



APSE Energy response to BEIS Call for Evidence Paper 'A Smart Flexible Energy System' – 2/17. January 2017

1. APSE and APSE Energy

The Association for Public Service Excellence (APSE) represents council officers and members involved in the management and provision of quality public services. APSE's mission statement positions the organisation as "networking organisation which consults, develops, promotes and advises on best practice in the delivery of public services". APSE is currently working with almost 300 authorities within the United Kingdom. APSE members are local authorities, and a small number of other public service providers, from across the UK and we run the largest public sector performance management and benchmarking model in the UK and probably Europe, Performance Networks.

APSE Energy is part of the APSE family and is a collaboration of local authorities with a vision of the 'municipalisation of energy services', to increase the level of influence that local authorities have over the energy agenda in their locality. APSE Energy keeps its members up to date with developments across the sector, has a role as advocate for local government across the energy agenda and facilitates knowledge and experience sharing within the sector. As an organisation which is owned by our local authority membership, we can provide a unique perspective across the sector.

APSE Energy is responding to this call for evidence on behalf of its membership.

2. Introduction

APSE Energy began advising local authorities on a range of different energy efficiency and renewable projects 5 years ago and we have wide experience of their objectives with regard to the energy agenda.

Local authorities are trying to address a number of aims including

- reducing carbon footprint (investing in energy efficiency; using alternative fuels);
- maximising the benefit they receive from the assets they own (solar panels on roofs; extracting heat from the ground, air and water; drilling for geothermal energy; hydro power schemes and; solar carports on car parks, wind farms, biomass);
- generating income (to invest in further energy projects or to support other services);
- addressing fuel poverty (switching schemes to encourage take up of cheaper tariffs; white label arrangements to access cheaper tariffs; direct supply licences)
- supporting local business and job creation (by selling the energy they are generating to local employers)
- investing in future technology (battery storage; hydrogen fuels)

These examples reflect the fact that local authorities are taking their responsibilities in this area seriously. Using and investing in their assets, tackling fuel poverty, addressing behaviour change and ensuring the energy agenda is used to promote economic growth show the intent of many councils. They understand the role that local authorities can potentially have in tackling energy related issues and are willing to invest and take calculated risks for the benefit of local residents and businesses. Local authorities have a significant role to play in meeting the energy challenges of the future.

3. APSE Energy comment

The lack of a stable policy context is considered the most disruptive influence on local authorities investing resources into this agenda. The cut in FiT rates and the significant impact on planned solar PV projects and the removal of the Zero Carbon Homes policy are just 2 examples of policies which the sector had worked towards for a number of years and was beginning to reap the benefits before they were changed the changes did not work for the benefit of local authorities and the outcome has been for local authorities to change their plans and approach which had not been previously expected. Changes in government policy are a frustrating issue for local authority staff especially those involved in renewables projects because they are by their nature long term and so more susceptible to changes in central government policy.

There has been a substantial amount of work in energy efficiency both in council owned housing stock and the corporate estate. Councils have invested in a significant amount of preparatory work whilst a number of renewables projects have been completed. The purchase of electric vehicles is now commonplace and investment in innovative technologies such as hydrogen and batteries is gaining traction. Overall local authorities are addressing the energy agenda and realise they have a role to play as leaders on behalf of local residents and companies. They understand the community, social and financial benefits to be gained from increasing their influence in the energy market as well as the contribution they can make to national targets.

However as noted above local authorities are the custodians of public funds and must be seen to manage their resources responsibly. In an evolving market such as the energy market this is very difficult to do and it is easy to understand and to justify a reluctance to take a risk on unproven technology.

The lack of financial resources is a further factor hampering their development. **Reduced budgets within local authorities' mean it is tougher to find funding for** feasibility work. The private sector is unwilling to fund this element of a project. Reductions in financial incentives have not helped with the development of business cases. The reductions in the prices of some technology hardware which were predicted (and which were used as justification for the removal of some financial incentives) have failed to materialise at the rate expected.

Local authorities can potentially be big players in a smart flexible energy system. They have shown they can act as developers whilst ensuring the benefits from projects are maximised and retained within the locality. They have also shown they can act as agitators in the market with a number of local authority run schemes providing lower tariffs for local people and influencing the tariffs offered by the Big 6 providers.

Local authorities are a trusted brand within their communities. They know their residents and businesses well. They pay their bills, they are not about to go bust and they will be around into **the foreseeable future. This isn't something most commercial organisations can say and it is** another reason why councils are right to take a role in the energy market.

Local authorities own, use and operate many assets. They have ample opportunity for putting in place heat networks and private wire arrangements. They have a planning and development role in terms of regeneration projects and this is the ideal point at which to install renewable energy technology.

However as noted above a settled national policy context and financial incentives are fundamental to local authorities making the most of their role in this space. Without such certainty it is significantly more difficult for councils to agree to invest resources.

APSE Energy welcomes measures which have the potential to deliver lower energy bills and new services. The introduction of smart technology needs to be accompanied by a commitment to maintain levels of investment so that new technology is not installed as a one off without a plan for ongoing investment. A one off investment which means that **new technology soon becomes 'old technology' is not** helpful. New technology (such as smart meters) also needs to be accompanied by adequate education for those who are older, vulnerable or not used to the new equipment. Addressing behaviour change is also important if the benefits of technology are not to be lost through inappropriate use. The wider use of data is also a concern for many with a worry that personal data will be made accessible to commercial companies.

Current barriers for smaller companies looking to enter the energy market should be reduced to a point where they are no longer considered barriers. There are now over 40 energy suppliers with 2 recently being forced to close. The scale of the big 6 means they have options which others cannot take advantage of. For example when new homes are built, the big energy suppliers are able to offer more attractive terms to the large scale building companies than smaller energy suppliers are able. As such it is much more difficult for smaller suppliers to compete at the point at which **new homes are built. This links to the issue of 'sticky' customers** and the large number of people who do not switch providers. Smaller suppliers have excellent tariffs and products to offer but are unable to compete with the big 6 at the point when properties are built.

The paper states that "Markets and competition allow the best flexible solutions to flourish and deliver a secure, affordable low carbon energy system". As stated above local authorities have a part to play so they will be working within such markets. Although many local authorities undertake a lot of commercial activities some are not set up in such a way as to take advantage of traditional markets and competition. Therefore when market arrangements and regulations are put in place, the needs of local authorities should be borne in mind. The paper states that "We want to see competition that is as far reaching as possible to make sure consumers benefit from a more efficient energy system". For this to be the case, all potential participants need to have equal and easy access to the market.

The moving away from dirty energy is a key aim of the APSE Energy collaboration and although this cannot be achieved in the short term, central government policies and financial incentives where they exist, should clearly demonstrate the long term aim of a clean energy future. For example the grid transitional would be more appropriate if it was restricted to low carbon solutions. The arrangements for the STOR programme have encouraged large scale diesel generation.

We have already seen how powerful new supply models can be. The work of Nottingham City Council/Robin Hood Energy and Bristol City Council in investing in domestic supply licences and providing cheaper tariffs is an excellent example of the impact of new approaches and

what can be achieved for local people. These are examples where the local authority has taken radical steps to intervene in the local energy market and has been successful as a result.

Local authorities are the only democratically elected bodies representing citizens at the local level. As such they have a role to play in bringing together those organisations who are involved in delivering vital services to local people and this of course includes energy. Local authorities have shown by the investment they have made to date in generation and supply that they make an important contribution. Their role as local leaders, investors and in the provision of the organisation that brings local players together should be recognised and promoted as a model for involving all contributors and more importantly local users of energy, both domestic and commercial.

Local authorities have been generating energy for a number of years but many have experienced difficulty when trying to arrange sleeving mechanisms. This is an example of a situation where the network operators appear unwilling to be open about the cost of using the network or are simply charging so much that sleeving becomes uneconomic so the generator has no option but to feed the power into the grid. Appropriate sleeving arrangements will encourage smaller organisations with the potential to be generators to enter the market and will also help those already generating to use the energy they are generating. This will reduce overall demand on the system and most likely increase the number and amount of generation certainly adding to the flexibility of the system. The perception amongst local authorities is that network operators have over-complicated what should be a relatively simple process. APSE Energy suggests that the time is right for simplification of network charges.

There is general agreement that there has been inadequate investment in the grid. This is concerning for any organisation looking to invest resources for the long term. Local authorities are in the main risk averse and would generally look to confirm a connection to the national grid even if they have a generation scheme supplying a customer via private wire. As such the condition of the national grid is paramount for nearly all those looking to generate energy especially as part of smart flexible energy system. The National Infrastructure Commission has **raised the profile of investment in the nation's infrastructure and planned investment** in the grid should match the importance of the asset so that old technology or lack of investment in one part of the system does not preclude investment by potential new generators.

Many local authorities have found that access to the grid for new wind and solar PV schemes is a long and expensive exercise. This is relevant to the point above where capacity issues in certain locations do not support investment in new projects due to the nature of the grid. Local authorities only look for connections when they are serious about a project. Grid operators should look to ensure their time is spent on supporting those organisations who are more likely to see a project through rather than make a speculative application. The same should be true of any regulations in place. Whilst the grid has limited capacity, resources should be allocated to those applicants most likely to use the capacity effectively rather than speculative developers. Limitations in grid capacity have the potential to force an investment to a sub-prime location and this is not helpful. A flexible system includes the ability to manage the system and not necessarily treat everyone in the same way.

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