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Contract

Sunderland Central Heat Network

Sunderland City Council

F03: Contract award notice

Notice identifier: 2026/S 000-002211

Procurement identifier (OCID): ocds-h6vhtk-044acd

Published 12 January 2026, 11:45am

Section I: Contracting authority

I.1) Name and addresses

Sunderland City Council

City Hall, Plater Way,

Sunderland

SR13AA

Contact

Chris Cummings

Email

chris.cummings@sunderland.gov.uk

Telephone

+44 1915612377

Country

United Kingdom

Region code

UKC23 - Sunderland

Justification for not providing organisation identifier

Not on any register

Internet address(es)

Main address

<http://www.sunderland.gov.uk/>

I.4) Type of the contracting authority

Regional or local authority

I.5) Main activity

General public services

Section II: Object

II.1) Scope of the procurement

II.1.1) Title

Sunderland Central Heat Network

II.1.2) Main CPV code

- 65000000 - Public utilities

II.1.3) Type of contract

Services

II.1.4) Short description

Sunderland City Council (the "Council") is seeking interest and proposals from suitable economic operators to take forward the delivery of a large-scale heat network in the Sunderland City Centre area to serve a number of municipal, commercial and residential customers through an innovative contractual structure.

Following completion of the procurement process, the Council will enter into a joint development agreement ("JDA") with the selected bidder ("ESCO") under which the Council and the ESCO will work in partnership throughout the commercialisation phase of the project.

On completion of the commercialisation phase and a final investment decision having been approved by both parties, the project will move to the delivery stage and the Council proposes to enter into the "Delivery Contracts" for the project including:-

- the project governance agreement ("PGA"), which shall govern the rights and relationship between the Council and the ESCO in delivering the project;
- the connection and supply agreements for the anchor load properties (see below); and
- any other relevant legal documents agreed during the commercialisation phase.

This procurement includes the opportunity to provide heat to the initial anchor load customers which includes South Tyneside and Sunderland NHS Foundation Trust, University of Sunderland, Gentoo, the Council, and other un-named Public Sector Contracting Authorities within the administrative boundary of The City of Sunderland.

II.1.6) Information about lots

This contract is divided into lots: No

II.1.7) Total value of the procurement (excluding VAT)

Value excluding VAT: £130,000,000

II.2) Description

II.2.2) Additional CPV code(s)

- 09323000 - District heating
- 45000000 - Construction work

II.2.3) Place of performance

NUTS codes

- UKC23 - Sunderland

Main site or place of performance

Sunderland Central

II.2.4) Description of the procurement

Sunderland City Council (the "Council") is seeking interest and proposals from suitable economic operators to take forward the delivery of a large-scale heat network in the Sunderland City Centre area to serve a number of municipal, commercial and residential customers (the "Project") through an innovative contractual structure.

Following completion of the procurement process, the Council will enter into a joint development agreement ("JDA") with the selected bidder ("ESCO") under which the ESCO will be provided with a 12 month exclusivity period to work with the Council in partnership to carry out the commercialisation of the project.

The JDA will govern the terms upon which the Council and the ESCO will work together to (amongst other things): (a) finalise the connection and supply agreements for the anchor load customers and any other legal documents required for the delivery stage; (b) develop the reference design for the first phase of the network into a construction-ready design; (c) secure the necessary consents and land rights required to deliver the Project; (d) develop the financial model for the Project; (e) arrange the finance for the core scheme; (f) procure the supply chain; and (g) incorporate a special purpose vehicle ("SPV") to act as the Project delivery vehicle.

On completion of the commercialisation phase and a final investment decision having been approved by both parties, the project will move to the delivery stage and the Council proposes to enter into the "Delivery Contracts" for the project including:-

- the project governance agreement ("PGA"), which shall govern the rights and relationship between the Council and the ESCO in delivering the Project (see below);
- the connection and supply agreements for the anchor load properties (see below); and
- any other relevant legal documents agreed during the commercialisation phase.

This procurement includes the opportunity to provide heat to the initial anchor load customers which includes:-

- South Tyneside and Sunderland NHS Foundation Trust in relation to Sunderland Royal

Hospital and, potentially, a number of other buildings owned and occupied by the Trust;

- University of Sunderland in relation to a number of buildings on the University's City Campus;

- Gentoo Group Limited in relation to a number of social housing blocks in the City;

- the Council in relation to Sunderland City Hall; and

- other un-named Public Sector Contracting Authorities within the administrative boundary of The City of Sunderland, with the intention for further expansion of the network in the future.

The forms of connection and supply agreements with each anchor load customer will be agreed between the ESCO and anchor load customers during the commercialisation phase based on the principles document provided as part of this procurement.

The Council and the ESCO will also agree the terms of the ("PGA") during the commercialisation phase based on the principles document provided as part of this procurement. The PGA is intended to be a perpetual arrangement with the ESCO taking ownership and full risk in relation to the network. The PGA will include obligations on the ESCO in relation to the delivery of the works, customer service standards, transparent pricing which does not exceed a counterfactual, carbon reduction/growth targets and reporting requirements.

Potential bidders should note that the Council (and the other named public-sector anchor load customers set out above) intend to enter into the relevant Delivery Contracts with the ESCO following completion of the commercialisation phase under the JDA without a

separate procurement being undertaken. However, if a final investment decision is not achieved in accordance with the JDA the Council reserves the right to conduct a new procurement process for another ESCO for the Project and enter into the Delivery Contracts with the successful bidder in that procurement process.

Further detail on the background and structure of the Project is set out in the procurement documents.

II.2.5) Award criteria

Quality criterion - Name: Technical / Weighting: 50

Quality criterion - Name: Social Value / Weighting: 10

Quality criterion - Name: Legal / Weighting: 10

Cost criterion - Name: Financial / Weighting: 30

II.2.11) Information about options

Options: No

Section IV. Procedure

IV.1) Description

IV.1.1) Type of procedure

Competitive dialogue

IV.1.8) Information about the Government Procurement Agreement (GPA)

The procurement is covered by the Government Procurement Agreement: No

IV.2) Administrative information

IV.2.1) Previous publication concerning this procedure

Notice number: [2024/S 000-012340](#)

IV.2.9) Information about termination of call for competition in the form of a prior information notice

The contracting authority will not award any further contracts based on the above prior information notice

Section V. Award of contract

Title

Sunderland Central Heat Network

A contract/lot is awarded: Yes

V.2) Award of contract

V.2.1) Date of conclusion of the contract

4 December 2025

V.2.2) Information about tenders

Number of tenders received: 3

Number of tenders received from SMEs: 0

Number of tenders received by electronic means: 3

The contract has been awarded to a group of economic operators: No

V.2.3) Name and address of the contractor

1Energy Group Limited

C/O Pinsent Masons LLP, 1 Park Row

Leeds

LS1 5AB

Country

United Kingdom

NUTS code

- UK - United Kingdom

Companies House

11532815

Internet address

<https://1energy.uk/>

The contractor is an SME

No

V.2.4) Information on value of contract/lot (excluding VAT)

Initial estimated total value of the contract/lot: £130,000,000

Total value of the contract/lot: £130,000,000

V.2.5) Information about subcontracting

The contract is likely to be subcontracted

Short description of the part of the contract to be subcontracted

The Contracting Authority is aware the Contractor will be sub-contracting elements of the Contract during the lifetime of the Contract. In respect to the commercialisation phase this is like to be design elements such as technical engineers, civils, mechanical and civil engineering.

The Contractor at construction stage will be procuring sub-contractors to construct out the network and build out the energy centre, including appointing mechanical and electrical and heat pump specialist contractors.

The exact percentage of the sub-contracting is therefore currently unknown

Section VI. Complementary information

VI.3) Additional information

The JDA approach is effectively a form of two stage procurement. Following conclusion of the procurement process the Council and the ESCO will enter into the JDA. Following conclusion of the commercialisation phase (and subject to a final investment decision being approved by both parties) the Council and the ESCO will enter into the PGA and connection and supply agreements and the ESCO will enter into the connection and supply agreements with the other anchor load customers.

The procurement has been structured so as to ensure that the Council and other public sector customers identified as the anchor load customers are able to enter into the delivery contracts without a further procurement process being undertaken.

The proposal is for the network to provide low carbon heat to a number of customers in the Sunderland City Centre area which shall initially include:-

- South Tyneside and Sunderland NHS Foundation Trust in relation to Sunderland Royal

Hospital and, potentially, a number of other buildings owned and occupied by the Trust;

- University of Sunderland in relation to a number of buildings on the University's City Campus;

- Gentoo Group Limited in relation to a number of social housing blocks in the City;

- the Council in relation to Sunderland City Hall; and

- other un-named Public Sector Contracting Authorities within the administrative boundary of The City of Sunderland, with the intention for further expansion of the network in the future.

For the purposes of Section II.2.7 (Duration), it is mandatory to enter a figure for contract duration in the template for this notice. The term of 40 years (480 months) has been inserted as this was one of the factors used to calculate the estimated contract value (as set out above). However, as set out in Section II.2.4, the duration of the Project is not time limited, subject to complying with the relevant project documents.

The value provided in Section II.2.6 represents the Council's estimate of the total value of the contract opportunity based on information available and Council assumptions relating to the Core Scheme over a period of 40 years with additional connections and expansion opportunities.

The Selection Questionnaire documents are available for access free of charge (subject to the potential bidder signing and returning a Confidentiality Agreement).

VI.4) Procedures for review

VI.4.1) Review body

High Court of England & Wales

7 The Rolls Building, Fetter Lane

London

EC4A 1NL

Country

United Kingdom