

TEWKESBURY BOROUGH COUNCIL

Appendix 3

Report to:	Overview and Scrutiny Committee
Date of Meeting:	24 November 2020
Subject:	Council Motion – Support for Local Electricity Bill
Report of:	Deputy Chief Executive
Corporate Lead:	Deputy Chief Executive
Lead Member:	Lead Member for Clean and Green Environment
Number of Appendices:	Two

Executive Summary:

At the Council meeting on 28 July 2020 a motion was presented seeking support for the Local Electricity Bill. A full copy of the motion is attached at Appendix 1 and the Bill is attached at Appendix 2. In essence, the Council was requested to:

1. sign up to the campaign www.powerforpeople.org.uk/sign-up ; and
2. adopt the resolution set out below:

Tewkesbury Borough Council:

- (i) Acknowledges that it has made efforts to reduce greenhouse gas emissions and promote renewable energy:
- (ii) Recognises that the Councils can play a central role in creating sustainable communities, particularly through the provision of locally generated renewable electricity:
- (iii) Further recognises that:
 - a) very large financial setup and running costs involved in selling locally generated renewable electricity to local customers result in it being impossible for local renewable electricity generators to do so,
 - b) making these financial costs proportionate to the scale of a renewable electricity supplier's operation would create significant opportunities for Councils and Community Groups to be providers of locally generated renewable electricity directly to local people, businesses and organisations, and
 - c) revenues received by Councils that became local renewable electricity providers could be used to help fund local greenhouse gas emissions reduction measures and to help improve local services and facilities;
- (iv) In view of the above, the Council supports the Local Electricity Bill, currently supported by a cross-party group of more than 200 MPs, and which, if made law, would make the setup and running costs of selling renewable electricity to local customers proportionate by establishing a Right to Local Supply.

In considering the motion, it was resolved by Council, that the motion be referred to the Council's Overview and Scrutiny Committee for consideration.

When referring motions to other Committees, the Council has the option to ask that Committee determine the matter or send it elsewhere for determination. In this case, Council resolved that the matter should be ultimately determined by Executive Committee.

This report sets out some of the considerations for the Committee in terms of assisting and aiding the discussion and debate.

Recommendation:

To consider the information set out in this report and determine the Overview and Scrutiny Committee's response to the Local Electricity Bill Motion.

Reasons for Recommendation:

The matter has been referred by the Council for consideration by the Overview and Scrutiny Committee.

Resource Implications:

Should there be sign up to the motion, and the implications of the Local Electricity Bill, there could be resource implications. Currently, the Council has a relatively small budget associated with its carbon reduction and climate change programme (approximately £40,000) Executive Committee has previously agreed that the most cost-effective way to utilise this budget, in light of the absence of any internal expertise, was through the commissioning of a consultant and his authoring of a detailed carbon reduction action plan, together with ongoing support equating to 2.5 days per week. Should there be a need to divert some of this resource to exploring and understanding the implications associated with the Local Electricity Bill, it is likely that this would have to be at the expense of existing identified workstreams contained within the action plan. The Bill appears to be strongly advocating the role of local authorities as a supplier of local electricity. The Council does not currently have the infrastructure nor the mechanisms or resources in place to undertake what would be a significant variation in its current business.

Legal Implications:

Part of the motion to Council required it to 'sign up to the campaign.' If it wishes to do so the Council can sign up to the campaign (according to the Power for People website a number of local authorities have already signed up), however the Council, if minded to sign up, would need to be very careful to not inadvertently sign up to something that is/could be seen as a more binding agreement/procurement policy for the authority.

If the Local Electricity Bill (whether in its current form or an amended form) becomes law further legal advice may need to be provided. This would also be the case if the authority wished to take action following the introduction of a Local Electricity Act.

Risk Management Implications:

Should there be sign up to the Local Electricity Bill, the authority would need to review and manage any risks associated with signing up to the Bill.

Performance Management Follow-up:

None directly arising from this report.

Environmental Implications:

Should there be sign up to the Local Electricity Bill, there may be positive environmental benefits in terms of the provision of locally produced electricity directly to local communities. This appears to be one of the key drivers associated with the Bill. However, detail in terms of managing capacity, supply, resilience and the breadth/radius of any local communities who may be able to benefit from local electricity is not clearly defined at this stage. It would also require the input of third-party regulators such as the Office for Gas and Electricity Markets (Ofgem) in ways that as yet are unclear.

1.0 INTRODUCTION

1.1 At the Council meeting on 28 July 2020 a motion was presented seeking support to sign up to the Local Electricity Bill. A full copy of the motion is attached at Appendix 1 and summarised below. A copy of the Bill as it currently stands, is provided for information at Appendix 2.

1. sign up to the campaign www.powerforpeople.org.uk/sign-up .
2. support the Local Electricity Bill.
3. recognise that Councils can play a central role in creating sustainable communities, particularly through the provision of locally generated renewable electricity.
4. recognise that:
 - a) very large financial setup and running costs involved in selling locally generated renewable electricity to local customers result in it being impossible for local renewable electricity generators to do so.
 - b) making these financial costs proportionate to the scale of a renewable electricity supplier's operation would create significant opportunities for Councils and Community Groups to be providers of locally generated renewable electricity directly to local people, businesses and organisations.
 - c) revenues received by Councils that became local renewable electricity providers could be used to help fund local greenhouse gas emissions reduction measures and to help improve local services and facilities.

2.0 BACKGROUND

2.1 According to their website, "Power for People is a not-for-profit organisation, campaigning for the UK to rapidly transition to 100% clean energy and for this to benefit local economies. They run grass roots mobilisation campaigns, engaging and involving citizens and local communities and calling on them to lobby their elected representatives for changes in the law or in government policy."

3.0 SIGNATORIES SUPPORTING THE LOCAL ELECTRICITY BILL CAMPAIGN

3.1 According to the Power for people website, as of 20 October 2020:

“56 county and local authorities and over 300 community groups have signed up to support the Bill along with a coalition of 55 national organisations including the Energy Savings Trust, Good Energy, Forum for the Future, the New Economics Foundation, ResPublica, the Solar Trade Association, the British Hydro Power Association, Triodos Bank, the Transition Network, Community Matters, Locality, UK Community Works, Possible, RSPB, Friends of the Earth, WWF, Greenpeace, ClientEarth, Tearfund and 350.org. One of the members of this coalition is (the Distribution Network Operator) Electricity North West who own and operate one of the UK’s regional electricity grid networks.”

3.2 The Power for People website makes it clear that:

“these organisations support the Local Electricity Bill in principle and not necessarily its exact current wording. The wording of the Bill may change as our campaign for it progresses.”

4.0 POINTS TO CONSIDER IN RESPECT OF THE MOTION

4.1 In considering the motion, it was determined that it be referred to the Council’s Overview and Scrutiny Committee for consideration. When referring motions to other Committees, the Council has the option to ask that Committee to determine the matter or send it back to the Council for determination. In this case, the matter was referred to the Overview and Scrutiny Committee for consideration and to make a recommendation to the Executive Committee for decision.

4.2 The Local Electricity Bill is a short Private Members Bill, originally envisaged to be heard under the ‘Ten Minute Rule’ (Ten Minute Rule Bills are a type of Private Members’ Bill that are introduced in the House of Commons under Standing Order No 23).

4.3 The ten-minute rule allows a backbench MP to make his or her case for a new Bill in a speech lasting up to ten minutes. An opposing speech may also be made before the House decides whether or not the Bill should be introduced. If the MP is successful, the Bill is taken to have had its first reading.

4.4 The Bill is scheduled for a second reading in January 2021. The Second Reading is normally the first opportunity for a Bill to be debated in either House and is the stage where the overall principles of the Bill are considered. If the Bill passes Second Reading it moves on to the Committee Stage. It is a short Bill at four clauses long.

4.5 Clause 1

states the purpose of the Act is to encourage and enable the local supply of electricity. The Clause does not mention the need for this electricity to be from renewable sources. There is no reference to a direct link to local provision.

Clause 2

introduces local generation and that a local supplier may set prices for the power. It accepts that a licence will be required for this and creates the new concept of a ‘local supply licence.’ Ofgem would remain as the regulator.

Clause 3

provides a duty on the Office for Gas and Electricity Markets (Ofgem) to issue a local supply licence to any generator. The cost of any licence should be proportionate to the size of the business and the regulations must be 'as simple and straightforward as possible'

Ofgem would also stipulate the radius that would apply to a local supply licence and this would be a matter for their own discretion.

Clause 4

defines relevant businesses as including individuals and not for profit organisations.

- 4.6** The Bill, if made law, would intend to make the setup and running costs of selling electricity to local customers proportionate by establishing a 'right to local supply'. No further detail is given in terms of the implications of introducing a right to local supply or how the process would operate. In considering the implications of a right to local supply, the Committee would be advised to consider the implications of this at a local level. Local considerations could include the benefits and disbenefits of the Council becoming a local energy supplier; (resource, financial outlay and risk assessment) supply resilience and supporting and managing customer base. The Council is often seen as the 'fourth emergency service' by businesses and communities. As such the implications of managing and responding to power outages to communities served by local suppliers, due for example to adverse weather events, changes in regulation or incomplete due diligence on behalf of the local supplier etc. should be considered.
- 4.7** The key parts of the motion are summarised below (in italics) together with the relevant items for consideration by the committee.
- 4.7.1** The Council is asked to:
1. Sign up to the campaign www.powerforpeople.org.uk/sign-up
Signing up via the Power for People sign up link on the website does not appear to be 'campaign specific'. As such if the Council was minded to sign up, the Council would need to consider the implications, benefits and disbenefits and risk of being associated with other campaigns by default that may not have been the intention of the motion put to Council.

The Power for People website makes it clear that in relation to many of the organisations that have signed up, including the local and county authorities, that "these organisations support the Local Electricity Bill in principle and not necessarily its exact current wording. The wording of the Bill may change as our campaign for it progresses."

The Committee will need to consider the implications of signing up to a Bill that is likely to be subject to changes in wording and the benefits/disbenefits of signing up to a Bill that is clearly still a work in progress.
- 4.7.2** Tewkesbury Borough Council:
- (i) acknowledges that it has made efforts to reduce greenhouse gas emissions and promote renewable energy.

- 4.7.3** The Council offices have, for several years, had solar panels in operation to be able to generate electricity and offset the Council's energy demands. Since declaring a climate emergency in October 2019, the Council commissioned an independent audit report and action plan setting out how the Council's buildings will become carbon neutral by 2030 together with a broad range of measures that will seek to further reduce the carbon footprint associated with scope 1, 2 and 3 emissions as defined in the Greenhouse Gas Protocol. Together with other measures, such as the introduction of low emission and plug in electric vehicles for staff use, the Council is already implementing measures to reduce greenhouse gas emissions and promote renewable energy.
- 4.7.4** Through the work being led by the consultant and the Asset team, the Council is also in the process of applying for substantial decarbonisation capital and project management grants (approximately £180,000) from the Department of Business Energy and Industrial Strategy (BEIS). These grants will support the capital and project programme for the replacement of the public service centre heating system with the latest carbon friendly technology. It is believed the Council is one of the first and few authorities in the country, to embrace this grant programme and make substantial bids to BEIS. This approach further demonstrates the Council's commitment and drive to support carbon reduction and climate change management
- 4.7.5** It is important to emphasise that becoming a 'local energy supplier', as advocated in the Bill, is entirely different from an organisation looking to manage its own energy demand and consumption. The Council's carbon reduction action plan includes reference to a 'demand reduction energy survey' and the potential to offset the Council's energy costs further through the inclusion of additional solar photovoltaic (PV) panels.
- 4.7.6** (ii) Recognises that the Councils can play a central role in creating sustainable communities, particularly through the provision of locally generated renewable electricity.
- 4.7.7** The Committee will need to consider the fact that the process of how the electricity sector works, and how costs will be created and imposed on consumers through the system is complex. Local authorities may not be best placed in terms of having the expertise and knowledge needed in order to objectively assess the proposals suggested as part of the Power for People Bill. Consideration should be given, as referenced in Paragraph 4.4 above, to the implications of supporting communities if locally generated supplies fail, be this supplied by the Council or other community supplier.
- 4.7.8** The Committee may be aware via the national press, of examples of Councils that have ventured into the energy market, with less than favourable outcomes.
- The two obvious ones are Bristol City and Nottingham City who have both now sold the companies after losses of £30 million and £34 million respectively.
- Furthermore, a rapid non-statutory review will be conducted into Nottingham/Robin Hood Energy will be undertaken, according to a recent announcement by the Local Government Secretary Robert Jenrick (2 November 2020).
- "The review will look into the serious governance and risk management issues associated with the Council's private energy company Robin Hood Energy.
- The Council has agreed to this short, informal review to identify the issues it is facing and make recommendations for action that should be taken. The decision to carry out the review was taken following a number of issues raised in a public interest report published in August by Grant Thornton.

The report highlighted the serious failure of the governance at the Council since Robin Hood Energy was set up in 2015, including lack of effective risk management, plus failure to take on advice or pass on accurate and timely information.”

Whilst there will of course be a variation on the ‘scale’ to which local authorities may seek to explore the energy market, it is clearly a marketplace where entry can have serious ramifications if not properly governed, risk assessed and assessed.

- 4.7.9** There may be multiple ways of promoting greater community-owned, distribution network-embedded renewable generation rather than the solely the proposal as set out in the Bill of small generators becoming ‘suppliers’ in their own right. The Committee will need to consider whether there is sufficient information within the Bill at this, or future points in time and a sufficient knowledge base within the Council to objectively consider the merits or otherwise of the specific approaches proposed in the Bill.
- 4.7.10** (iii) further recognises that:
- a) very large financial setup and running costs involved in selling locally generated renewable electricity to local customers result in it being impossible for local renewable electricity generators to do so;
 - b) making these financial costs proportionate to the scale of a renewable electricity supplier’s operation would create significant opportunities for Councils and Community Groups to be providers of locally generated renewable electricity directly to local people, businesses and organisations; and
 - c) revenues received by Councils that became local renewable electricity providers could be used to help fund local greenhouse gas emissions reduction measures and to help improve local services and facilities.
- 4.7.11** (iv) in view of the above, the Council supports the Local Electricity Bill, currently supported by a cross-party group of more than 200 MPs, and which, if made law, would make the setup and running costs of selling renewable electricity to local customers proportionate by establishing a Right to Local Supply and will: inform the local media of this decision,
- write to local MPs, asking them to support the Bill, and
 - write to the organisers of the campaign for the Bill, Power for People, (at 8 Delancey Passage, Camden, London NW1 7NN or info@powerforpeople.org.uk) expressing its support.
- 4.7.12** The Bill refers to the setup and running costs involved in selling locally generated renewable electricity to local customers being prohibitive and thus making it impossible for local renewable electricity generators to do so. The Bill also suggests that making these financial costs proportionate to the scale of a renewable electricity supplier’s operation would create significant opportunities for Councils and community groups to be providers of locally generated renewable electricity.
- 4.7.13** Cost is likely to be just one of several complex factors that would need to be considered by any Council or community group, as part of a detailed risk assessment and business case. The implications of Clauses 1 – 4 of the Bill would need to be carefully considered. The Bill refers to the role of Ofgem (Office of Gas and Electricity Markets) in determining the relevant licence, licence conditions and radius of sale of any locally produced electricity.

4.7.14 There are several examples of local Councils entering the energy supply market and ending up losing substantial sums, rather than the returns that were envisaged, indicating that this is by no means a risk-free investment market.

5.0 CONCLUSION

5.1 In essence, the requests contained in the motion are dealt with in this report and, after considering the information provided above, the Committee is asked to recommend to Executive Committee whether or not to sign up to the Local Electricity Bill.

6.0 OTHER OPTIONS CONSIDERED

6.1 None.

7.0 CONSULTATION

7.1 None.

8.0 RELEVANT COUNCIL POLICIES/STRATEGIES

8.1 Workforce Development Strategy.

9.0 RELEVANT GOVERNMENT POLICIES

9.1 None.

10.0 RESOURCE IMPLICATIONS (Human/Property)

10.1 None.

11.0 SUSTAINABILITY IMPLICATIONS (Social/Community Safety/Cultural/ Economic/ Environment)

11.1 The Committee will consider these implications when undertaking reviews and in making its recommendations.

12.0 IMPACT UPON (Value For Money/Equalities/E-Government/Human Rights/Health And Safety)

12.1 The Committee will consider these implications when undertaking reviews and in making its recommendations.

13.0 RELATED DECISIONS AND ANY OTHER RELEVANT FACTS

13.1 Council 28 July 2020 – Minute No. 20.2.

Background Papers: None.

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Appendices: 1 – Motion to Council.
2 – Local Electricity Bill.