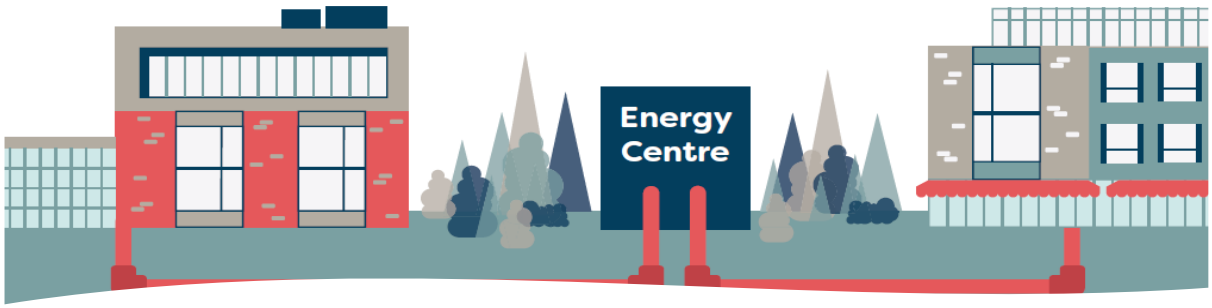
Business Plan

April 2026 - March 2027



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Foreword

Perry Wardle

Director - Solihull Energy Ltd

I am pleased to introduce this Business Plan for Solihull Energy Ltd, which sets out our ambitions and priorities for the period April 2026 to March 2027. As a Council-owned energy company, we are delivering one of the most significant low-carbon infrastructure projects in Solihull's history: the Solihull Town Centre Low Carbon Energy Network.

This plan arrives at a pivotal moment. With construction of the Phase 1 network nearing completion, we stand ready to transition from build to operation, supplying affordable, reliable, and lower-carbon heat and power to public sector partners and key institutions across the town centre. The progress to date has been substantial, and it reflects the commitment, collaboration and expertise of many teams across the Council, our delivery partners, and the wider stakeholder community.

The network will reduce emissions, provide long-term cost certainty for customers, and lay the foundations for future phases of expansion. As policy continues to evolve, particularly through the forthcoming Heat Network Zoning Regulations, Solihull is well placed to demonstrate how local energy infrastructure can deliver both environmental benefits and financial sustainability.

Over the next year, Solihull Energy Ltd will focus on successfully operating the Phase 1 network, expanding our customer base, and preparing for major future decarbonisation activities. This includes integrating new technologies, and ensuring the company is structured and governed in a way that supports long-term growth.

Councillor Andrew Mackiewicz

Solihull Council Cabinet Portfolio Holder –
Climate Change & Planning

Chair - Solihull Energy Ltd Shareholder Panel

As Cabinet Portfolio Holder and Chair of the Shareholder Panel, I am proud to present our updated Business Plan for Solihull Energy Ltd, which outlines the next stage in our Borough's journey towards a cleaner, more resilient and more prosperous future.

The Solihull Town Centre Low Carbon Energy Network is a major investment in our community, and one that reflects our long-standing commitment to taking meaningful action on climate change while supporting the economic vitality of our town centre.

This project will play an important role in helping Solihull move towards sustainable decarbonisation. By generating low-carbon heat and power locally, the network will help reduce emissions from some of our most significant public buildings and organisations. It will also protect services from the pressures of volatile energy markets, offering greater stability and long-term cost certainty.

The coming year marks a key transition, as we move from construction to the operational phase of the network. This shift reflects years of planning, technical development and strong partnership working between the Council, Solihull Energy Ltd, and a wide range of expert delivery partners. With Phase 1 nearing completion, we now look ahead to expanding the network further, exploring new technologies, and ensuring that Solihull remains well-positioned for future national policy changes such as Heat Network Zoning.

Our ambition is simple. We want to build an energy system that benefits the whole Borough, not just for today, but for decades to come. Our updated Business Plan sets out how we will deliver on that ambition, ensuring Solihull continues to lead the way in sustainable local energy infrastructure.

I would like to thank all officers, partners, and community stakeholders whose hard work and support have brought the project to this important milestone. Together, we are laying the foundations for a cleaner, greener future for Solihull.

Executive Summary

Solihull Energy Ltd, a Council-owned Special Purpose Vehicle (SPV), is responsible for constructing and managing the Solihull Town Centre Low Carbon Energy Network.

Project Endorsement

On October 5, 2023, the Solihull Council Cabinet approved the project's progression to the delivery phase and endorsed the necessary borrowing for investment. The Council also endorsed Solihull Energy Ltd contracting with Vital Energi Limited for Design, Build, Operate, and Maintain (DBOM) services.

Project Overview

Solihull Town Centre Low Carbon Energy Network will decarbonise heat in the town centre and provide affordable low carbon energy. Phase 1 will connect four public sector buildings and two education campuses, with heat and power supplied from a centrally located Energy Centre.

Key objectives include:

- To deliver carbon savings across the network.
- To deliver carbon savings for the Council.
- To deliver a financial surplus to the Council over the project's 40-year lifetime.
- To be financially sustainable and provide reinvestment for growth of the network.
- To provide learning and demonstrate best practice for future low carbon energy schemes.

The Energy Centre, adjacent to Tudor Grange Leisure Centre, incorporates:

- 1.7 MW air source heat pump (ASHP).
- 1.6 MWe natural gas combined heat and power plant (CHP).
- 4 MW of natural gas boilers for backup.
- 200,000 litres of thermal storage tanks.

Key Phase 1 Benefits

- To provide energy cost equivalence for customers and the Council.
- To provide at least 50% of heat generation from low carbon sources.
- Economic, social, and environmental benefits.
- Carbon Savings - Phase 1 is expected to save 22,633 tCO2e over 40 years.
- No upfront charge for existing building customers connecting to the network.
- Comparable customer tariffs to existing gas sources.
- Fully managed heat and electricity supply service.
- Experienced heat network developer and operator appointed.

Progress and Milestones (2025/26)

- Completion of district heating pipework installation for Phase 1 customers.
- Completion of private wire cabling to Phase 1 customer buildings.
- Energy Centre construction progressed at 90% complete.
- Commenced Phase 1 customer plant room works to connect to network.
- High Voltage (HV) cable installed from Energy Centre to the Station Road connection point.

- Non- material amendments to Planning permission approved by local authority.
- Progression of new customer connections to support expansion, including applications to the Government's Green Heat Network Fund (GHNF) and West Midlands Combined Authority's (WMCA) Building retrofit pilot scheme.
- Commissioned extensive network decarbonisation study to assess the potential for further decarbonisation of the Solihull Town Centre Low Carbon Energy Network
- Launch of Solihull Energy Ltd website: www.solihullenergy.co.uk

Key Outputs for 2026 - 2027

- Complete Phase 1 customer plant room connections to the Solihull Town Centre Low Carbon Energy Network.
- Completion of new energy centre and landscaping.
- Launch of operate and maintain stage of Phase 1 Scheme.
- Finalise billing and payments system.
- Progress new customer connections and expansion of network.
- Progress GHNF and WMCA Building retrofit pilot scheme to expand the network (subject to funding approval).
- Implement the Heat Network Zoning Regulations.

Future Plans

- Further expansion of the network to additional customers across the town centre.
- From 2026/2027 Solihull Energy Ltd expect to connect further customer buildings including public sector buildings, academic sites and a private care home facility.
- Priority future connections include major masterplan developments coming forward as well as large heat demands within the town centre including commercial buildings along Homer Road, and key educational establishments.
    - Further decarbonisation of the network.

This summary outlines the strategic approach and key milestones for the Solihull Town Centre Low Carbon Energy Network, highlighting Solihull Energy Ltd.'s commitment to delivering carbon reduction and financial sustainability.

Introduction

Solihull Energy Ltd is pleased to present the 2026/2027 Business Plan, outlining our ambitions and priorities for the year ahead.

This is a one-year plan rather than a three-year plan, reflecting the transitional nature of 2026/2027 as the company moves into the Operate phase.

There are currently a number of unknowns the outcome of which will have a material impact on future financial forecasts:

- The confirmation and timing of new customer connections
- The outcome of current funding bids
- The implications and timing of Heat Network Zoning

In 2027 the Company will once again present a 3-year plan for publication.

Background

Solihull Council recognises the need to tackle carbon emissions within the Borough, to support local, national and international climate change targets. The Council has an ambition for the Borough to become carbon 'net zero' by 2041 and for its own buildings and activities to become so by 2030.

Solihull Energy Ltd is a Council owned Special Purpose Vehicle (SPV). The company has an initial focus on constructing and managing the first phase of Solihull Town Centre Low Carbon Energy Network with an ambition to develop the network through future phases of expansion.

The Council has led the development of the business case for Solihull Town Centre Low Carbon Energy Network. In October 2023, the Council's Cabinet endorsed the recommendation that the project should proceed into delivery phase (subject to several conditions). Members also approved the borrowing required for investment into the company and agreed to endorse Solihull Energy Ltd entering into a contract with Vital Energi Limited for DBOM services.

Phase 1 customer supply contracts were signed and the DBOM contract was awarded by the Solihull Energy Ltd to Vital Energi in July 2024.

Solihull Town Centre Low Carbon Energy Network is a major infrastructure project that will immediately decarbonise heat in the town centre and deliver affordable low carbon energy to town centre occupiers.

Vision

To develop a Low Carbon Energy Network for Solihull Town Centre, providing affordable low carbon energy to existing occupiers and new town centre developments, supporting the transition to a low carbon economy and the delivery of Solihull's net zero carbon ambition.

Objectives

The key delivery objectives for Phase 1 of the Solihull Town Centre Low Carbon Energy Network are set out below as critical success factors.

Solihull Energy Ltd will ensure that these critical success factors continue to be relevant during the delivery of Phase 1 of the network and into future phases of network expansion, where appropriate. Energy cost equivalence with gas will not be possible for future phases, however Solihull Energy Ltd will offer a reduction on the cost of customers installing and operating on-site low carbon heating plant.

1	To deliver carbon savings over the entire network.
2	To deliver carbon savings for the Council.
3	To provide energy cost equivalence to customers.
4	To provide energy cost equivalence to the Council.

5	To provide low carbon heat generation in line with regulatory, funding and customer requirements.
6	To deliver a financial surplus to the Council over the project lifetime (40 years).
7	To be financially sustainable and provide reinvestment for growth of the network.

Solihull Town Centre Low Carbon Energy Network - Phase 1

The Phase 1 energy network, expected to be completed in July 2026, will be supplied with heat and power from a centrally located Energy Centre adjacent to Tudor Grange Leisure Centre.

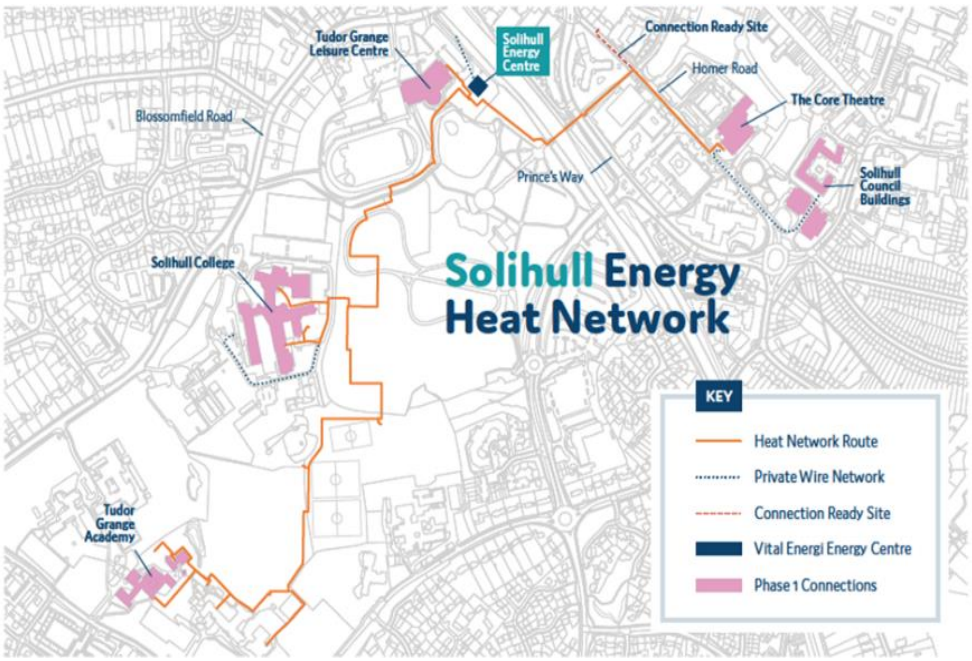
The Energy Centre currently in construction is designed to complement the environment of the surrounding park and provides the opportunity for its expansion as the network develops.

Artist impression of Energy Centre:

Energy Centre construction September 2024 – January 2026

The Phase 1 network will connect 4 public sector buildings and 2 education campuses across 2.3km of heat network and 1.5km of electricity network.

Phase 1 Network, Solihull Town Centre:



Significant civil works have been completed in 2025 across the Town Centre and local parks to lay District Heating pipework in the ground to connect the Phase 1 customers.

Photos: Below left to right: Homer Road (x2); Herbert Passageway (x2); Tudor Grange Park (x2) – showing progress during and initial remediation in place after District Heating pipework install.


KEEP
CLEAR

The Energy Centre plant (phase 1) comprises:

- 1.7 MW air source heat pump with evaporators located on the roof of the building.
- 1.6 MWe natural gas combined heat and power plant (CHP).
- Circa 4 MW of natural gas boilers for back-up heat.
- 200,000 litres of thermal storage tanks.

Aerial view of Energy Centre – showing ASHP's installed on roof, flue stack, thermal energy stores and rain penetration cladding (prior to landscaping works and external cladding finishes).

Initially the Phase 1 Energy Centre will generate heat and electricity from the gas CHP plant and heat from the ASHP. Gas boilers will be used to provide top up and back up heat (peak and reserve capacity).

The estimated carbon savings associated with the Phase 1 network, measured against a business-as-usual case of individual gas boilers and grid electricity in all connecting buildings, is 22,633 tCO_2e over 40 years (assuming that all technology and customers remain the same).

The key benefits of the Town Centre Low Carbon Energy Network in Phase 1 include:

- A public funded project providing economic, social and environmental benefits.
- For Phase 1 customers, no upfront charge for existing building customers connecting to the network.
- For new customers a connection charge lower than the cost of installing a heat pump system at the customer building.
- For Phase 1 customers, heat (and electricity) at a tariff comparable to whole life-cycle cost of heat produced from existing (gas) sources – "green for the price of brown".
- For new customers a heat tariff lower than it would be when operating a heat pump system at the customer building.
- A fully managed heat (and electricity) supply service.
- A network to be built and operated by an experienced and well-established heat network provider.

12 Month Review - Key Achievements in 2025/26

2025-2026 saw significant progress in the design and build of Solihull Town Centre Low Carbon Energy Network.

Following signing of the DBOM contract in July 2024, the first phase of the network construction is progressing at pace and due for completion in spring/early summer 2026.

	Completion of district heating network pipework installation for Phase 1 customers.
	Completion of private wire cabling installation to Phase 1 customer buildings.
	Energy Centre construction progressed to 90% complete.
	Commenced Phase 1 customer plant room works to connect to network.
	Non-material amendments to planning permission approved.

	Launch Solihull Energy Ltd website www.solihullenergy.co.uk
	Updated Commercial Model to inform viability of future connections.
	Progressed billing and payments system.
	Application to Government's Green Heat Network Fund (GHNF) to support Phase 2 network expansion
	Submission of Stage One application to WMCA's devolved Building Retrofit Pilot Scheme to include potential connection of public sector buildings to the heat network.
	Funding received from WMCA to develop plans for further decarbonisation of the energy network. Study commissioned to Sustainable Energy Ltd to complete.
	Managed the contract with Vital Energi Limited, ensuring that all contractual commitments are delivered, and Customer Service remains high (ongoing).
	All mandatory reporting to project funders completed.

12 Month Look Ahead

The next 12 months will be pivotal for the Solihull Town Centre Low Carbon Energy Network project and Solihull Energy Ltd as the Scheme moves to the Operate and Maintain Phase.

The focus will continue to be the completion of the build and commencement of operation of the heat network for Phase 1 customers, while simultaneously growing the business to support network expansion and decarbonisation for future customers. This combined approach will ensure the long-term commercial viability of Solihull Energy Ltd.

With the outcome of the GHNF and WMCA Devolved Retrofit Pilot Scheme expected in early 2026 Solihull Energy Ltd aim to expand the network to further town centre sites including council owned assets, academic sites, a care home/care and health facilities and other private and public sector buildings.

Key Milestones for April 2026 – March 2027

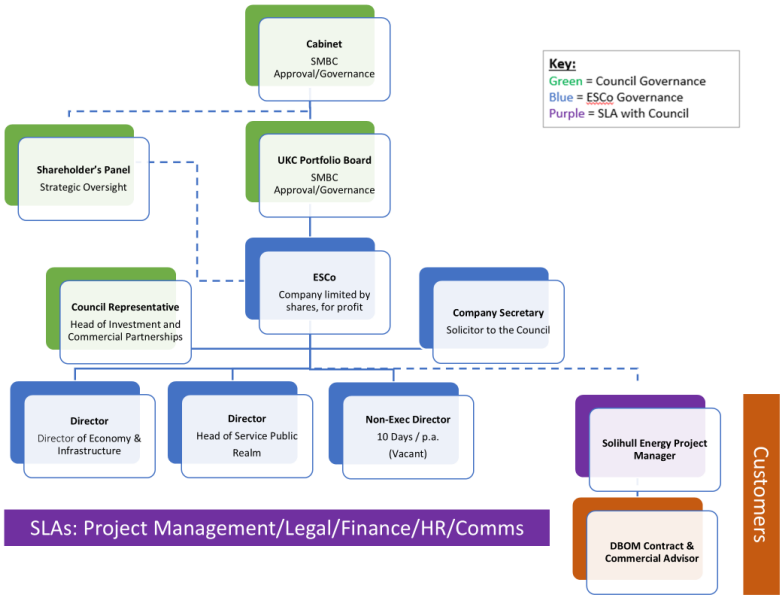
	Construction of Energy Centre and landscaping complete (July 2026).
	Connect Phase 1 customers to the network (May – June 2026).
	Finalise billing and payments system.
	Outcome of GHNF Application (if successful pursue expansion of the network). Application to consider expansion to 10 sites of the 11 in the current future connection plan.
	Outcome of WMCA's devolved Building Retrofit Pilot Scheme (If successful pursue expansion of the network) and submission of Stage Two Application. Stage 1

	applications to consider expansion to 4 sites of the 11 in the current future connection plan.
	Develop opportunities to expand the network within the Town Centre including pursuit of further suitable grant funding to support future Phase customers.
	Review Heat Network Zoning Regulations.
	Develop additional business areas taking into account new technology that supports business growth opportunities.
	Review the structure of the Company as it grows.
	Continue to manage the contract with Vital Energi Limited, ensuring that all contractual commitments are delivered, and Customer Service remains high.
	Present a new updated multi-year plan Business Plan to Cabinet in early 2027.

Resources, Company Management and Governance

Solihull Energy Ltd is a wholly owned company of Solihull Council but with an independent Board consisting currently of two Directors, with one Non-Executive Director (Vacant). The role of the Directors is to manage the ongoing business operation.

Solihull Energy Ltd Governance Structure February 2026:



Under the guidance of the Board, Solihull Energy Ltd has implemented a scalable governance model. This structure is designed to manage the complex and diverse range of project functions and commercial decisions required for the company's growth. It is supported by a team of specialist consultants who provide expertise in areas such as

technical, commercial and legal services when required. This governance arrangement ensures the company is well-equipped to handle the challenges of expansion and development of the business.

Funding and Financial Overview

Solihull Energy Ltd is responsible for and will fund all project capital costs for construction of the heat network infrastructure and the Energy Centre.

Phase 1 construction and associated costs of £18.781m are funded from the following sources:

- HNIP & WMCA Grant £9.192m
- Council Equity £3.463m
- Council Loan £6.126m

Solihull Energy Ltd has taken a 40-year annuity loan from Solihull MBC for the project.

Phase 1 construction is progressing well and within budget.

Further financial tables can be found in Private Appendix 3.

Design, Build, Operate and Maintain Contract

Form of Contract

The DBOM Contract is a bespoke form of contract based on the Standardised Operation and Maintenance Set (SOMS) contract templates developed by Triple Point Investment Partnership on behalf of the Department for Business, Energy and Industrial Strategy (BEIS).

Duration of Contract

The DBOM Contract is for an initial 15 years with up to a 10-year extension period (extended at the discretion of the Solihull Energy Ltd). A 15-year initial term is aligned to the major heat generation plant lifecycle.

Major plant replacement

Major heating plant replacement costs have been accounted for within the financial model. These sums will be retained in the Solihull Energy Ltd to support future financial resilience, with end of plant replacement decisions being the responsibility of Solihull Energy Ltd. Day to day and planned maintenance and repairs will be the DBOM Contractor's responsibility and therefore included in the Operation and Maintenance service charge.

Metering and Billing services

Metering and Billing is a highly specialised service, which will be managed by the DBOM contractor Vital Energi Ltd, who are suitable specialist service providers.

Key Performance Indicators

A target CO_2 intensity per kilowatt hour of heat has been specified in the DBOM contract KPI Schedule to incentivise efficient and low carbon heat operations. Other KPIs incentivise key performance items such as heat and power availability, water quality (direct link to maximising operational life of network), customer satisfaction and accuracy of billing. Where there is potential for direct financial detriment to Solihull Energy Ltd (the Council's Energy Service SPV) for KPI failure, service payments will be levied.

Heat Price Strategy

As set out in the DBOM contract, Vital Energi sell heat and power to Solihull Energy Ltd. As Solihull Energy Ltd sell heat and power to customers the Customer Supply Agreements reflect the DBOM arrangements and cost of energy production to minimise financial risk to Solihull Energy Ltd.

New Connections and Network Expansion

Connecting new customers and expanding the network is a key priority for Solihull Energy Ltd. Expansion reduces the risk of lower than forecast customer heat and electricity demand whilst providing improved financial return and further decarbonisation benefits. There is a continued need for Solihull Energy Ltd to invest in the development of this expansion. A Commercialisation Group has been established with support from Vital Energi and commercial advisors (currently Ener-vate) and technical advisors (currently Sustainable Energy Ltd) to progress this work.

A prioritised pipeline of new connections has been developed, with future short and medium-term opportunities identified. Grant funding opportunities, including the WMCA's Building Retrofit Pilot Scheme and the governments Green Heat Network Fund (GHNF) Round 10, have been pursued to support both new connections and further network expansion. This work continues to evolve, and we await funding application outcomes.

The current connection plan - which is based on confirmation of relevant funding applications, financial viability and Heads of Terms and Customer Service Agreements signed by the relevant building owner(s) - is set out below:

Building	Occupancy Type	Potential Connection Date
1	Public Sector Building	Late 2026/27
2	Private Care Home Facility	Late 2026/27
3	Academic Site	Late 2026/27
4	Academic Site	2027 - 2029
5	Academic Site	2027 - 2029
6	Public Sector Building	2027 - 2029
7	Commercial Office	Late 2026/27
8	Academic Site	2027 - 2029
9	Commercial Office	2027 - 2029
10	Public Sector Building	2027 - 2029
11	Retail/Residential	2028/29- 2035/36

From 2026/2027 Solihull Energy Ltd expect to connect further customer buildings including public sector buildings, academic sites and a private care home facility.

Priority Future connections include major masterplan developments coming forward as well as large heat demands within the town centre including commercial buildings along Homer Road, and key educational establishments.

Future Customer Pricing

The customer pricing strategy for future customers will be defined by the Solihull Energy Ltd Board. All customer pricing is subject to sensitivity analysis and commercial assessment using a commercial model and assessment conducted by technical advisors.

The energy network design provides the flexibility to supply heat to customers at varying levels of CO_2e intensity and associated cost to reflect specific customer requirements and local/national policy. It should be noted that under current market conditions, the lower the CO_2e intensity, the higher the cost of heat will be from Vital Energi to Solihull Energy Ltd.

Further details of the pricing strategy can be found in Private Appendix 2.

Heat Network Zoning

The UK government has announced it will implement Heat Network Zoning Regulations in 2026. These Zoning regulations will support the expansion and improve the commercial case of the Solihull Town Centre Low Carbon Energy Network by legally requiring potential customers to connect. The government designation of Heat Network Zone locations is based on where heat networks offer the most cost-effective solutions to the local heat decarbonisation of buildings. As part of a UK government funded study, Solihull Town Centre has been identified as a potential heat network zone.

Under these regulations, inside the Heat Network Zone boundary, all new buildings, large public sector buildings and large non-domestic buildings will be required to connect to the heat network within a prescribed timeframe. Large residential buildings which already have communal heating, or are undergoing major refurbishment, are also likely to be required to connect.

The regulations include a heat CO_2e intensity requirement by 2030.

Future Decarbonisation

The heat network will reduce CO_2e intensity in line with regulatory and policy requirements and market demand in the following ways:

Heat network expansion:

New connections will require higher utilisation of the existing ASHP (as opposed to the gas CHP engine), and the Energy Centre is designed to accommodate an additional ASHP that will be required to meet long term customer demand.

Reducing the run hours on the gas CHP engine:

The DBOM contract includes provision to allow Solihull Energy Ltd to renegotiate heat tariffs and associated KPIs, (one of which requires an upper limit on CO_2e intensity) with Vital Energi.

Unless there is a viable supply of green hydrogen or biogas, operation of the CHP engine will be phased out over the next 10-15 years.

Incorporating new generation and storage plant:

As the CHP unit is phased out and electricity generation reduced, the electricity network will be supplied by solar PV and grid electricity, potentially utilising battery storage. Batteries will enable the scheme to maximise benefits through SMART operation and time of use electricity tariffs. In 2025, a solar PV scheme was installed at Tudor Grange Leisure Centre and Solihull Energy Ltd has secured grant funding from WMCA to:

- Confirm and assess (at a high level) planned opportunities to expand the heat network.
- Identify and assess (at a high level) opportunities to expand the electricity network to include assessment of additional customers and EV charging.
- Assess opportunities to increase electricity generation and storage (e.g. solar PV and batteries).
- Assess opportunities to increase heat generation and storage (e.g. additional ASHP and thermal storage).
- Assess potential future operating models considering potential future demand and generation scenarios and operating strategies, future energy costs, future time-based grid carbon intensities and commercial implications for Solihull Energy Ltd.
- Inform a decarbonisation and investment strategy for Solihull Energy Ltd.
- Assess implications and risks associated with recommended actions and future scenarios on Customer Supply Agreements (CSAs) and DBOM contract (including consideration of indexation, cost versus CO_2e intensity and sleeving).

Key Strategic Risks

Solihull Town Centre Low Carbon Energy Network project faces key risks that need to be closely managed to ensure successful delivery and operation. The 'Top 5' strategic risks and mitigating actions are summarised below.

1. Changes to electricity and gas prices reducing operating margin.
2. Impact of New Policy and Regulation on the Energy Network.
3. Impact of New Technology on the Energy Network.
4. New customers and planned developments do not connect to the Energy Network.
5. Lack of resource, knowledge, and experience with Solihull Energy Ltd.

A range of mitigating actions have already been applied to manage and reduce these risks. The project regularly reviews these Risks and is continuing to take ongoing mitigating actions including:

- Identifying and applying for grant funding opportunities to support new customer connections network expansion and further de-carbonisation.

- Keeping abreast of new technology and pertinent legislation e.g., Heat Network Zoning.
- Reviewing energy network compliance with future building regulations.

By proactively managing these risks, Solihull Energy Ltd aims to deliver a successful and sustainable low carbon energy network that meets its environmental and financial objectives.

Conclusion

The Solihull Town Centre Low Carbon Energy Network represents a major step forward in delivering Solihull's transition to a net-zero future. With Phase 1 construction approaching completion and the first customers preparing to connect, the project is now moving from development to operation, an important milestone that will demonstrate the benefits of a reliable, affordable, and lower-carbon heat network for the town centre.

Over the next year, the focus will shift to successfully commissioning and operating the Phase 1 network while laying the foundations for continued expansion. This includes progressing opportunities for new connections supported by funding applications made by the Company and the Council in 2025/2026, responding to forthcoming Heat Network Zoning regulations, and advancing the company's long-term decarbonisation strategy. These activities will strengthen the commercial position of Solihull Energy Ltd and support wider borough-wide climate and economic objectives.

Through strong governance, effective partnerships, and proactive engagement with stakeholders, the company is well positioned to manage risks, adapt to future policy changes, and secure opportunities for growth. As the network evolves, it will not only reduce carbon emissions but also provide a scalable platform for future phases, demonstrating how local energy infrastructure can deliver long-term environmental, social, and financial benefits for Solihull.

Appendix A - Glossary

ASHP	Air Source Heat Pump
CHP	Gas Combined Heat and Power Engine
DBOM	Design, Build, Operate and Maintain Contract
GHNF	Green Heat Network Fund
HNIP	Heat Networks Investment Project
SMBC	Solihull Metropolitan Borough Council
SPV	Special Purpose Vehicle
WMCA	West Midlands Combined Authority