

NOTTING DALE HEAT NETWORK LTD

(Company Number 13882225)

Minutes of a meeting of the board of directors of Notting Dale Heat Network Ltd (**Company**) held at Unit 1, Baseline Studios on Tuesday 8 February 2022 at 9am.

PRESENT:

NAME	POSITION
Liam McCusker	Director
Terry Oliver	Director

IN ATTENDANCE:

NAME	POSITION
Jeff Laidler	Heat Network Programme Manager
James Caspell	Strategic Advisor and Project Sponsor
Abbas Dadou	Chair of Lancaster West Residents Association (Observer)
Tara Rogers	Solicitor at Bevan Brittan LLP
Shaun Haden	Council Observer
Sarah Mortell	Council Observer

1 INTRODUCTION AND BACKGROUND

Before starting the formal proceeds and first Board meeting, Jeff Laidler provided an introduction and background to Notting Dale Heat Network Ltd.

The Notting Dale Heat Network project’s vision is to deliver a nationally significant model heat network. The new zero-carbon Notting Dale Heat Network will put residents first, rely solely on renewable heat sources, and provide affordable heating and hot water whilst tackling fuel poverty. The Notting Dale Heat Network is nationally significant for a couple of reasons:

- 1) It is being co-designed with residents, ensuring we put customers first and deliver excellent customer service. Many of the residents of Lancaster West Estate have been adversely affected by the Grenfell Tower Tragedy.
- 2) It forms an integral part of a comprehensive Refurbishment Programme at Lancaster West Estate, which is significantly improving the energy performance of the social housing stock and reducing heat demand by at least 25%. This ‘Deep retrofit + Renewable Heat Network’ model provides a practical demonstrator of how to decarbonise heat in densely populated urban areas, which can be rolled out in Kensington and Chelsea and elsewhere, to help meet ambitious zero-carbon targets for Councils, London Boroughs and UK cities.

In June 2021 Kensington and Chelsea Council’s Leadership Team agreed to replace the 2 existing heat networks at Lancaster West Estate in North Kensington, with a modern 21st century renewable heat network. These heat networks supply heat to 80% of homes, which are over 40 years’ old and time expired. The Council is landlord. The Phase 1 heat network at Lancaster West Estate is around a £20 million capital project, which is being funded through a combination of £17.5 million from the

Housing Revenue Account, £1.27 million 'In Principle' corporate commitment and £1.116 million HNIP funding from central government. The new core heat network will supply heat to up to 826 existing homes on the Lancaster West Estate (75% social rent), Kensington Aldridge Academy, Kensington Leisure Centre and Baseline Studios.

The Business Case for the Notting Dale Heat Network shows that it is possible to achieve our vision. The project is technically and commercially viable. 86% of residents are in favour of a new heat network, which will be zero-carbon by 2030. The new heat network's energy centre will use a large Air Source Heat Pump and electric boiler, to make the heat network 100% zero-carbon from 2030. In addition, the core scheme creates a launchpad for significant heat network expansion, with the opportunity for wider roll-out able to help the council deliver a net-zero carbon Borough by 2040. The vision for Notting Dale is to become the UK's largest eco-neighbourhood, putting a green recovery at the heart of the Grenfell recovery. The Council's heat network team has secured £230k government HNDU funding to help develop the business case for Phase 2 heat network expansion into Notting Dale ward. We have also secured £150k from the GLA's Local Energy Accelerator to develop a Cross Borough Energy Masterplan for Kensington and Chelsea, and the neighbouring borough of Hammersmith and Fulham. This will help us prioritise future heat network expansion opportunities, whether through physical expansion of the Notting Dale Heat Network and/or additional satellite heat networks.

In November 2021, Kensington and Chelsea Council's Leadership Team agreed to establish a 100% Council-owned local energy company to design, build, operate and maintain the Notting Dale Heat Network. 'Notting Dale Heat Network Ltd' was incorporated on 31 January 2022, and will trade as 'Notting Dale Heat.' The governance structure for the local energy company exemplifies the importance of putting residents and customers first, with 2 Resident Board Members.

The Company has the benefit of a Project Sponsor who will have an advisory role to inform the decision making of the Company.

In response, Abbas Dadou raised a number of questions on behalf of the Lancaster West Residents Association about the Notting Dale Heat Network project and local energy company, which are detailed below, together with the answers provided by the Board:

1) What is Terry Oliver's experience?

Terry leads the Council's Green Plan to achieve its environmental priorities., including carbon neutrality. Lancaster West is key to enabling the Council to decarbonise its housing stock.

2) If the heat network project needs more than the £20 million total capital investment that is forecast, how will it fill the gap?

The heat network project team has developed a detailed financial model, which it uses to refine the project budget as the project develops. Budget certainty can only be achieved once the main procurement has been completed this calendar year. Whatever the outcome, no cross-subsidy will be required from residents.

3) Is there a risk that the local energy company could be privatised in the future?

The 100% Council-owned energy company has been set-up as any other limited company. This means that all options are on the table for the Council as sole shareholder i.e. keep operating it as a local energy company; bring it in-house; set up a Community Interest Company; sell a minority or majority share. It's however worth noting that any such decision would have to be made by the Shareholder Committee, which is a publicly accessible meeting. In addition, the Business Case for the core scheme is currently only forecast to break even at 40 years, which is unlikely to be of commercial interest to the private-sector. Any Council decision regarding the newly established local energy company's future is likely to be many years away.

- 4) Is the local energy company not-for-profit?

Any surplus that is generated will need to be invested in line with the Council's corporate priorities at the time. It is a conventional Limited company, which needs to commercially make a return in order to stay solvent. However, the base case forecasts a surplus won't be generated until after 40 years.

- 5) What happens to residents' energy bills if the company becomes a victim of its own success through expansion?

Noting that residents are concerned about any additional stress from the project and future energy prices, this is why James Caspell has been appointed as Project Sponsor and is an Observer at company Board meetings.

- 6) Are residents more exposed by having the Council as landlord and sole shareholder of the new local energy company, with the risk that they could be evicted if they're unable to pay their energy bill? The LWRA is keen to make sure residents don't loose out, noting that small changes in energy bills can have a big affect on residents in fuel poverty.

There is no change to the existing arrangement, where the Council is landlord and clients the operation of the 2 existing heat networks at Lancaster West through its in-house Council team. Nonetheless, the heat network project has taken on board this concern and under the Project Sponsor, develop the Resident Price Promise. This aims to give residents the reassurance that the Council is doing all it can to help residents keep control of their energy bills, in the context of rapidly increasing energy bills across the UK and globally.

- 7) What happens if James Caspell leaves?

The role of Project Sponsor has been created as an expert advisor, to ensure the company Board and Shareholder Committee are provided with operational on the ground experience. As before, residents would be likely to be involved in the recruitment of this role. In addition, there's the opportunity to embed the concept of putting residents first and providing excellent customer service in the company's new Business Plan, working with residents to create a positive culture and continue to ensure the heat network customers voice is heard and acted upon.

- 8) What's the capacity of the heat network?

10% extra capacity is built into the design of the new renewable energy centre for the core scheme, so that additional customers can be added. Any significant heat network expansion (as with the opportunity for Phase 2 expansion into Notting Dale) will require an additional business case and in all likelihood, an additional energy centre.

The big advantage of a heat network is that there is no limit to its expansion. By adding more heat sources and more customers with the right commercial terms, will make the heat network more efficient and help keep cushion LancWest residents from increasing UK and global energy prices.

- 9) Will residents have to pay to expand the heat network?

No. By adding more customers (each with their own Connection Cost), the costs of operating and maintaining a larger more efficient heat network are shared amongst more customers, which helps keep control of the Standing Charge.

- 10) How can residents be confident that the Shareholder Committee will take their concerns into account?

The Shareholder Committee members have been chosen based on the relevance of their portfolios, namely as Lead Members for Grenfell, Housing and Social Investment; Finance and Customer Delivery; and Planning, Place and Environment. All Shareholder Committee meetings will be publicly accessible, in the same format as Leadership Team, whereby the public is only asked to leave the room for specific Part B items. The Council's Overview and Scrutiny Committee also has a role to play, providing additional checks and balances as part of good governance arrangements.

11) *Are local energy company Board meetings open to residents who aren't on the LWRA?*

Yes, other residents are welcome to attend as Observers, which is why Board meetings are being held at Lancaster West Estate.

12) Can the Council request that as much as the heat network is made in the UK if possible?

The Council's heat network team is considering potential supply chain issues as part of its Procurement Strategy.

2 CORPORATION OF THE COMPANY

It was reported that the Company had been incorporated on 31 January 2022 with a bespoke set of Articles of Association.

3 DIRECTORS

3.1 It was noted that the following, each of whom had indicated a willingness to act, had been appointed as the first directors of the Company:

3.1.1 Terry Oliver

3.1.2 Liam McCusker

3.2 It was further noted that the details of the first two directors had been entered into the Company's register of directors.

4 SHAREHOLDER

4.1 It was noted that The Royal Borough of Kensington and Chelsea (the **Council**) was the sole subscriber of the Company and upon incorporation of the Company had been issued with 1,000 Ordinary shares of £0.01 each in the Company, being the entire issued share capital of the Company.

4.2 It was further noted that the details of the Council as shareholder had been entered into the Company's register of members and PSC register.

5 COMPANY SECRETARY, AUDITORS AND ACCOUNTANTS

5.1 It was acknowledged that the Company had not yet appointed a Company Secretary, auditors or accountants and, there being no immediate need to have such roles filled, it was reported that these appointments would be made in due course.

6 CHAIRPERSON

Terry Oliver was appointed chairperson of the meeting and chaired the meeting throughout. It was noted that the chairperson would have a casting vote as reflected in Article 16.1 of the Company's Articles of Association.

7 NOTICE AND QUORUM

The chairperson reported that due notice of the meeting had been given and that a quorum was present. Accordingly, the chairperson declared the meeting open.

8 DECLARATIONS OF INTEREST

8.1 There was produced to the meeting a Conflicts of Interest Register in which each director present declared the nature and extent of their interest in the arrangements to be considered at the meeting in accordance with the requirements of section 177 of the Companies Act 2006 and the Company's Articles of Association.

- 8.2 It was noted that pursuant to Article 17.3 of the Company's Articles of Association, a director may vote and form part of the quorum in relation to any proposed transaction or arrangement in which they are interested subject to complying with the restrictions contained in Article 17.3.

9 BUSINESS OF THE MEETING

- 9.1 The chairperson reported that the business of the meeting was to:
- 9.1.1 Report on the formation of the Company and the initial director appointments and shareholdings;
 - 9.1.2 Approve the terms of and entry into the Shareholder's Agreement to be made between the Company and the Council; and
 - 9.1.3 Approve the terms of and entry into the Funding Agreement Documents (as defined below).

10 DOCUMENTS PRODUCED TO THE MEETING

- 10.1 The following documents were produced to the meeting:
- 10.1.1 Certificate of incorporation of the Company dated 31 January 2022 together with copies of:
 - (a) the Articles of Association of the Company;
 - (b) the Memorandum of Association; and
 - (c) Form IN01,filed with the Registrar of Companies;
 - 10.1.2 Share certificate in respect of the allotted shares (**Share Certificate**);
 - 10.1.3 Company registers and books;
 - 10.1.4 Scheme of delegation setting out the nature and scope of delegations within the Company (**Delegation Matrix**);
 - 10.1.5 Structure chart of the Company (**Structure Chart**);
 - 10.1.6 Shareholder's Agreement to be made between the Company and Council in relation to the Company (**Shareholder's Agreement**);
 - 10.1.7 Local Authority Funding Agreement made between the Council, the Secretary of State for Business, Energy and Industrial Strategy and Triple Point Investment Management LLP (**Funding Agreement**); and
 - 10.1.8 Written Resolution (**Written Resolution**) relating to the approval of the transactions contemplated by the documents to be entered into by the Company in relation to the Project as defined in the Funding Agreement (the **Funding Agreement Documents**).

11 CONSIDERATION OF DOCUMENTS

- 11.1 The directors reviewed and considered and confirmed their understanding of:
- 11.1.1 The Delegation Matrix and Company Structure Chart, and the directors confirmed in particular their understanding of the structure of the Company and the division of responsibility between the Company and the Council as shareholder of the Company as set out in the Delegation Matrix;

- 11.1.2 The Shareholder's Agreement, and the directors acknowledged that the final terms of the Shareholder's Agreement would need approval by the Council as shareholder of the Company before the Shareholder's Agreement could be entered into; and
- 11.1.3 The Funding Agreement, and in particular the directors confirmed their understanding of the Funding Agreement Documents and the directors further acknowledged that the entry into the Funding Agreement Documents had been approved by the Council as shareholder of the Company.

12 RESOLUTIONS

- 12.1 After careful consideration, including consideration of the matters referred to in section 172(1) of the Companies Act 2006, **IT WAS RESOLVED** to:
 - 12.1.1 Approve the terms of the Shareholder's Agreement and Funding Agreement Documents and authorise any director and, in the case of any document requiring execution as a deed, any two directors or any director in the presence of a witness who attests their signature to execute the Shareholder's Agreement (once approved by the Council as shareholder of the Company) and Funding Agreement Documents on behalf of the Company and any other document required to be executed by the Company in connection with the Shareholder's Agreement and Funding Agreement Documents subject to such amendments as those executing the same on behalf of the Company think fit;
 - 12.1.2 Approve the delivery of and performance of any obligations on the Company contained in the Shareholder's Agreement, Funding Agreement and Funding Agreements Documents and any other such document to which the Company is party;
 - 12.1.3 Approve the circulation of the Written Resolution for shareholder approval;
 - 12.1.4 Authorise any director of the Company to do all such acts and things and agree and execute on behalf of the Company all such other documents to which the Company is a party and all other documents as may be required and generally to sign all such certificates and notices (including without limitation bank mandates, interest rate hedging instructions, confirmation and documentation, drawdown notices, signatory certificates and other confirmatory certificates) and other documents as may be required, subject in each case to such amendments as those executing the same on behalf of the Company think fit; and
 - 12.1.5 Arrange for the Share Certificate to be executed by the Company in accordance with section 44 of the Companies Act 2006 and delivered to the Council as shareholder.

13 NEXT STEPS

- 13.1 The chairperson reported that the next steps to be actioned by the Company are to:
 - 13.1.1 Circulate the Written Resolution to the Shareholder Committee for its approval; and, in the subsequent meetings of the directors, to:
 - 13.1.2 Appoint four additional directors to the board of the Company, being two Expert Directors and two Resident Directors (both as defined in the Company's Articles of Association), noting that the recruitment process will be as open and accessible to as many residents as possible, with training available. Meetings will be hosted locally and can be timed to fit with other Resident Board Member commitments. Residents will also have the opportunity to help recruit the 2 industry Board Members and shape the local energy company's first Business Plan; and
 - 13.1.3 Produce the first draft three-year business plan for the Company in accordance with its Articles of Association.

13.2 It is also acknowledged that the Council will form the Shareholder Committee as a sub-committee of the Council's Leadership Team for the purpose of taking any decisions necessary for the Council to fulfil its shareholder functions in relation to the Company.

14 CLOSE

There was no further business and the chairperson declared the meeting closed.

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Chairperson Terry Oliver...

17/2/22
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Date