

NORTH LINCOLNSHIRE COUNCIL

**HIGHWAYS AND PLANNING
CABINET MEMBER**

**DEPARTMENT OF ENERGY AND CLIMATE CHANGE (DECC)
CONSULTATION ON ALLOWING
LOCAL AUTHORITIES TO SELL ELECTRICITY**

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To authorise North Lincolnshire Council's formal response to the above consultation.

2. BACKGROUND INFORMATION

- 2.1 The government expects local authorities to play a major role in meeting the national targets for expanding the use of renewable energy/heat and reducing the emissions of CO₂.
- 2.2 In order to help local authorities meet these targets the government have introduced the Renewable Heat Initiative (RHI) and significantly expanded the payments made under the Feed In Tariff (FIT) regime.
- 2.3 During the recent pre budget report the government has also proposed to allow local authorities to borrow against income streams from the RHI and FIT.
- 2.4 However, under The Local Government (Miscellaneous Provisions) Act 1976 (Section 11 (3)), local authorities are prevented from selling electricity that they produce, except where it is in association with heat production e.g. through a district heating schemes.
- 2.5 However, as part of their role in addressing the challenges of Climate Change and meeting their commitments to sustainability, many local authorities are now developing renewable generation projects either themselves, or in partnership with others. Under the existing regulatory regime they are not allowed to sell the electricity.
- 2.6 The government believes that local authorities have an important role to play in efforts to tackle Climate Change. Allowing them to sell

electricity generated by them from renewable sources would encourage the development of local renewable electricity projects.

3. OPTIONS FOR CONSIDERATION

3.1 There are no decision options to be considered.

4. ANALYSIS OF OPTIONS

4.1 The council has agreed a target of reducing its CO₂ emissions by 33% over the next five years.

4.2 Recent analysis of the council's energy consumption data, against the background of increasingly volatile energy markets suggests that over the next few years, the costs to the council will increase from £4.5 million to 8.7 million.

4.3 The Government has recently put in place a new regulatory framework including the RHI and FIT. North Lincolnshire Council will be able to benefit from these initiatives.

4.4 However, the new regulatory framework will benefit the council more if it were able to sell its electricity to the National Grid.

4.5 Removing the restrictions set under the Local Government (Miscellaneous Provisions) Act of 1976 is therefore vitally important to the council in order that it might invest in renewable energy technologies.

4.6 Investing in renewable energy/heat technology will be vital to the council in order for it to reduce its emission by 33% over the next few years and therefore reduce its exposure to the Carbon Reduction Commitment Energy Efficiency Scheme.

4.7 Option 1 is the preferred option.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Financial

5.1.1 In order for the council to be able to invest in new renewable technologies it needs to be able to capitalise on the RHI and FIT.

5.1.2 Under the FIT Scheme, any energy not used by the building can be fed into the National Grid and a payment received.

5.1.3 Unfortunately under the existing regulatory regime the council will not be able to benefit from the FIT Scheme. This may affect the viability of renewable energy technologies on council owned buildings.

5.2 Staffing

5.2.1 There are no staffing implications arising from this report.

5.3 Property

5.3.1 There are no property implications arising from this report.

5.4 IT

5.4.1 There are no IT implications arising from this report.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

6.1 Statutory

6.1.1 Being able to invest in renewable energy will help the council to progress through the league table under the CRC Scheme.

6.2 Environmental

6.2.1 The council has established a demanding target of reducing its CO₂ emissions by 33% over the next 5 years.

6.2.2 Its essential that the council can invest in renewable energy and sell its excess electricity in order to reduce its emissions at the local level and contribute to the national target of reducing emissions by 80% by 2050.

6.3 Diversity

6.3.1 There are no diversity implications arising from this report.

6.4 Crime and Disorder

6.4.1 There are no Crime & Disorder implications arising from this report.

7. OUTCOMES OF CONSULTATION

7.1 Copies of this report have been circulated to Asset Management and Culture, Legal and Democratic Services and Children and Young Peoples Services.

8. **RECOMMENDATIONS**

- 8.1 That the response outlined in Appendix 1 be approved for submission and the report be referred to the Leader of the Council – Regeneration, Marketing and Strategic Finance Cabinet member for information.

SERVICE DIRECTOR HIGHWAYS AND PLANNING

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Background Papers used in the preparation of this report: Nil

Appendix 1

Response to Allowing Local Authorities to sell electricity.

The consultation asks just one question.

Should Local Authorities be given the power to sell electricity generated by them from all forms of renewable generation as defined in the Renewable Directive?

Response

North Lincolnshire Council strongly believes that Local Authorities should be given the power to sell electricity generated from all forms of renewable generation as defined by the Renewable Directive.

Justification

The government believes that Local Authorities have a central role in reducing carbon emissions and increasing the roll out of renewable energy technologies. At the same time it has put in place the necessary regulatory framework through RHI and FIT and introduced an assessment regime through NI185 and the CRC Scheme to drive the agenda forward.

Against this background it would seem ludicrous to constrain Local Authorities by preventing them from being able to sell any excess energy into the National Grid. At a time of reductions in Local Government finances another income stream could help to protect local services.

Local Authorities also need to be showing strong community leadership on the issue of Climate Change. Preventing Local Authorities from being able to sell their excess electricity could affect the viability of renewable energy technologies. Local Authorities need to be able to lead from the front in this issue by installing renewable technologies and then promoting it to their wider communities.