

NAW Environment and Sustainability Committee

Evidence from Bridgend County Borough Council

What models for local ownership of generation and local supply of energy would work best for Wales?

Consider there to be five main business models for a local authority to generate and supply energy these are:

1. Becoming a fully licensed supplier in its own right,
2. Forming a joint venture with an energy supplier,
3. Operating under the “licence lite” approach. Under this structure the Council fulfils some operational delivery duties and another company takes responsibility for the remainder.
4. Establishing a partnership with an existing energy supplier. The partnership operates under the suppliers existing licence with the operational aspects of the business being shared,
5. Creating a white label, under which the Council licenses the use of its brand to an energy supplier who uses it to supply energy to local customers.

For reasons of risk and finance I would consider points 2 and 4 to work best within Wales.

What is the appropriate scale for action – national, regional, local or community?

I would advocate that local (local authority level) is the appropriate scale. Bridgend CBC has been progressing with the development of heat networks to offer residents an alternative to gas to heat their homes. The structure and complexity of these schemes means that in many cases the local authority is probably best placed to progress these schemes in partnership with the private sector, offering a brand that is trusted by the public.

The creation of an Energy Service Company at this local level still offers challenges and has associated risks as well as a need to successfully engage with residents in order to build the level of trust and interest required for residents to make the transition away from their traditional methods of heating their homes. Once established at this local level it may be possible extend out beyond the local authorities boundaries and to regionalise at some future point.

Should local authorities be encouraged to take on/reprise their role as energy suppliers?

Prior to the Second World War local authorities through boards had responsibility for providing gas, electricity and water to residents through local infrastructure. The local boards were amalgamated into regional and national entities after the war and formed the basis of the privatised “big six” utility companies in existence today.

Local authorities could play a significant role in the evolution of a de-centralised energy system. The emergence of the concept of local government reprising its role as an energy

provider has coincided with the austerity measures which have seen the most severe cuts to local authority budgets in decades and therefore this can be seen as an area that is not a priority for local government. However, authorities should be encouraged and supported to look beyond financial pressures and the associated risks of developing energy supply opportunities to see the broader benefits both to themselves and the communities they serve.

Generally we would expect that a de-centralised energy system supplying heat and possibly electricity to Bridgend communities would yield the following benefits:

- Job creation and new business opportunities locally but also huge potential with national roll-out.
- Skills and training development leading to a more highly skilled local work force that are advantageously placed to take advantage of new business opportunities across the region.
- The development of a new business model for energy generation and supply which creates new revenue streams for improving local services.
- Greater availability of affordable energy which will address fuel poverty and improve life expectancy.
- Development of a decentralised energy system utilising new energy sources and providing a greater degree of energy security for Bridgend communities.
- The creation of a decarbonised energy supply leading to a reduction in carbon emissions.
- Improved community cohesion through engagement and empowerment of residents and businesses.

What can we learn from local government and other stakeholders elsewhere in the UK?

Local Government in England and Scotland have pushed ahead with the de-centralised energy agenda and could certainly offer organisations within Wales a valuable insight into how to develop the agenda. I would expect them to be able to give advice around:

1. The resource required to create a business model and how this links to the capacity of the local authority.
2. The start-up costs required to develop the business model through to operational capability.
3. The key risks (real and perceived) in establishing a new and viable energy supply business and guidance on how to mitigate the risks.
4. Operational issues associated with running an energy company.
5. Likely levels of income generation for the local authority from the energy supply business.
6. An understanding of the different roles that a local authority could play in the new business.
7. How might the new business help the local authority to meet its wider objectives (e.g. fuel poverty etc.)?