

Date: 4 December 2024

**Item: Report of the Meeting of the Finance Committee held on
19 November 2024**

This paper will be considered in public

1 Summary

- 1.1 This paper provides a summary of the items considered by the Finance Committee at its additional meeting held on 19 November 2024. As the meeting was inquorate, with five Members available to discuss the items and only two present in the room, the decisions were taken by the Chair exercising Chair's Action after the discussion of the items. Given the strategic importance of the contracts, it was considered appropriate to continue to meet to ensure transparency in decision-making.

2 Recommendation

- 2.1 **The Board is asked to note the report.**

3 Committee Agenda and Summary

- 3.1 The papers for the meeting of the Committee held on 19 November 2024 were published on 11 November 2024 and are available on the [TfL website](#) with a link to the video recording of the meeting on [TfL's YouTube channel](#).
- 3.2 The two matters considered by the Committee were:
- (a) Elizabeth Line Concession 2 Procurement; and
 - (b) Power Purchase Agreement Comet: Contract Award.
- 3.3 A summary of the items considered and decisions taken is provided below. The more detailed minutes of the meeting will be published ahead of the meeting of the Committee on 18 December 2024.

4 Issues Discussed

Elizabeth Line Concession 2 Procurement

- 4.1 The Chair, following consultation with the Committee, approved Procurement Authority to enable entry into the new concession agreement for the operation of the Elizabeth line passenger train services and ancillary agreements from May 2025. Following the taking of the decision, GTS Rail Operations Limited, a joint venture between Go Ahead Group, Tokyo Metro and Sumitomo Corporation, was announced as taking over the Elizabeth line

operator contract in May 2025. The contract will cover seven years with an option to extend for up to two additional years.

- 4.2 The new concession agreement would ensure that the Elizabeth line continued to showcase investment in TfL, rail and public transport through optimisation and improvement on current high levels of safety, performance and customer satisfaction, while remaining adaptable to an evolving industry and changing customer needs.
- 4.3 Rail for London had undertaken a detailed procurement process and reviewed the current concession agreement, considering lessons learnt throughout its term, updated strategic priorities and best practice drawn from other similar arrangements across TfL, insight from market engagement and wider industry changes. The new concession agreement would continue to cover all aspects of train and station operations over the Elizabeth line.
- 4.4 Four bids were assessed. The key principle of the evaluation methodology was to ensure that the new concession agreement would be awarded to the most economically advantageous bid, allowing for a balance between technical, commercial and financial factors.

Power Purchase Agreement Comet: Contract Award

- 4.5 The Chair, following consultation with the Committee, approved Procurement Authority of £225m for electricity purchased under Power Purchase Agreement (PPA) Comet for 15 years and the costs under the associated onsale and sleeving arrangements for the same duration.
- 4.6 TfL's first PPA procurement represented a significant milestone and major step forward in realising the target set in the Mayor's Transport Strategy to run a zero-carbon railway by 2030. TfL was London's largest single consumer of electricity, using around 1.6TWh per annum at a cost of around £350m. This represented around 43 per cent of its operational carbon emissions.
- 4.7 To meet this target, TfL had set out a plan to transition the way it purchased electricity to ensure it was sourced from renewable generation. TfL's Energy Purchasing Strategy was considered by the Committee in July 2024, which outlined the plan to procure up to 70 per cent of TfL's total electricity needs from a generator through renewable energy corporate PPAs. The first step in this initiative was PPA Comet, which involved procuring up to 12.5 per cent of TfL's electricity demand, or up to 200GWh, from a new renewable project. Power delivery from the asset was anticipated to begin in 2028.
- 4.8 PPAs offered the best alignment with TfL's financial needs and delivered a new renewable energy supply facility, an additional renewable greening of the grid network and aligned with the Government's policy to accelerate the decarbonisation of the grid.
- 4.9 Members noted that the pay as produced contract meant TfL would be consuming electricity from the grid that was not 100 per cent green at certain

points in time of low power generation. Members suggested exercising caution in not overclaiming that the renewable energy production was 100 per cent green in light of this.

- 4.10 The procurement was only for up to five to 10 per cent of TfL's consumption, using grid consumed energy for most of its energy needs, which is currently constituted with around 40 per cent from renewable sources. TfL had taken a risk mitigated approach to ensure the renewable energy guarantees of origin from an asset and genuine additionality in connecting a new asset to the grid, without paying a premium. Over the next few years as more renewables came on grid, TfL would look to do more for future corporate PPAs and continued to look closely at greening the remainder of its supplies and the flexible green tariff option as it approached 2030. It was an important first step forward in the right direction into an evolving and maturing market.
- 4.11 Beyond the procurement, consideration would be given to what TfL considered to be renewables as part of its future strategic direction and next steps as it was an evolving situation. The lessons learnt during the PPA Comet procurement process would be shared with the Committee.

List of appendices to this report:

None

List of Background Papers:

Papers submitted to the meeting of the Finance Committee held on 19 November 2024

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