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Tender

Sunderland Central Heat Network

The Council of the City of Sunderland

F02: Contract notice

Notice identifier: 2024/S 000-012340

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

Published 16 April 2024, 1:01pm

Section I: Contracting authority

I.1) Name and addresses

The Council of the City of Sunderland

City Hall, Plater Way

Sunderland

SR1 3AD

Contact

Mr Chris Cummings

Email

chris.cummings@sunderland.gov.uk

Telephone

+44 7909321051

Country

United Kingdom

Region code

UKC23 - Sunderland

Internet address(es)

Main address

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

Buyer's address

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

I.3) Communication

Access to the procurement documents is restricted. Further information can be obtained at

<https://www.nepo.org/>

Additional information can be obtained from the above-mentioned address

Tenders or requests to participate must be submitted electronically via

<https://www.nepo.org/>

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

Reference number

DN693892

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.

CONFIDENTIALITY AGREEMENT

The procurement documents are available for access free of charge (subject to the potential bidder signing and returning a Confidentiality Agreement), which is available when bidders express an interest in the opportunity in the project at <https://www.nepo.org/> and NEPO Portal project reference DN693892.

The timescale for returning the Selection Questionnaire has been extended in accordance with Regulation 53(4) Public Contracts Regulations 2015 to take account of the requirement to enter into a Confidentiality Agreement to access the procurement documents.

Further information on the Confidentiality Agreement is contained in V1.3 Additional Information of Section VI. Complementary information of this Contract Notice

II.1.5) Estimated total value

Value excluding VAT: £130,000,000

II.1.6) Information about lots

This contract is divided into lots: No

II.2) Description

II.2.2) Additional CPV code(s)

- 09323000 - District heating
- 45000000 - Construction work

II.2.3) Place of performance

NUTS codes

- UKC23 - Sunderland

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;
- Gento 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

Price is not the only award criterion and all criteria are stated only in the procurement documents

II.2.6) Estimated value

Value excluding VAT: £130,000,000

II.2.7) Duration of the contract, framework agreement or dynamic purchasing system

Duration in months

480

This contract is subject to renewal

No

II.2.9) Information about the limits on the number of candidates to be invited

Maximum number: 4

Objective criteria for choosing the limited number of candidates:

The basis on which the Council will select the number of candidates to be invited to the next stage is set out in the Selection Questionnaire.

II.2.10) Information about variants

Variants will be accepted: No

II.2.11) Information about options

Options: No

II.2.13) Information about European Union Funds

The procurement is related to a project and/or programme financed by European Union funds: No

Section III. Legal, economic, financial and technical information

III.1) Conditions for participation

III.1.1) Suitability to pursue the professional activity, including requirements relating to enrolment on professional or trade registers

List and brief description of conditions

Please see procurement documents

III.1.2) Economic and financial standing

Selection criteria as stated in the procurement documents

III.1.3) Technical and professional ability

Selection criteria as stated in the procurement documents

III.2) Conditions related to the contract

III.2.2) Contract performance conditions

Please see procurement documents

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: Yes

IV.2) Administrative information

IV.2.1) Previous publication concerning this procedure

Notice number: [2024/S 000-009011](#)

IV.2.2) Time limit for receipt of tenders or requests to participate

Date

21 May 2024

Local time

12:00pm

IV.2.3) Estimated date of dispatch of invitations to tender or to participate to selected candidates

16 April 2024

IV.2.4) Languages in which tenders or requests to participate may be submitted

English

IV.2.6) Minimum time frame during which the tenderer must maintain the tender

Duration in months: 4 (from the date stated for receipt of tender)

Section VI. Complementary information

VI.1) Information about recurrence

This is a recurrent procurement: No

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).

CONFIDENTIALITY AGREEMENT

Bidders may access the Confidentiality Agreement which is available when bidders express an interest in the opportunity in the project at <https://www.nepo.org/> and NEPO Portal project reference DN693892 and signing and returning their signed Confidentiality Agreement via the NEPO Portal.

The Council will countersign and return the Confidentiality Agreement to the bidder and provide unrestricted access to the full set of Procurement Documentation.

The timescale for returning the Selection Questionnaire has been extended in accordance with Regulation 53(4) Public Contracts Regulations 2015 to take account of the requirement to enter into a Confidentiality Agreement to access the procurement documents.

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

VI.4.3) Review procedure

Precise information on deadline(s) for review procedures

The Council will incorporate a minimum 10 calendar day standstill period at the point the award decision is notified to bidders. Any communication and/or claims must be made by a bidder in accordance with the process and timescales set out in the Public Contracts Regulation 2015 (SI 2015 No 102).