

## Eco Bicester Strategic Delivery Board

<b>Date of meeting: 26 January 2012</b>	<b>AGENDA ITEM NO:  7</b>
<b>Report title: Feasibility of bulk purchasing energy and a subsidised solar panel scheme</b>	
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### 1. Purpose of Report

- 1.1 This report sets out a summary of the main issues and recommendations relating to the feasibility of the local community bulk purchasing energy and a solar photovoltaic scheme for Eco Bicester. It also provides a brief update on the insulation scheme.

### 2. Background

- 2.1 At the previous meeting on 27 October 2011, the Board noted and agreed a paper on the Eco Bicester insulation scheme. It was also requested that high level feasibility studies into the potential for reductions in energy bills in Bicester from bulk purchasing energy and a solar panel discount scheme be reported to the next meeting of the Board. This follows the success of the insulation scheme.
- 2.2 **Insulation Scheme – possible extension of Bicester scheme**
- 2.3 It was always the intention that the insulation scheme should be offered to Bicester residents within the “ring road” at a reduced rate of £49. This was agreed in July 2010 following the Strategic Delivery Board's approval to fund the scheme. In response to the Cherwell Link Article "We have it all wrapped up" (Winter 2010), Caversfield Parish Council requested that the boundary be extended to include Caversfield. As a result a proposal to extend the scheme to the parishes surrounding Bicester has been explored by the Project Team. The conclusions are set out below.
- 2.4 The scheme continues to be implemented successfully with the latest reports showing that over 1,100 households in Bicester have benefited from the reduced installation costs on offer. Given the importance of retrofitting as part of the Eco Bicester Project it was agreed by the Board that the insulation scheme should be offered at a reduced rate to Bicester households. As a result the administrative area for the Bicester offer was defined on the basis of the existing ward boundaries for the town, effectively the built up area contained within the “ring road” (A4095, A421, A41 and A4030).
- 2.5 It is difficult to draw a line around Eco Bicester as some of the developments on the edge of the existing town have not been completed or the site boundaries are still being defined. It is recognised that the Eco Bicester project may affect and have an impact on the surrounding areas. As a retrofit project, the insulation scheme focuses on the existing residents of Bicester. Those residents living outside the town benefit from the District wide insulation offer of £99.

- 2.6 The reduced installation cost for Bicester residents was targeted at the estimated 6,000 properties in Bicester which would benefit from the measures. It was always intended that by concentrating efforts, it would be possible to have a significant impact on the existing town as part of the programme of demonstration projects. At the same time, it was always the intention that the scope and extent of the insulation scheme would be reviewed at a later date and the potential to extend the scheme later was never ruled out.
- 2.7 The insulation scheme was planned to run for at least a couple of years, provided there was sufficient money to do so, but with the introduction of 'Green Deal' the lifetime of the scheme has been curtailed and will not extend beyond 2012. If the scheme was to continue beyond 2012 it may have been worth extending it but given the current levels of take up and the impending Green Deal it is considered there is little merit in amending the boundary at this stage. On this basis, the Project Team considers that the scheme should continue to be implemented in its current form with no amendment to the boundary for Bicester. However, in considering any future schemes linked to the Green Deal further consideration would be given to the area to which they relate.
- 2.8 **Bulk Energy Purchasing**
- 2.9 "*Going Dutch, Local Government and Fuel Poverty*" is a paper by a local government think tank, the New Local Government Network (NLGN) ([www.nlgn.org.uk](http://www.nlgn.org.uk)) published in July 2011. It refers to a new initiative from the Netherlands which has saved consumers significant amounts of money on their bills by bringing them together to bulk purchase energy. It works in a similar way to the "Groupon" website which negotiates deals on behalf of its subscribers to get reduced deals on various gifts and leisure activities.
- 2.10 The idea is that local residents register to express an interest in the local authority (LA) negotiating fuel prices on their behalf and is primarily focussed on tackling fuel poverty. The LA then goes to energy companies to secure quotes for supplying the town at much lower rates than the households were paying individually. There is no obligation on the individual to agree to the contract with the agreed supplier. It is estimated that by advocating the bulk purchasing of energy on behalf of its citizens a local authority could result in reductions of up to 20% on energy bills. The NLGN paper considers Councils to be well positioned to facilitate the best possible scale for such a project as the more households brought together the bigger the savings.
- 2.11 In summary the model is considered to have the following advantages and disadvantages:
- Advantages**
- Bringing the community together as individuals to share the benefit of collective buying power
  - Potential new role for the LA in service delivery and engagement with residents
  - Free for individuals to join and no legal obligation to agree a negotiated price and switch supplier
  - Competitive process ensures best deal for consumers
  - Power to reach the widest audience possible
  - Potential to bulk purchase green energy
  - Equality and fairness – the scheme has the potential to support everybody and
  - Consistent with the meeting the objectives of the One Shared Vision.
- Disadvantages**
- Acting on behalf of citizens in this way is not a local government function
  - The implications on the energy sector are unknown

- Further work on the procurement process is required and
- The staff costs and resources required would need to be clarified.
- Reductions in energy bills could lead to consumers consuming more energy

## 2.12 Feasibility

2.13 In the Netherlands, 10,000 households signed up to the scheme which is estimated to generate £12.5 million in buying power. On this basis, Bicester with approximately 14,000 households could provide a sufficient number of households to allow negotiation with energy suppliers. However, the practicalities of setting up and running a scheme including costs, staffing and resources need to be considered. The implications of the model on the UK energy sector are not yet known and would need to be further investigated before a scheme is progressed. For example, the target number of households may need to be set by the local authority and agreed with the energy suppliers.

2.14 The feasibility of the model is dependent on its scale with potentially greater benefits the more people register an interest. A town wide scheme could be feasible and there may be potential to extend it district-wide or a joint local authority area for even greater savings.

2.15 Given the potential buying power, the paper suggests that energy companies would be likely to engage with the scheme and this view is supported by initial discussions with CDC's Strategic Corporate Procurement Manager. It also suggests that it would allow new companies to emerge as it would provide the opportunity to win a big contract to establish a new energy company. This may fit with the establishment of a possible energy cooperative for Bicester in the longer term. The model would have to be worked up in more detail before it could be implemented by a local authority but in summary the process outlined is as follows:

1. Council agrees to run scheme and resources identified
2. Agree registration target
3. If target met, the Council approaches energy suppliers to negotiate bid price
4. Council presents winning bid to registered residents
5. Households decide whether or not to accept bid offer or not to switch
6. Council informs energy company of outcome and those that wish to switch to new offer

2.16 The paper concludes that further work into the implications on the energy sector is needed if the model is to realize its potential in the UK. It is aimed at reducing fuel costs so is sustainable in that it assists in providing plentiful and affordable fuel. However it does not address the issue of energy efficiency and the move to a low carbon community unless the individuals or the Board agree to only source renewable energy in which case it may not be result in the anticipated reductions in energy bills.

## 2.17 Conclusions

2.18 As requested by the Board, the Eco Bicester Project Team has looked into bulk energy purchasing and the feasibility of a solar panel scheme for the town. This would be based on a model in which Cherwell District Council (CDC) as the lead local authority (CDC) would act as a possible facilitator of the scheme. In addition, a subsidised solar panel scheme was investigated further and is described in more detail below.

2.19 The bulk purchase model has been shown to achieve savings on energy bills in the Netherlands and it has the potential to be the basis of a similar scheme in Bicester. It is estimated that using the aggregate and negotiate set out above approach, savings of 20% on energy bills could be achieved. For example, Bicester could be the pilot for a District wide

scheme with the possibility of collaboration with other local authorities to achieve greater economies of scale. On the basis of the information in the paper it is suggested that 10,000 households would be required to make it viable in Bicester or the wider district but a target would need to set and agreed with the energy companies.

- 2.20 The scheme does not appear to have been used outside the Netherlands but it could be used to provide local authorities with a new role in the UK as traditional service delivery models are put under increasing pressure according to the NLGN. The bulk purchasing of energy is aimed at tackling fuel poverty and reducing energy bills. However, it has potential to be targeted at low carbon green energy suppliers.
- 2.21 The model would fit with the objectives for community involvement set out in the Eco Bicester One Shared Vision but there is no guarantee that it would meet the objectives of creating a low carbon community. The Council has had some involvement with energy companies through, for example, planning for infrastructure requirements and the utilities audit to meet the anticipated growth in the District, however, the model would require further engagement with energy suppliers and a new role for local government.

### **3. Retrofit: subsidised Solar power installations and bulk purchasing**

#### **3.1 Background**

- 3.2 There are currently a raft of funding opportunities available for businesses consumers and householders ranging from the Renewable Heat Incentive to the Warm Front scheme. Government guidance is contained on the Department of Energy and Climate Change (DECC) website. The Feed in Tariff (FIT) applies to renewable and low carbon energy generation installations not just solar power. Solar power has many benefits for Bicester and is an attractive option for generating local energy. However to date the Board has focussed on subsidised cavity and loft installation as the primary measure for retrofitting existing residential properties in Bicester. At the last meeting officers were asked to look into the viability of a solar panel scheme.
- 3.3 Before October 2011, when the Government announced it's intention to cut the FIT the opportunity to promote solar panel installations would have been an attractive proposition but the above announcement and subsequent high court ruling that the Government was unlawful has led to confusion in the renewable energy sector.
- 3.4 A Solar Power seminar was organised by the Eco Bicester Community Liaison Officer in October 2011 and was well attended reflecting the local interest from both residents and businesses for more information on solar power installations. A solar panel group buying discount scheme was set up by the Community Action Groups in Kirtlington and Kidlington with the aim of achieving 50 installations under the scheme. In Brighton, an Energy Cooperative has been used to invest in renewable and green energy projects. The Oxfordshire Rural Community Council (ORCC) runs a bulk purchasing scheme for oil users in the County. A summary of how bulk oil scheme works is set out below:
- Parishes have a local coordinator
  - Householders contact their local co-ordinator and order oil
  - The local co-ordinator confirms with ORCC how much oil is needed in the area.
  - At the end of each month, the bulk oil purchase is negotiated by the ORCC's oil buyer.
  - The householder pays the supplier direct for the oil they deliver.

- 3.5 The Council currently procures its green energy through an energy buying group known as “Laser” ([www.laser.org.uk](http://www.laser.org.uk)). Laser is one of the largest procurers of renewable electricity in the UK and is a publicly regulated body through Kent County Council. It offers an all-inclusive tender process with energy companies (gas, electric and petroleum). Through its procurement team, CDC has contacted Laser to investigate the possibility of a bulk purchase scheme for Bicester residents.
- 3.6 CDC is leading the way with solar panels installed on buildings at the Thorpe Lane Depot and proposals for further panels to be installed at Kidlington Leisure Centre.
- 3.7 There are a number of other communities that are bulk purchasing solar panels on behalf of groups of residents before the reduction in the FIT at the end of March 2012. The Energy Savings Trust (EST) also operates a community solar panel scheme which requires a minimum of 10 households to participate. (More information can be found at: [http://www.snitterfieldacc.org/files/sacc/home/est\\_community\\_solar\\_programme\\_leaflet1.pdf](http://www.snitterfieldacc.org/files/sacc/home/est_community_solar_programme_leaflet1.pdf) )
- 3.8 **Feasibility**
- 3.9 The main issues in considering the feasibility of a subsidised solar panel retrofit scheme include:
- Funding and viability including the possible use of eco town funding currently identified for the insulation scheme.
  - Evidence to support solar power generation as part of a town wide energy strategy
  - Timing given the reduction in FIT and introduction of the Green Deal
- 3.10 The scheme could work in a similar way to the bulk purchasing of energy in that local residents could be invited to register their interest in solar panels and other microgeneration before inviting bids from renewable energy (solar) manufacturers and installers. The model set out above provides the template for such a scheme using the aggregate and negotiate principle. Again the scale of the community or area to be involved will be critical with potentially greater savings arising from greater numbers of residents registering for the scheme.
- 3.11 Other options that are being considered as part of the governance arrangements for NW Bicester, include establishing a Community Interest Company as a longer term objective. Cherwell District Council is actively participating in a consortium proposal to establish a Community Interest Company to deliver the Green Deal in partnership with the United Sustainable Energy Agency (USEA). This vehicle might conceivably be used to deliver a bulk purchase solar panels. If CDC becomes a founder member of a CIC it would be entitled to use a share of the profit for Community Interest Purposes, and it is possible that this money could be used to help fund a bulk purchase of solar panels scheme. This is all a bit uncertain currently and requires further investigation but it could be significant.

#### **4. Conclusions**

- 4.1 The principle of supporting a locally subsidised scheme has some merit particularly if it could be linked to the bulk purchasing of energy as set out above. There may be potential for residents to benefit from savings in a similar way to the bulk energy purchase scheme. The potential for bulk purchasing solar panel should be investigated further with a view to using the local authority to procure savings on behalf of its residents. Currently there is some confusion over the feed in tariff and Government’s Green Deal which may impact on the feasibility of the scheme.

- 4.2 The implications of mass purchase of one particular type of technology are unknown and would need to be further investigated. Given the current uncertainty over the introduction of the Green Deal and reduction in FIT, potential interest in a discounted solar panel bulk purchase scheme from both suppliers and consumers is also unknown. Nevertheless, it is anticipated that the bulk purchase of solar panels would contribute to meeting the objectives of the Eco Bicester One Shared Vision.

## **5. Recommendations**

- 5.1 It is recommended that in the short term the Eco Bicester Project team gauges the interest of local residents in Bicester in bulk purchasing energy and/or solar panels. This should include businesses and other consumers in the town. Depending on the interest from residents, proposals to develop the scheme could be progressed through either an intermediary energy buying group or a competitive tender process. This papers sets out the following recommendations:
- (1) To note the findings set out in this paper and request that the Project Team further investigates the bulk purchasing of energy and solar panels in more detail
  - (2) To report on a delivery model to the next meeting of the Board including available local authority resource, management and procurement issues and
  - (3) To agree not to extend the boundary of Bicester for the purposes of the Eco Bicester insulation scheme offer.