

From: **Simon Jones - Corporate Director Growth, Environment and Transport**

To: **Neil Baker – Cabinet Member for Highways and Transport**
Subject: **Local Electric Vehicle Infrastructure (LEVI) Project**

Key Decision: 23/00116

Classification: **Unrestricted**

Summary: This report provides an overview of the Local Electric Vehicle Infrastructure (LEVI) fund. It sets out the scope and objectives of the fund and recommends an approach to unlocking the funding and opportunity available to Kent.

Recommendation(s):

The Cabinet Member for Highways and Transportation is asked to:

(i) ACCEPT a Local Electric Vehicle Infrastructure (LEVI) grant of £12,081,000 capital from Department for Transport to support on-street electric charging point infrastructure provision subject to final review and consideration of detailed terms and conditions.

(ii) DELEGATE authority to the Corporate Director of Growth, Environment and Transport, after consultation with the Cabinet Member for Highways and Transport, and Corporate Director of Finance, to review and agree to the required terms and conditions to enter into the necessary grant arrangements.

(iii) Approve the procurement of a Charge Point Operator partner(s), who will be responsible for the installation, operation and maintenance of a county wide electric vehicle charger network in accordance with the LEVI criteria, subject to agreed terms and conditions.

(iv) DELEGATE authority to the Corporate Director of Growth, Environment and Transport to, in consultation with the Cabinet Member for Highways and Transport, negotiate, finalise and enter into relevant contracts to implement the required contract award

(v) DELEGATE authority to the Corporate Director of Growth, Environment and Transport, after consultation with the Cabinet Member for Highways and Transport and the Corporate Director of Finance, to accept future years' allocations of the Local Electric Vehicle Infrastructure (LEVI) grant providing funding is given on similar terms.

(vi) DELEGATE authority to the Corporate Director of Growth, Environment and Transport, to take other actions, including but not limited to entering into contracts or other legal agreements, as required to implement the decision;

as shown at Appendix A.

1. Introduction

- 1.1 In March 2022 the Government published *Taking charge: the electric vehicle infrastructure strategy (reference 1)* which outlined their intention that Local Authorities should play a leading role in ensuring **equitable access** to Electric Vehicle Charge Points (EVCP) in their localities.
- 1.2 A year later, in February 2023, the Office for Zero Emissions Vehicles (OZEV) published their regional allocation of Local Electric Vehicle Infrastructure (LEVI) funding, of which Kent County Council (KCC), as a Tier 1 authority, was allocated £12,081,000 capital funds to influence the deployment of residential charging. This should primarily focus on on-street locations but can include off-street car parks, charging hubs and other destinations.
- 1.3 In addition, £720,000 revenue funds have been granted to KCC to provide staffing to develop a county wide approach to Electric Vehicle (EV) charging and determine the viability of the LEVI project.
- 1.4 The focus of the LEVI fund is to help deliver a step change in the deployment of local, primarily low power, on-street charging infrastructure to accelerate the commercialisation of, and investment in, the local charging infrastructure sector.
- 1.5 The grant conditions allow for Local Authorities to generate revenue income from the EVCP network - to be quantified following procurement exercise. This revenue can be reinvested into the network to reduce future funding pressures.
- 1.6 The LEVI funds must be drawn down by the end of March 2025. Therefore, application to OZEV, procurement and contract review must all take place in 2024.
- 1.7 Officers have engaged with the market, liaised with partner organisations and OZEV, analysed the available options and have recommended an approach to proceed to market.
- 1.8 A decision is required whether to proceed to formally submit an application to OZEV to accept the funds before proceeding to the tender stage to procure a private sector operator(s), with a view to implementing the EVCP Network in line with LEVI funding criteria.

2. Context

- 2.1 Domestic transport is the largest generator of emissions in the UK economy, accounting for 34% of the UK's total emissions in 2022 (reference 2). Of this, the large majority came from road transport vehicles. In Kent, road transport contributes to 44% of CO2 emissions and pollutants (reference 3).
- 2.2 In 2019 KCC recognised the UK climate emergency and, through the framework set out in the Kent and Medway Energy and Low Emissions Strategy (reference 4), a target to achieve net zero emissions for the county by 2050.
- 2.3 At a national level, the UK Government has committed to decarbonise transport, pledging to end the sale of most new petrol and diesel cars by 2030 and that all new cars and vans will be required to be fully zero emission at the tailpipe by

2035 (reference 5). However, research from the Office for Gas and Electricity Markets has found that 36% of households that do not intend to purchase an EV are deterred by the lack of charging points near their home (reference 6).

- 2.4 Currently, facilitating EV charging is not a statutory obligation for Local Authorities. However, in response to a consultation with Local Authorities on EV charging strategies (reference 7), the Department for Transport (DfT) will look to update local transport plans to include the need for local transport authorities to produce local EV charging strategies and ensure provision of chargepoints.
- 2.5 To date, KCC's programme of EVCP delivery has focused primarily on off-street provision within Local Authority car parks across urban and rural settings.

The Kent EVCP Network	A multi-partner framework is installing primarily 7kWh chargers in 150 car park locations around Kent under a concession model. 200 EVCP's have been installed to date with a further 200 in development. All District Authority Councils are able to join the framework.
The LEVI Pilot Project	Delivering 100-150kw ultra rapid charging across 3 locations to test technologies, provide learning to the Office for Zero Emission Vehicles (OZEV) and create a revenue income for KCC.
The Rapid Taxi charger Project	Installing 28 x 50 kw rapid chargers for the taxi community to encourage a switch to EV across the county. To date 24 sockets have been installed .
The Parish Charger Network	Set to install up to 100, 7kWh EVCP's in Parish communities across Kent in response to market failure in rural locations in the county. To date 52 EVCPs have been installed.
Ultra Rapid Charging Hubs	A project looking to create ultra rapid EVCP hubs on KCC owned land along the Strategic Road Network including A roads. In development with internal Governance decisions required.

- 2.6 Utilisation data ie, the measurement of how many hours the EVCP's are distributing electricity, is encouraging, and growing over time. However, there are limitations to this approach due to the locations of available car parks, availability of suitable grid connections, their catchment areas and other factors including parking income generation which can act as a barrier to users.
- 2.7 At the time of writing, 18,585 licenced plug-in cars and light goods vehicles (LGVs) are registered in Kent, representing 2% of the registered cars and LGVs in the county (reference 8). Over the last three years, plug-in vehicle ownership has increased by 285% at an average of 10.6% each quarter. Note that this does not account for vehicles registered elsewhere but travelling through Kent, so the actual number of EVs on Kent roads will be higher.
- 2.8 OZEV want to see Tier 1 Authorities enabling charging for those in most need. In the current landscape of EV charging, OZEV have made it clear that the primary focus should be on existing residential properties without access to private driveways or parking. This is because those with off-street parking can often install a private EVCP and therefore access lower cost, off peak tariffs which only incur 5% VAT compared to 20% on the public network. Typically,

those with their own dedicated charger will only access public charging when travelling longer distances. *Note: new developments are obligated to provide chargers as part of Building Regulations, updated in 2022.*

2.9 Kent has an estimated 700,949 dwellings (reference 9) with about 40% not having access to off-street parking. Some residents have access to parking but not necessarily the ability to install home charging facilities.

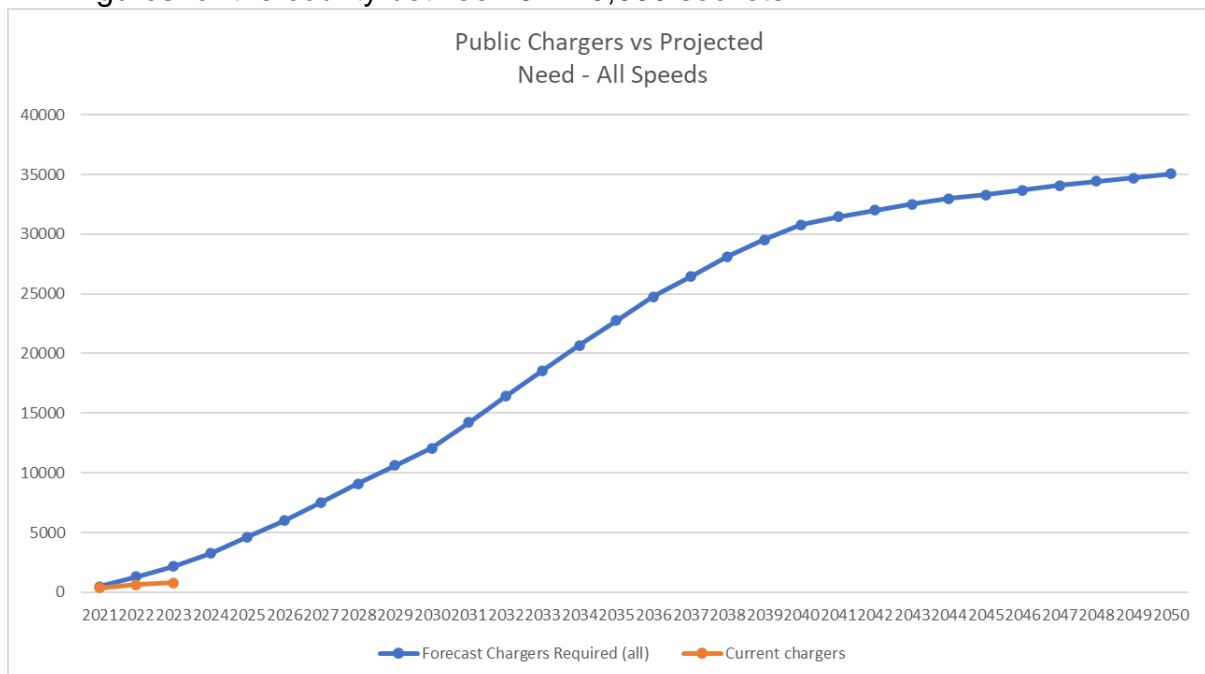
3. Forecasting Charger requirements

3.1 *Cenex* was established as the UK’s first Centre of Excellence for Low Carbon and Fuel Cell technologies and have been commissioned by OZEV to provide insights to underpin local authority EV strategy development. As part of this work, *Cenex* has created the National EV Insight and Strategy tool (NEVIS).

3.2 NEVIS provides indicative estimates in terms of the Electric Vehicle Charger requirements down to Local Authority level. The data presented aligns with Government’s current position and the subsequent phasing out of petrol and diesel cars and light goods vehicles (LGV) in 2035.

3.3 The forecast anticipates that Kent will require 10,285 standard (<7kW) charger sockets across the entire public network by 2030 and 19,954 by 2035. These figures include input from both the public and private sector and will include chargers on privately owned land that are not influenced by KCC.

3.4 OZEV have indicated that the project could aim to influence about half of the figures for the county between 5 – 10,000 sockets.



3.5 The high-level figures are subject to review as the development of the wider public network will impact on LEVI funded delivery, however, high level targets are important at this outline stage to anticipate delivery scale, contractual value and associated requirements of the electricity infrastructure overseen by UK Power Networks.

4. Commercial Options

4.1 To ensure best use of the grant and leverage most value, the primary focus of the LEVI capital fund will be to enable charger installations across less commercially viable locations to ensure no part of Kent is left without the required charging infrastructure. The proportion of these locations across the network will be better known as the project progresses and will ultimately determine how achievable the above targets are.

4.2 Multiple scenarios have been considered as part of the assessment process:

	Description
Option 1: Do Nothing	Decline LEVI finding. Existing On street Residential Charge Point (ORCS) funding can be leveraged to cover existing projects in the short term. However, OZEV have made it clear the LEVI will be replacing ORCS and it is likely that ORCS will <u>not</u> be available beyond financial year 2023/24, leaving a funding gap.
Option 2: Joint Venture	A new business entity can be established to deliver on-street EVCPs. The associated risk is shared between both KCC and the private sector joint venture partners. Setting up a joint venture comes with its own range of risks which should be carefully considered before choosing this route.
Option 3: No private sector capital investment – External operator	The local authority typically invests all of the capital costs and retains ownership of the assets. Operational responsibilities are transferred to a service provider for part of the revenue.
Option 4: Private sector capital investment sought - Concession	A flexible approach that shares aspects of capital costs, operational costs, control and risk between public bodies and their chosen service provider. This approach requires some public sector investment (LEVI) but is primarily funded by the private sector. The local authority has no lasting obligation to the service provider beyond the terms of their concession.
Option 5: Land Lease	A land lease is a low risk-low revenue commercial arrangement where the local authority retains little control over the resulting service by leasing land it owns to a service provider. This is the least involved option for the local authority. Private sector operators are responsible for investment/liability for infrastructure, including maintenance, operation and repairs. Since a 'lease' is just an interest in the property, the party leasing the land has a grant of possession of the land for a definite period and for a definite payment arrangement. Consequently, the local authority has no control over the eventual EVCP infrastructure that is deployed.
Option 6: Own and Operate	The own and operate model is the most involved commercial arrangement for the local authority, who pays for all capital costs, covers all operational costs and retains all ownership, control, responsibility, risk and revenue. This option would significantly reduce the scale of delivery unless KCC supplemented the LEVI grant money.

- 4.3 A Concession Contract is recommended to secure best outcomes. It limits the risk exposure for the Local Authority while generating and income in return for enabling access to land. Additionally, this model allows more control and influence from the Local Authority than a Land Lease model ensuring a widespread, fair EVCP network can be delivered.
- 4.4 All capital expenditure will be met by the private sector and LEVI funds. All ongoing revenue costs associated with charge point operation, maintenance, customer service and financial handling will be met by the private sector.
- 4.5 It is anticipated that a proportion of the grant funding will be allocated for enabling and accelerating standard chargers across the county. Additionally a proportion of the funds would be allocated specifically for the difficult/costly to install areas where the payback period is longer and the Charge Point Operator's (CPO) may not otherwise seek to deliver. The exact allocations will be determined with further engagement with UK Power Networks on the costs to provide power, further market engagement and through the procurement process.
- 4.6 In the event of market failure, any costs associated with decommissioning, removals and reinstatement of highway assets will be met by the CPO. In the event that this is not possible, KCC may draw from revenue generated by the project or via supplier insurance.
- 4.7 Contract length plays an important role in chargepoint deployment. With timescales to recoup investment expected to be lengthy, CPO's require long contracts to give assurance that their investments will make a return. Market engagement indicates that a reasonable contract length would be 15-25 years. This is in line with OZEV projections. CPO's have indicated that the longer the contract, the less grant funding they would require. This is due to them being able to attract long term infrastructure investors and the cost of capital will be lower for them.
- 4.8 Suitable break clauses and Service Level Agreements will be in place to ensure the contract terms are being met. Officers are engaging with the Commercial and Procurement Team to ensure risks are minimized to KCC when drawing up the contracts.
- 4.9 This recommended approach is the standard approach adopted by Local Authorities and is strongly recommended by OZEV.

5. Market Engagement

- 5.1 A market engagement exercise was conducted between August and October 2023. A questionnaire was hosted on the Governments Contract Finder in order to understand the market and answer a variety of questions surrounding commercial viability and whether delivery against the LEVI criteria could be achieved.
- 5.2 Following review of these questionnaires several suppliers were approached for interviews, where conversations highlighted key information to officers that has helped inform and develop this business case. Key learnings include:
 - Market aligns with KCCs ambitions in terms of objectives and scale.
 - Employ local teams to manage operation and maintenance of the network.

- Meet KCC's strict service level agreements (SLAs) and requirements surrounding safety critical response times for assets on the highway.
- Confidence in managing supply chains to accommodate projected chargepoints needed.
- Provide high quality, durable equipment that meets both safety and Open Charge Point Protocol (OCPP) requirements to mitigate risks identified by officers. OCPP compliance enable any other CPO to take over the kit without any civils works taking place.
- Contract length will need to be 20 years minimum with a preference for 25 years to allow for a preferred approach of a scaled, controlled 10-year deployment period.
- KCCs projections in relation to utilisation aligns with the market's expectations.

6. Financial Implications

- 6.1 The preferred "concession" commercial model, will not burden KCC with any financial commitments. Initial installation costs and ongoing operation/maintenance costs will be covered primarily by the CPO. However, KCC will be able to supplement delivery costs via the LEVI capital allocation where needed.
- 6.2 In addition, KCC expects to receive an income from the project. Income potential will be known following the procurement exercise.
- 6.3 Delivering a network of 10,000 on-street EVCP sockets has been costed at £59m. This will be funded by a private sector CPO partner with KCC able to allocate the £12m capital funds as required to bring forward challenging or uneconomically attractive locations.
- 6.4 It is important that KCC retain a good level of control over delivery and site selection. To achieve this, and to secure the necessary revenue in return, KCC must offer investment. LEVI capital funding of £12,081,000.00 will be allocated as ringfenced investment towards the delivery of the project (paid in arrears).
- 6.5 In addition to the LEVI capital funding, a £720,000 Capability Fund has been allocated to KCC in order to cover revenue costs. This allows for increasing staff resources, upskilling and strategic project planning and delivery as well as developing an overarching EV Strategy to encompass all associated projects.
- 6.6 The capital LEVI allocation will help overcome high connection costs and to deliver in locations deemed as less commercially attractive.
- 6.7 All ongoing operation/maintenance and removal costs will be paid for by KCC's chosen private sector charger point operator partner. Passive provision will be provided where appropriate, permitting the initial installation of a low number of chargepoints (1-2 bays) at a given location. As utilisation and local demand increases, additional chargepoints can then be easily fitted, reducing the project cost and preventing additional disruption from further groundwork.
- 6.8 OZEV have a requirement that Local Authorities claim their LEVI grant funding no later than 31 March 2025 post procurement.

7. Legal implications

- 7.1 A legal representative sits on the LEVI project board and are engaging with external experts to fully understand any legal implications associated with the project including:
- Monopoly considerations
 - Exclusivity rights in contract and exclusivity over CPO access to installation on the highway
 - Right to procure
 - Subsidy Control Scheme considerations
 - Leases / License Agreements

8. Equalities implications

- 8.1 Consideration is being given to providing equitable and accessible EVCP's. Officers will ensure design and installation adheres to British Standards on accessible chargepoints and will engage with groups representing those with protected characteristics to inform the procurement exercise.

9. Other corporate implications

- 9.1 There are wider implications from this project on other areas within Highways and Transport. On-street EVCP installations in residential areas could compete for road space with existing residential parking. To mitigate against this the project would be delivered in phases, equally spread across communities and growing as demand and utilisation data requires. Where possible, priority would be given to locations which minimise parking disruption and passive provision will be installed to scale up slowly over a longer timeframe.

10. Governance

- 10.1 The Cabinet Member for Highways and Transportation is asked to accept the recommendations as outlined in this report.

11. Conclusions

- 11.1 Consideration has been taken to understand the scope of the LEVI fund, scale of the challenge for Kent, commercial opportunities available and engagement with the grant funders and market operatives. A decision is now required to apply to OZEV to accept the capital Grant funding allocated to Kent. Once approved KCC can proceed through procurement and understand the specific offers available from the market. The Cabinet Member is asked to delegate authority for contract award to the Corporate Director taking advice from KCC's finance, legal and procurement teams.

12. Recommendation(s)

The Cabinet Member for Highways and Transportation is asked to:

- (i) ACCEPT a Local Electric Vehicle Infrastructure (LEVI) grant of £12,081,000 capital from Department for Transport to support on-street electric charging point infrastructure provision subject to final review and consideration of detailed terms and conditions.
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(vi) DELEGATE authority to the Corporate Director of Growth, Environment and Transport, to take other actions, including but not limited to entering into contracts or other legal agreements, as required to implement the decision;

as shown at Appendix A.

13. Background documents and references

- Appendix A: Proposed Record of Decision
 - Appendix B: Equality Impact Assessment
- 1) HM Government. *Taking Charge: The Electric Vehicle Infrastructure Strategy*. <https://www.gov.uk/government/publications/uk-electric-vehicle-infrastructure-strategy>
 - 2) Department for Energy Security and Net Zero, *2022 UK greenhouse gas emissions, provisional figures* [2022 UK greenhouse gas emissions: provisional figures - statistical release \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/107112/2022-uk-greenhouse-gas-emissions-provisional-figures-statistical-release.pdf)
 - 3) Kent State of the Environment Report: Travel and Transport Update. [Travel-and-transport-environmental-statistics.pdf \(kent.gov.uk\)](https://www.kent.gov.uk/media/107112/Travel-and-transport-environmental-statistics.pdf)
 - 4) Kent & Medway Energy and Low Emission Strategy. <https://www.kent.gov.uk/about-the-council/strategies-and-policies/service-specific-policies/environment-and-waste-policies/environmental-policies/kent-and-medway-energy-and-low-emissions-strategy> Published June 2020
 - 5) Government takes historic step towards net-zero with end of sale of new petrol and diesel cars by 2030, DfT, BEIS. <https://www.gov.uk/government/news/government-takes-historic-step-towards-net-zero-with-end-of-sale-of-new-petrol-and-diesel-cars-by-2030>
 - 6) Ofgem press release – [Ofgem delivery £300 million downpayment to rewire Britain.](https://www.ofgem.gov.uk/press-releases/2022/04/2022-04-20-ofgem-delivery-300-million-downpayment-to-rewire-britain)

- 7) [Future of transport regulatory review: zero emission vehicles - GOV.UK \(www.gov.uk\)](https://www.gov.uk)
- 8) Licence Vehicle Data for Kent - Department for Transport and DVLA Data up to Q1 of 2023. <https://www.gov.uk/government/statistical-data-sets/vehicle-licensing-statistics-data-tables>
- 9) Kent Analytics Statistical Bulletin October 2023 – Housing Stock in Kent. https://www.kent.gov.uk/data/assets/pdf_file/0005/81662/housing_stock_2023.pdf

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