



Establishing the City Leap Energy Partnership

Appendix A (i)
Further Essential Background Information



BRISTOL
ONE CITY

Table of Contents

City Leap procurement process	1
Background information on Ameresco Limited	2
Background information on Vattenfall Heat UK Limited	4
Structure of the City Leap Energy Partnership	5
Role and function of City Leap entities	6
Contractual arrangements	7
Obligations of both parties	8
Strategic and operational control	8
How City Leap will work during the lifetime of the partnership	9
Client Function for City Leap	9
Project Acceptance Criteria ('PAC')	9
Ensuring best value for Bristol	10
Annual Business Plan	10
Community participation in Bristol City Leap	11

City Leap procurement process

Following the approval by Cabinet in July 2020 of the Cabinet Report, ‘Revised City Leap Energy Partnership’, a Concession Notice was published in the Official Journal of the European Union on 3 August 2020 to commence the procurement of the City Leap Strategic Partner.

Following an initial selection stage, three Bidders were shortlisted to participate in the next stage of the procurement, as follows:

- Ameresco Limited, with Vattenfall Heat UK Limited as an Essential Sub-Contractor;
- E.ON UK PLC and Marubeni Corporation (acting as a consortium); and
- ENGIE Services Holding UK Ltd and Sumitomo Corporation (acting as a consortium).

The next stage of the Procurement commenced in November 2020 and involved meetings with each of the shortlisted Bidders.

An Invitation to Tender was published on 16 August 2021 and two bidders subsequently submitted Tenders to become the City Leap Strategic Partner on 17 December 2021.

Upon completion of the evaluation process, Ameresco Limited was appointed as Preferred Bidder following Cabinet approval in April 2022.

Background information on Ameresco Limited



Ameresco, Inc. (NYSE:AMRC) is a leading cleantech integrator and renewable energy asset developer, owner and operator. Our comprehensive portfolio includes energy efficiency, infrastructure upgrades, asset sustainability and renewable energy solutions delivered to clients throughout North America and Europe.

Our approach begins by addressing energy demand with analytics and efficiency measures to reduce energy consumption. Then, we right-size innovative options for energy supply with renewable and distributed solutions. As a long-term partner, we can also provide ongoing operations and maintenance services to support clients' energy objectives. Ameresco's sustainability services in support of clients' pursuit of Net Zero include upgrades to a facility's energy infrastructure and the development, construction, and operation of distributed energy resources.

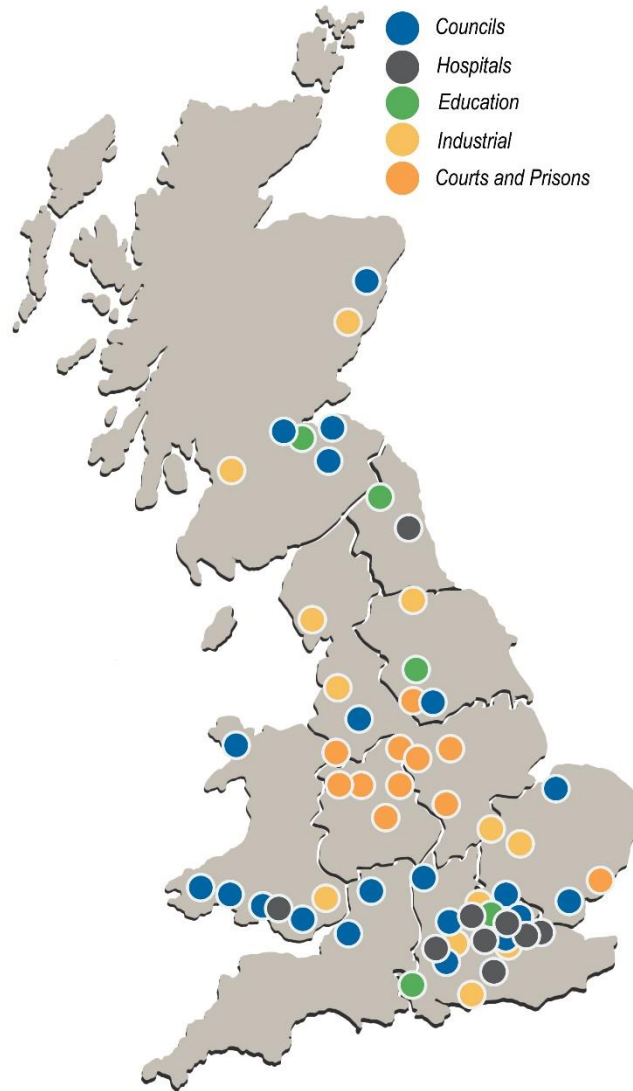
Technical independence coupled with our advanced technology portfolio allows us to integrate best-in-class solutions for the unique needs of each customer, paired with practical financial solutions. Whether focused on securing infrastructure upgrades, meeting sustainability goals, or creating resiliency, our customers benefit from a single provider of comprehensive clean technology solutions.

Drawing from 20 years of experience, Ameresco has successfully completed energy saving, environmentally responsible projects with Federal, state and local governments, healthcare and educational institutions, housing authorities, and commercial and industrial customers.

With its corporate headquarters in Framingham, MA, Ameresco has more than 1,000 employees providing local expertise in the United States, Canada, and Europe. For more information, visit www.ameresco.com.

UK Projects Map

Updated Feb 2022



Background information on Vattenfall Heat UK Limited



Vattenfall is a leading European energy company, that for more than 100 years has electrified industries, supplied energy to people’s homes and modernised our way of living through innovation and cooperation. We now want to make fossil-free living possible within one generation. Therefore, we are driving the transition to a more sustainable energy system through growth in renewable production and climate smart energy solutions for our customers.

Our main markets are Sweden, Germany, the Netherlands, France, Denmark and the United Kingdom.

The parent company of the Vattenfall Group, Vattenfall AB, is a non-listed company, 100 percent owned by the Swedish state. Vattenfall finances its operations by own generated cash flow and external funding, mainly in the form of corporate bonds.

Vattenfall Heat UK

Vattenfall Heat UK delivers on low carbon heating, cooling and power solutions; through a commitment to enable fossil free living within one generation. We're an energy partner at the forefront of affordable and reliable low carbon heating in the UK. The growth of our district heating business is accelerating in line with our purpose of powering climate smarter living.

About heat networks

Heat networks are essential in decarbonising heat in domestic and commercial properties. They harness heat from a central energy source, such as from the ground, water or waste heat from industrial processes and energy from waste plants. Heat sources are in abundance in cities.

Heat networks are a future proof way of heating homes in urban areas by being ‘technology agnostic’. This means that no matter what new technology may emerge in the coming years, developments are ready to adopt them without costly retrofitting. For more information, visit heat.vattenfall.co.uk.

Structure of the City Leap Energy Partnership

The City Leap Energy Partnership ('BCL') is a joint venture between the council and its Strategic Partner (SP) Ameresco Limited (Ameresco). The council and Ameresco will each be 50/50 shareholders in a joint venture company (JVCo), that aims to decarbonise the council's estate and support the wider decarbonisation of Bristol.

BCL will originate new projects and be responsible for the commitments set out in the summary Initial Business Plan (see Appendix A (ii)) All transferring Energy Service staff will be employed by BCL and continue to work on the delivery of existing projects and originating new opportunities. BCL's operating costs will be funded in full by Ameresco and Vattenfall. BCL will not own any assets or subsidiary companies.

Ameresco and Vattenfall may create separate legal entities to bring investment into projects that they will develop as part of BCL. No council investment will be made in any new legal entity. Ameresco and/or Vattenfall will be the contractor for any decarbonisation investment in the council's estate.

Role and function of City Leap entities

The role and function of each entity within the structure of City Leap is summarised in the table below.

Entity	Role	Function
Bristol City Council	Local Authority	<p>Promote and enable the delivery of city wide decarbonisation projects on the path to Net Zero and take an equal partnership in BCL – see later section, ‘Strategic and operational control’.</p> <p>Help to facilitate the origination and development of projects in the business plan in line with obligations under the Concession Agreement including to secure grant funding where opportunities exist that will bring down the cost of decarbonisation for Bristol.</p>
BCL	JVCo	Overall vision, development of the five-year business plan, strategy and project origination. All of the Council’s Energy Services employees who transfer to the City Leap Energy Partnership will be employed by BCL.
Ameresco Limited	Strategic Partner	<p>Take equal partnership in BCL and be responsible for delivering obligations under the Concession Agreement. Provide operational management and support to achieve BCL outcomes and deliver services. Support origination and design, build, fund, own and operate new Low Carbon Energy Infrastructure (‘LCEI’) assets across Bristol (excluding the heat network).</p> <p>In relation to the heat network, Ameresco has a ‘Sub Concession Agreement’ in place with Vattenfall that passes down the relevant obligations from the Concession Agreement.</p>
Vattenfall Heat UK Limited	Essential Sub-contractor	Support origination and delivery of the heat network and approval of the relevant sections of the Business Plan. Acquisition and continued expansion and operation of Bristol Heat Networks Ltd with the support of Vattenfall’s resources and expertise in heat network delivery and risk management. The Energy Service staff working on heat networks will be transferred to BCL, and then seconded to Vattenfall so that they can continue to work day-to-day on the heat network.
Bristol Heat Networks Limited	Ownership and operation of heat networks	Owned by Vattenfall, BHNL will develop, own and operate existing and new heat networks across Bristol .

Contractual arrangements

The 20-year Concession Agreement is the foundation document for the BCL. Under the Concession Agreement, the council will grant the right to install low carbon energy infrastructure on the council's estate.

The Concession Agreement obliges the Strategic Partner to meet the Key Performance Indicators as set out in para 3.1.3 of the Cabinet Report. In addition, there are commitments given by the Strategic Partner in the Concession Agreement in relation to the heat network, in particular in relation to continuity of service provision and fair pricing, which the council views as critical and which Ameresco will mirror in its contractual arrangements with its key subcontractor, Vattenfall.

To supplement the commitments given by the Strategic Partner in the Concession Agreement in relation to the heat network, the council will be given a "special" share in the company that will own the heat network assets in the future. This share will give the council a veto over certain actions by that company, such as a future sale, unless, for example, any future owner of the heat network agrees to abide by the contractual commitments given by the Strategic Partner in relation to the heat network. This will enable the council to continue to protect the interests of customers of the heat network prior to national regulation of heat networks being introduced that will provide customers with equivalent protections.

In addition to the Concession Agreement, the Council will be entering into:

- a Shareholders' Agreement, which regulates the relationship between the council and the Strategic Partner as shareholders of BCL;
- a share sale and purchase agreement, which sets out the terms of sale for the shares in BHNL (the council's wholly owned company that owns the heat network) to Vattenfall (Ameresco's sub-contractor that will own, operate and expand the heat network); and
- an intellectual property agreement.

The Concession Agreement has been set up so that the Strategic Partner is the primary contractor to the Council, and the Council will enter into delivery agreements with the SP for LCEI projects. The only party that BCC will contract with is Ameresco, and the only relationship/contract BCC is expected to directly manage under City Leap is with Ameresco.

Ameresco will be responsible for putting in place and managing all relevant sub-contracts relating to the delivery of LCEI projects under City Leap and there are various protections for the council in the Concession Agreement around delivery of sub-contracts and ensuring value for money. This includes an annual value for money audit process, value for money requirements that will need to be met before the council will approve City Leap projects on its estate and contractual sub-contracting and benchmarking provisions - see later section, *'Ensuring best value for Bristol'*.

Obligations of both parties

As a result of entering into the legal agreements between the council and Ameresco Limited, both parties will take on substantive obligations including the following:

The council must:

- Offer the Strategic Partner a right of first refusal on any LCEI project proposals that are originated by the council's service areas;
- Provide access to the council's estate, including its corporate buildings and social housing. Projects will not be permitted to proceed on the council's estate unless they have been through the project approval process and met the Project Acceptance Criteria (see later section);
- Work with and co-operate with BCL to originate new projects;
- Assist with grant funding applications;
- Facilitate and assist heat network expansion.

Ameresco Limited must:

- Originate LCEI projects on the council's estate;
- Deliver approved projects to the service standards set out in the Concession Agreement;
- Ensure funding for BCL, development costs for Bristol City Leap projects and construction of the heat network;
- Make relevant payments to the council under the Concession Agreement;
- Deliver the commitments put forward in their bid, the Business Plan and Annual Budget;
- Achieve all Key Performance Indicators;
- Comply with heat network delivery obligations;
- Comply with social value delivery commitments set out in their bid,

Strategic and operational control

BCL will be established as a joint venture, with the council owning 50% of the shares in BCL, held by the Mayor, and Ameresco owning the other 50% of the shares. A Shareholders' Agreement covers the relationship between the council and Ameresco as shareholders of BCL. The council and Ameresco will each be able to appoint two directors to the board of the BCL.

How City Leap will work during the lifetime of the partnership

Client Function for City Leap

The Client Function will act as the interface between the Council and BCL to drive the delivery of the key aims.

Project Acceptance Criteria ('PAC')

The Concession Agreement grants Ameresco the right to carry out projects on the council's estate that meet the detailed PAC set out in the Concession Agreement.

The PAC is split into three parts:

- Part A sets out the Generic Project Acceptance Criteria which all relevant projects on the Council's estate will need to meet;
- Part B sets out Specific Project Acceptance Criteria which apply to projects on the Council's estate to be developed with particular Service Areas, such as Housing & Landlord Services which manages the council's social housing; and
- Part C sets out the four-stage approval process to be followed in order for Ameresco to demonstrate that a project meets all the Project Acceptance Criteria set out in Part A and any applicable criteria from Part B.

Any changes to the PAC must be approved by Cabinet.

Part A – Generic Project Acceptance Criteria

Under Part A, the criteria projects must meet include:

- must demonstrate benefits, e.g. carbon savings, energy bill savings;
- terms must be satisfactory to the Council;
- all parties must have in place appropriate and adequate insurance;
- collateral warranties must be offered from all parties where appropriate;
- all end customers must be offered a fair price for energy purchased;
- no conflicts with land use and/or other BCC strategies/policies;
- no contravention of any of the council's statutory duties;

Part B – Specific Project Acceptance Criteria

Part B contains requirements that will apply where a project is in a particular service area in the Council. For example, for social housing projects, all sub-contracts contain must include targets in relation to delivery of high customer care standards.

Part C - Project Approval Process

Part C sets out the four-stage gateway approval process to be followed in order that the Strategic Partner can show that a project meets all the Project Acceptance Criteria.

Once a project has passed the gateway approval process, Ameresco is obliged to deliver the project.

Ensuring best value for Bristol

Bristol City Leap gives the council access to a delivery partner for all LCEI projects for the next 20 years, enabling the council to respond quickly to decarbonisation opportunities.

The Strategic Partner has an overarching obligation to assist the council in meeting its legal duty to ensure best value for public money and there will be an independent annual market price audit carried out across a sample of contracts.

Annual Business Plan

BCL will prepare a rolling five-year Business Plan each year and a summary of the Business Plan will be published on BCL's website. BCL will also make information available on its website regarding the Strategic Partner's progress against the Key Performance Indicators and individual social value metrics such as number of jobs created.

BCL's Business Plan is subject to sign off by the shareholders, whose role is to ensure that the plan aligns with the key objectives of BCL.

Community participation in Bristol City Leap

Ameresco has made the following commitments relating to community participation:

- Providing **£1.5 million for a Community Energy Development Fund and £500k for an Innovation fund** over the first five years of the term of the concession agreement to support new projects coming to fruition.
- Making 10% of the non-heat network capital requirement available to public shareholder subscription through a **dedicated crowd funding platform**, provided by Abundance, amounting to an estimated £6million in the first five years, giving Bristolians the opportunity to benefit directly from investing in City Leap projects.
- Creating a **City Leap Community Forum** bringing key stakeholders together to support key decision making on the Bristol City Leap strategy.
- Creating and implementing **Community Engagement Action Plans** on a project-by-project basis as Bristol City Leap is developed across the city.
- Implementing a **Heat Network Advisory Panel** which will provide advice to and challenge BHNL on strategic heat related matters.
- Delivering a comprehensive programme of further regular engagements with communities, partners, business and the people of Bristol.