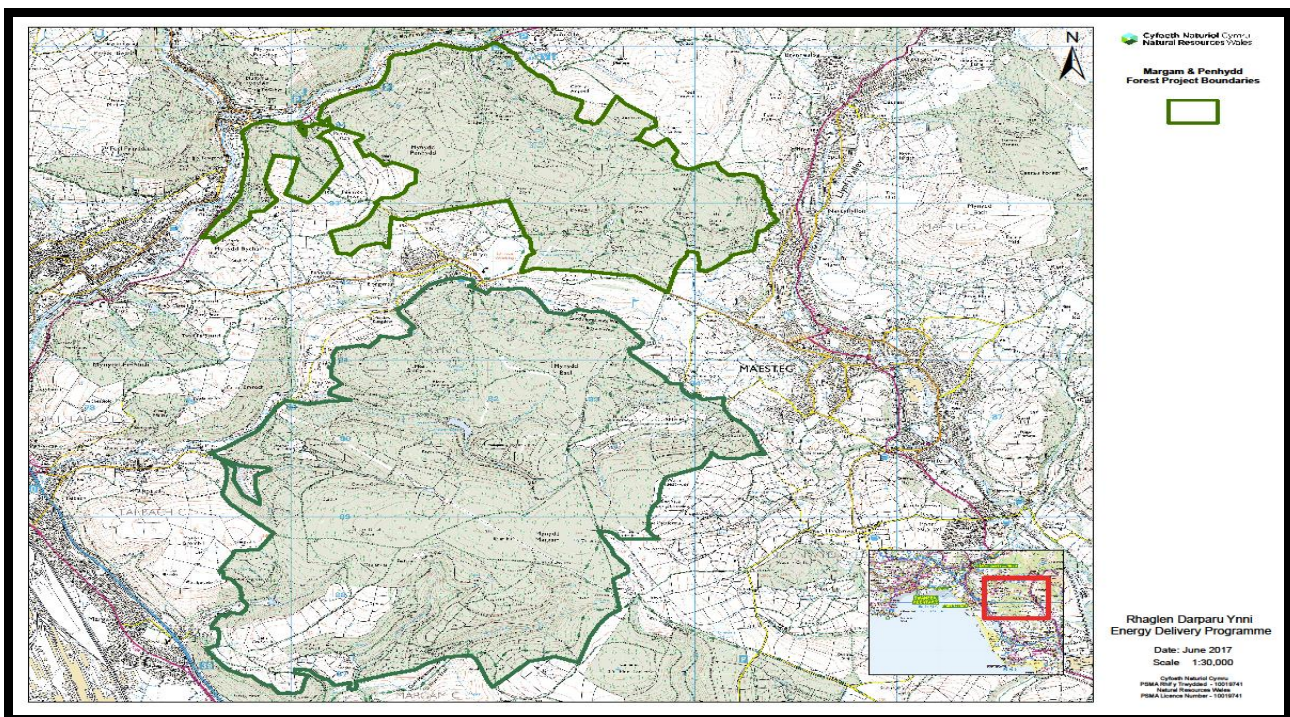


## 1. Objective

Obtain the Energy Delivery Programme Board's agreement to an open market opportunity to develop a renewable energy development predicated upon, but not exclusive to wind, on the Welsh Government's Woodland Estate (WGWE) within the designated Strategic Search Area F (SSA F). The land falls under the local authorities of Neath Port Talbot and Bridgend County Borough Councils in South Wales within the Margam and Penhydd forest blocks (see map), and due consideration will be given to the sensitivities of the afforestation issues surrounding the project.



## 2 Policy Mandate

The WGWE is a public asset in the ownership of the Welsh Ministers. Natural Resources Wales (NRW) is a Welsh Government Sponsored Body designated as the managing agent of the WGWE.

By means of Technical Advice Note 8 the Welsh Government has designated the area in which this opportunity arises as a Strategic Search Area suitable for wind energy development.

NRW manages the WGWE in accordance with its roles and responsibilities under the Natural Resources Body for Wales (Establishment) Order 2012.

Welsh Government’s Wales Natural Resources Policy 2017 sets out three national priorities for the management of our natural resources, namely:

- Delivering nature-based solutions;
- **Increasing renewable energy** and resource efficiency; and
- Taking a place-based approach.

This new business opportunity sits under NRW’s Board approved Enterprise Plan 2017-2022, as part of the Energy Development Portfolio. NRW’s Enterprise Plan is aligned with NRW’s Corporate Plan and Business Plan.

### 3 SMNR / WBoFG Alignment

NRW places the Sustainable Management of Natural Resources (SMNR) at the heart of everything it does. It is therefore essential that NRW’s Energy Delivery Programme is tested against the NRW Board’s approved Enterprise Plan which incorporates the SMNR Principles and the Well-being of Future Generations Goals. For Onshore Wind this is done at a Programme Level as the spatial aspect of such projects has been determined by Welsh Government by the designation of the SSAs.

#### Future Generation Goals

<b>Prosperous Wales</b> Innovative, productive, low carbon & skilled, good jobs.	<b>Resilient Wales</b> Functioning & adaptable eco-systems supporting social, economic & ecological resilience.	<b>Healthy Wales</b> Physical & mental well-being maximised. Choices & behaviours for future health are understood.	<b>More Equal Wales</b> Everyone enabled to fulfil their potential.	<b>Cohesive Communities</b> Attractive, viable, safe and well connected communities.	<b>Vibrant culture, thriving Welsh Language</b> Society protects & promotes the culture, heritage & language.	<b>Globally Responsible Wales</b> Making a positive contribution to global well-being.
High number of jobs during construction, inc. supply chain, then good quality specialist support during operation.	Clean energy replacing fossil fuels thus contributing to improved eco-systems; Energy security.	Clean energy replacing fossil fuels known to have detrimental effect on air quality which adversely impacts health.	The employment opportunities & supply chain benefits can contribute to this goal.	Community Ownership and Trust Funds contributing to this goal.	Community Trust Funds that can contribute to this goal.	Clean energy replacing fossil fuel contributing positively to overcoming global climate change.

#### SMNR Outcomes

Jobs & Investment in SMNR	Timber & Non-timber Products	Habitats on land & water in good condition	Communities protected from flooding, drought & pollution	Clean bathing waters	Use of the natural environment for access & recreation	Natural Resources that provide something for everyone	Community Projects that make sustainable use of natural resources	A natural environment that adds to a sense of place & history	Natural resources managed in ways that reduce carbon emissions & demonstrate SMNR
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High number of jobs during construction, inc. supply chain, then good quality specialist support during operation & lasting SMNR – Climate Change impact	Construction gives rise to timber production with Comp. Planting following on resulting in overall gain at end of development	Habitat Management Plan provides opportunities & investment in landscape change for peat restoration, habitats & species impact	£m Community Funds available for purposes determined by communities which might include flood mitigation measures	-	Opening up forest roads; interpretation & investment in recreational mitigation (e.g. Blade Trail at PyC)	Using the natural resource of wind to create clean renewable energy for everyone; reduce CO2 & impact air quality & climate change	Multi £m Community Funds available for purposes determined by communities.	Possibility that these windfarms will become important industrial heritage of the future	Wind is a sustainable natural resource adding to the energy mix & replacing fossil fuels
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The Onshore Wind Energy Programme has positively impacted:

- local supply chains;
- provided considerable employment during the building of the infrastructure and is providing ongoing maintenance work;
- Community Trust Funds (£m's) that are benefitting socially deprived areas;
- environmental gains;
  - translocation and re-establishment of peat areas
  - habitat restoration and positive species impact
- Environmental Funds (£m's) contributing to numerous programmes;
- engineering infrastructure (improved roads, culvert replacement, etc.);
- and more recently a commitment to Local Ownership.

There is no reason to suspect that this business opportunity will be any different.

#### 4. Contribution to Welsh Government's Targets for Renewable Energy

Our Cabinet Secretary has set targets that this opportunity will contribute to:

- Wales will generate 70% of its electricity consumption from renewable energy by 2030;
- 1 GW of renewable energy will be Locally Owned by 2030;
- All renewable energy projects will have an element of Local Ownership by 2020.

Clearly it is difficult to predict the electricity demand of Wales in 2030 but even with much needed energy efficiency gains, the determination to decarbonise transport and heating suggests one direction of travel.

#### 5. Background

The area to be marketed was part of the original bid in 2005/6 by the then Nuon, now Vattenfall. For numerous financial, logistical and other reasons Vattenfall focussed on the area that is now the operational Pen y Cymoedd Wind Farm. A few years back Vattenfall approached NRW suggesting that the area could be regarded as an extension to Pen y

Cymoedd. Both parties took independent legal advice and concluded that this was not possible.

Vattenfall and other Developers have continued to express interest in SSA F and whilst consideration was given to a wholesale open tender exercise for the entire SSA, along the lines of what we did in 2005/6, the outcome could give rise to considerable issues that NRW might struggle to resource in the current climate of austerity. The preferred marketing strategy is to continue to drip-feed the market. We have a high degree of certainty that Bryn Project will attract considerable interest.

## 6. Approach

EDP will seek proposals from Developers, having the relevant technical and financial resources, track record and experience who are interested in developing and operating renewable energy generation. EDP will specifically seek proposals which are judged credible and consentable in the context of known site constraints, and which also provide opportunities for meaningful community benefit.

### Stage 1

- Proposal presented to Leadership and members of the Place Based Team to establish if there are any significant constraints that would prevent this project progressing (11<sup>th</sup> January 2018) – none arose.
- Place Based Team given 8 weeks to produce an Impact Assessment that could be considered in terms of designing the Request for Proposal (RfP) (deadline 13/3/18) – nothing has arisen.
- Project Initiation Document (PID) prepared and presented to EDP Programme Board on 20<sup>th</sup> March 2018.

### Stage 2

- Assuming EDP Programme Board approval, submit S.83 to Cabinet Secretary to obtain formal approval that should a Developer be selected the Welsh Ministers undertake to enter into a formal legal framework.
- Review and revise Alwen Project RfP based on feedback and lessons learned from that exercise; developments in the energy agenda emerging from Welsh Government; providing second chance for input from place based team – *commitment given to Operational Resources Manager who was absent at time of Stage 1 Bullet Point 1.*
- Publish an Advance Marketing Notification.
- Searches – continue with internal searches to ensure there are no legal constraints within our deeds relating to development and obtain Principal Surveyor sign off.
- Prepare marketing documentation including reference to access Pre-App advice from NRW's Development Planning Advice Service Team and publish on WG's S2W Portal **by end of June 2018 – Milestone.**

### Stage 3

- Run normal processes associated with compulsory site visits.
- Engage external technical input for Scoring Exercise.

- Undertake Scoring Exercise.
- Award Process.
- Run final iteration of Land and Property Consultation (LPC) and obtain independent sign off by Principal Surveyor.
- Agree final commercial terms and enter into an Option Agreement.

#### Stage 4

- Option Holder progresses through Planning and related processes.
- Build and operate.

NRW is a Statutory Consultee on Planning Applications in Wales. As such, NRW will maintain a separation of duties between its Development Planning Advice Service responsibilities and its interests as Landowner and Estate Manager.

It is intended that the preferred Developer selected through this process will enter into an exclusive Option Agreement with NRW. This will enable the Developer to plan an energy development and apply for planning permission within the area defined with the assurance that if the Developer's proposals obtain Planning Permission NRW will enter into an agreement for Lease.

## 7. Indicative Timeline

**Start Date:** January 2018  
**End Date:** May 2019 (end Stage 3)

STAGE	By End Of
<b>Stage 1</b>	
Initial Presentation and Consultation with Place Based Team	Jan 2018
PID – presented to EDP Programme Board	March 2018
<b>Stage 2</b>	
S.83 Submission – to Cabinet Secretary and approved	April 2018
Advance Marketing Notification	May 2018
Publish RfP on S2W	June 2018
<b>Stage 3</b>	
Site visits through to RfPs being submitted	July - Nov 2018
External Technical Input	Dec 2018
Internal Scoring	Jan 2019
Award	Feb 2019
Negotiate Final Terms and Sign Option Agreement	March – May 2019
<b>Stage 4</b>	
Developer seeks Planning Consent and associated permissions	May 2019 – May 2021
Construction	June 2021 – May 2023
Operational	2023

## 8. Associated Issues

No associated issues have been identified at this stage of the Project.

## 9. Governance

This Energy Development business opportunity falls within the remit of Director Operations North & Mid Wales and within the work area of Head of Commercial Operations. EDP's role is to deliver the Energy Development Portfolio and this is reported to the Energy Delivery Programme Board and through the Enterprise Report to the NRW Board.

The Commercial Business Development Manager participates in and oversees Stages 1 to 3 and is responsible to the Head of Commercial Operations. Once the Option Agreement has been signed under Welsh Government Seal the day to day delivery of the Project is then overseen by the EDP Programme Executive and delivered by the Project Manager for that area. Area based Project Boards are well established and whilst being kept informed of progress through Stages 1 to 3 become the main governance body throughout the lengthier Stage 4.

Three major wind energy projects plus numerous small scale hydro and Third Party Access Agreements have been delivered through the tried and tested governance mechanisms that have been in place for many years and I urge the Programme Board to trust the tested mechanisms as follows:

- The NRW Energy Delivery Programme Board will authorise the Project moving to the Project Establishment and Marketing Phase.
- The Programme Board Chair reports to NRW's Senior Management through the Enterprise Sub-Group of NRW's main Board.
- Welsh Government will consider and approve the Project through the S.83 process.
- Normal Line Management and Highlight Reports will cover Project Progress Reports.
- Independent scrutiny of points where key legal and valuation issues arise are covered by the LPC and Disposal Report process where the Principal Surveyor is charged with sign off.
- Escalation processes through the Line Management chain will address any areas of dispute.

One area that will need to be streamlined is the Award Process using lessons learned from the Alwen Project award stage. As this is not scheduled until February 2019 there is time to address this.

## 10. Risk

At this stage in this Project the main risk is seen as:

- **IF** NRW does not proceed to market **THEN** Developers may question Welsh Government's commitment to its Natural Resources Policy and related Targets for renewables.

Also –

- **IF** NRW does not have the resource to proceed with the new business pipeline **THEN** there will come a point where the Programme profile will become very distorted. This risk could be overcome by an outsourcing solution but this will come at cost and some reputational damage as Developer's can estimate income sums NRW / Welsh Government are receiving from established projects.
- **IF** NRW injects delay into the proposed estimated timeline **THEN** clearly we will be delaying future revenue streams, which if becoming part of NRW's baseline could adversely affect other parts of our organisation.

## 11. Resource Requirement & Financial Implications

Based on the recent Alwen Project it is roughly estimated that this Project may secure an offer comprised of Option and Royalty payments which equates to between £15 and £20 million over the life of the Project.

However energy remains a very volatile market with Westminster Government interventions in the retail market e.g. energy bill capping. We cannot say with any certainty what the cost of Local Ownership might be, but for every additional demand placed on energy projects these costs impact margins and filter back through the cost of risk and can be reflected in the offer price.

The costs associated with delivering this Project are mainly met by the ring-fenced receipts that the Programme collects and transfers to Welsh Government net of direct EDP Programme costs and corporate overheads under clause 3.9.10 of the Framework Agreement. This project will therefore not impact NRW's baseline budget.

An estimate for the full life of the Project is given in the table below.

### Estimated Project Costs

	Estimated Direct Costs	Estimated Staff Costs	Estimated Total Costs
<b>Stages 1 – 3 Project Initiation &amp; Establishment Jan 2018 – May 2019</b> Legal, Consultancy & Marketing 250 Staff Days	£100,000	£75,000	£175,000
<b>Stage 4 Planning Phase May 2019 – May 2021</b> Legal & Consultancy 600 Staff Days	£150,000	£180,000	£330,000

<b>Stage 4 Build &amp; Handover Phase May 2021 – Dec 2023</b> Consultancy 3750 Staff Days	£100,000	£1,125,000	£1,225,000
<b>Stage 4 Operational Phase 2023 – 2043</b> 250 Staff Days		£75,000	£75,000
<b>Total Costs</b>	<b>£350,000</b>	<b>£1,455,000</b>	<b>£1,805,000</b>

<b>Key Project Roles</b>	<b>Description</b>
<b>Project Sponsor</b>	Derek Stephen: Commercial Business Development Manager, Commercial Operations. Project Sponsor overseeing and participating in Stages 1 - 3.
<b>Senior User</b>	Sally Tansey: Operational Resources Manager, South Ops Directorate. Project Board Member and key link between EDP and Placed Based Team.
<b>Programme &amp; Project Executive</b>	Mike Pitcher: EDP Team Leader and Line Manager of local based EDP Project Manager and Team charged with supporting and delivering the day to day aspects of Stages 1 - 4.
<b>Project Development &amp; Project Quality Assurance</b>	James Laing: EDP Team Leader leading on the Marketing Phase in Stages 1 - 3 and supporting throughout Stages 1 - 4.
<b>Project Manager</b>	Andrew Maberly-Jones: EDP Line Manager of local based EDP Project Team (3 members).
<b>Project Team Members</b>	Charlotte Lewis: Project Support Operations Dafydd Davies: Project Support Operations Ethan Banfield: Project Support Business Support
<b>Suppliers</b>	Kay Williams: Land Agency Wendy Joss: Environmental Andy Wills: Forestry Nick Thompson: Engineering Nathalie Beaurain: Business Services Support Enid Carrick: GIS Support

## 12. Recommendation

I recommend that the Energy Delivery Programme Board approves this PID and instructs the Programme to progress with marketing the opportunity and establishing the Project.

*Derek*

Rheolwr Datblygu Busnes Masnachol / Commercial Business Development Manager

Cyfoeth Naturiol Cymru / Natural Resources Wales

13<sup>th</sup> March 2018