MEETING OF THE BERKSHIRE LOCAL TRANSPORT BODY (BLTB) – THURSDAY 10 NOVEMBER 2022

CONTACT OFFICER: Alison Webster, Chief Executive, Berkshire Local Enterprise Partnership

Item 4: 2.34 Slough: MRT Phase 2 & Slough Energy Hub Schemes

Purpose of Report

1. This report considers a paper from Slough Borough Council (SBC) on the viability of the park and ride element of Phase 2 of the Slough MRT and the conclusion of work by consultants, carried out on behalf of SBC and the LEP, on an alternative proposal for an Energy Hub on the site.

Background

2. At the previous meeting in July 2022, BLTB discussed the position regarding scheme 2.34 Slough: MRT Phase 2 following the approach by Slough Borough Council seeking to re-focus the park & ride element as an Energy Hub, incorporating electric vehicle charging and hydrogen refuelling.

3. BLTB requested that a report be brought to the next meeting demonstrating the evidence for the move away from the park & ride and why Slough Borough Council considered the original business case to no longer be viable and any impacts on the approved MRT scheme.

4. Members also agreed to receive an update on the assessment of funding and delivery options for the possible Energy Hub being carried out by consultants, UK Power Network Services (UKPNS) that would demonstrate the viability of an Energy Hub and whether it was something the LEP should consider funding. The cost of this report was £48,290. The LEP appointed UKPNS on behalf of SBC and the cost will therefore be included within the total costs for the Slough MRT project.

Assessment of the viability of the Slough Park and Ride proposal carried out by Slough Borough Council

5. The original 2.34 Slough MRT Phase 2 project included:

    a. a MRT element (including highways infrastructure and gyratory improvements) and
    b. a park and ride element.

    The Business Rates Retention Pilot (BRRP) funding for the two elements was £8.3m and £5m, respectively, with approvals from BLTB in July 2018 and January 2019.

6. The MRT element is now close to completion, however, it has become clear over the last two years that the park & ride element of the scheme was no longer a viable proposal. Originally, a full business case was prepared and approved for the full project, based on known factors and circumstances, and also expected developments in the surrounding area, including the expansion of Heathrow Airport and the expected continuation of traffic trends, travel patterns and overall network conditions. The park and ride proposal was expected to provide a popular mode of travel serving both Heathrow and Slough Town Centre.

7. However, these circumstances and conditions have changed significantly in the last few years. The expansion of Heathrow Airport is in question and there is no reliable timescale for this development. Hence, there is currently no perceived need for increased commuter travel for this purpose.

8. Compounding the above, the impact of the COVID-19 situation has been widespread, including reduced activity relating to employment and commerce across the Borough. The level of

development in the town centre has declined. The overall effect is that the level of demand for a park and ride service has been severely reduced. It is not possible to predict a reliable level of recovery that would justify the development of the P&R infrastructure and services.

9. Overall, the Council considers that the park and ride element can no longer be expected to deliver the outcomes that were previously forecast in the original business case.

10. Furthermore, it has also become clear that it would be very difficult, if not impossible, to construct and deliver the park & ride scheme, mainly due to Planning Policy concerns. The location established for the site is within a greenbelt area. Although this is not a new designation, the original expectation was that plans for development here would be acceptable, given the purpose of the scheme and the nature of the site itself. In the light of the changing circumstances as set out above, and ongoing Council Planning policy, the development is no longer expected to receive Planning permission.

11. As indicated above the MRT is now substantially completed and has been delivered broadly in line with the original business case and budget and has therefore met its objectives and is of value as a free-standing scheme, even with the park and ride not being proceeded with.

Assessment of funding and delivery options for an EV and Hydrogen Hub carried out by UK Power Network Services

12. UK Power Networks Services (UKPNS) were appointed by the LEP, on behalf of Slough Borough Council (SBC), to carry out an assessment of funding and delivery options of an Electric Vehicle (EV) and Hydrogen Hub on a site adjacent to Sutton Lane near M4 Junction 5. The key purpose of the assessment was to demonstrate to the LEP the viability of the proposal, where best to focus funding and under what conditions should the LEP progress on the project.

13. The study considered:

    - The EV and hydrogen vehicles market
    - Demand for an EV Hub
    - Demand for a Hydrogen Hub
    - Electricity Sources (DNO & Private Wire options)
    - Business case – EV Hub & Hydrogen Hub
    - Green Belt Area

14. Overall, it was anticipated that the trend for EVs will continue to increase, a result of government legislation and private sector investments, which is in line with wider industry forecasts. There is a contrast with hydrogen vehicle uptake, where it was considered unlikely that there will be widespread rollout of hydrogen vehicles for any road transport in the near future. The majority of the demand in the future will come from heavy goods vehicles and these are likely to be owned by businesses / organisations.

15. The assessment of demand for the EV Hub considered fleet charging, opportunistic charging, rapid charging and overnight charging, with analysis of metrics such as: fleet vehicle breakdown, road traffic data, energy delivered per charging session, EV uptake forecast data and development of

future competitor hubs. A model was then used to project the demand for the EV charge points and the future energy demand.

16. The demand for the Hydrogen Hub was considered by projecting the hydrogen demand for fleet users who could potentially transition their vehicles to hydrogen and sized the subsequent hydrogen facility required to meet this demand. Analysis of the market suggested that there was likely to be little demand for hydrogen fuelling by public vehicles and hence the business case needed to be predicted on use by dedicated local fleets. This confirmed that the hydrogen Hub would only be feasible if there is a consistent and reliable demand for the facility, which would be in the form of larger fleet vehicles such as HGVs, Refuse Collection Vehicle (RCVs) and trucks.

17. The proposed hubs could either be powered from a DNO Grid connection or via a Private Wire connection from the Lakeside Energy from Waste plant. High-level budget estimates indicate that there is sufficient capacity on the network to support the EV Hub. The Hub could also utilise electricity produced by the EfW facility to ensure the site is supported by a sustainable energy source.

18. The business cases for the EV Hub and Hydrogen Hub also included investment and funding considerations and potential to reduce project costs if both EV and Hydrogen Hub were developed on the same site with shared electrical infrastructure. It found that the business case for an EV Hub does not require a public grant contribution but would be more suited to a loan or equity investment or private sector finance. Whereas the Hydrogen Hub would need to benefit from a grant or a conditional grant to make it economically feasible.

19. As the proposed site for the Energy Hub is located within a designated Green Belt area, additional requirements must be met if the project is to go ahead in this location. The Energy Hub may be awarded exemption under the local transport infrastructure classification if it can be proven that it must be located at the proposed site and a different site, outside of the Green Belt area, would not meet the requirement of the project.

20. From the above analysis the following 5-key conclusions could be drawn:

    - An EV Hub in this location is likely to attract sufficient demand to be viable.
    - Such a hub is likely to generate a good return on investment and could be developed via the market, although public funding from the LEP could oil the wheels through a loan or equity share.
    - Demand for hydrogen is likely to be solely driven by dedicated fleet vehicles, mainly driven by government policies focussing the uptake of hydrogen vehicles in HGVs, rather than passing trade. So commercial viability for the Hydrogen Hub depends on securing sufficient demand for hydrogen over the project lifetime. It is also made viable because of being located next to the Grundon site, which offers a ready source of reliable power, if a deal can be agreed.
    - A Hydrogen Hub would only be feasible if grant funds are made available.
    - The EV Hub as a standalone project is unlikely to satisfy the 'Very Special Circumstances' criteria for development in the Green Belt location and would therefore have to be coupled with the Hydrogen Hub. Alternatively, the EV hub could potentially be located at another location where there are no Green Belt restrictions

21. So overall there is a good scheme here with a persuasive case for an energy hub, with EV being market driven and hydrogen needing support. However, the case for hydrogen is predicated on use by local fleets.

The use of BRRP Funding for an Energy Hub

22. Taking the conclusions of the technical work, the next consideration is as to whether BRRP monies should fund this project, or whether we should look to reallocate the c.£5m currently allocated to the Slough MRT Phase 2 elsewhere.

23. The Energy Hub clearly has value, but the analysis makes it clear that the EV element should be able to be delivered by the market and hence it not considered appropriate that public grant funding should be used in this way. There is however as stronger case for supporting the hydrogen hub, either on its own or as part of an EV hub, though as the scope of the project will then have moved significantly away from the initial park and ride concept, a new business case would be required.

24. However, there are two significant concerns about progressing with a business case for this scheme. The first relates to timing. Even following a most optimistic trajectory the need to secure planning permission, potentially reaching an agreement with the landowners Grundon and developing a scheme is likely to be 2-3 years, with experience suggesting this could be optimistic. Whilst there is no specific restriction on BRPP funding, it is difficult to justify tying up a significant amount of funding for so long.

25. The second consideration is around the use of public funds. Since Brexit, the UK have published their international commitments on subsidy, these are broadly similar to the previous state aid rules and therefore still prevent any unfair advantage being given by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade.

26. Whilst formal legal advice has not been sought there is a concern about the LEP being able to support a hydrogen facility that is primarily to support local fleets, likely to be Grundon themselves and Slough Borough Council.

27. Given the above and the potential risks identified above versus the reward the recommendation from the LEP is that we don't continue to allocate c.£5m to this scheme and instead consider other ways this funding is used. This is considered further in Item 5.

Recommendations

28. That the report on the viability of the park and ride element of the 2.34 Slough MRT Phase 2 project and associated reduced funding allocation be noted and that the scheme is not proceeded with.

29. That the report on the assessment of an EV and Hydrogen Hub carried out by UK Power Network Services be noted.

30. That it be agreed that the c.£5m previously allocated to the park and ride scheme be withdrawn.