**Sunderland Central Heat Network – Project Information**

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 negotiated 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 negotiated 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, subject to commercial terms being agreed between the relevant parties. 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 will be provided during the Bidders Day.