



The participants in MEELS met in Milton Keynes last December to find out more about how liberalisation affects British municipalities. British municipalities are in the thick of it as far as liberalisation is concerned since the UK represents the most open energy market in Europe. Last year about 65% of electricity traded in Europe was traded in the UK. However things are rapidly changing and from 2002 onwards more will be traded on the continental mainland than on the "Sceptred Isle". So the rest of us will have a lot to learn. The articles in this newsletter concentrate on some of the conclusions of the workshop.

Think Big

Martin Gleave of Milton Keynes Energy Agency presented the Central Buying Consortium which is the largest consortium of local authorities in the UK. It brings together 17 local administrations serving 10 million inhabitants and has a total turnover of £750 million. The authorities concerned have 10 000 schools and 100 large colleges. This is vital to getting good prices. By aggregating their purchases they can make savings in the market place of 3-5 % on the price of energy.

They act as a virtual organization – there is no staff and office and control is exercised through a strategic management committee of all the partners. Each partner authority takes on roles for a particular product and applies its rules to purchases for all the partners. The London Borough of Southwark deals with energy and has developed considerable expertise – in this business one needs to be a specialist to have any hope of negotiating with the large suppliers. You need information on energy use – so the information is available to assess the potential for savings. Ironically the possibility of saving millions with a lower price has been the

greatest incentive to actually find out what energy individual buildings use and so this could cut this bill even further.

The CBC currently puts the energy supply for 6000 buildings out to tender. Doing a single tender for so many buildings saves a tremendous amount of administration so this is an additional saving. In the UK the local authority is able to go out for competitive energy prices, so they *have* to go out. If they do not get "best value" they can be criticized for not acting in the best interests of the tax payer. This need not necessarily be the cheapest – but they have to justify any choice that isn't the cheapest – for instance if it is "green power". The elected members themselves can be charged for any excessive prices the local authority pays. This threat, perhaps equivalent to millions of pounds, is a sword of Damocles hanging over any wayward councillor on the purchasing committee!

There are many such consortia in the UK and they deal with many other products – from mops and cabbages to sealing wax. They all work on the principle that if you are big, you can impose a better deal. With the opening of the market, size will become important and in many countries most municipalities are small (Not all countries have as many as the 36 000 municipalities in France, but even a large town is a small player in the energy market). To deal with the market power of the big energy players you have to develop a buyer power of your own. How your municipality does that is up to local cultural circumstances, but the message is clear. Big is beautiful. The same will apply to energy efficiency services – for instance Berlin now contracts many buildings at a time for energy performance contracting – this way they get a better price.

Milton Keynes Energy Park

Fifteen years ago Milton Keynes New Town Development Corporation set up an "Energy Park" of energy efficient houses. These were designed to be similar in price to normal houses, but with much higher energy performance. These houses are still (very much) occupied, and a walk round the park shows how well the innovations have weathered time and fashion. Only a couple of the photovoltaic panels were still in use – but the

passive solar design and insulation is permanent. In general the houses look completely normal – that is very reassuring. Also reassuring is the knowledge that the current standards applied by the Development Corporation are based on the best performance of the Energy Park. Attitudes can change very quickly!



Minutes of the meetings in Barcelona and Milton Keynes

The minutes of our meetings in Milton Keynes are (or shortly will be) on the IEA DSM and Energie-Cites websites (see below for details).

Is there still a Role for Municipalities in a Liberalised Energy market?

Energie-Cités is organising a Seminar on the theme of «*Is there still a Role for Municipalities in a Liberalised Energy Market?*» in Odense (DK) on 13rd and 14th June 2002.

This seminar will look at responsibilities under all municipality roles, as an energy consumer, as an energy producer, as an energy distributor, as a regulator but also as an awareness raiser. It will establish a sort of state of the art on how municipality action to meet these responsibilities can promote local sustainable energy policies. Management and administrative mechanisms will be proposed to improve the response to the challenge of liberalisation.

For more information: www.energie-cites.org

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Some Websites of interest

www.ademe.fr, www.novem.nl,
www.stem.se, www.energie-cites.org,
dsm.iea.org, www.ambit.nl,
www.svekom.se

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Local Action via Energy Agencies

In a liberalised market the work of the energy agency becomes even more important. Ian Byrne gave us a presentation on Milton Keynes Energy Agency, a fine example of the type of work that local energy agencies can do in the United Kingdom. Milton Keynes Agency is run as a partnership between the municipality and the National Energy Foundation, an ngo based in the town. It is funded by a service level agreement with the local authority which requires it to deliver the council's HECA programme and fuel poverty strategy, prepare strategic plans for the local authority and run incentive schemes for them. A number of programmes have been used, some a success and others less so. For instance, a scheme to promote high efficiency boilers could not compete with local traders who offered better deals and a scheme to approve installers was not a success. They had so much work already, they didn't need any sales support! (This is general in the UK as the editor knows from bitter experience, waiting months to get a boiler serviced!) Discount vouchers on home insulation were more successful.

The agency has expanded its services and now provides HECA advice in the neighbouring area of Bedfordshire. This is an avenue other agencies have followed – Forest of Dean for instance now services all of Gloucestershire.

The Agency has taken a central role in preparing the local authority's energy strategy whose objective is to restrain CO2 emissions at their current level despite a proposed 80 000 increase in population to 295 000. The aim is to improve domestic energy efficiency by 20%, a challenge considering that Milton Keynes is a new town, only designated in 1967.

Further CO2 savings will come from increasing the input of renewables and it is hoped to impose a limit on carbon emissions in new development via permits under the planning approval system. A planning agreement would be made with the developer with provision for fines if targets are not met. The fines would go to a local carbon fund to finance new renewable developments – the objective being to propose a carbon neutral development scenario. The carbon fund would also receive other sources of funding – e.g. workplace car parking fees (now permitted under UK legislation).

The strategy has other programmes too which are designed to promote renewables and impose high standards for commercial buildings. The local authority can impose high standards by covenant for new housing on land that they own even if they later sell it off (currently a standard NHER of 9-9.5 is required, and the maximum 10 will soon be the norm).

Gary Foster manages the Southern HECA Network, a group of energy advice centres in Hampshire. He also works for a local energy advice centre where he is based. Here again is an example of the British tradition of voluntary cooperation.

Such centres cover the whole of the UK, financed via the EST (see above). He emphasized the need for a common programme and also noted the opportunities in the UK of involving the utility suppliers in advice and efficiency work. The cheapest way for them of achieving their energy efficiency obligation is via local authorities.

Relations between local authorities and Government in the UK

In the UK the relationship between local authorities and government is one of cooperation and at the same time a certain conflict. Traditionally the view is that government advises local government with a strong word in the ear, presented via government documents such as official circulars. Jo Hefford from the Government Office East laid emphasis on the role of the government offices in influencing local authorities and the two way flow of information. However local government is also influenced by many other pressures, not least the electors and in matters where the local authority has discretion, such as much energy policy, the Government acts more by cajoling. The UK Government is moving towards a view that the local authority should be the strategic decision maker at local level on energy policy rather than the service deliverer itself. It should be more the cox and do less of the rowing. The feeling is that by involving the local authority in policy making it will move up the local authority leader's and chief executive's agendas, and give the topic a higher profile in its negotiations. New regional governments now operate in the UK – in Northern Ireland,

Scotland and Wales. These are beginning to flex their muscles and express opinions that are often a bit at odds with Westminster (for instance the Scottish Parliament is proposing more stringent building regulations north of the border). In addition the government has set up nine regional offices with non-elected regional assemblies in England. So government structures are changing and this is likely to lead to a more devolved framework for energy policy. Perhaps the influence of letting the market decide action in the energy sphere will be matched by letting the market framework vary between regions.

Government financial support for action on energy efficiency is primarily channeled through agencies such as the EST mentioned above and a new organization, the Carbon Trust, which was recently established by government in cooperation with industry to finance investment in reducing carbon emissions, funded in part by a new climate change levy. In addition a central advice programme is run through the semi-privatized government

agency ETSU but there is nothing in this programme on local strategies. Paul Fleming of Leicester De Montfort University emphasized that local authorities had been kept out of the decision making when setting up the liberalised energy system in the UK. Nevertheless it is they that are having to get involved in action to remedy the imperfections brought out by the market (miss-selling, supporting energy efficiency and action for the fuel poor, promoting renewables...). Local authorities have not been involved in the deliberations nor in setting up the support regimes managed by the regulator, OFGEM, and run by the utilities (e.g. Standards of Performance (SOP)). Nevertheless the utilities found themselves obliged to pass via the local authorities to put the programme into practice. In addition there are also now regional greenhouse gas and climate change targets, so decisions have to be taken at a regional scale. However the government has decided regional targets centrally and each region decides its own programme, with coordination between them, and so there is no consistency in reaching the national 10% target.

He commented that British liberalisation has been purely economic with the environmental dimension tacked on as an afterthought. Local authorities

Lessons for our partners

It is clear that all is not lost on Liberalisation. It is impossible to know if the action taking place in the UK is despite of or because of liberalisation, but it is clear that the withdrawal of the utilities from energy efficiency coupled with the increased interest in environmental issues, has put the energy efficiency baby well into the local authority lap. Energy advice is universally available in the UK. This was made possible by a law which was passed in 1995 which obliged local authorities to do something for residents but gives them no funding. In time central government found some funding and a momentum started.

The key is clearly the environmental issue and fuel poverty. Without these no progress would have been made and it is these that allow one to put pressure on the local authority and encourage government to take action. These issues need to be tackled by strategic planning and cooperation

have not been listened to. It has been designed for the large generators supplying to the grid and, for instance, policy on renewables not requiring grid access has been sidelined. There is little thought about using biomass for heat, or using electricity directly in one's own property.

Government is reviewing strategic energy policy and its proposals have recently been leaked. (The British Government has taken to leaking out policy changes in recent years to test the attitude of the public to major changes in policy direction). It is suggested that new and much higher targets will be set for reducing carbon emissions, with an energy policy led by environmental objectives. If this proves true in the final version, then this will have major implications for local authorities in delivering these targets. Daniel Waller commented that Britain has no energy strategy but wallows in energy strategy. It appears that it is a lack of coordination that is at the root of the problem. Hopefully this national strategy will start to put that right.

between all those with a contribution to make. The UK is good at promoting joint working and getting a spirit of cooperation. Peer group pressure helps. The only long term argument in the liberalised market is the business one and agencies and setting the framework where the businessman wants to cooperate to promote his own interest. This seems to bear fruit. It needs a new approach where the local authority cajoles the supplier in as a partner. The British mentality is good at this cooperative approach – all being seen to be “good chaps”. How effective such peer pressure is in other countries remains to be seen.

