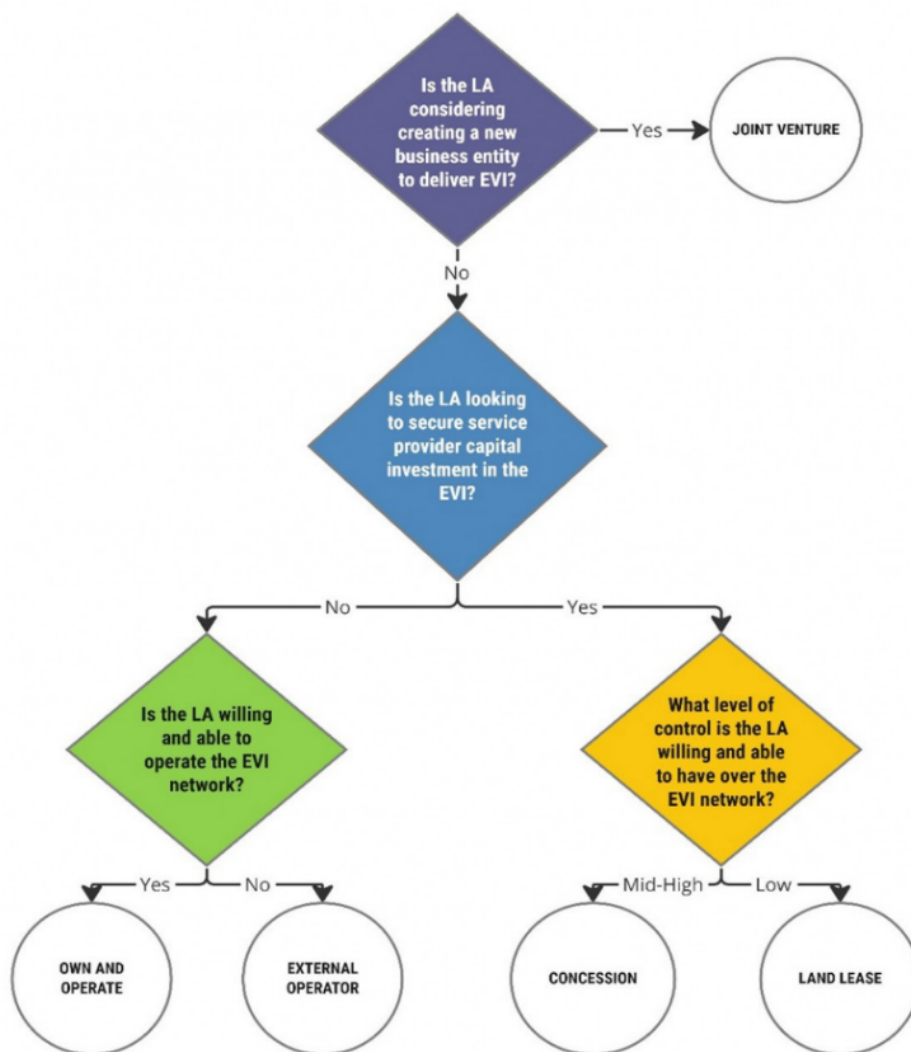


Appendix 3 – Assessment of potential commercial arrangements for electric chargepoint operation

As shown in the decision tree, the electric vehicle infrastructure procurement options are influenced by the following requirements:

- to utilise LEVI funding to support delivery.
- to leverage private sector funding.
- to retain a level of control that will support equitable delivery, fair pricing, operation KPI's, tariff control and security.

These factors determine that both a Joint Venture (JV) or Concession contract, meet the funding requirements.



Potential Contract Arrangements

Joint Venture (JV)

Joint ventures (JVs) are typically established when the parties involved have complementary objectives and a shared vision of the JV's activities and benefits. In the context of Electric Vehicle Infrastructure deployment, this involves investing in assets and overseeing a service delivery programme. JVs can serve as a strategic approach for risk management, especially when other contractual arrangements do not meet this goal.

In JVs, the risk, responsibilities, and benefits are typically distributed based on each party's financial contribution to the venture. This division is a flexible scale where the JV entity may invest, own, and

operate the network and manage the associated risks. It should be noted that the local authority would be taking a business and reputational risk in setting up this entity.

A JV involves collaboration between parties with different goals and ambitions. It is important for the local authority to ensure this approach provides a better route to realise benefits, fulfil its Electric Vehicle Infrastructure (EVI) Strategy and ensure value for money compared to other commercial arrangements.

When establishing an EVI network through a JV the local authority must consider the partner selection process carefully. In certain situations, the local authority may be tasked with procuring a JV partner who will subsequently engage in contracts with the same local authority.

Concession

In the concession model, the Local Authority provides some capital investment, for example to establish an electrical connection point to enable a service provider to install and operate chargepoints. The local authority retains some control over the quality of service and/or location of the EVI by having an active role in contract management and performance monitoring of the service provider. The risk and responsibility associated with installation, maintenance, operations, and asset utilisation is transferred to the service provider who finances the capital and replacement costs of the charging infrastructure.

Consequently, the contract term can be long as it needs to reflect the period required by the service provider to recoup the capital investment and make a return on it. The local authority often retains a small portion of the revenue generated as a payment for the concession and to fund contract management. Important elements of control can be retained by ensuring that relevant terms and conditions are used.

A concession agreement grants the service provider a limited right to use the property and electrical point for a specific purpose. Management and control of the property is retained by the local authority who can also revoke the rights granted to the service provider under agreed conditions. Additionally, in a concession agreement, they do not have the right to transfer the granted rights to others. The local authority has no lasting obligation to the service provider, beyond the terms of their concession.

Commercial Arrangement	Joint Venture	PPCP (Concession)
Who invests?		
CAPEX	JV	LA or Supplier or Shared
OPEX	JV	Supplier
Who owns?		
Grid connection	LA or JV	LA
Grid connection to feeder pillar	LA or JV	LA
Feeder pillar	LA or JV	LA
Groundworks to chargepoints	JV	Supplier
Chargepoints	JV	Supplier
Who controls?		
Technical specification	JV	LA or Shared
Location choices	JV	LA or Supplier or Shared
End user tariff	JV	LA or Supplier or Shared
Who is responsible?		
Planning approvals	JV	Supplier
Grid connection	JV	LA
Grid connection to feeder pillar	JV	LA
Feeder pillar	JV*	LA

Commercial Arrangement	Joint Venture	PPCP (Concession)
Groundworks to chargepoints	JV*	Supplier
Chargepoint Installation	JV*	Supplier
Operations	JV*	Supplier
Insurance	JV*	Supplier
Customer service	JV*	Supplier
Electricity purchase	JV*	LA or Supplier
Decommissioning	JV*	LA or Supplier
Who owns the risk?		
Technology obsolescence	JV	Supplier
Regulatory change	JV	Supplier
Electricity prices	JV	LA or Supplier
Utilisation	JV	Supplier
Who takes the revenue?		
EV charging income	JV	Shared ⁺
Ground rent	N/A	N/A

* May be subcontracted

⁺ Operator retains a larger share of revenue than in other arrangements.

Overview of the advantages and disadvantages

Joint Venture (JV)	
Advantages	Disadvantages
Has the potential to deliver higher returns to the local Authority - providing the network is profitable	The Local Authority will assume a business and reputational risk in setting up this entity.
Increased levels of control on site selection	Whilst the JV partner would be expected to invest to a similar or higher level, the scale of the project may be reduced
Increased levels of control on tariff setting	Greater complexity required to support the necessary legal incorporation, and the associated costs are expected to be high in the initial stages. Commencement of the project is likely to be extended
Increased levels of influence on electricity supply contracts	Higher levels of LA resources required to support activities - including staffing and other financial requirements.
In some situations, the choice of charging technology and solutions may be more flexible.	The JV is responsible for the deployment and maintenance of the network, and other associated liabilities.

Concession	
Advantages	Disadvantages
Some income is shared by the concessionaire with the local authority, from the outset and that this is expected to increase as deployment and utilisation develops during the contract period	Reduced income share for local authorities in comparison to a JV should the scale of delivery be comparable, and assuming that the JV ran profitably.
The chargepoint operator is incentivised and responsible for the maintenance of the network, resulting in better end-user service.	The chargepoint design will reflect the products manufactured or procured by the operator
Reduced risk for the local authority in terms of maintenance and ensuring that income generated covers ongoing costs.	Not all chargepoint companies are willing or able to accept the terms of a concession framework, reducing the choice of suppliers.
The local authority may retain ownership of the equipment or underground electrical connections which are valuable as the basis of any future network, following the termination of the contract.	The requirement to re-procure an operator or take responsibility for the network at the end of the contract, which is expected to be 15 years (plus one year extension to re procure).
The concessionaire will be responsible for updating and refreshing the equipment and software, therefore, future proofing the network.	Expansion of the charging network may be dependent on the utilisation of chargepoints in the earlier phase.