

Transform

Phase 2 & 3

Programme Plan
June 2018



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Introduction

Transform is intended to bring the energy transition closer in the short term by combining available financial streams, organising the missing financing, requesting large scale/competitive offers, contracting between the parties involved, and - where necessary - adapting existing rules. Transform does this on the basis of an innovative, integrated area approach that enables municipalities to make the transition from natural gas to sustainable energy.

In the first quarter of 2018 the Colleges of Apeldoorn, Deventer, Zwolle and Zutphen decided to start Transform. Transform works together with governments, local/regional core partners, investors and service providers. Based on the results of Transform, around 40,000 existing homes in the four municipalities will be able to switch to sustainable energy from 2020 onwards.

Other districts in these municipalities - as well as other municipalities elsewhere in the country - can then benefit from the opportunities created and the lessons learned.

The condition of Transform is: to make the energy transition possible in a way that does not increase the current costs of individual residents.

Transform is complementary to the management and implementation at the local level. Each municipality remains fully in control and is responsible for setting up the process and communicating with residents and local partners.

In this document, we explain the approach and working method of Transform in more detail. This is followed by a description of both the achieved and desired results.

Furthermore, this document contains an elaboration of Phases 2 and 3, and an overview of the programme organisation and its phases.

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Working Method

Transform organises and facilitates dialogue with provinces, the Dutch government, water authorities, network operators, EU institutions, investors, providers, supervisors and other national and European actors. Values in the working method of Transform are:

- Integration
Transform connects the task of 'fossil-free' per district with the task of housing (both rent and purchase), public space, energy networks, water and green space, and even social tasks. Such an integrated area approach makes it possible to combine activities and budgets that have already been planned in a smart way and to deploy them optimally.
- Inclusivity
In other words: rent and buy, rich and poor. Transform has as a condition that natural gas-free living should not cost individual residents more than their current energy usage. Transform makes the financial arrangements to achieve this.
- Sound business case
The starting point is the existing cash flow in the district, so that parts can be financed more easily without heavy public financial efforts or risks.
- Bundling and alignment
Bringing together schedules and programmes from locally active partners to scale up to a common investment agenda.
- Bundling financing
In an Investment Platform and optionally in a fund structure.
- Bundling, timing, connecting and upscaling of the local approach.
This allows us to achieve economies of scale in contracting.
- Transform generates an attractive supply of energy products
Transform can, by negotiating with market parties, provide volume benefits that lead to attractive and high-quality packages of energy products. After this, the market parties will come into direct contact with customers. Transform therefore does not have a commissioning/contracting role.
- Development of investment vehicles
This is to enable pre-investment in the transition. The aim is to bundle many small investments and pay them off in small steps.
- Research the applicability of innovative financial instruments
Such as block-chain and virtual currency for settling mutual deliveries.
- The municipality as 'inviting' director
Actual change in the market, new opportunities for private entrepreneurs, in which the municipality stands primarily for the interests of its residents. Residents (tenants/owners) do not participate directly in Transform. They are involved through the concrete local implementation projects.
- Make a bottom-up approach attractive
For the national and provincial government, Europe, and the business community.
- Promote value creation, employment opportunities and social cohesion
The integrated and inclusive area approach fostered by Transform will ensure this.

- Scalable and repeatable

The inherent diversity of working with 4 municipalities allows Transform to produce generically applicable solutions. This offers other municipalities the chance to take advantage of the opportunities already developed in the first four municipalities.

Results for Phase 1

Phase 1 has now been completed. The returns of Phase 1 are:

- collaboration with 4 local project organisations;
- collaboration with the Netherlands Enterprise Agency (RVO);
- cooperation of: Ministry of the Interior and Kingdom Relations(BZK), Ministry of Economic Affairs and Climate Policy(EZK) (Ministry of Agriculture, Nature and Food Quality (LNV), Ministry of Infrastructure and Water Management (I&W) following);
- support from the provinces of Gelderland and Overijssel;
- cooperation from network companies Alliander and Enexis;
- cooperation with water authorities in the working area (Rijn en IJssel, Drents Overijsselse Delta en Vallei en Veluwe);
- contacts with BNG, NIA, Invest.nl, EFSI/EIB and institutional investors;
- contacts with relevant umbrella organisations, centres of expertise and implementing organisations: VNO/NCW, G32, GEA, NEO, Cleantech Regio, Invest-NL, Overijssels Expertisecentrum i.o., (Regio Zwolle to follow);
- housing corporations have been or will be involved locally in the ongoing development;
- financial set up/legal instruments are being set up;
- optimizing goals and results of Transform;
- a programme organisation.

Expected results Phase 2 and 3

The concrete results that Transform wants to achieve in Phases 2 and 3, are:

- development and testing of an integrated transition exploitation (analogous to land exploitation in the case of regular area development, i.e. from 'grex' to 'trex');
- a range of financing options for core partners, owners and suppliers, including an agreement with potential investors;
- a palette of sustainable, innovative, scalable and affordable heat solutions as an alternative to natural gas;
- the use of the scope in regulations for this integrated approach or the acquisition of additional experimental space;
- the possibility for the four municipalities involved and their core partners to make a clear and substantiated choice for phase 4 (consolidation of the results of Transform into anterior agreements) and to set to work in phase 5: the implementation of an integrated, area-specific transition approach with which 40,000 existing homes could be sustainable without the need for natural gas.

Development of Phase 2 and 3

Programme organisation

Phases 2 and 3 will be developed from the Phase 1 programme structure. The programme team (PT) of Transform works closely with programme managers, strategy and policy advisors from the four municipalities and with officials of the various core partners. There is regular consultation with the Dutch government, provinces, water authorities and network companies, in which the municipalities and the regional government have a seat.

Development per path

Phases 2 and 3 of Transform run until August 2019. Some work has already begun on the exploratory parts. Phases 2 and 3 are along these paths:

- A. Area development
- B. Invitation to submit heating solutions
- C. Financing palette
- D. Regulation/room for manoeuvre
- E. Use of Governmental financial facilities
- F. Trex design and practical implementation
- G./H. Transform Think Tank/Arena Transform

Per path, Phase 2 (development) will always be transferred to Phase 3 (to the application).

Explanatory notes:

A. Area development

The programme managers in the four municipalities choose, in consultation with partners (internal project leaders, colleagues involved, network companies, housing corporations and the water authority), an area that is the basis for the Transform business case to be developed in their municipality. Possible considerations for the choice are: projects that are already ongoing and that can be followed up, the age of the gas network in an area, local opportunities for alternative energy supplies, type of construction, interest in sustainability measures in the area, etc. The goal is to make a well-founded choice. This phase will run until November 2018. It is necessary to make an early choice of dialogue partners and to inform the residents of the areas concerned in good time. The partners work out a global heating strategy for the chosen area. They examine whether it is possible and desirable to combine these with related (social, spatial, sustainable) tasks. The starting point is that these related tasks should not increase Transform's burden and thereby make it impossible. This is input for the paths described below.

From December 2018, a feedback loop will provide a permanent test of the workability of the outcome in the selected areas.

B. Invitation to submit heating solutions

Running parallel to Phases A1 to A4, an exploration of the market will be undertaken to find which technical solutions are possible as an alternative to natural gas. This will be

done together with the Cleantech Region, the Zwolle Region, Oost NL and the Netherlands Enterprise Agency (RVO). As of February 2019, these possibilities will be specified for each (market) delivery. (Separate deliveries would include sustainability measures, insulation measures, installation of solar panels, heat pumps, etc.) It is obvious that more comprehensive solutions should be investigated at this stage where possible, i.e. for the entire energy system. (Up) scalability and economic circularity are important points of attention.

C. Financing palette

Transform will work out all the necessary and possible financial options in sessions with financial experts. These will focus on end-users (tenants/owners) as well as suppliers, core partners and other interested parties. These explorations have already begun in Phase 1. The options will be broken down by type of financing/institution, including the EU, from February 2019.

D. Regulation/room for manoeuvre

There are several regulations and agreements with a good cause and aim, however, these are not always promoting the energy transition. Examples include: financial restrictions preventing housing corporations from offering leasing options for energy installations; the rule that housing related financing of energy measures is not allowed; the inhibitory effect of the current Environmental Planning Bill for pilot projects related to energy transition; the inhibiting effect of public procurement rules on the upscaling of energy transition.

Transform is currently reviewing the rules and will discuss these with the government and regulators in October 2018, and a specific arrangement will be developed as from February 2019 to remove them as obstacles.

E. Use of Governmental financial facilities

Central government offers many possibilities for financing the energy transition. The Netherlands Enterprise Agency (RVO) is examining the possibility of addressing all these schemes at once, in a bundled manner. This will also be discussed (starting October 2018) with a goal of coming to an arrangement (starting February 2019).

F. Trex design and practical implementation

Transform is designing a model for a Transitional Exploitation (trex), just as there is also a Ground Exploitation (grex). Transform will fill these with key figures, develop a legal basis and provide certification for organisations that will work with them. As from October 2018, the programme managers of the municipalities, together with its partners, will provide the necessary, current, specific figures from the selected area. All the financial supports will be shown in detail. Examples include: energy bills from residents (or cash flow); maintenance budgets of housing corporations; budget for public space of municipalities and water authorities; maintenance and investments of network companies. The feedback loop from October 2018 onwards will check the precondition of trex: affordability. As from February 2019, we will incorporate the results of other paths into this.

G. Transform Think Tank/H. Arena Transform

Transform tests the development of Transform in different ways. A think tank of young local professionals provides regular input and feedback. We do this for example in cooperation with local/regional hotspots such as the Cleantech Center Zutphen, the Gasfabriek Deventer, Area055 in Apeldoorn or at Enexis in Zwolle. To provide

feedback on the progress and outcomes of Transform to interested parties, regular presentations and walk-in meetings are held via the Arena Transform. Their design and frequency still have to be worked out.

Overview of all programme Phases

Transform is organised in phases. A number of activities run in parallel in each phase. Below is an overview of all the programme phases:

Until September 2018:

Phase 0: Decision-making in Colleges about the start of Transform.

Phase 1: Involve partners/setting up management.

From September 2018 to August 2019:

Phase 2: Track development (trex, financing options, market supply, room for manoeuvre).

Phase 3: Development of follow-up step: consultation, feedback loop, application.

From July 2019:

Phase 4: Reach agreement with all core partners.

From 2020

Phase 5: Start upscaling in four municipalities/further widening of upscaling which means that after Phases 2 and 3, application of trex is possible in practice. Phase 4 consists of the consolidation into anterior agreements. In phase 5 (starting 2020), Apeldoorn, Deventer, Zwolle and Zutphen will be able to start working with an innovative, solid, integrated and inclusive area-based approach for the transition to sustainable energy. With the final result being: 40,000 sustainable, natural gas-free homes.