

# M.E.E.L.S

Municipalities  
and Energy  
Efficiency in a  
Liberalised  
System

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# News Letter

*Issue 5 - January 2004*

## **The MEELS project**

The Municipalities and Energy Efficiency in a Liberalised System project is a Task of the International Energy Agency's Demand Side Management Implementing Agreement. Energie-Cites is Operating Agent (co-ordinator) on behalf of Ademe, which represents France on this Agreement's controlling committee.

The Task has examined the roles of local authorities and the impact of the liberalisation of energy markets on their action on energy efficiency issues. The participants have then identified case studies which form examples of good practice by municipalities that have successfully responded to the challenge of liberalisation. Most of the examples can be transferred in one form or another to other administrative or cultural traditions. They also promote local employment and local economic development, and so are ideal vehicles for local politicians. All it needs is the imagination and the commitment.

What should I do?

### **If you are an elected member or work in a local authority**

Look at the lessons and identify the issues that concern your authority. Look at the case studies in more detail. Ask yourself could my authority apply this directly or in modified form in our context?

### **If you are an elected member or work for Government**

Look at the lessons and identify the issues that concern your country. Look at the case studies in more detail. Ask yourself could my country apply this directly or in modified form in our context? What changes in the law might be required and what resources are needed for government.

### **If you are a member of the public**

Look at the lessons and identify the issues that concern your country or local area. Look at the case studies in more detail. Ask yourself could my elected representatives apply this directly or in modified form in our context? Then convince your politicians that this was their idea, putting an emphasis on all the jobs that will be created. Then all it needs is their imagination and commitment.

## MEELS Case studies are published

MEELS is publishing 32 case studies of good practice by local authorities. These all describe action taken by local authorities to promote energy efficiency when faced with a liberalised market. They are chosen to illustrate 12 key lessons for local authorities and Governments faced with liberalised energy markets. These lessons are outlined below together with some information on the key examples.

### Lesson 1

Local authorities can promote energy efficiency.

Even if the liberalisation of energy markets seems to make it more difficult, it also creates opportunities for the committed local authority.

**Trollhättan** has continued with its highly sustainable energy policies for many years. The liberalisation of energy markets indeed offered new opportunities.

### Lesson 2: Knowledge is a key asset

When negotiating to purchase energy, carry out energy efficiency improvements or protect the local citizens, it is vital to have sufficient knowledge. Monitoring is vital. Most local authorities do not have the resources themselves and liberalisation makes it even more vital for local authorities to cooperate in delivering energy efficiency.

Specialist structures are needed to monitor energy use in local authority property. **Leicester** has an energy unit in their Energy Centre (right) that keeps track of energy use in all local authority property and is responsible for applying new energy saving investments.



Leicester Energy Centre

### Lesson 3

The economies of scale work well in a liberalised market.

Many examples demonstrate the value of aggregating demand to get a good deal as a client.

The **Central Buying Consortium**, like many other British consortia, has aggregated demand on behalf of its member local authorities and provided a specialist buying service. **Viissingen** has obtained similar benefits for 22 Dutch local authorities.

**Cape Cod Compact** in Massachusetts and **NOPEC** in Northern Ohio have aggregated demand on behalf of their residents and obtained favourable rates and more sustainable power supplies on their behalf. Others are examining future possibilities, for instance **SIGEIF in France**.

### Lesson 4

Liberalisation makes it imperative to ensure that the structure responsible for taking decisions to invest in energy efficient equipment also pays the energy bill.

Conversely the opposite situation can be found with utility owned public lighting, where the body responsible for investment decisions has no interest in reducing energy use. This is to be avoided at all costs and may require significant restructuring of public services.

**Jyväskylä** restructured its energy service in preparation for

liberalisation, separating the energy works into a separate energy company, taking back in hand the public lighting stock formerly managed directly by the energy works, and introducing a clear contract framework designating responsibilities.

Within four years three quarters of the street lights had been replaced by more efficient ones. Similar benefits were found in **Stockholm** following liberalisation. The abandonment by the municipal energy service of the free supply of energy for local authority functions resulted in true costs being appreciated.



Energy Efficient lamps in Jyväskylä

**Martigny** reorganised its public utilities into service companies, separating monopoly from competitive functions. This was possible even in a municipal utility serving a town of only 20 000 inhabitants. This restructuring created new business opportunities which offer scope for new efficiency services.

### Lesson 5

Aggregation is also valuable when promoting energy services.

Local authorities make excellent motors for promoting energy services at a local level, but specialised structures are desirable as an intermediary.

**Berlin and Graz Energy Agencies** have issued calls for tender for energy performance contracts for pools of buildings. This produced economies of scale and better value. Better value means more efficient buildings can be afforded. This principle has been taken to its ultimate conclusion in

**Peterborough, Canada**, where a whole town is to be upgraded using energy performance contracts. In **Frankfurt** the local authority has aggregated demand for small CHP units to create a sufficient momentum for the market to take off. **SIGEIF** has aggregated demand and this has enabled it to have the resources to provide energy audits to member municipalities.



Graz

## Lesson 6

When negotiating with other players, a clear strategy is important.

Rewards come to those who determine a clear and consistent strategy which promotes energy efficiency and sustainable energy over a long period of time.

**Hanover, Heidelberg, Kalmar, Kristianstad, Leicester, Linz, Malmö, Pleasanton, Trollhättan and Vlissingen** are all examples of towns where long term commitment to sustainable energy policies, either on a whole town scale or for a particular neighbourhood, has paid dividends. "Fair heart never won fair maiden". You need to tell others loud and clear what is your policy if others are to take it seriously and act accordingly.



*Buildings in Linz*

## Lesson 7

Delivering energy efficiency is a specialised topic which needs long term commitment, as far as possible free from the swings and roundabouts of the political cycle.

The establishment of free standing specialist structures seems a valuable route which has been taken by many. These have to work in cooperation with many partners for effective service delivery. Local authorities are particularly suitable for approaching dispersed small consumers where transaction costs make it difficult to promote energy efficiency on a commercial basis.

Many local authorities have established specialist structures, either in house or as a free standing unit. Examples include **Cape Cod Compact, Pro Klima, Hanover, Berlin, Graz and Leicester Energy Agencies, Newham Warm Zone, CESC, Berkeley, Waltham Forest, Woking**. Existing intercommunal structures such as SIGEIF can readily take on this role.

## Lesson 8

It is important to ensure that the public goods resources are administered independently by bodies that do not have a direct interest in their application.

Local authorities, among other locally based non-profit making structures, represent suitable bodies through which to channel these funds to the smaller consumer in preference to utility structures.

The example of **Berkeley**, where for one year the market was opened up to local authorities, demonstrates the benefits of channelling such funds via local authorities. In **Newham and other Warm Zones** great care has been given in developing a structure that involves the utility purse holders but avoids them holding too great a direct interest in the outcome. However the evaluators have still identified utility market posturing as a continuing issue.

## Lesson 9

There is still a role for the municipal utility.

It is a great asset when planning a programme for sustainable energy to have a municipally owned utility that can apply these policies. The utility can act through its role in offering choice in the quality of energy supplied, as with **Geneva and Swisspower**. New utilities can still be successfully established, particularly for district heating. Excellent examples are found at **Lienz and Woking**.

However caution should be taken lest the business objectives of the producer and distributor override those of planner, regulator and awareness raiser. Clear dividing lines should be drawn between the administration and utility structures and any local authority income from the utility should be independent of energy use.



*PV in Woking*

## Lesson 10

With distributed generation technology the local authority may operate mini-utilities in order to apply sustainable energy policy.



These can supply a building or group of buildings. It is no longer always hostage

to the behaviour of the network operator. Both **Waltham Forest and Woking** provide excellent examples of such practices where the network has either been reconstructed, taken in hand or leased from the utility. There are legal barriers to this in some countries that might be worth re-examining.

## Lesson 11

The local authority role as a planner and regulator is important in the context of liberalised markets.

This can affect routine control of development, the design of new urban communities or the "regeneration" of existing ones. **Apeldoorn, Linz (right), Malmö, Utrecht and Vlissingen** all represent examples of this approach.



## Lesson 12

The concession is a key tool for delivering sustainable energy policy.

Local authorities ignore its possibilities at their peril. It is the cheapest and simplest way for them to deliver benefits and can cost them nothing at all to implement.

Conditions attached to the concession can require the provision of a whole array of sustainable energy benefits. **Heidelberg** has shown over a number of years the possibilities for using this tool to provide energy services. **Almere** has demonstrated the possibilities that derive from putting the provision of new infrastructure out to tender. Montpellier has been trying to follow suit in France for a number of years.

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www.stem.se, www.energie-cites.org,

dsm.iea.org, www.ambit.nl,

www.svekom.se; www.grazer-ea.at

These case studies are available as a report that can be ordered from the Energie-Cités office in Besançon via [info@energie-cites.org](mailto:info@energie-cites.org). They are also available in electronic form on the MEELS website [www.energie-cites.org/meels](http://www.energie-cites.org/meels).

They will form the basis for Guidelines to be published shortly, also on the MEELS website

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