



# Midlothian Energy: A Public/Private Joint Venture

All Energy  
10 May 2023

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# Agenda



- Background
  - Business Case for district heating at Millerhill
  - Procurement of a long term energy partner
- Midlothian Energy Ltd
  - Governance Structure
  - 5 Year Business Plan
  - Benefits of a JV

# Millerhill EfW



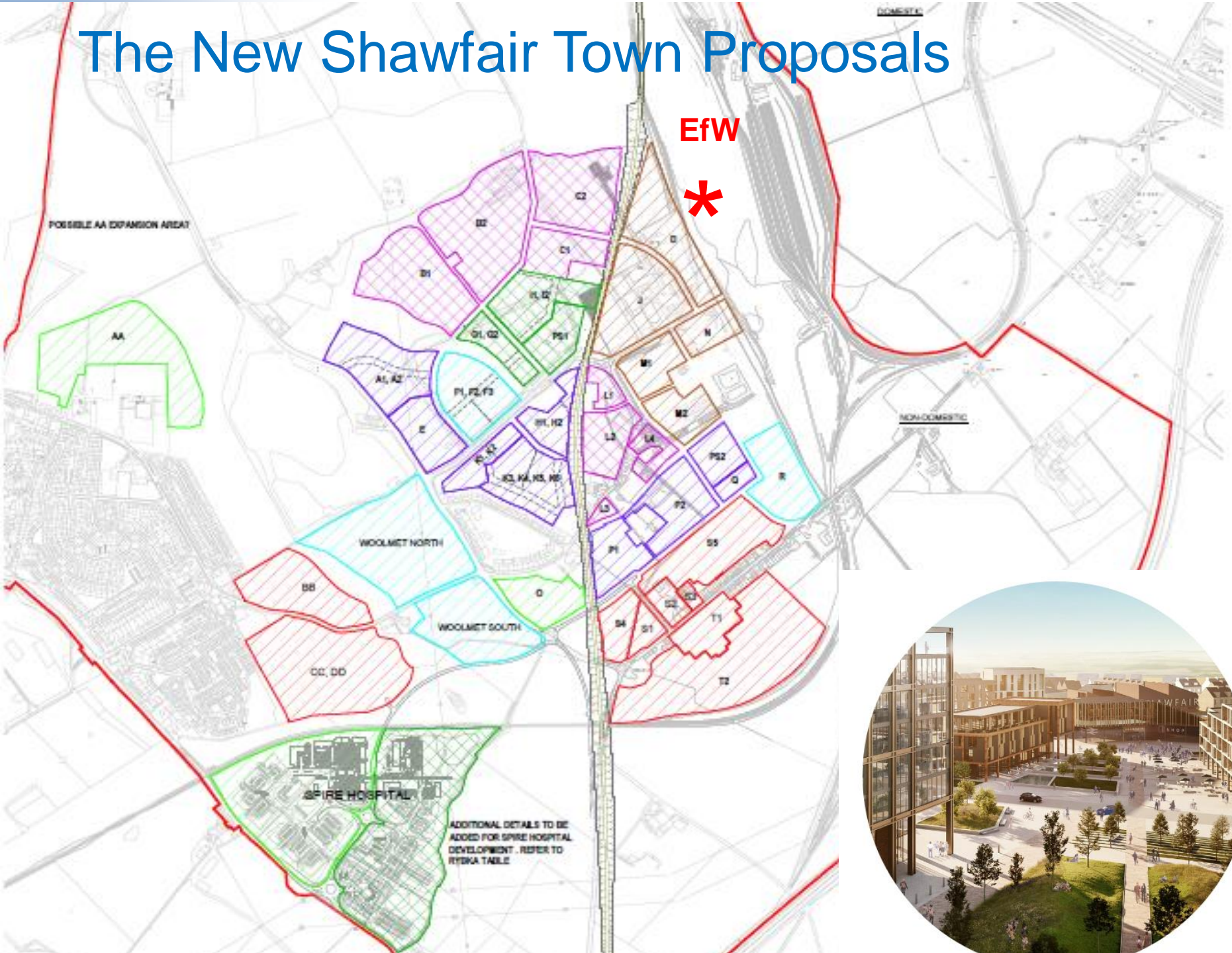
- Procured Jointly by Midlothian and City of Edinburgh Councils
- Operated by FCC Environment
- Commissioned 2019
- Electricity production 13 MWe
- Heat potential 20MWth







# The New Shawfair Town Proposals



# LCITP District Heating Business Case Conclusions



## Conclusions

- The EfW Plant provides a convincing primary source of low carbon heat
- c. £50m first project- Shawfair Town
- There is no viable project without 50% grant funding on capital (£7.3m assumed)
- Internal Rates of Return too low to support a fully private sector investment
- Preferred Option: Council Owned delivery Vehicle

# Governance



## **Midlothian Council Steering Group**

- Concern about Risk and Investment
- Joint Venture Option not investigated sufficiently
- Market Sounding and Risk Appraisal
- Content to recommend a JV Approach be adopted as the preferred option

# Procurement of an Energy Partner



- Long term Energy Partner rather than a contractor for one project
- Not just district heating – climate emergency
- Not just Midlothian – 7 Public Bodies
- Competitive Dialogue
- Vattenfall Heat UK appointed PB 2020
- Midlothian Energy Limited established on 13 November 2020



# Vattenfall

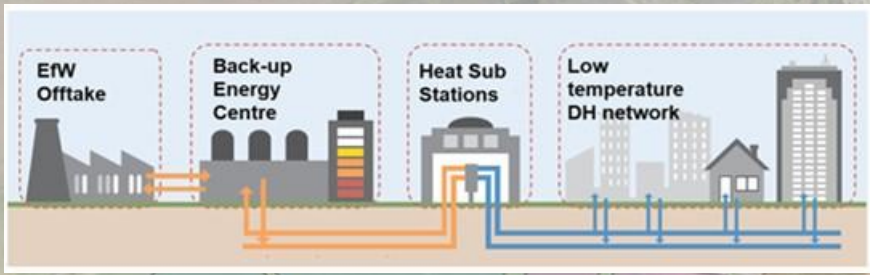


- Vattenfall AB, parent company, 100% owned by Swedish Government;
- Vast heat networks in mainland Europe including Denmark, Netherlands, Sweden and Germany;
- Joint ventures with major cities including Amsterdam;

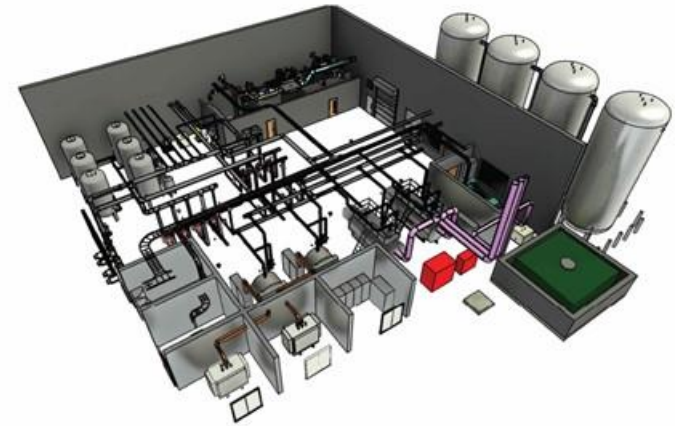
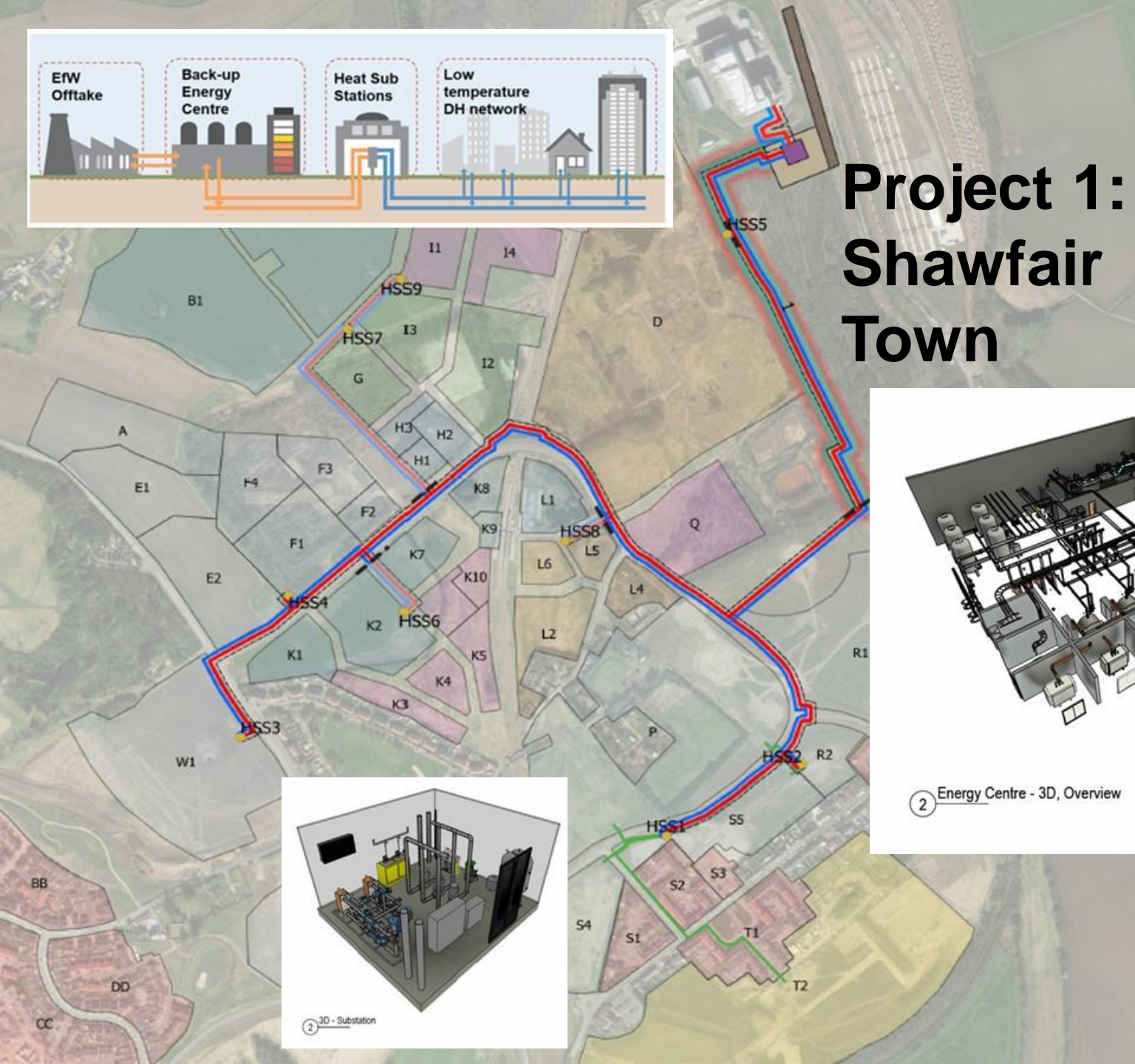
# Midlothian Energy Ltd (Nov 2020)



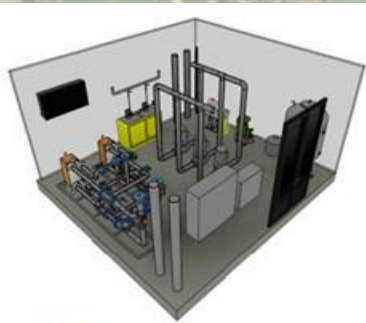
- Shareholders Agreement 50/50 Joint Venture
- 4 Directors: 2 Vattenfall, 2 Midlothian
- ME Board Meetings
- ME Committees
  - Project Origination Committee
  - Finance Committee
  - Various Project Committees
- ME/MC Concession Agreement
- Management Services Agreements
- No Employees



# Project 1: Shawfair Town



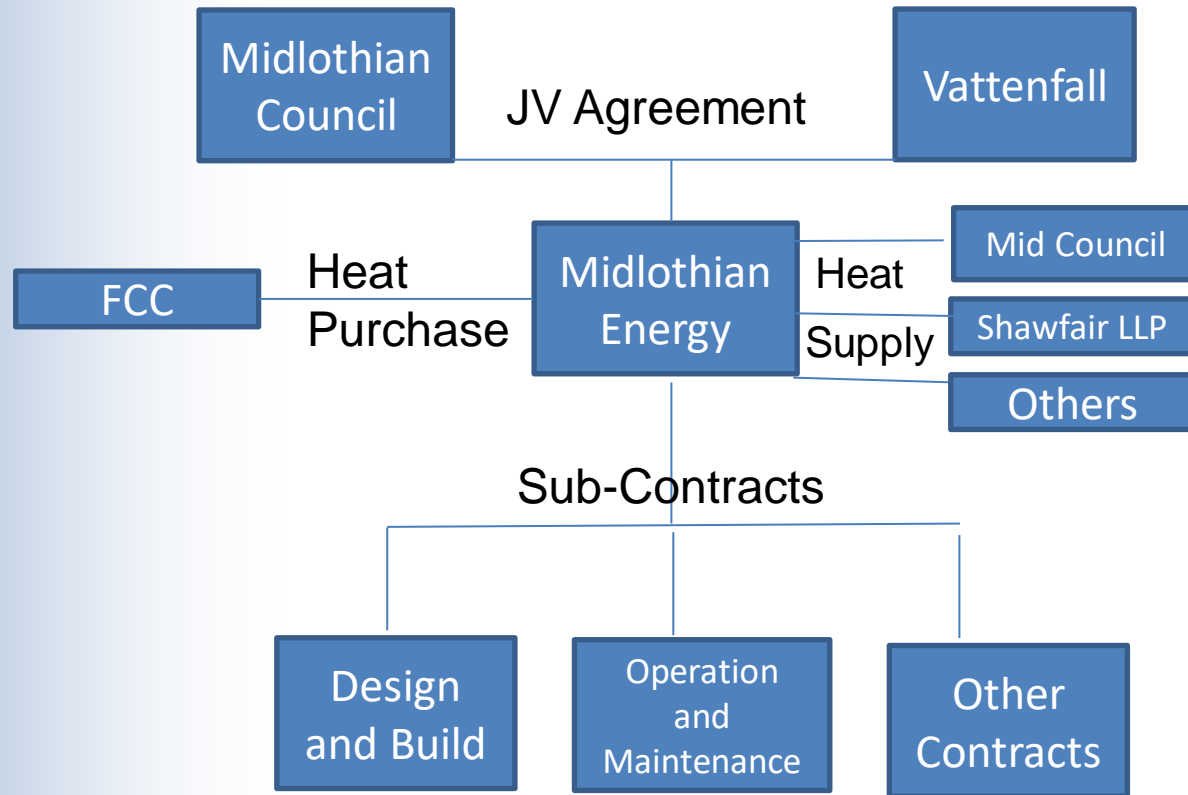
② Energy Centre - 3D, Overview



② 3D - Substation



# Midlothian Energy Structure for Project 1



# FUNDING



- ESCO
  - 50/50 Equity
- Project 1 c. £50m gross
  - LCITP £7.3m
  - Connection Charges
  - Remaining:
    - Shareholder 1 – 50%
    - Shareholder 2 – 50%

# Midlothian Energy Business Plan Opportunities



**£100m**  
**5 Years**

- ✓ Heat Networks
  - ✓ Expansion of Millerhill
  - ✓ Decentralised DH
- ✓ Heat Storage
  - ✓ Monktonhall Colliery
- ✓ Solar PV
- ✓ Electric Vehicle Charging
- ✓ Direct Wire Electricity
- ✓ NDEE
- ✓ Social Housing EESSH2
- ✓ Council Estate
- ✓ Hyrdo
- ✓ Hydrogen





# JV Structure Benefits



- Council has a highly experienced commercial partner
- Council has existing relationships, land and resources
- Shared risks
- Ability to progress multiple projects smoothly without internal Council resource constraints
- Structure ensures partners interests are aligned
- Commercial knowledge transfer to public sector



# QUESTIONS?

