LOVE ME (PUBLIC) TENDER

INPUT TO SUSTAINABLE TRANSPORT FORUM(STF) ON PUBLIC TENDERS FOR EV CHARGING

Introduction

The EU developed several years ago a practical tool ("handbook"[1]) for public authorities on how to design tenders for EV charging infrastructure. This practical tool is currently being revised by the "Sustainable Transport Forum" (STF), a body gathering industry and public authorities under the aegis of the European Commission. A "short" version of the handbook will be released in April 2024, accompanying the application of the Alternative Fuel Infrastructure Regulation (AFIR[2]). As a member of the STF, ChargeUp Europe has gathered information from its members on their experience with tender processes to influence the review and shape the next wave of public tenders across the EU.

[1] https://transport.ec.europa.eu/news-events/news/how-design-tenders-e-charging-infrastructure-new-handbook-public-authorities-2021-02-16_en

[2] https://eur-lex.europa.eu/eli/reg/2023/1804/oj

Considerations for public authorities in the tender preparation stage

As a highly dynamic industry, **EV charging thrives on a competitive setting and the opportunities to innovate and provide the best possible quality service to the drivers**. When preparing public tenders, authorities should ensure that the tender conditions do not hinder speedy, efficient and qualitative deployment of EV charging infrastructure.

Tenders should **create opportunities for all companies capable of fulfilling tender conditions to apply** and be considered on an equal footing.

Moreover, **tender criteria should be focused on the measurable quality of service requirements (or service level agreements** (SLAs) without imposing undesirable requirements on charging power or pricing. The EV infrastructure charging market is a rationally driven market, triggering investment decisions that are earned back over time. On top of the roll-out of required infrastructure, the smooth operation and maintenance of networks are equally important.

To maximise competition, **tenders should not include pricing requirements or guidelines which would have a distortive effect on market competition**, such as price caps. Market players should be able to differentiate and fluctuate prices based on a range of variables. Some of the variables affecting the charging price are under control of the charge point operator (CPO), like technological innovations and services offered, and some of the variables are outside CPO control, such as electricity prices and inflation. Over the course of a tender period, all these variables can or will affect the potential price charged, and with limited influence on how they will collectively develop, freedom should remain with CPOs to apply pricing flexibility and differentiation. Price differentiation between *ad hoc* and contract-based charging should still be allowed, in line with the Alternative Fuels Infrastructure Regulation (AFIR). Tenders should adjust pricing language to reflect AFIR provisions.

Lastly, financial reliability of participants to a tender is important to ensure that the deployment of charging infrastructure takes place as foreseen and is maintained at a sufficient quality throughout the duration of the concession. However, when designing tenders, authorities **should ensure a balance between the financial commitments required of applicants and sufficiently competitive market entry barriers** to enable new market players to compete for the concessions.[3]

Considerations for CPO's business model & operations

ChargeUp Europe members have shared that in certain circumstances (particularly highway locations in some of the EU markets), **tenders can be based on an understanding of EV charging not as a stand-alone, independent service but as an additional service next to refuelling**. This results **in bundled tenders** (e.g. refuelling + EV charging + other services) which effectively limits the scope of companies eligible to apply or creates high market entry barriers. Instead, in locations with concessions for different services/product offers, each concession should merit an independent tender application without prohibiting any company to apply for several tenders in one concession. However, different tender applications should be required and independent evaluation of each application, even if coming from the same company, should be carried out.

As an example, in France, motorways are managed directly by the state whereby the French Ministry of Transport bundles 4 activities (shop, restaurant, fuelling and EV charging) in a single concession, which obliges companies who offer only one of these services to look for partners for the 3 other activities. In practice, in some cases, this leads to

[3] For example, opening a grid connection and covering the costs upon installation is common practice, however the requirement to reserve an equal or sometimes higher amount to also close that same grid connection off upon termination of the concession has a disproportionate financial impact on a company's financial resources for and thwarts further and faster investment.

around 1,5 years of unsuccessful searches accumulating in significant mobilisation of human and capital investments without return.

Whether a location is already fitted with EV charging or not, it is important that once newly tendered or renewed, **the EV charging part of the concession allows for separate applications to offer only EV charging services**, enabling all companies on the market to apply. In some locations fuel providers can offer a limited number of chargers at a fuel station while a separate, main EV charging location is offered as an independent EV charging tender. On such occasions, the limited number of chargers installed at a fuel station are not a requirement of the fuel concession but a voluntary investment, and as such these should not be regarded as a bundled concession.

Secondly, without **sufficient grid connection** or a delayed timeline, CPOs risk having stranded assets once the infrastructure is deployed. Tendering authorities should work closely with distribution and transmission system operators to ensure that the **necessary grid capacity is available** at the tendered location not only **at the time of the tender award but at the time when the infrastructure becomes operational and throughout the concession period**. If grid reinforcements are needed, the tenders should clearly define who is responsible for ensuring sufficient grid capacity.

Lastly, tenders should consider the size of the tendered location and **define the amount of charging points based on the drive-through model**, where possible. Particularly along highways, such locations are more user-friendly, aimed at reducing the amount of time spent in parking and providing for easier recharging.

Enabling a positive business case for CPOs

In certain circumstances, **CPOs renounce applying for public tenders** if the conditions are not satisfactory or do not present a positive business case. Putting in place enabling conditions under which CPOs can invest with a pathway to positive returns is an important step leading to successful tendering processes and a broader, more even roll-out of EV charging infrastructure.

When tendering locations, **public authorities should perform a thorough assessment of the intensity of traffic, based on which the concession period should be awarded**. In locations with lower traffic, the return on investment in the infrastructure is spread out over a longer period of time. Therefore, the duration of the concession should be commensurate with the return on investment to ensure good quality service for the customers and sufficient user revenues to incentivize the business case. Tendering authorities should consider balancing low and higher traffic locations in tenders to ensure sufficient coverage whilst allowing for a positive business case.

In certain cases, tenders include **detailed station design requirements** which hinder the competitiveness of CPOs. Exceptional station design is part of a CPOs DNA which customers connect to a charging experience. Therefore, being able to deploy stations which comply with the overall design and visual identity of a CPO's other stations and locations should not be restricted by tender requirements. **Tenders should only set minimum accessibility requirements with a clear requirement/definition of what is needed**, and ensure that public authorities help facilitate any design/site changes as needed where the CPO cannot individually meet these requirements.

Lastly, **tendering one location to multiple providers** presents a difficult business case, **especially** in locations with low traffic. Tendering authorities should limit one tendered location to one provider. When the locations are batched (ABAB principle[4]), multiple winners each win the right to operate chargers at some A and some B locations. This creates competition between the

[4] A type of concession where A locations are awarded to one operator and B locations are awarded to another operator in this way ensuring that only one location hosts only one operator.

operators to provide high quality services and competitive prices and also creates redundancy in the network, to the benefit of EV drivers.

Best practices for public tenders

Various obstacles arise in applying for tenders, given that it is still a very locally-based process and there is no standardized or streamlined practice across the EU to this day. Below we provide a non-exhaustive list of best practices that tendering authorities should follow.

Most of the time the tender is published in the local language only, creating additional administrative burden and costs for operators in terms of translation. **Tenders should be published in the local language and one of the working languages of the EU** (English, French or German) to enhance the participation of companies from across the EU. This would lead to a more competitive process and higher quality applications.

Time is of the essence when deploying EV charging infrastructure. Therefore, **tendering authorities should streamline and where possible pre-complete permitting requirements**. This would allow the tender winner to by-pass the process which could have already been partially complete and reduce the timeline as well as the legal uncertainty about the availability of a designated location for the deployment of infrastructure.

A **pre-qualification round should be used** to ensure that only professional businesses and companies with demonstrated experience and commitment to providing a good quality service to the drivers are allowed to apply for the tenders. In the selection phase, the selection criteria should focus not only on the construction cost, bid price and other purely financial elements but should also cover the competences and skills needed to operate a public EV charging network (elements such as charging infrastructure uptime, connectivity level, existence of a (multilingual) 24/7 hotline, customer response rate, Net Promoter Score, and others should be evaluated).

Tenders **should define the residual value** of (and the process of dealing with) cables, transformers and the charging equipment to make it clear to the participants which costs can be (partially) recovered when the concessions ends. This would allow for a more diligent business planning on CPO's end.

Lastly, tenders should **foresee clear enforcements measures and penalties** for non-compliance.

Conclusion

EV charging infrastructure tendering process across Europe will need to become more standardized and streamlined as more and more EVs drive on European roads. Fulfilment of policy objectives and creating a level field for EV charging are important priorities in public authorities' thinking in the tendering process. Considerations for the economics of EV charging should also be taken into account to ensure successful tender processes and high quality service level in line with the tender requirements.

ChargeUp

EUROPE

Rue de la Loi 227, 1040 Brussels, Belgium

secretariat@chargeupeurope.eu

+32 2 669 16 00

ChargeUpEurope.eu