

MONDAY, 7 FEBRUARY 2022

SURREY ELECTRIC VEHICLE PUBLIC CHARGEPOINTS FURTHER INFORMATION

Purpose of report: The Select Committee requested on 21 January further background information and reasoning behind the Select Committee report 'Surrey Electric Vehicle Public Chargepoints Progress and preferred procurement Option'. This report responds to that request and proposes the formation of a reference group to provide scrutiny support to the development of the arrangements for delivery of the required chargepoint infrastructure.

Introduction:

1. The Select Committee questions covered the proposed long-term nature of the proposed contract, the reliance on a single supplier and details of when and where chargepoints would be installed. There was a request to form a group of Select Committee members to review the proposals and to help support the service in taking this initiative forward. Subsequently at the Surrey Cabinet meeting on 25 January 2022 the following recommendations were approved:
 - 1.1 Agree that Surrey County Council (SCC) undertake a procurement exercise with the aim of appointing a supplier(s) to work in partnership with the Council and its Key Delivery Partners to deliver public Electric Vehicle (EV) chargepoints at a large scale across Surrey
 - 1.2 Agree to the establishment of a reference group through the Communities, Environment and Highways (CEH) Select Committee which will be engaged to provide scrutiny support to the procurement exercise, including in helping to define the outcomes to be specified in the procurement and the network plan.
 - 1.3 Agree to delegate authority to the Executive Director for Environment Transport and Infrastructure in consultation with the Cabinet Member for Transport and Infrastructure following further engagement to determine the procurement model of a single supplier or suppliers.
 - 1.4 Agree to receive a further report to Cabinet (in Q3 of 2022) to ask for a decision to proceed once the outcome of the procurement exercise is known.

2. Following the Cabinet decision, this report provides further evidence and recommends that, subject to the further input of the Select Committee and the formation of the proposed reference group, the service will provide the reference group with an updated strategic options assessment and further background information from which the reference group can provide scrutiny support.

Background to Procurement Process Development

3. Prompted in part by the adoption of the Climate Change Strategy in 2020, the Council commissioned a KPMG research report that same year, circulated separately to the Select Committee, that explored the market for EV technology and infrastructure, likely future trends in EV adoption, available EV technology and options for how SCC could meet its commitment to support the transition to electric vehicles.
4. The forecast rate of EV adoption was translated into a quantified need for EV public chargepoints in Surrey. From that analysis, the forecast demand for EV charging for residents without access to their own off-street chargepoints by 2030 was circa 10.3k (KPMG report, p64). This is a total figure of all public chargepoints likely to be needed by that point in time, including on-highway for which SCC would be responsible; those in Borough and District public car parks; and private sector owned car parks such as retail parks and supermarkets which will also contribute to serving demand.
5. To date, the numbers supplied have, overall, aligned closely to the trajectory of supply provided by this forecast. As of this January 2022, there are 640 public chargepoints in Surrey, a significant increase compared from 310 chargepoints in March 2021. 22 per cent of these are operated by local authorities with the private sector currently installing the largest proportion. This leaves open the prospect of a greater role for private sector provision in the future.
6. However, significant SCC intervention is still required, not only to properly cover geography and social need equitably, but fundamentally because of SCC control of highway locations. There is uncertainty to the extent which chargepoints installed in private car parks will be available to non customers, provide fair tariffs and provide confidence for EV drivers without off-street parking that they can charge their vehicles when needed.
7. The registration of new EV vehicles is growing strongly. Across 2021 plug-in EV sales averaged 18.6 per cent of all cars sold nationally against the KPMG forecast figure of around 13 per cent. Despite the total number of all cars sold falling 25 per cent since 2019 the actual numbers of plug-in EVs sold is just higher than the KPMG forecast. December 2021 sales figures shows plug-in

EVs were 33 per cent of the total market which shows a sharply accelerating growth rate through 2021.

8. The report also explored future technology changes and chargepoint usage trends which continue to leave a degree of uncertainty about the type of infrastructure that might be needed and therefore, a need for flexibility in the supply of EV chargepoints. This suggests that any solution involving a concession would require contractually binding technology reviews and refreshes in any future contract.
9. Based on the trends and forecast demand, the report advised on business model options available and provided analysis of each of those options shown below in *Figure 1*. This analysis is explored through the remainder of this report.

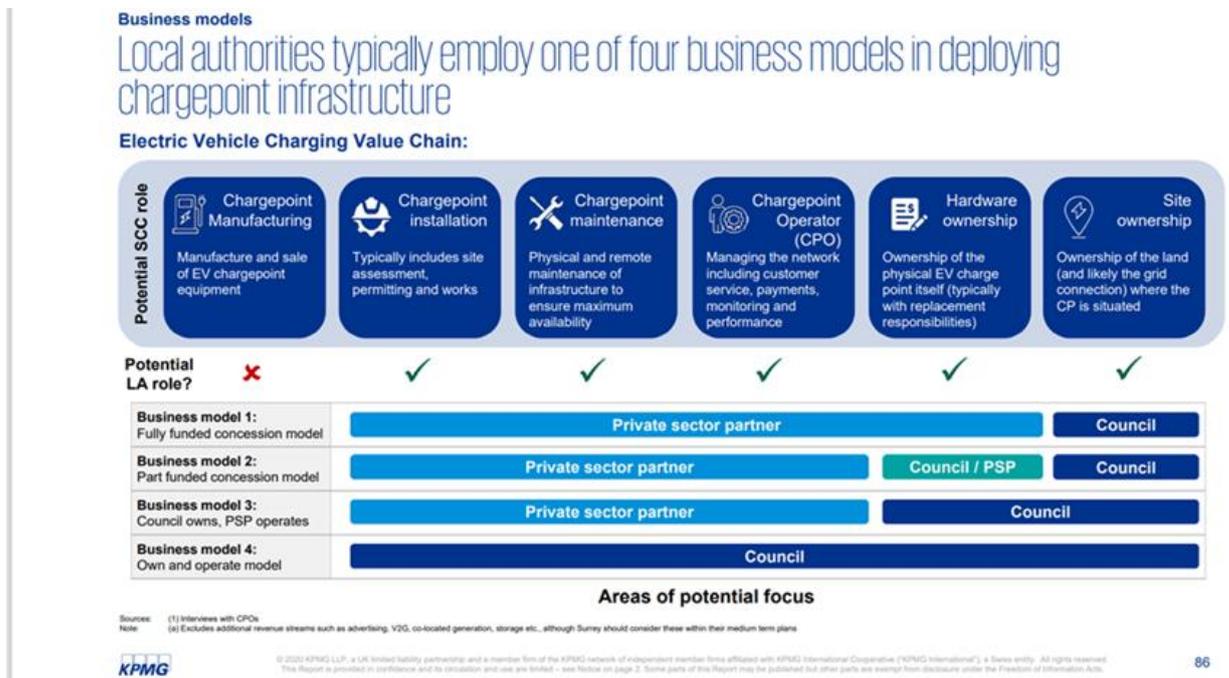


Figure 1 Local authority business models to deploy chargepoint infrastructure

Further Research and Collaboration with Boroughs and Districts

10. Following the KPMG report, the service held discussions with more than 27 local authorities, locally, but also from across England and including representation from Wales and Scotland. The service has also engaged with more than 14 chargepoint operating companies, from a range of company sizes and types, from longer established to new entrants, to understand what the market can and would be attracted to deliver.
11. The service also formed and held regular forums inviting all of Surrey’s Boroughs and Districts to explore progress in chargepoint delivery to date and

to work towards future partnership. A number have expressed interest in principle in participating in a Surrey wide EV chargepoint solution and discussions will be formalised once a procurement plan is agreed. Importantly, any solution that is developed should ultimately provide the opportunity for public sector partners to join even if not part of the original procurement.

Review of EV Delivery Business Model Options

12. On the basis of the KPMG report, the market research and the district and borough engagement above, a strategic option assessment was undertaken in mid-2021 (see Annex 1). This assessment rated the different business models identified by KPMG according to strategic fit, attractiveness and achievability. From that assessment, the top scoring models were Part Funded then Fully Funded Concession. There was a small margin of difference in the scoring between the cases of using single or multiple suppliers. The Council-owned and Council-owned and operated models scored lowest.
13. Since the advice in the research report and the outcomes of the strategic options assessment were received, the market dynamics in the EV equipment supply market have developed rapidly. A number of factors now give greater support to a longer-term private sector funded solution. In the light of the formation of the reference group it is timely to revisit and update the strategic options assessment to incorporate known changes in the dynamics of the market. This will provide an up to date analysis for the scrutiny of the reference group.
14. Specifically, only a few months ago, many chargepoint operating companies would only enter into large scale contracts with part or all funding from government or authorities. It is apparent that private investors now view the full concession model as now being viable with an increasing number of companies now willing to fully fund installations. We have also seen commitment from companies to undertake long term network plan development at their own expense in order to secure a concession, subject to a term of contract that would allow a commercial return on investment.
15. Where Government funding continues to be available, or where the Council can justify its own limited investment, one element of a Part Funded model would be to extend the geographic and social reach of a concession through improving the level of control held by the Council, via a governance body that would contractually oversee such a concession.
16. There are options to procure a sole supplier or a number of suppliers. Multiple operators might offer a broader EV equipment range and spread the risk of poor company performance or indeed bankruptcy. In the multiple supplier option, it is likely that SCC would have to separately fund a third party to undertake network

planning. A single supplier would, on the other hand, allow the main burden of network planning to be carried out in the private sector - by the company with the financial interest to make it a commercial success.

17. With the diminishing prospect of Government grants for EV infrastructure in the medium term and the case that in foreseeable scenarios SCC would apply for any grant funding available, the bulk of long-term funding would therefore come from either the private sector or from SCC borrowing. In the SCC borrowing scenario, the risks of low income in the first years of operation, technology change and the requirement to meet costs of servicing the debt would have to be taken into account. Where private sector investment provides for the greatest proportion of the capital required, SCC would transfer the risk and would now expect to see an immediate revenue return and not, as previously common in the market, a profit share, which would likely be zero in the early years of a concession.

Process for Initiating the Required Large Scale Chargepoint Roll Out

18. This is not a typical procurement where we would expect detailed knowledge of our requirements including precise quantity and/or cost of each location. There is the potential to undertake a procurement to achieve a contractual relationship with the private sector that will put in place a quality supplier of market leading equipment contractually committed to the scale of chargepoints required.
19. If a Fully and Part Funded concession model were selected, post-contract award, the supervision and support for the development of the network plan for installations would be delivered by the supplier, but closely managed by the governance structure in the contract which would be led by SCC and include all borough and district partners. The plan would take into account data relating to future demand such as the degree of off-street parking available in an area, but also the contribution made directly by the private sector such as chargepoints in supermarket car parks – data which would help to ensure a properly coordinated approach.
20. SCC would always have to give explicit permission for each installation on its highways, as would districts and boroughs in respect of their own car parks. This would hold true for all contractual routes.
21. The conduct of the trial chargepoint installations by SCC has demonstrated the complexities of site selection and emphasised the need to wide-reaching consultation and engagement with members and residents. These lessons serve to support the value of a member-based reference group to assist in tackling future network planning for charging infrastructure installations.

Conclusions:

22. The report provides further information and explanation of changing market dynamics supporting a procurement to achieve the EV public chargepoint installation required.

Recommendations:

23. Agree to the establishment of a Member Reference Group through the CEH Select Committee which will be engaged to provide scrutiny support to the procurement exercise.

Next steps:

24. Once agreed, the Member Reference group will agree a terms of reference with the service and Cabinet Member, and review the updated strategic options assessment in order to provide input to the decision to be made by the Executive Director for Environment, Transport and Infrastructure (ETI) in consultation with the Cabinet Member for Transport and Infrastructure as to the business model. In addition, the group will be asked for input into defining the outcomes to be specified in the procurement and the network plan to be selected.

Report contact

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Consulted:

Major Project Board – 9 November 2021

Districts & Borough Councils Surrey EV Forum – July to Nov 2021

Surrey CEH Select Committee – 21 January 2021

Annex 1: Strategic Options Appraisal - Future Options Appraisal Workshop: Summary of Findings: SCC Electric Vehicle Charging Programme July 2021

Sources/background papers:

Electric Vehicle Strategy – Surrey Transport Plan – 2018