

Wards Affected: All Wards

CABINET PROCUREMENT COMMITTEE

AUTHORITY TO TENDER FOR POST PLUGGED IN PLACES PARTNER

Author: Sara Bailey (Parking Strategy and Implementation Manager) Tel: (01908) 252198

Executive Summary:

This report seeks to obtain approval to tender for a partner to manage the electric vehicle (EV) charging post infrastructure when the Plugged in Places (PIP) project has ended.

Authority is sought for a contract period of 5 years with the option to extend for an additional 2 years. The reason this length of contract is that it is likely to achieve more beneficial tenders to the Council as the emerging electric vehicle world will mature over that time.

1 Recommendation(s)

- 1.1 That tenders be invited to secure the services of a partner organisation to operate, maintain and develop the existing Milton Keynes Plugged-in Places scheme in accordance with a strategic direction agreed with the Council.
- 1.2 That the term of the contract be for 5 years plus the option to extend for an additional 2 years.

2 Context

- 2.1 The contracted services will mainly only affect the small but growing number of electric vehicle users in Milton Keynes
- 2.2 The Council will be open to suggestions from the market, but should seek to retain control over the allocation of parking bays and the right to charge a fee for their usage. However, the Council is willing to make some concessions, especially in the early years of the contract, to encourage and grow electric vehicle usage (see 3.3 below). However, it is considered important that the identity of the scheme retains a Council branding in whole or in part.

3 Background

- 3.1 Milton Keynes applied for and was successfully selected as one of three initial Plugged-in Places (PiP) areas. The PiPs have received match funding from the Government's Office for Low Emission Vehicles (OLEV) against the capital cost of establishing and operating a network of publicly accessible electric vehicle charging points. Being a PiP area also enables local businesses and residents to access an OLEV grant towards the purchase and installation of charging infrastructure. Milton Keynes' PiP scheme has run for 3 years, starting in FY10/11 and completing at the end of FY12/13.

The PiP scheme is enabled and managed by a back office, which was contracted to Chargemaster plc in Year 1 of the scheme following an open tender process, managed by the Council's procurement team.

- 3.2 Currently, the majority of charging points are located in premium rate parking spaces in Central Milton Keynes and operate as dual use spaces. The restriction allows only EV's to park during 7am and 10am and 4pm and 6pm, although during the core charging hours of 10am – 4pm the spaces can be used by any vehicle if paying and displaying (although EV's are exempt from charges). In 2013, a small number of the 168 spaces suitable for EV charging will be made 'EV only' at all times. This is in recognition of the growing number of EV's and the need to ensure that drivers of such are able to access a charging point when needed.
- 3.3 Electric vehicle users are also eligible to apply for a low emission parking permit which allows parking for £75 per annum in over 8,500 standard rate parking spaces. In agreement with the partner, the Council would allow use of this permit in the 168 electric vehicle bays as well, ensuring low cost parking to encourage electric vehicle usage and growth.

4 Issues

- 4.1 The Council is seeking a partner to help administer, operate and develop the existing Milton Keynes charge post estate. There will be an ongoing cost of operation and maintenance of the existing posts once the OLEV support is no longer available, rising electricity charges will also be a financial liability to the Council. There is very likely to be a requirement for future investment to upgrade some of the existing hardware assets as charging specifications are developed. It should be noted that the charging posts installed during the 3-year PiP project include a number of iterations in specification and suppliers were specifically chosen whose products offered a modular upgrade capability. The intention of procuring a partner is to remove the financial liabilities to the Council.
- 4.2 Appointment of a partner organisation to run the EV charging scheme in Milton Keynes is seen as a necessary step to secure the medium-term future of the EV charging scheme, protecting the Council's investment whilst minimising the Council's ongoing liability for the operation, maintenance and development of the scheme.
- 4.3 There are a range of predictions about the uptake of EVs, which differ in their assumed rate of uptake of vehicles – though all of these show an increasing rate of demand from a relatively low rate initially. The European Commission, the UK Government and the Council are all committed to reducing carbon emissions from transport. It is commonly accepted that cars and vans will need to be entirely carbon free at the point of use if the 2020 carbon reduction targets are to be met. The Automotive Council roadmap shows that pure battery electric vehicles (BEV), plug-in hybrid vehicles (PIHEV) and range extended battery electric vehicles (REBEV) will play a significant role in achieving the carbon emission targets. All of the evidence suggests that the requirement for EV charging will remain. There is a growing consensus that a hierarchy of charging will develop and that most charging will take place at home, with workplace charging and then public charging following in the hierarchy. It is important to remember that in the Central Milton Keynes area (and in many other cities) that home and workplace charging will be indistinguishable from public charging – due to the design of the city

- 4.4 There are no established business models in the emerging world of EVs and EV charging. One of the objectives of the OLEV PiP programme was to support the development of commercial business models by supporting the initial market failure typical of the introduction of new technology
- 4.5 Under the PiP arrangements each scheme provides members with access to a network of charging posts and free electricity for the first 3 years. Some individual PiPs (including Milton Keynes) also committed to provide free parking for EVs in EV designated parking bays as an additional incentive encouraging EV ownership
- 4.6 The OLEV support has been successful in so far as there are now some commercial schemes coming to the market. The national POLAR scheme – run by charging post manufacturer Chargemaster plc was the first purely commercial scheme in the UK. The Charge Your Car PiP scheme is now aiming to ‘morph’ into a national commercial scheme. Others may follow.
- 4.7 It is likely that various consumer offerings will emerge and that these will include both membership and pay-as-you-go offers. It should be noted that Government Ministers are especially keen on promoting pay-as-you-go offerings as they see this as a key enabler for interoperability and ease of use
- 4.8 Membership of the Milton Keynes PiP scheme costs £50 annually. This fee is used to cover the back office operating costs and provides free electricity and free parking for EVs. When it was established the Council’s scheme was the cheapest amongst the PiPs, with Transport for London (TfL) and EValu8 charging £100 per year. Both of these organisations provide free electricity but charge for parking. In an effort to boost membership (on instruction from the Mayor of London) TfL reduced their membership fee to £10 and were followed by EValu8. At some point there will be a tipping point between encouraging the uptake of EVs with incentives, to a neutral cost position then to a fully commercial market. It is likely that a pay-as-you-go market will develop in conjunction with membership schemes. The commercial schemes are likely to adopt a flat fee for electricity usage per charge, regardless of the energy used. In some areas a simple premium parking charge may be applied to parking in charge post enabled bays which will include the payment for energy. Payment via cashless parking (of which there is currently facility for in Milton Keynes) may also be an option.
- 4.9 The Council will retain ownership of all posts funded and installed under the PIP scheme. The partner will own all posts installed (at their cost) outside of the PIP scheme, with the number to be determined as market forces require. If the partner upgrades any legacy posts that were formerly installed under PIP, they will then own the upgraded post.

5. Market engagement and lessons learnt

There are now eight PiP areas, some of which have been operating for 3 years and some of which were established in Phase 2 of the OLEV scheme. All of the PiP schemes have co-operated in the development of the national OLEV led schemes, however as the end of the Government support nears, the schemes are not as open in their plans and aspirations since they are all trying to establish a realistic strategy for the future. Refer to Annex B for details of the other PIP schemes.

6 Alternative Business Model Options

There are no proven business models for the commercial operation of electric vehicle charge post estates. Some possible options are:

- Membership model covering access to charging infrastructure
- Membership model covering access to charging infrastructure with added benefits such as discounted parking / energy
- Pay-as-you-go model covering the charging infrastructure

In Milton Keynes some of these options could be incorporated with the existing parking control systems.

- The Council could continue to manage the infrastructure itself, however the current constraints on the Milton Keynes scheme are two-fold. Firstly, a lack of funded resource to manage and develop the existing scheme once the current PiP programme is completed – without such investment the scheme may turn from an asset to a liability, especially if the scheme fails to ‘keep up’ with technology and usage developments. Secondly, a lack of funds to continue to pay for the operation of the back office and the day-to-day administration of the post operations, including electricity charges.

7 Implications

The Council’s commitments to operate the scheme – and provide free electricity to electric vehicle users continue for 3 years from the point of the initial commissioning of the posts. In some cases, this takes the commitment up until March 2016.

The Council are currently contracting on a year-by-year basis for the operation of the charging system back office, with costs currently in the region of £5,000 per annum although this could rise.

8 Policy

The Milton Keynes PiP scheme is part of a low carbon transport initiative within the Borough, which in turn supports the Council’s broader low carbon living agenda. In line with OLEV’s strategy to provide public infrastructure to encourage the public and business to adopt electric vehicles it is generally accepted that a visible and accessible network of charging posts is needed to provide confidence for users to switch from internal combustion engine vehicles to electric vehicles (EVs).

9 Resources and Risk

- 9.1 There is a risk that no commercial partner is able / willing to cooperate with Milton Keynes
- 9.2 There is a risk that the Milton Keynes charging infrastructure becomes outdated by advances in vehicle and charging technology at a time when the Council does not have the funding available to undertake any development or upgrades
- 9.3 The key OPPORTUNITY secured by this contract is financial savings from electricity costs, maintenance and upgrade of charge posts and operation of the back office system. Essentially the removal of current and future financial liabilities to the Council.

- 9.4 The key THREATS for this contract have been assessed as: Supplier raises membership fee to a level that deters new entrants, although this is unlikely as the market will control this.

The governance measures concerning retaining full control of the parking spaces in which the charge posts are located, and the fact that the market will dictate an appropriate level of fee for usage of the charge posts, provide a basis to conclude that these threats, properly managed represent a LOW Likelihood and a LOW Impact.

N	Capital	Y	Revenue	N	Accommodation
N	IT	Y	Medium Term Plan	Y	Asset Management

10 Carbon and Energy Management

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11 Legal

The Contract and its procurement will be compliant with Council Constitution, UK and European Laws.

It is planned that, subject to approval of this paper, the Council will issue a Prior Indication Notice (PIN) to the European market, asking for expressions of interest on this partnership arrangement. From there, the Council will follow a concessionary tender process, returning to CPC for authority to appoint the chosen supplier.

12 Other Implications

Y	Equalities/Diversity	Y	Sustainability	N	Human Rights
N	E-Government	N	Stakeholders	N	Crime and Disorder
Y	Carbon and Energy Policy				

Background papers: OLEV Grant Offer – 11 January 2010