The Highland Council
Comhairle na Gàidhealtachd

Please Ask for:	Ruta Burbaite
Our Ref:	Heat Network - Inverness
Date:	28 October 2025
e-mail:	LHEES@highland.gov.uk

Dear Sir/Madam

Heat Network - Inverness
MARKET RESEARCH/REQUEST FOR INFORMATION

The Highland Council (**THC**) has been considering its options regarding the potential development, delivery and operation of low-carbon heat networks in Inverness. THC wishes to initially develop a flagship heat network in the West Bank area of Inverness (**the Project**) with a Private Sector Partner (**PSP**) and then consider the development of further heat networks in the Raigmore and Longman and City Centre areas and other heat network opportunities across the Highlands.

In this Request for Information, we are seeking feedback on our proposed delivery model and the extent of public investment and subsidy that you consider may be required to make the Project viable. We are also seeking your views on the areas we have identified as most appropriate for the development of heat networks.

In the “Request for Information” section below, we have provided further information on the background of the Project and the three potential areas THC has identified for heat network development in Inverness. We also explain THC’s preferred delivery model for working with a PSP on the proposed Project (with an attachment that sets this out in more detail) and pose a number of questions for your consideration. To that end, we kindly request that respondents carefully consider and provide the requested information. Your response will assist us in shaping our requirements for the future, understanding the current market and future developments, and developing the best value strategy for any future procurement.

Your organisation is therefore invited to complete the "Request for Information" document by **25 November** 2025.

This Request for Information is intended to form part of a market sounding exercise. It must be emphasised that this request does not form part of any procurement procedure, nor will it give any advantage in any subsequent procurement process. At this stage, we ask that you do not provide any information on costs.

Yours faithfully

R Burbaite
Ruta Burbaite
Project Manager
Climate Change & Energy Team
The Highland Council

Request for Information (RFI)

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Recipient Identification:	
Request for information regarding:	**Heat Network – Inverness**

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Background

The Local Heat and Energy Efficiency Strategies (Scotland) Order 2022 placed a legal duty on all 32 Scottish local authorities to prepare a Local Heat and Energy Efficiency Strategy (LHEES) and Delivery Plan by the end of December 2023.

The THC published its first LHEES and Delivery Plan[1] in December 2023, setting out a strategic approach to decarbonising heat in buildings across the Highlands and improving energy efficiency. As part of this work, THC was required to identify areas likely to be particularly suitable for the construction and operation of heat networks. The first iteration of the LHEES identified seven indicative Heat Network Zones (HNZs) to assess the scale of potential and highlight initial areas of focus (these zones represent theoretical and technical potential at a strategic level, prior to site-specific feasibility studies and subject to funding availability).

In 2024, THC published Our Future Highland Delivery Plan 2024–2027, which outlines its programme of work over the five-year period to 2027. One of the key portfolios is Net Zero, Energy and Investment, which supports THC's Net Zero ambitions and promotes place-based planning for future energy capacity and security. Within this portfolio, the Heat Networks Project has been identified as one of the priority initiatives. The project aims to develop new and expand existing heat networks to deliver social, economic, and environmental benefits to the region, as outlined in the City-Wide Heat Feasibility Study.

THC is leading the region's transition to Net Zero by investing in sustainable, low-carbon heating solutions. Heat networks are a key part of this strategy, offering cost-effective and environmentally friendly alternatives to traditional heating.

[1] Please see a copy of the Local Heat and Energy Efficiency Strategy and Delivery Plan linked here.

In 2024, THC successfully secured Strategic Heat Network Support funding from the Heat Network Support Unit (HNSU) to undertake a strategic City-Wide feasibility study (**the City-Wide Feasibility Study**) in Inverness and for the preparation of a Heat Networks Vision Statement to set out the role that heat networks will play in the decarbonisation of heat across Inverness (**The Heat Networks Vision Statement**). THC also plans to undertake a further review of the opportunities available within its Council area outside of Inverness in 25/26.

The strategic City-Wide Feasibility Study has been divided into two work packages: technical analysis and delivery models work.

The City-Wide Feasibility Study has now completed, and the findings are available via the following link to the "Heat Networks" section of our website. This section of our website also contains a copy of the Heat Network Vision Statement and the LHEES document referred to above for your information. Please refer to this information when considering your responses to the questions posed below.

In line with its aims to complete the work later this year, THC has proposed a delivery model to commence the project. THC, however, remains open to other delivery models or structures and we have included a question below inviting respondents to this Request for Information to comment on any other delivery models which would be appropriate for this opportunity. The 'Current Position' section below provides an outline of this proposal, with further details included in the Delivery Model Proposal document which is included at Appendix A to this Request for Information.

Current Position

THC has taken a long-term strategic view of heat network development intended to ensure that the development of heat networks in Inverness not only addresses environmental concerns but also delivers tangible social and economic benefits.

To that end, THC has determined the three most strategically important areas for heat network development in Inverness: the West Bank, Raigmore, and Longman (including the City Centre) (see - Figure 1). Each of these areas have unique characteristics and potential for impact, with West Bank identified as the most suitable starting point for the Project. We have summarised this information below. Key stakeholders have been identified through Buro Happold's feasibility work and have expressed an initial interest in receiving a supply of heat from future heat networks in these areas including the following:

- The Freeport development in the Raigmore area which represents the next phase for the University of Highlands and Islands (UHI) and Highlands and Islands Enterprise (HIE) campus which has an assumed scheduled completion date of 2035. There is also a high level of THC ownership in the Longman area and a high level of THC demand and land ownership in the West Bank area;
- The new HMP Highland prison in the Raigmore area which is scheduled for completion in 2026; and
- The NHS Raigmore Hospital which represents the largest demand in the area and is strategically located near the centre of any network routing.

We have also included tables setting out the key metrics for the development of heat networks in each of the areas set out below including the heat demand and linear heat density. The key metrics have been provided for heat networks consisting of: (1) "core" connections which focus on high demand buildings to establish financial viability of the network; and (2) "core and infill" which include core connection and connections where additional buildings are integrated to improve network utilisation and efficiency.[2] Additional detail can be found in the City-Wide Heat Feasibility Study.

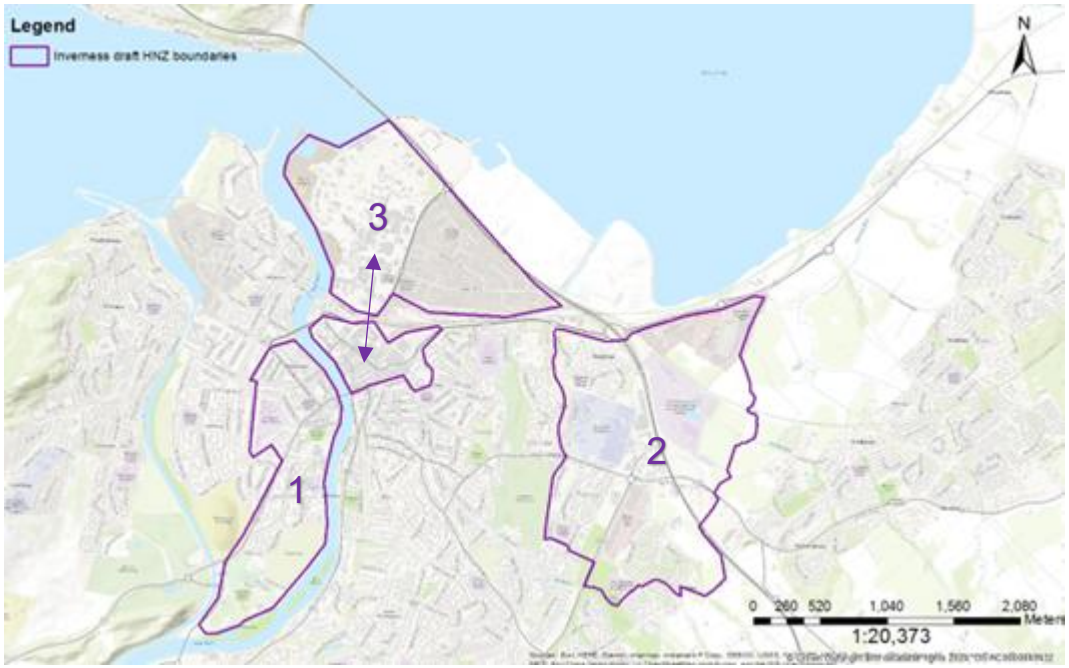


Figure 1 – Strategic city-wide feasibility study boundary

West Bank (1)

The West Bank of Inverness refers to the area located on the western side of the River Ness, opposite the city centre. It is a mixed-use area comprising residential neighbourhoods, public green spaces, and notable city landmarks.

[2] THC has only provided key metrics for "core" connections (not "core and infill") below for the Raigmore area – for further information please see the recent feasibility study for this area carried out by Buro Happold published here.

This area has several buildings with high heat demand, and THC holds a significant proportion of land and assets here. The West Bank also includes a high concentration of social housing, making it a priority area for addressing fuel poverty through affordable and sustainable heat solutions.

West Bank ("Core" and "Core and Infill"):

Assessment criteria	**Core**	**Core + Infill**
Linear heat density	4.62	3.5
Low carbon heat source number	ASHP, GSHP, WSHP	ASHP, GSHP, WSHP
Council land (share)	46.80%	46.80%
Number of anchor loads (>=500MWh/yr)	13	13
Demand from anchor loads (MWh/yr)	20339	20339
Number of core connections	23	23
Demand from modelled connections	24015	33213
Number of connected buildings	23	94
Demand from Highland Council buildings	13569	14291
Number of Highland Council buildings	8	14
Demand from public sector buildings	4565	5069
Number of public sector buildings	8	12

Raigmore (2)

Raigmore is situated to the east of Inverness and is well-connected via the A9 and A96 roads, with the Raigmore Interchange providing key transport links.

The area includes a mix of anchor and non-anchor loads, such as the main healthcare facility for the Highlands alongside residential housing, a primary school, and a community centre.

Raigmore:

Assessment criteria	**Raigmore full**	**Raigmore West**	**Raigmore East**
Linear heat density	5.02	5.4	4.6
Low carbon heat source number	ASHP, GSHP, sewer	ASHP, GSHP	ASHP, GSHP, Sewer
Council land (share)	12%	18%	1%
Number of anchor loads (>=500MWh/yr)	20	8	12
Demand from anchor loads (MWh/yr)	45361	26381	18980
Number of core connections	38	15	23
Demand from modelled connections	48667	27917	20750
Number of connected buildings	38	15	23
Demand from THC	835.5	835.5	0
Number of THC buildings	4	4	0
Demand from public sector buildings	25362	12782	12580
Number of public sector buildings	24	6	18

Longman and City Centre (3)

The Longman area lies north of the city centre, bordered by the Moray Firth and the River Ness. It is home to Inverness's largest industrial estate and is bisected by the A82 road.

Longman has some of the highest heat demand sites in the city and a high level of THC land ownership. Just south of Longman is the City Centre, located on the east bank of the River Ness. This area includes key transport hubs (train and bus stations), retail zones, and historic landmarks, all of which contribute to a dense and diverse energy demand profile.

Longman (Core):

Assessment criteria	**Longman Full**	**Longman Full + Bairds**	**Longman West**	**Longman West + Bairds**
Linear heat density	2	7.4	1.97	11.61
Low carbon heat source number	ASHP Wastewater	ASHP Wastewater	ASHP Wastewater	ASHP Wastewater
Low carbon heat source potential supply	Medium/High	Medium/High	Medium/High	Medium/High
Council land (share)	38.30%	38.30%	44.30%	44.30%
Number of anchor loads (>=500MWh/yr)	12	13	6	7
Demand from anchor loads (MWh/yr)	9693	39693	5480	35480
Number of core connections	14	15	6	7
Demand from modelled connections	10180	40180	5480	35480
Number of connected buildings	14	15	6	7
Demand from public sector buildings	2345	2345	1858	1858
Number of public sector buildings	4	4	2	2

Longman (Core and infill):

Assessment criteria	**Longman Full**	**Longman Full + Bairds Malting**	**Longman West**	**Longman West + Bairds**

Linear heat density	2.15	5.2	2.37	10.22
Low carbon heat source number	ASHP Wastewater	ASHP Wastewater	ASHP Wastewater	ASHP Wastewater
Council land (share)	38.30%	38.30%	44.30%	44.30%
Number of anchor loads (>=500MWh/yr)	12	13	6	7
Demand from anchor loads (MWh/yr)	9693	39693	5480	35480
Number of core connections	14	15	6	7
Demand from modelled connections	9965	51029	5480	38244
Number of connected buildings	47	48	16	17
Demand from Highland Council buildings	442	442	169	169
Number of Highland Council buildings	3	3	1	1
Demand from public sector buildings	2670	2670	2183	2183
Number of public sector buildings	6	6	4	4

City Centre ("Core" and "Core and Infill"):

Assessment criteria	**Core**	**Core + Infill**
Linear heat density	7.77	5.57
Low carbon heat source number	ASHP, GSHP	ASHP, GSHP
Council land (share)	9.70%	9.70%
Number of anchor loads (>=500MWh/yr)	16	16
Demand from anchor loads (MWh/yr)	20457	20457
Number of core connections	17	17

Demand from modelled connections	21154	32640
Number of connected buildings	17	107
Demand from Highland Council buildings	697	697
Number of Highland Council buildings	2	3
Demand from public sector buildings	517	2193
Number of public sector buildings	1	12

Prioritizing the West Bank Network

Based on the work we have done to date, we have chosen to prioritize the development of a heat network solution in the West Bank area as THC has a significant proportion of land and assets in the West Bank area and this area provides THC with the best starting point to achieving its Net Zero Programme and Scotland's Net-Zero emissions target by 2045 with sustainable heating solutions. THC also has an ambition to alleviate fuel poverty and the area could benefit from a heat network given that there is a high level of social housing. Further detail on this is provided in the City-Wide Heat Feasibility Study.

This initial development, and the project more broadly will:

- Provide reliable and efficient heating to reduce overall energy consumption, decreasing reliance on fossil fuels by using renewable and local energy sources. It could offer affordable heating through economies of scale, lowering costs for both residential and commercial users.
- Promote economic growth and create local jobs and stimulate economic development through infrastructure investment.
- Depending on the delivery structure, generate positive revenue to ensure long-term revenue for THC via interest payments and dividends from part-ownership of the heating asset.
- Depending on the delivery structure, allow THC to maintain control over heat tariffs to protect against future price increases.
- Reduce THC's carbon footprint through the reduction of gas usage and reduce current gas bills for THC's estate once the heating system is operational.[3]
- Create tourist and education opportunities. As the project flourishes, we will look to create a Tourist/Learning Attraction ('The Highland Renewables Trail') to showcase renewable energy efforts, provide educational opportunities.
- Explore opportunities to develop other renewables to further assist with the viability of projects.

[3] Please see Buro Happold's overview of the CAPEX and carbon saving TCO2e over 40 years for the Longman, City Centre, West Bank and Raigmore areas which was produced as part of the City-Wide Feasibility Study.

Response

THC remains committed to exploring innovative approaches to the design, delivery, and operation of heat networks across Inverness. These efforts are aligned with broader decarbonisation and energy efficiency goals and include the investigation of emerging technologies, delivery models, and sustainable funding mechanisms.

The aim is to develop low-carbon, resilient infrastructure that delivers long-term benefits to communities across Inverness. To assist THC in determining how heat networks may best be brought forward in Inverness, prospective suppliers are invited to review the information and project options outlined in this Request for Information and in the accompanying documentation, and to complete the form and questions below, where applicable.

To assist THC in working towards its goal of delivering heat networks across Inverness, suppliers are asked to complete the form below and provide a response to the following questions:

Supplier Information	
Question	**Answer**
Company name	
Company address	
Company web page	
Main business activity	
Main market/customers	
Number of years' experience in the market place	
Company location(s)	
Number of Employees	
Last year turnover	
Contact person responsible for answering this RFI	
Telephone	
Email	
Request for Information Questions	
Question	**Response** (Please do not exceed one A4 page per question in providing your responses)

Delivery Model Preferences	
1. What are the benefits and disadvantages that you see with the THC proposed delivery model?	
2. Would the proposed delivery model prevent you from participating in a future procurement exercise for this opportunity? If so, why / what would need to change.	
3. Have you experience of a similar structure on other projects in this sector (or otherwise)? If so, please provide any feedback from that experience.	
4. Please provide any other comments on the THC proposed delivery model.	
5. What other delivery models would you consider appropriate for this opportunity?	
6. Would you consider, prefer, or require different models for the different projects identified (i.e. West Bank, Raigmore, Longman and City Centre)? Please give details for your answer.	
7. Please provide your views on THC combining the potential projects (West Bank, Raigmore, Longman and City Centre) into a single procurement to appoint a PSP? E.g. a single PSP could be appointed by THC to deliver all three projects but the projects could be delivered using different delivery models if required?	
8. What are the minimum requirements to establish both (i) individual project viability	

and (ii) viability of the overall opportunity (e.g. if multiple projects are included in the procurement exercise as per question 7 above)? E.g. project size(s), customer base (number and type), volume demand etc.? What are the key factors which make a heat network investment opportunity attractive to you?	
9. Do you consider that the Supply Co or the Asset Co should enter into the EPC and/or Operational Contracts? Please see further explanation in the "Delivery Model Proposal" document in Appendix A.	
10. Do you consider that the network assets should be owned by the Supply Co or the Asset Co during the concession period? Would you be content with THC's proposal for any assets developed by the Supply Co to be transferred to the Asset Co? If the assets are developed by Supply Co and transferred to the Asset Co, should they transfer at the beginning or the end of the concession period? Please explain your reasoning with reference to any tax or other relevant considerations.	
11. What is your view on the concessionaire handing back assets at the end of the concession period? If your preference would be to retain the asset, what additional comfort would you be expecting to give in relation to the ownership and operation of the network outside of the	

applicable regulatory requirements for owners and operators for heat networks?	
Council Role	
12. What role(s) would you want/expect the Council to take (e.g. shareholder, anchor customer, asset owner, co-funder, golden share)? What would be the benefit of each of these to you as developer/investor?	
13. Would you support the Council retaining full or majority ownership of infrastructure assets? In what circumstances?	
14. How should governance be shared between the Council and private partner (e.g. decision-making, dispute resolution)? What good examples have you seen of joint governance in other projects which THC could learn from?	
Public Investment and Subsidy	
15. What level of investment (in percentage terms) do you consider would be required from THC to make the proposed model viable?	
16. Please give your views on the impact different levels of THC investment would have on the model and any implications from a governance, control or other perspective.	
17. Please explain the benefits of a higher level of public sector funding in this Project?	

18. Could the network opportunity be developed with no investment from THC (noting that THC would still expect to retain a degree of involvement and control)? What level of returns would a project need to have before you would invest 100%? What impact might this have on choice of model?	
19. If you consider that public subsidy would be required, what would you consider a de minimis level to make this viable? What level of confidence would you need in the availability of public subsidy before bidding for this opportunity? Is capital grant your preferred type of subsidy?	
Location Preferences	
20. Please provide your views on the potential of the West Bank opportunity and indicate your organisation's potential interest in leading, partnering, or co-investing in the proposed Project?	
21. Which areas (West Bank, Raigmore, Longman/City Centre) are of most interest to your organisation, and why?	
22. Do you agree with our proposal to begin with the West Bank and expand to other zones, i.e. to the Raigmore and the Longman and City Centre areas?	
23. Do you propose that we consider any other areas in Inverness or in the wider local authority area for future development?	

APPENDIX A – THE INVERNESS HEAT NETWORKS DELIVERY MODEL PROPOSAL

THE HIGHLAND COUNCIL
INVERNESS HEAT NETWORKS
DELIVERY MODEL PROPOSAL

1. INTRODUCTION

1.1. The Highland Council ("THC") have produced the City-Wide Heat Feasibility Study[4] which has identified the scale of the opportunity to decarbonise heat across Inverness, with three prioritised heat network zones, Westbank, Raigmore and Longman and City Centre.

1.2. THC wishes to initially establish a flagship heat network within the West Bank area of Inverness. The proposal leverages emerging low-carbon heat technologies and is centred on the development of a heat network capable of serving public assets, commercial partners, and future residential developments.

1.3. Buro Happold have prepared an Inverness Heat Network Vision Statement[5] which sets out the Highland Council's ambition for heat networks and the requirement for a long-term strategic view of heat network development to ensure that the development of heat networks in Inverness not only addresses environmental concerns but also delivers tangible social and economic benefits.

[4] Please see a copy of the City-Wide Heat Feasibility Study linked here.

[5] Please see a copy of the Heat Network Vision Statement linked here.

1.4. The Council has developed a proposal for a long-term partnership with a PSP, which will initially be focused on delivery of a Heat Network on the West Bank. In the longer term, THC and the PSP could seek to deliver other Heat Network opportunities in and around Inverness and potentially across the Highlands (each a "Project") under the long-term partnership. The PSP would be procured through a public procurement process and would involve the Council forming a partnership with the appointed private-sector partner to work together to develop and deliver more than one heat network / energy project.

2. DESCRIPTION OF THE PROPOSED HIGH LEVEL CONTRACT STRUCTURE AND MONEY FLOW

2.1. We have set out below an overview of the high level contract structure and money flow as the basis of a delivery model being considered for the Project.

The proposed delivery structure for the West Bank District Heat Network is shaped by THC's wider net zero, financial, and energy security objectives. The Council's aim is to establish a scalable, low-carbon heat system that supports statutory decarbonisation targets while providing long-term economic and social value.

The key drivers behind this approach include:

- **Policy alignment:** Meeting national and local net zero obligations through proven low-carbon heat technologies.
- **Energy sovereignty:** Reducing exposure to volatile energy markets by securing local control over generation and tariffs.
- **Financial resilience:** Transforming heat from a cost pressure into a revenue-generating municipal asset.
- **Risk management:** Balancing public accountability with commercial flexibility through a transparent Asset Co/Supply Co/Service Co model.
- **Replicability:** Creating a pathfinder project that can be expanded or replicated across the region.

While this business case outlines a potential structure, the Council remains open to alternative models or partnerships that achieve the same strategic outcomes – particularly those offering improved risk allocation, lifecycle performance, or enhanced community benefit.

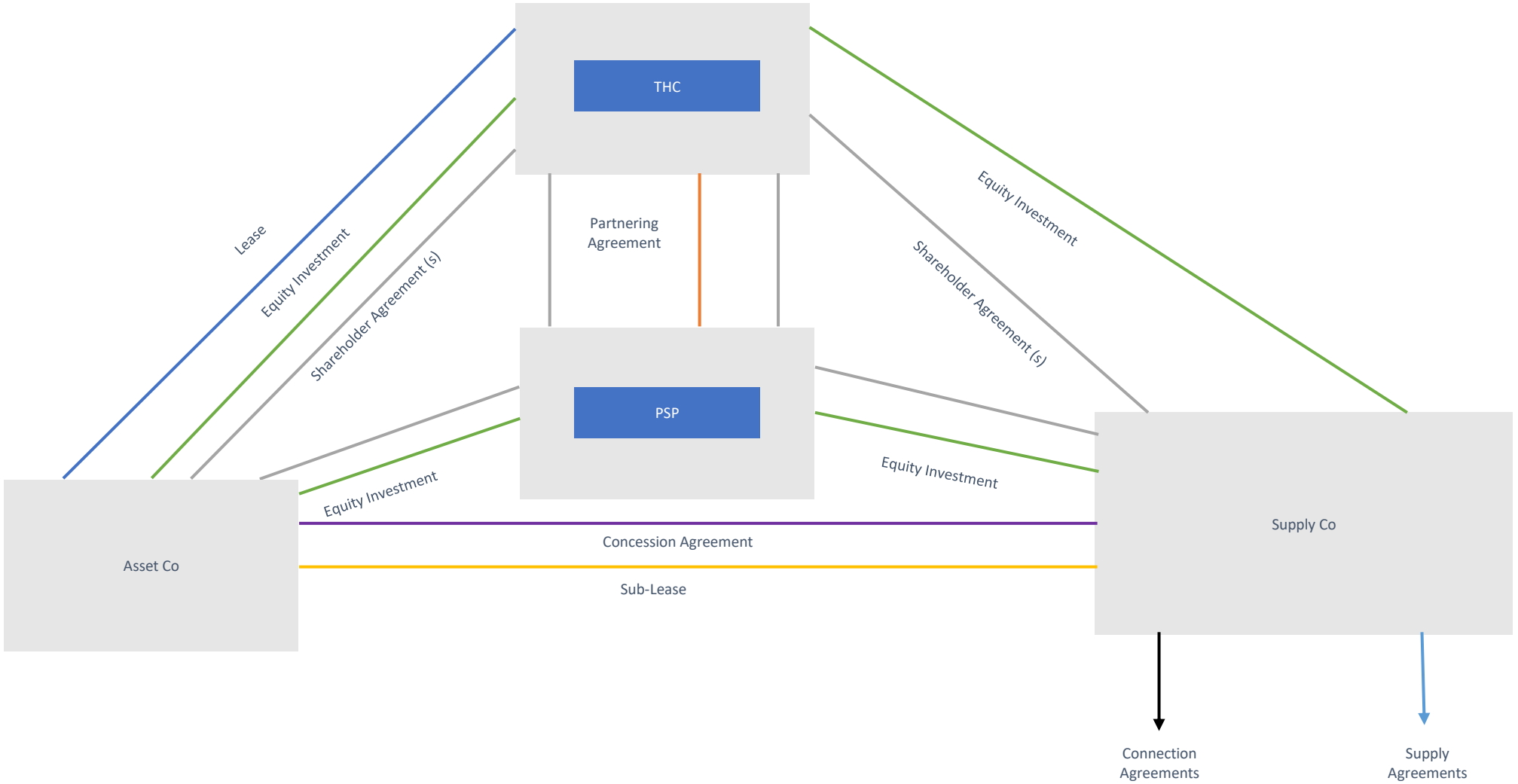
This flexibility ensures the project can harness market innovation while maintaining alignment with THC's long-term goals for affordable, sustainable, and locally governed energy.

Contract/ Contracting Entity	Purpose
Partnering Agreement between THC and the PSP.	The purpose of the Partnering Agreement would be to provide a "road map" and draw together all the component parts of the relationship between THC and the PSP. This document would also provide the high-level governance framework for the relationship and the process for the development and approval of business cases for future Heat Networks. It would set out "Project Level" rights and obligations including the obligation to enter into the other "Project Documents". We anticipate that the Partnering Agreement would be drafted to enable the parties to enter into future arrangements after the first Project has been entered into. Draft Connection and Supply, and other Supply Agreements for contracting authorities would be attached to the Partnering Agreement along with any other "Project Document" templates considered appropriate (e.g. template lease). To the extent that additional contracting authorities wish to receive supplies of heat from the PSP, we anticipate that these may need to be included as Parties to the Partnering Agreement, with limited rights and obligations and would also be listed in the Contract Notice.
Asset Co	THC proposes that all land and associated assets required to operate the Heat Networks developed and operated by the PSP will be held by an "Asset Co". This structure is intended to ring fence the Heat Network assets from operating activity to ensure they are protected from PSP insolvency/ Supply Co Default and termination. The Council will be a minority shareholder in Asset Co.
Shareholders Agreement(s)	The shareholder agreement(s) document the arrangements between the PSP and THC regarding Asset Co and Supply Co. Note that the other contracting authorities will not be party to the shareholder agreement(s) (as it is not envisaged that they would be shareholders in Asset Co/ Supply Co). It will cover issues such as investment, reserved matters etc.
Equity investment from PSP/THC	This will only be required if THC intends to invest in the Asset Co / Supply Co. THC envisages the PSP investing into Asset Co in order to fund infrastructure development. The PSP may also source third party lending to fund infrastructure investment. THC anticipates that the PSP would propose how investment (and grant funding) will be structured.

Contract/ Contracting Entity	Purpose
Asset Co Lease/ Sub – Lease to Supply Co	Lease of Council land rights to Asset Co and sub-lease to Supply Co.
Concession Agreement	A concession agreement between Asset Co and Supply Co would regulate the contractual rights and obligations between Asset Co and Supply Co in relation to the provision of the Assets and handback on termination of the concession agreement. It would deal with issues such as: • handback/expiry obligations; • ongoing obligations in relation to maintenance (albeit it may be that issues such as maintenance/service standards will be dealt with as a regulatory/licence issue). A separate concession agreement may not be required if all issues are dealt with in the sub-lease (or vice-versa).
Supply Co	A separate entity will be responsible for the development of the Heat Network infrastructure and entering into connection and supply agreements (either itself or through a separate operator). The PSP will be the major shareholder with the Council having a minority stake or golden share. Supply Co will have a long term sub-lease from Asset Co of the land and enter into a concession agreement (see above). Where Supply Co develops the infrastructure this would then be transferred from the Supply Co to the Asset Co. The timing and nature of this would be subject to tax and other considerations.
EPC and Operational Contracts	The Supply Co or the Asset Co could enter into EPC and operational contracts in order to develop out the infrastructure and operate and maintain the infrastructure. A separate O&M Contractor could be appointed to operate and maintain the assets once the assets have been established with the PSP or Asset Co. retaining ownership.
Connection Agreements / Supply Agreements	Supply Co agreements with customers. We consider that the supply of heat to the Council's buildings would be dealt with in the Supply Agreement.

Contract/ Contracting Entity	Purpose
	THC anticipates that the contracting authorities will be likely to provide the base load heat demand necessary to secure investment in the West Bank Heat Network. It is anticipated, however, that the procurement and structure would be set up so that new networks with different customer profiles can be developed by the PSP in the future.

APPENDIX 1 - HIGH LEVEL CONTRACT STRUCTURE AND MONEY FLOW



APPENDIX 2 – BURO HAPPOLD'S OVERVIEW OF CAPEX AND CARBON SAVINGS FOR LONGMAN, CITY, WEST BANK AND RAIGMORE

