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Planning

Project South Westminster Area Network (SWAN)

Department for Business, Energy & Industrial Strategy

F01: Prior information notice

Prior information only

Notice identifier: 2024/S 000-005498

Procurement identifier (OCID): ocids-h6vhtk-043b6b

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Section I: Contracting authority

I.1) Name and addresses

Department for Business, Energy & Industrial Strategy

3-8 Whitehall Place

London

SW1A 2EG

Email

Michael.O'Neill@energysecurity.gov.uk

Country

United Kingdom

Region code

UK - United Kingdom

Internet address(es)

Main address

<https://www.gov.uk/government/organisations/department-for-energy-security-and-net-zero>

I.3) Communication

Additional information can be obtained from the above-mentioned address

I.4) Type of the contracting authority

Body governed by public law

I.5) Main activity

General public services

Section II: Object

II.1) Scope of the procurement

II.1.1) Title

Project South Westminster Area Network (SWAN)

II.1.2) Main CPV code

- 71314200 - Energy-management services

II.1.3) Type of contract

Services

II.1.4) Short description

The Department for Energy Security and Net Zero (DESNZ) wishes to establish a Contract for services to commercialise a low carbon heat network within Westminster and then coordinate its delivery should the commercialisation be successful.

The South Westminster Area Network (SWAN) is a heat network opportunity within Westminster that has been developed so far as part of the Department's wider Advanced Zoning Programme. It estimates annual heat demand in excess of 400GWh/y when fully built out. The Department is looking to select a Development Partner with the skills and

resources necessary to commercialise a low carbon heat network within Westminster and then deliver it should the commercialisation be successful. The Department and its consultants have engaged with a number of stakeholders across Westminster and have had positive feedback on the proposal to develop a large-scale low carbon heat network in the area. Westminster City Council and the Westminster Business Improvement Districts (BIDs) are supportive of the project and will engage directly with the Development Partner when selected.

The successful Development Partner will be paid by the Department a fee to commercialise SWAN. The cost to the Department of these commercialisation services will be part of the bid process but would be limited to a maximum of £1m and would be governed by a Development Agreement between the Department and the successful bidder over the commercialisation period. An application has been made to the Green Heat Network Fund (GHNF) for an additional £1m of commercialisation grant and £40m of construction period grant. A decision on whether this has been successful or not is expected to have been made during the procurement period (currently expected to be April-July).

We are planning a procurement approach whereby bidders, as a minimum, will set out their commercialisation approach, team, relevant experience and commitments that the bidder makes with regards project outcomes. Bidders will need to demonstrate that they have the sufficient financial resources, or access to funding, sufficient to meet the investment required for project SWAN: estimated to be in excess of £400m of capital investment. The procurement approach is subject to change and will in part be influenced by responses to the questionnaire that accompanies this notice.

See below in Section II.2.4) Description of the procurement

II.1.5) Estimated total value

Value excluding VAT: £1,000,000

II.1.6) Information about lots

This contract is divided into lots: No

II.2) Description

II.2.2) Additional CPV code(s)

- 09300000 - Electricity, heating, solar and nuclear energy
- 09323000 - District heating
- 71314200 - Energy-management services

- 71321200 - Heating-system design services

II.2.3) Place of performance

NUTS codes

- UK - United Kingdom

II.2.4) Description of the procurement

When heat network zoning regulations come into force we intend to move the SWAN area forward for designation as a heat network zone, or possibly a heat network delivery area within a wider zone, with the successful bidder for this procurement benefiting from the proposed incumbency rules as they apply to the SWAN area. In relation to activities beyond the limits of the SWAN Area the successful bidder for SWAN would need to bid for zone rights through the competed process managed by either the future Zone Coordinator or Central Authority as appropriate.

Framework Duration

The Contract duration shall be for a period of 18 months with optional extension of 12 months.

Type of Agreement

The governance model for SWAN is proposed to be a Development Agreement during the commercialisation phase of Project SWAN (2024-2026). The Development Agreement will set out the key objectives currently envisaged for SWAN, including:

- A low carbon heat network to be developed in the Westminster area,
- The network that is taken to delivery will need to be of sufficient size
- The pace of delivery

The Development Agreement will have bilateral termination rights dependant on certain contingent outcomes primarily focused on:

- Does the project remain viable?
- Has a GHNf grant been obtained for the project?

The Development Agreement will have payment terms that relate to achievement of agreed milestones.

Should the project be successfully commercialised then there would be a decision point about whether to take the project forward to delivery. A feature of the Development Agreement will be that the Department owns all of the assets developed during commercialisation (surveys, reports, designs etc.): should the Department consider the fully commercialised project to be viable and compliant, and the Development Partner wish to take the project to delivery stage, then the Development Partner would be obliged, under the terms of the Development Agreement, to purchase these assets from the Department at fair value - we will confirm, prior to the launch of the procurement, how this value will be determined.

Should the project be taken forward to delivery, the Department's governance over the project from that point onwards would be through the Grant Funding Agreement under the Green Heat Network Fund (assuming the application is successful). If accepted by the Development Partner, the Grant Funding Agreement will contain a claw-back feature should the project materially deviate from relevant commitments made in the grant funding application, including in relation to milestones and a programme of works.

Beyond this, the Department's long-term objectives are intended to be achieved through regulations regarding customer protection, technical standards and potentially heat network zoning, should the SWAN area be designated as a heat network zone, from 2025 when these regulations are due to come into force.

Timeline (all dates are indicative only and subject to review)

Supplier day – end of March 2024

Tender release – April 2024

Tender deadline – 2 months after release – June 2024

Assessment – 1 month following tender close – July 2024

Standstill period – End of July

Contract Award – August 2024

The Department will be running a supplier engagement event, consisting of a virtual session. To receive details of forthcoming events, please email Michael.ONeill@energysecurity.gov.uk. Presentations will be made available after the session.

II.3) Estimated date of publication of contract notice

8 April 2024

Section IV. Procedure

IV.1) Description

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

The procurement is covered by the Government Procurement Agreement: Yes

Section VI. Complementary information

VI.3) Additional information

The Department for Energy Security and Net Zero uses the Jaggaer eSourcing Portal as its eSourcing tool. Jaggaer will be used for this competition. To register as a supplier, please visit <https://beisgroup.ukp.app.jaggaer.com/> and follow the instructions to register as a supplier.

Please note that, to register, you must have a valid DUNS number (as provided by Dun and Bradstreet) for the organisation which you are registering, who will be entering into a contract if invited to do so.

Please confirm interest in the above opportunity and complete the attached Microsoft Forms Questionnaire by the deadline date of 12pm on 20th March.

<https://forms.office.com/Pages/ResponsePage.aspx?id=BXCsy8EC60O0I-ZJLRst2Lky4ZLKdqxCt0wO3RcIDFhUMElaS0Y4M1ZQNDY2R0RRWkdZS0ZaVTg5Uy4u>

Please note framework approach communicated in the PIN is still subject to change.