely with the company that will be undertaking the technical feasibility study (which will run concurrently). Finally, the successful tenderer will need to meet at least two potential public investment partners for discussion of the resulting implications of the public investment.

Stage 2
The successful tenderer will be expected to act as a financial adviser (as it is normally interpreted) for subsequent project financing. Specific terms of reference can be developed later. At this stage, it is difficult to anticipate if and when the project financing might proceed.

8. Tender Process and Assessment

Tenders should be no longer than ten pages, including a two page Executive Summary. Further information can be included in the form of appendices.
The tenders will be assessed against the following criteria:-

20% - Value for money

50% - Experience (of both the organisation and the individuals who will be assigned to this project) in the creation of computer models to test the economic viability of projects, particularly those concerning ESCOs and renewable energy, together with contactable references.

30% - Evidence of knowledge and experience of low carbon and renewable energy policy and implementation at both national and regional level, and of economic development policies and measures

Any information provided will be treated with total confidentiality.

9. Fees

Given the short nature of this contract, payment will be made on satisfactory completion of the work and receipt of invoice, subject to our standard conditions (available on request). Payments are normally made within 14 days.

10. Further information

Should you require any further information on this brief to complete your tender submission, please contact John Heath by e-mail or post to:

johnheath@renewableseast.org.uk

John Heath
Delivery Manager

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