



What do we mean by the municipalisation of energy?

Mark Bramah, Director of APSE
Energy



1. BACKGROUND

APSE Energy - Our Vision



“The vision is to form an effective collaboration of a large number of local authorities to enable and facilitate the local municipalisation of energy services. **By this we mean the public and community, as well as private, ownership and managerial control of local energy generation, distribution networks and delivery of energy efficiency works.** Local authorities working together in this way would have great influence and would be able to deliver economies of scale in green energy to promote economic growth and combat fuel poverty.”

The direction of travel is certain



- The Climate Change Act 2008 - International and European Treaty obligations.
- Energy Security - Overreliance on imported fossil fuels.
- Economy and technology – distributed energy solutions.



Local Government finance prospects

- Chancellor George Osborne's Autumn Statement projects austerity lasting through to (at least) 2019.
- Government spending to reduce to historically low levels not seen since the 1930's
- Shadow Chancellor Ed Balls has committed to Government spending limits.
- Local authorities have managed a 40% spending reduction during the current Parliament but are facing a £12.4bn funding shortfall by 2020.
- Cabinet Office to publish a plan for a further £10bn of efficiencies across Govt. Departments.
- **WHERE IS THE MONEY GOING TO COME FROM?**



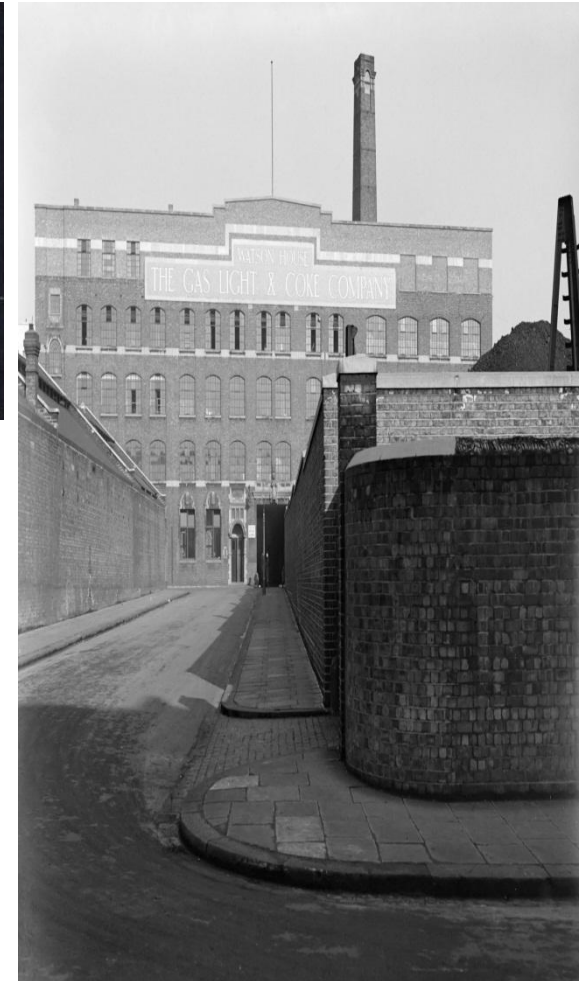
**Is this what it feels like
to be in local
government today?**



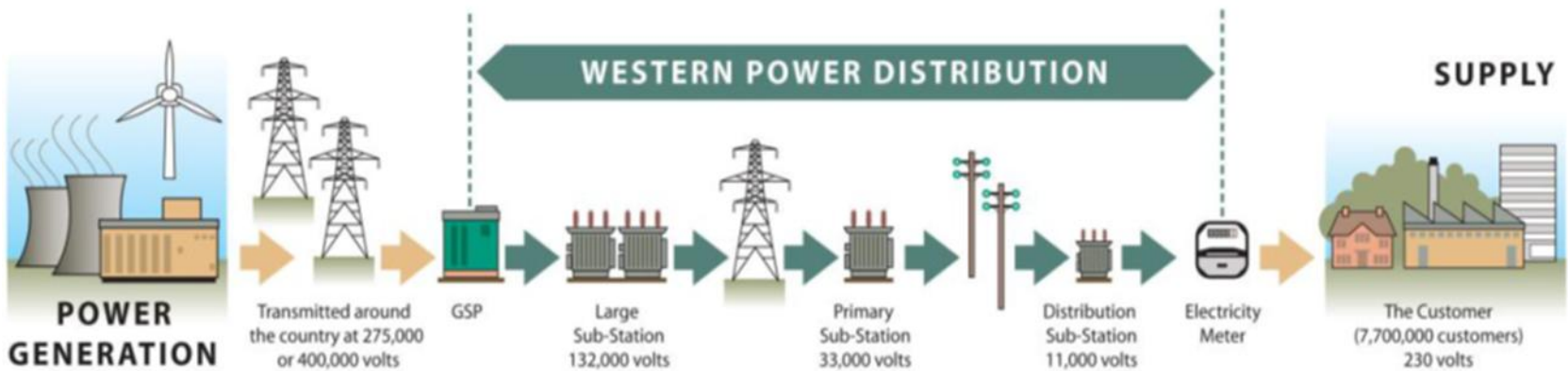
**IT'S JUST A FLESH
WOUND!**



Energy - It's part of our municipal inheritance



The Energy Industry in the U.K.



Energy suppliers generate electricity or import gas to sell to customers

- Competitive
- Prices not heavily regulated
- Own mostly generation assets
- The "Big Six" supply both electricity and gas

Transmission operators move electricity over long distances at high voltages or gas at high pressures

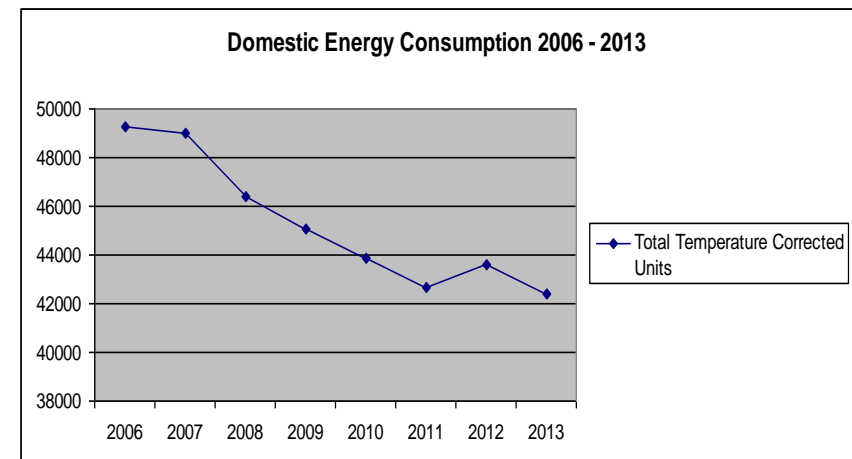
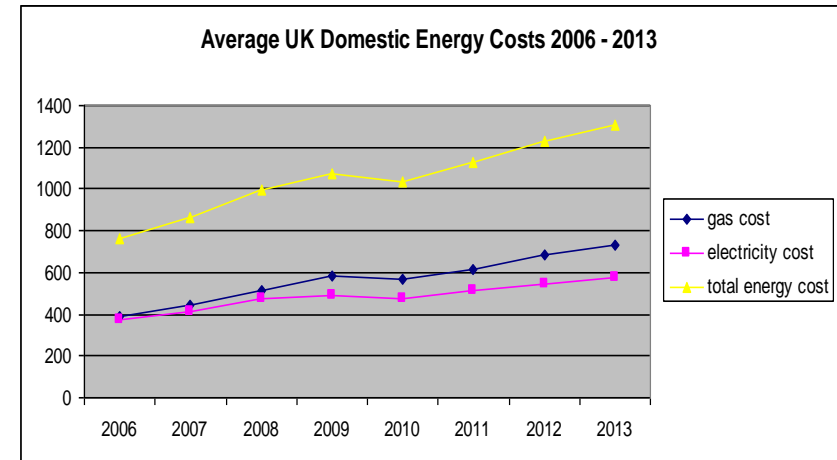
- Regional monopolies
- Electricity: National Grid Electricity Transmission
- Gas: National Grid

Distribution Network Operators (DNOs) own the infrastructure that move electricity at medium voltages from transmission networks to consumer premises.

Economic Impacts & Trends



- The UK has experienced significant year on year price rises for domestic energy over the past decade. Since 2006 average year on year rises have reached 15% with a compound rise of 71% in average dual fuel bills, rising from £760 in 2006 to £1320 in 2013
- At the same time domestic energy consumption has dropped by 9.1% for electricity and 6.8% for gas
- Retail customers are literally paying much more for much less!



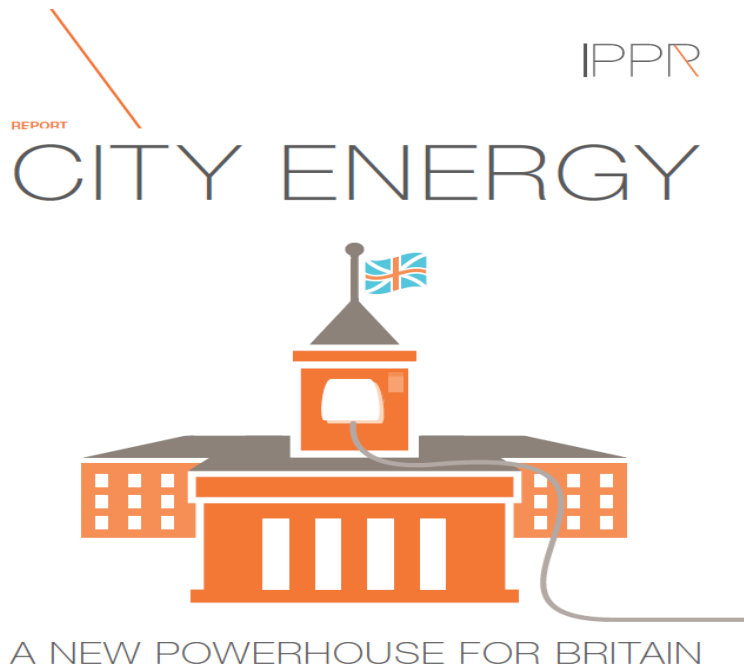
UK Energy Market investigated by Competition and Markets Authority (CMA)



- Vertical integration and barriers to entry and expansion;
- Possible tacit co-ordination;
- Profitability;
- Market segmentation and weak customer response;



IPPR Report July 2014



Reg Platt,
Will Straw,
Jimmy Aldridge
and Jack Williams
July 2014
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Institute for Public Policy Research

It is time for the cities to act

The cities want more powers from national government so that they can become powerhouses of the British economy. At the same time, the energy system is being radically transformed by the need to decarbonise and the emergence of new, clean energy technologies.

There is a clear opportunity for cities to be at the forefront of the changes that are happening in the energy sector. They can achieve this by engaging in energy supply and investing in low-carbon infrastructure. Through these actions cities can boost their local economies, demonstrate that they have the ingenuity, skills and capacity to take on more powers, and raise their influence at the national level.

Ambitious councils





2. APSE ENERGY SURVEY ON THE BARRIERS TO MUNICIPAL ENERGY

Energy the drivers



Viewpoint	Count	%
An area for cost reduction	30	73.2%
A climate change matter	26	63.4%
An area for income generation	22	53.7%
A major cost driver	18	43.9%
Something for property officers/energy managers	17	41.5%
An area for transformation	7	17.1%
Other (please specify)	3	-
A burning platform (something that requires radical change due to dire circumstances)	2	4.9%

Statutory/Legal barriers



Barrier	Count	%
Uncertainty over central Government policy on local authority role (e.g. community energy)	29	74.4%
Legal/regulatory framework governing energy generation/distribution/supply	24	61.5%
Ability to generate/sell energy locally	21	53.8%
EU Procurement law/Regulations	21	53.8%
Lack of statutory powers for local councils	12	30.8%
State Aid issues	10	25.6%
Legal clarity to engage in energy projects	10	25.6%
Other (please specify)	5	12.8%
Local planning framework	4	10.3%
Use of reserve planning powers by Secretary of State	3	7.7%

Summary of key barriers



- **Engagement** – In some Councils 'energy' is not seen as a political, corporate and community priority.
- **Policy** - Concerns about the policy environment within which they are operating and the need for more consistency at Government level to afford local authorities the ability to properly plan and implement their programmes.
- **Procurement** – There are clearly issues about procurement and EU rules. Many local authorities feel that procurement can be quite prohibitive and are therefore looking for access to trusted 'frameworks' in order to source external support.
- **Regulation** – Problems encountered with regard to the regulation of the energy market and perceived and actual difficulties in terms of accessing the market to supply energy and over grid connection and capacity.
- **Resources** – A lack of both internal and external resource to support the development of local programmes and to implement projects. This is particularly the case in terms of access to technical, financial and legal expertise to support projects and revenue funding to undertake initial feasibility and business cases.



3. UTILISING POWERS AND DIFFERENT TYPES OF ESCO

Powers for local government



Local Authority Trading

- The Local Government (Best Value Authorities) (Power to Trade) (Wales) Order 2006 permits councils to trade in any of their functions subject to conditions requiring the prior preparation and approval of a business case, and the recovery of any costs incurred by the authority in anything it supplies, including accommodation, goods, services or staff, to a company through which the trading power is exercised. Under section 95(4) of the Act, the power to trade must be exercised through a company.

Wellbeing

- The wellbeing powers in Part 1 of the Local Government Act 2000, continue to apply in Wales. The Local Government (Wales) Measure 2011 clarifies “the well-being power” which enables local authorities to do anything that they consider is likely to promote or improve the economic, social or environmental well-being of their area and/or persons in it, provided that they are not restricted from doing so by other legislation. The power came into force in Wales on 9 April 2011

Other powers

- Incidental powers LGA 1972 s.111 and investment powers LGA 2003 s.12.
- The Sale of Electricity by Local Authorities (England and Wales) Regulations 2010 (SI 2010/1910). Sale of renewable electricity without heat.

What is an Energy Services Company (ESCO)?



An entity which provides energy and related services (usually for specific projects but may also provide more general energy efficiency/energy management services)

- Designs, builds, operates and maintains a facility
- Offers performance and operating guarantees
- May also guarantee energy cost savings/CO2 emissions reductions
- May sit in the private sector, or in the public sector or be a public private partnership (PPP)

Source: 

Why set up a company?



- Importance of aims e.g. tackling fuel poverty
- Managing risk.
- Procurement issues.
- Partnering with the private sector.
- Leveraging investment.
- Trading.
- Selling power.
- Scale/volume.
- Consortium.

Different types of ESCO



1. Trading

- **Established trading company models** – Thamesway Energy a group of companies set up by Woking Council in 1999. Blue Sky Peterborough a wholly owned ESCO set up as a trading company. Swindon Commercial Services (SCS) trading company of Swindon Borough Council.
- **Energy Efficiency companies** – Yorkshire Energy Services (Community Interest Company originally set up by Kirklees Council in 2000) which works with local authorities and housing associations on carbon reduction projects.
- **District Heat** – Aberdeen Heat and Power a wholly owned local authority company which implements and manages the CHP and district heat network. Set up by Aberdeen City Council in 2002.

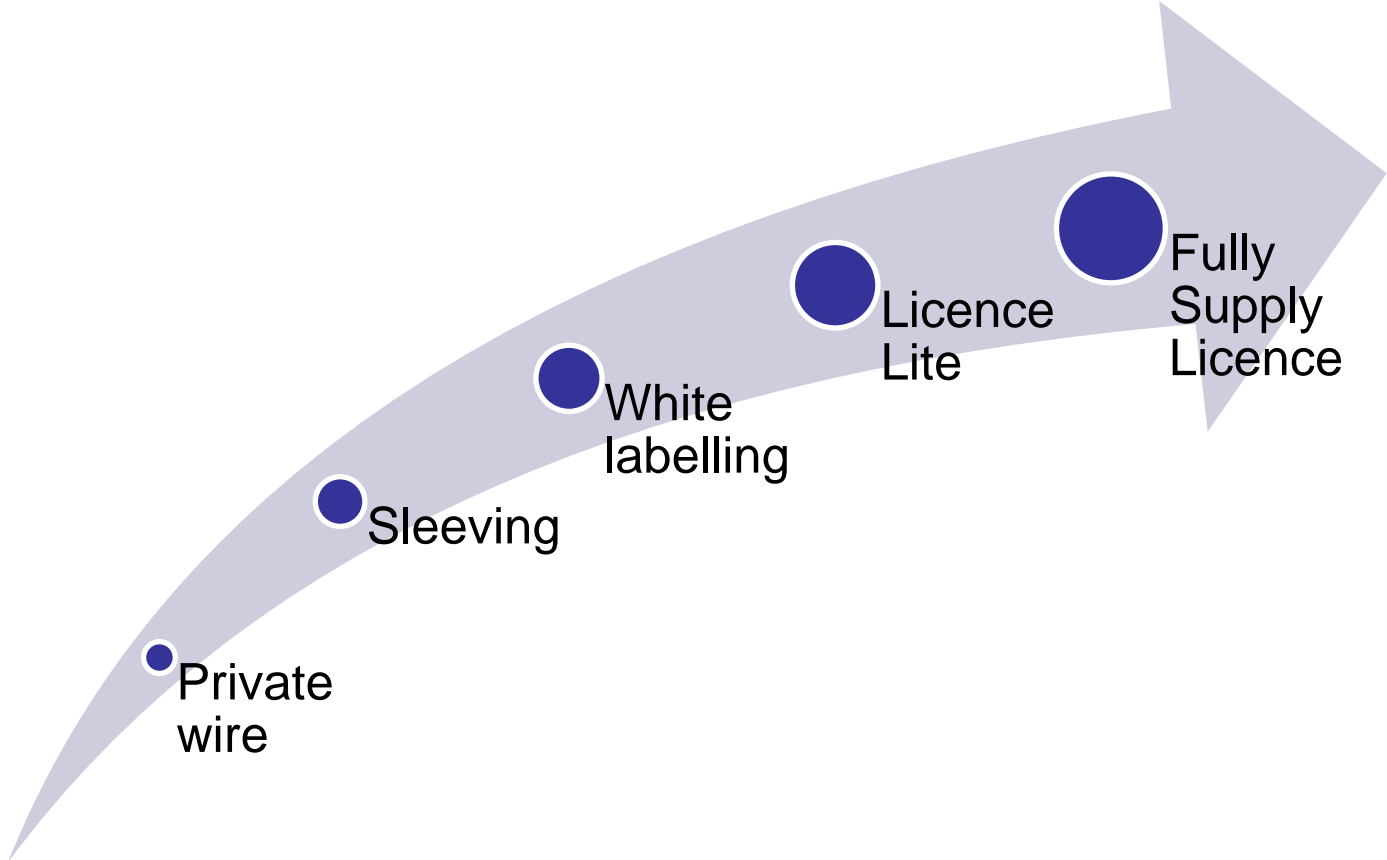
2. Supply

- **Licence Lite** – GLA application to become a licensed supplier aimed at commercial sector.
- **Full Supply licence** – Nottingham City Council to set up its own energy company to supply energy to (potentially) 177,000 residents of the city.
- **Virtual Energy Company** – OVO Energy communities offer to local authorities and community organisations to set up local supply companies (Plymouth Energy Community 2014).
- **Industrial and Provident Society** – Our Power consortium of 8 housing associations and a renewable energy charity with the aim of tackling fuel poverty.



4. OPTIONS FOR ENERGY SUPPLY

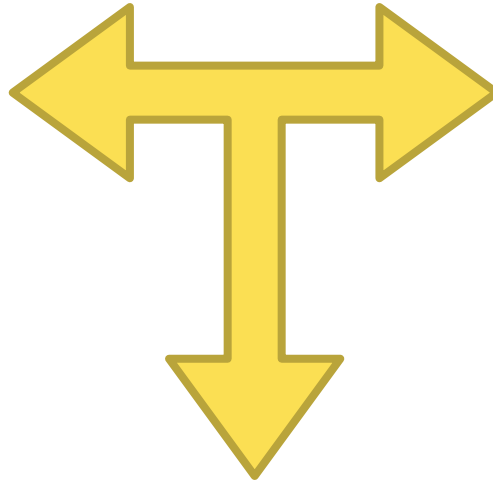
Options for selling electricity



Private wire network



Electricity Generation facility



Consumer



DNO

Third party netting or sleeving



Third party generator



Consumer



“White labelling”



M&S
Energy

Unlicensed company



Licensed supplier



License Lite



Third party generator



GREATER
LONDON
AUTHORITY



Consumer

Electricity supply
license



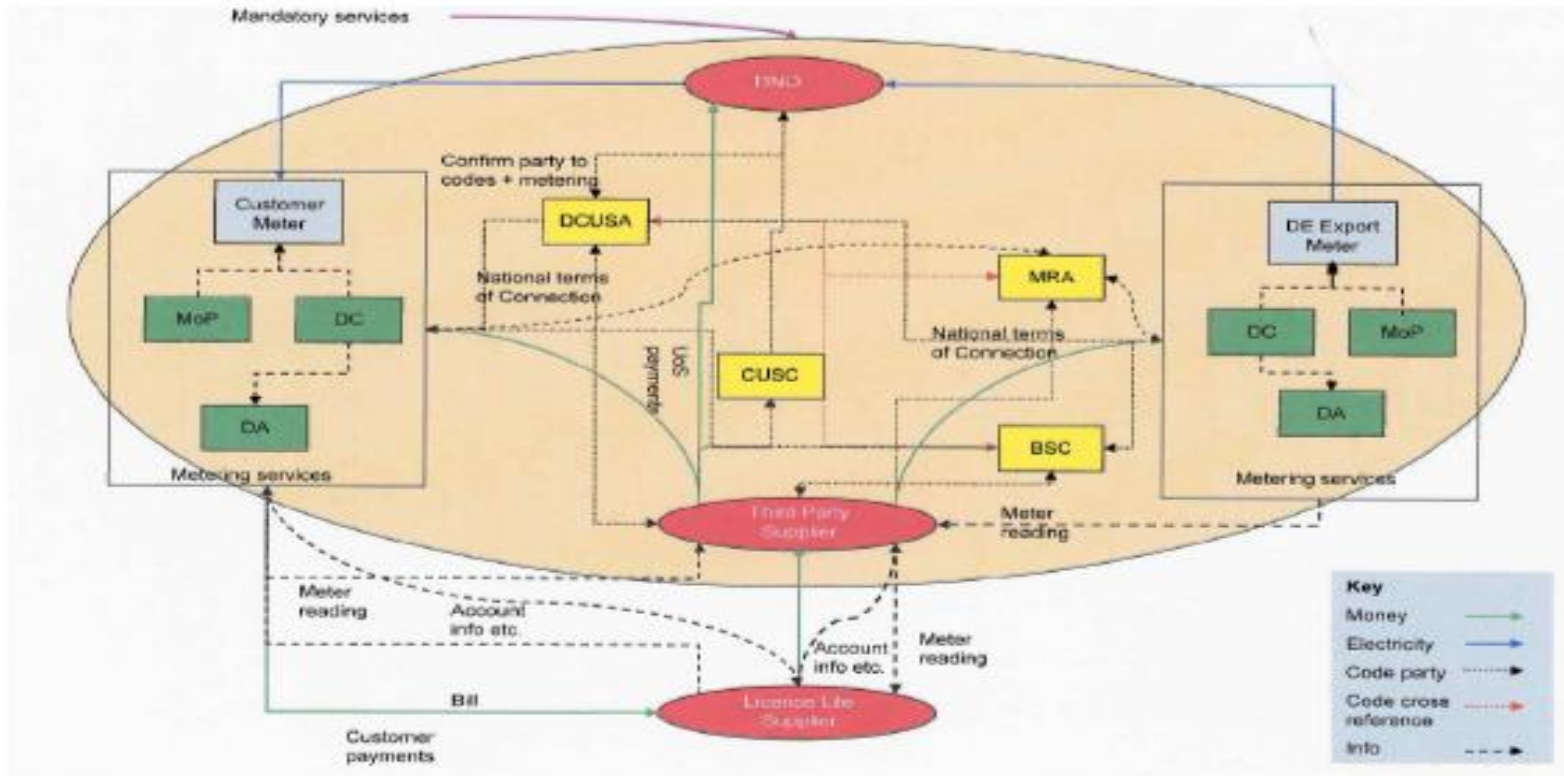
Fully licensed supplier

Development of Licence Lite



- Nov 2006 – DECC/OFGEM Review distributed energy generation.
- May 2007 – Energy White paper “*meeting the energy challenge*”.
- Dec 2007 – Consultation on flexible market and licencing arrangements.
- June 2008 – Offtake arrangements and market access for small distributed energy generators.
- June 2008 – Further consultation on licensing and flexible market arrangements.
- Feb 2009 – Final ‘Licence Lite’ proposals and statutory consultation.
- March 2009 – Electricity supply licence modified to permit ‘Licence Lite’.
- March 2013 – GLA applies to OFGEM for licence Lite
- March 2014 – OFGEM call for evidence on ‘White label providers’.
- 2015 – GLA becomes Licence Lite supplier ????????????

Licence Lite contractual matrix headache



OVO Community energy partnerships



Monday 10th November 2014, Hastings:
OVO Energy today announced its second 'OVO Communities' partnership, with Community Energy South, as part of its ground-breaking plan to democratise the energy market. The news follows just one month after OVO revealed plans for its first partnership with Plymouth Energy Community.

"We are planning to form OVO Energy's first 'Ovo Communities' partnership. OVO Communities is an 'out of the box' solution for communities which want to cut out the middle man and become an energy company themselves – from supply and generation, to smart technology and energy efficiency. Once the partnership is confirmed, we will be able to offer the people of Plymouth the opportunity to buy energy from us, ensuring that we have tariffs that best suit our city."



Our Power – Community Energy in Scotland



7 November 2014 | www.insidehousing.co.uk IBP magazine of the year IBP journalist of the year IBP young journalist of the year PPA new business journalist of the year

INSIDIE HOUSING

Raised voices
Why has housing fallen out of the top 10 most important issues for voters?
See pages 12 and 16



Eco heroes
We showcase the Sustainable Housing Awards 2014 winners
See page 33



Landlords set to give power to the people

Sustainability Scottish social landlords on brink of founding energy company for tenants

Pete Apps

A consortium of social landlords is set to enter the energy markets with a ground-breaking, fully-licensed company to generate and sell power to tenants.

Our Power, founded by eight Scottish social landlords and a renewable energy organisation, is in the latest stages of securing a licence from energy watchdog Ofgem and plans to launch in spring.

The not-for-profit company, which will mark the housing sector's first full foray into the energy markets, also has 27 other social landlords interested in joining - representing a combined 180,000 homes.

It would initially buy energy wholesale and sell it to tenants, creating savings of up to £100 a year per household, but eventually plans to generate and sell power from renewable sources. It comes as a separate consortium of 42 English social landlords this week launched a pilot of a second company, Alliance Energy.

Dawn Mangan, project lead for Our Power, said: 'We would buy [the energy] on the wholesale market in the first instance, but we would also want to build up a renewable energy base so we could generate energy of our own.'

Continued on page 3



→ Whose manifesto is the greenest? See page 25

www.apse.org.uk

THE INDEPENDENT MONDAY 17 NOVEMBER 2014



Marriott REWARDS.

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Power to the people: a revolution in Britain's energy market



Councils and social housing landlords unite to challenge dominance of Big Six

Local authority Energy supply company

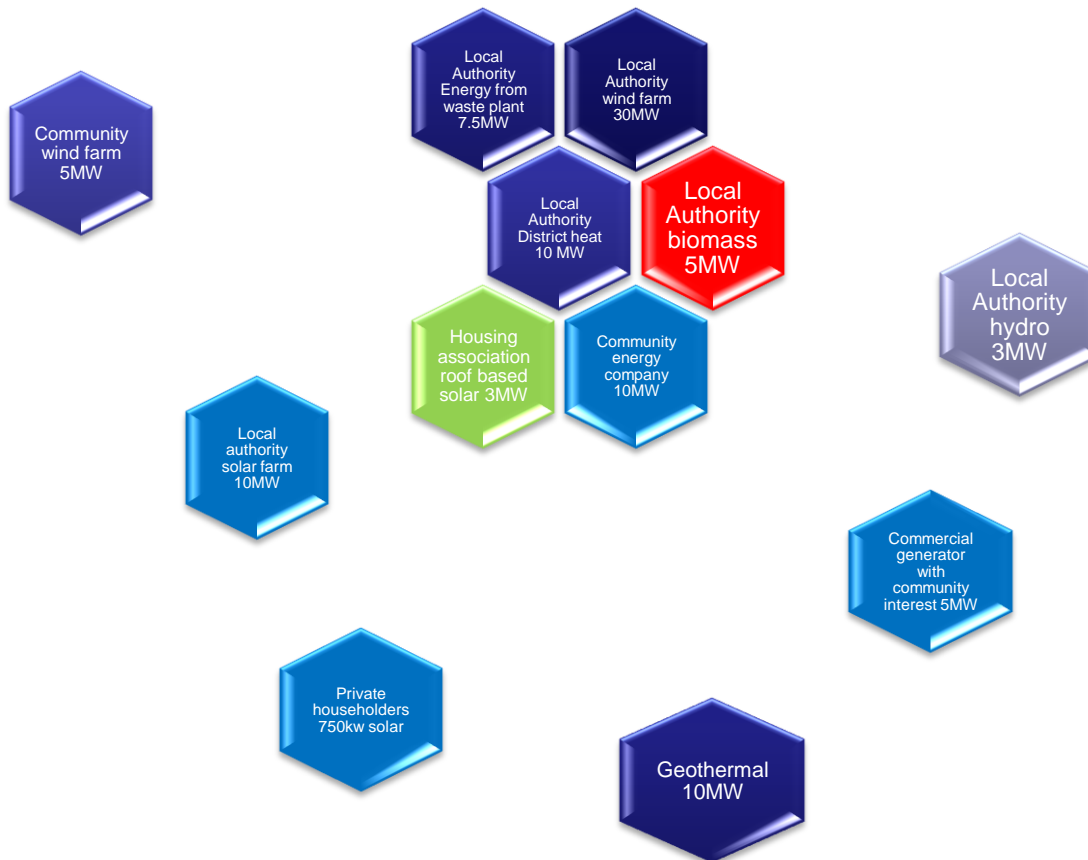


- Customer base.
- Generation capacity.
- Balancing and settlement.
- Risk.
- Competition and state aid.
- Reaction of the big six.
- Local Tariff.
- Economic development and regeneration.

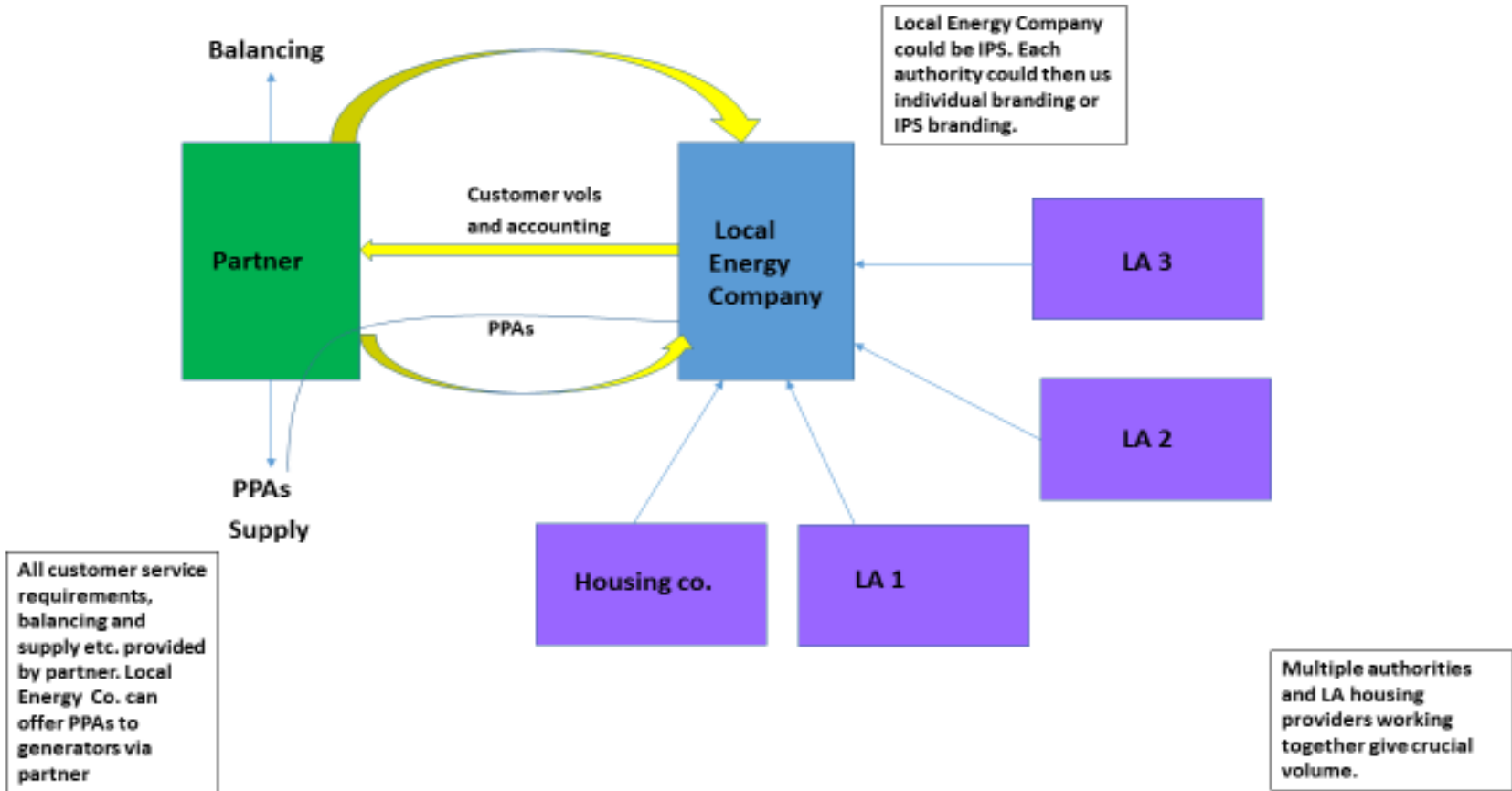
Building a customer base



Building generation capacity



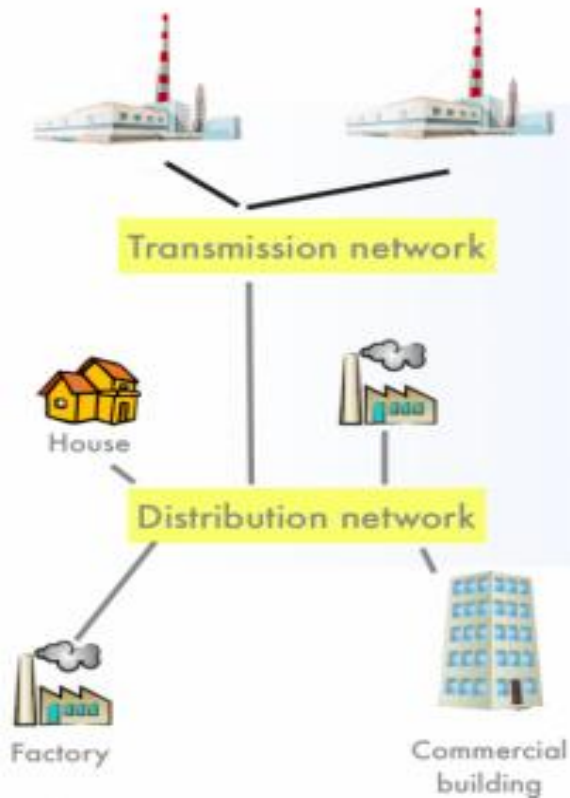
How a local authority Energy Consortium might work



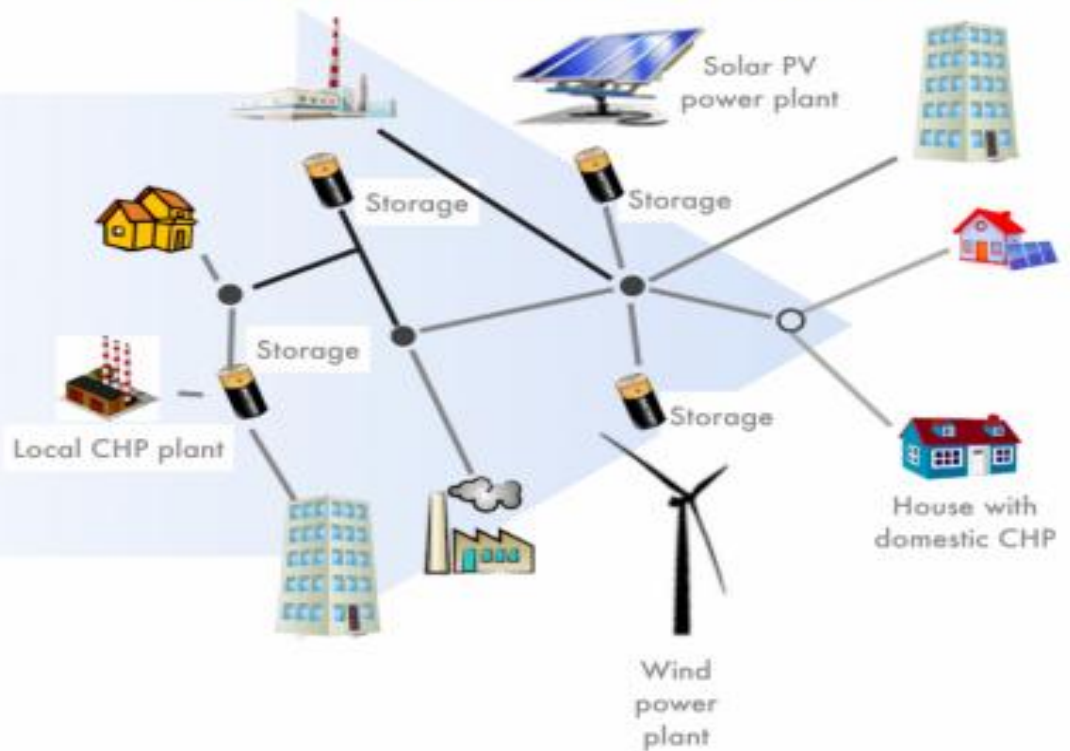


5. WHERE THINGS MIGHT BE HEADING?

Yesterday Centralized Power



Tomorrow Clean, local power



2015 Game Changer?



- Plymouth Energy Community & OVO Energy
- Greater London Authority – Licence Lite.
- Nottingham Energy Supply Company – Full supply licence (177,000 households)
- Our Power – Industrial and Provident Society (9 housing Associations, local authorities, community organisations 133,000 potential customers)
- Glasgow City Council Smarter Cities – Energy Services Company July 2015.

Looking to the future



- Energy security
- Increased distributed energy capacity
- SMART Grid technology.
- Energy storage.
- Micro grids.
- Devolution (Northern Powerhouses).
- SMART Cities/Combined authorities.



6. JOIN THE ENERGY REVOLUTION

Aims



The aims of **APSE energy** are to support councils to deliver the local municipalisation of energy services and in doing so:

- address social objectives and deliver community benefits, such as a reduction in fuel poverty and increases in jobs and skills;
- save money and make money for local authorities to safeguard local services.



Aims

- People
- Poverty
- Pounds

Members of APSE Energy



1. Aberdeen City Council
2. Barnsley Metropolitan Borough Council
3. Bradford City Council
4. Bridgend County Borough Council
5. Buckinghamshire County Council
6. Cardiff City Council
7. City of Edinburgh Council
8. Cumbria County Council
9. Darlington Borough Council
10. Doncaster Metropolitan Borough Council
11. Derbyshire County Council
12. Dudley Metropolitan Borough Council
13. East Dunbartonshire Council
14. East Riding Council
15. Flintshire County Council
16. Gedling Borough Council
17. Guildford Borough Council
18. Knowsley Metropolitan Borough Council
19. Lancaster City Council
20. Middlesbrough Council
21. Midlothian Council
22. Newcastle City Council
23. Nottingham City Council
24. Nottinghamshire County Council
25. North Ayrshire Council
26. Northumberland County Council
27. Oxford City Council
28. Peterborough City Council
29. Portsmouth City Council
30. Preston City Council
31. Reading Borough Council
32. Stevenage Borough Council
33. Southampton City Council
34. South Lanarkshire Council
35. Stockton-On-Tees Borough Council
36. Swansea City and County Council
37. Warwickshire County Council
38. Wolverhampton City Council
39. York City Council

Services offered



- **Advocacy and brokerage**
 - Government
 - Energy industry
 - Partnerships
- **Capacity**
 - Strategic advice
 - Feasibility
 - Time banking arrangements
- **Knowledge**
 - Resource portal
 - Technical and policy updates
 - Free legal helpline
- **Learning**
 - Practical workshops
 - Round tables
 - Secure networking
 - Conferences and seminars

APSE Energy Events and activities



apse Energy Wales official launch and workshop

Distributed Energy: An opportunity for Councils

APSE Energy Wales launch and workshop, taking place at Cardiff County Hall, Atlantic Wharf, Wednesday, 10 December 2014



 **OVO energy**
www.apse.org.uk

apse energy

APSE Energy Seminar

From industrial legacy to future energy: Transforming the use of former industrial land for energy projects

Free event for members of APSE Energy and the Derbyshire and Nottinghamshire LAEP








Image: Hamburg Energy Hill

A working seminar organised by APSE Energy in partnership with the Town and Country Planning Association SPECIAL project and the Nottinghamshire and Derbyshire Local Authority Energy Partnership (LAEP)

Thursday 3 July 2014, County Hall, Matlock, Derbyshire

Supported by:    


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Social finance for solar energy

Approaches to financing large scale solar pv for local authorities and communities

A half day workshop organised in partnership with Gen Community and British Gas Solar, Thursday, 30 October 2014

Centrica British Gas, 1600 Parkway Court, John Smith Drive, Oxford, Oxfordshire OX4 2JY



Supported by:   



Contact details

Mark Bramah, Director of APSE Energy

Email: mbramah@apse.org.uk

Association for Public Service Excellence

2nd floor Washbrook House, Lancastrian Office Centre, Talbot Road,
Old Trafford, Manchester M32 0FP.

telephone: 0161 772 1810

fax: 0161 772 1811

web: www.apse.org.uk



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