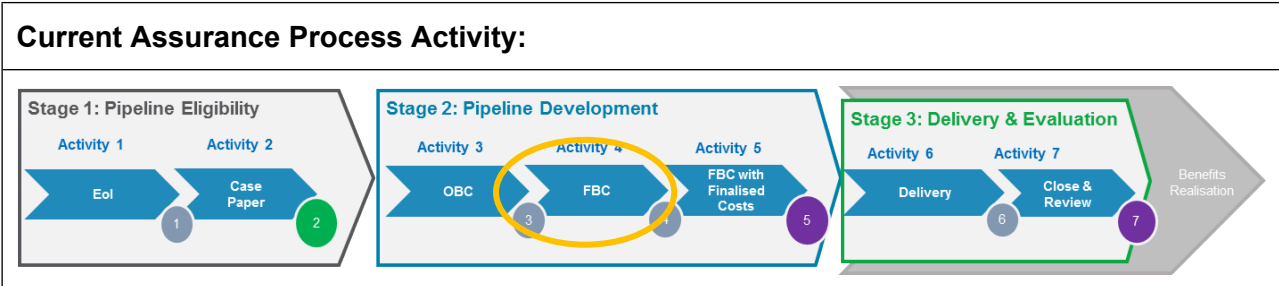


Scheme Summary

Name of Scheme:	Leeds Enterprise Zone Power Solution
PMO Scheme Code:	GD-PA4-012
Lead Organisation:	Leeds City Council
Senior Responsible Officer:	Mark Mills
Lead Promoter Contact:	Adele Blacklock
Case Officer:	Sarah Ratcliffe
Applicable Funding Stream(s) – Grant or Loan:	Grant from the Local Growth Fund
Growth Fund Priority Area (if applicable):	Priority 4 – Infrastructure for Growth
Approvals to Date:	<p>LCR Enterprise Zone (phase 1) power solution Outline Business Case was approved in November 2016. The Outline Business Case was for £10 million of grant funding to provide a substation completed by December 2018.</p> <p>Changes in the Full Business Case include a reduction in grant funding to £5 million to enable Northern Powergrid (the local incumbent energy supplier) to carry out upgrading and expansion of the existing infrastructure (as opposed to a substation) to the Leeds Enterprise Zone by March 2021</p>
Forecasted Full Approval Date (Decision Point 5):	January 2019
Forecasted Completion Date (Decision Point 6):	March 2021
Total Scheme Cost (£):	£5 million
Combined Authority Funding (£):	£5 million – Local Growth Fund
Total other public sector investment (£):	None
Total other private sector investment (£):	None

Is this a standalone Project?	No
Is this a Programme?	Yes
Is this Project part of an agreed Programme?	LCR Enterprise Zone Programme



Scheme Description:

A study by Arup (2015) identified an impending electrical supply shortage at the appropriate voltage to parts of the Leeds Enterprise Zone. This is predominately due to the lack of existing infrastructure within this emerging development area. Genecon (2015) also noted that there is a likely market perception of a shortage of readily available power. The prospect that there may be insufficient electricity capacity to fully develop out the Leeds Enterprise Zone is a major concern and a significant risk to the delivery of the objectives and targets for growth in the Enterprise Zone.

The immediate supply, which has been delivered to the area through discrete infrastructure upgrades and reinforcements, is dwindling. Northern Powergrid (the incumbent supplier) is constrained by their financial model which prevents them from investing ahead of demand. As the nearest source becomes further away the associated connection costs are greater and the timescales for connections are longer. This leads to uncertainty and risk for developers which in turn impacts on attracting and securing new development, including inward investment to the Enterprise Zone.

The project will front fund an upgrade of existing electrical infrastructure to enable an 18 Mega Volt Amp (MVA) supply to the zone. Initially, the resulting supply will be for the exclusive use of developers within the Enterprise Zone to support new build units, although this position will be reviewed as delivery of the Enterprise Zone progresses.

As of June 2018 around 1 million sq. ft. has been developed or is currently being developed on site with power secured for a further 1.1 million sq ft. However, there remains a further 1.4 m sq. ft. of floor space within the Enterprise Zone that will be directly influenced by the energy solution, including 2,800 jobs protected (Nb. estimates are yet to be updated following the announcement that the HS2 depot will be located within the Gateway 45 site).

Business Case Summary:

Strategic Case	Designated in 2012, Leeds Enterprise Zone offers companies and
-----------------------	--

	<p>businesses excellent opportunities for relocation and expansion. The Enterprise Zone sits at Junction 45 of the M1, yet only minutes from Leeds City Centre, making it one of the most strategic employment locations in the country. Significant investment has already been made through the Building Foundations for Growth funding of £8.57 million invested into road and drainage infrastructure and ongoing business grants awarded through Business Growth Programme to end users locating in the zone.</p> <p>The prospect that there may be insufficient electricity capacity to fully develop out the Enterprise Zone is a major concern and a significant risk to the delivery of the objectives and targets for growth in the Enterprise Zone. Therefore, providing an appropriate energy solution to complete the Enterprise Zone ensures that strategic goals for example, supporting growing businesses and delivering the infrastructure for growth particularly for manufacturing and industrial uses for growth, can be met. Relevant strategies include the Best Council Plan, the Leeds City Region Economic Plan, the Northern Powerhouse and the Local Industrial Strategy.</p>
<p>Commercial Case</p>	<p>Utilising a £8.57 million Building For Growth grant from the Department for Communities and Local Government awarded in 2014, three developers Muse, Aire Valley Land and Wilton have remediated and built mainly bespoke units for new businesses. However the local power supply is unlikely to be sufficient in its current form to deliver out the Enterprise Zone with specific risks around the cost and timescales to deliver power for development schemes. This impacts upon the ability to secure inward investment and support the growth of businesses and will ultimately limit the success of the Enterprise Zone and the business rates retained by the LEP until 2037.</p> <p>It is predominately due to the lack of existing infrastructure within the eastern Aire Valley area which means that whilst there is plenty of power available within the city, for the Leeds Enterprise Zone this is in the wrong location and at the wrong voltage. For Yorkshire, power infrastructure is owned and managed by the incumbent energy supplier, Northern Powergrid (Northern Powergrid). Northern Powergrid are constrained by their business case which prevents them investing ahead of demand due to responsibility to ensure the network operates in an economic and efficient manner for the benefit of all its customers.</p> <p>It is therefore required to upgrade Stourton primary substation (to the south of the River Aire) to increase capacity. Without this upfront investment connection costs for developers to build will be much higher than usual as an applicant is required to pay a</p>

	<p>proportion of the reinforcement on the network. Although there is an element of reimbursement to the initial contributor from subsequent connections, the disproportionately high costs of the first connection is significantly impacting on viability and is highly likely to lead to market failure.</p> <p>Northern Powergrid is proposing to provide the infrastructure to the approximate location required to meet the overall Enterprise Zone demand requirements. One of the main objectives is the delivery timescales for the end connections when the site needs are confirmed. These new 11kV extension assets mitigate the delivery timescale risks for the final connections, as the assets will be constructed whilst the developers are still marketing their respective sites. The final connections can then be made within the developers' 6-12 month time requirements as and when required.</p>
Economic Case	<p>A number of options have been considered to secure the additional power supply including a 'do nothing' option. Northern Powergrid's offer has been deemed to be the most economical in terms of upfront investment and repayment vehicle and will not involve ransoms or other costly land development costs. This solution is deemed the least disruptive to the Enterprise Zone and surrounding area (including greenbelt designated land).</p>
Financial Case	<p>The project has the potential to repay a significant proportion of the grant over a 10- 15 year period as end users connect to the power supply. It is proposed that should forecasts indicate that all anticipated Enterprise Zone development may not be delivered within the timescales allowed, the ring fenced supply could be opened up to developments outside of the Enterprise Zone.</p>
Management Case	<p>The project- upgrading of the infrastructure - and the associated ringfenced electricity supply and operational matters will be fully managed by Northern Powergrid. The delivery of the infrastructure including all contracting arrangements and repayments will be overseen by a 'project manager' within Leeds City Council. Overarching governance will be provided by LEnterprise Zone Strategic Board.</p>

