



Remunicipalisation Workshop

Main outcomes

Ettlingen, Germany - 28th February and 1st March

A trend of energy supply remunicipalisation in Europe?

Many factors can lead a local authority to become an operational actor in the energy sector and go beyond a planning role¹. Tackling fuel poverty, using local energy sources, achieving climate, energy and environmental targets, relocalising added value and jobs, strengthening local communities are some of them. In addition, an increased interest in the local economy, decentralised energy technologies, end of concession contracts and a diverse range of new business models offer good opportunities to launch local energy companies. A local/municipal company is very often the right organisation able to make the best out of the local context.

Main issues and needs: how to set up a local energy company?

There are many issues that have to be tackled to create a local energy company. But first of all, it should be mentioned that there is no “one-size-fits-all” model, there is a specific local context which has to be taken into account. The challenge is therefore to identify and **seize the favourable opportunities** and to **start rather modestly** and to continuously expand the engagement and offers.

Example: 12 persons worked on the development of RobinHood Energy, a non for profit electricity and gas supplier owned by the city of Nottingham. When the company launched their offers in 2015, the staff represented 50 employees. In 2019 there are more than 200 employees.

Key success factor: investing in the local community

The main advantage of a local and public company is its proximity to customers and its focus on the common good and public interest. As such, a key factor for the company is to be known within the community and recognised for its **positive impact**. Indeed customers looking for a local company are expecting personal contacts and advice. This would bring more customers and ensure sustainability on the long term.

Example: Stadtwerke Ettlingen is member of a local energy cooperative, and 90% of the employees live in the area. The company offers free advice for energy efficiency, for example during thermography walks with citizens and via an Info-Bus which is circulating in Ettlingen.

Different business models are possible and they should be adapted to the local context.

¹ See the study [Local energy ownership](#) in Europe, Energy Cities

Business model (I): From an energy supplier towards an integrated model

The following trend can be underlined: it is less costly to **start as a supplier** (buying energy on the wholesale markets and selling it to end-users) than producing energy. Indeed up-front investment costs are much less important. But the energy market (especially electricity and gas markets) are really competitive and it is difficult to achieve an adequate margin to gain benefits. Thus it could become important to start producing energy to reduce costs and to propose additional services to keep attracting customers. However in some countries legislation blocks the integrated model, mainly when it comes to the regulated activities, such as transport and distribution of energy.

Example: Stadtwerke Müllheim-Staufen (SWMS) was set up in 2009 to supply heat, water, gas and electricity. Then it gradually started to produce energy (heat and electricity). In 2019 the electricity production covers around 20% of the electricity sales. The goal is to achieve 100% in 2050.

Business models (II): being a multiple-energy supplier is a key advantage...as well as being a multiple-energy producer

Supplying **different kinds of energy** (electricity, heat, gas...) is an advantage to attract customers, who usually prefer to have one single supplier instead of several. It also allows to reduce costs through synergies for management and operations (relations with customers, internal sales department). Some local utility companies also propose water supply or telecommunication services in addition to energy. The same apply for the energy production: synergies can be found to reduce costs and being less dependent on external companies. Added value can be created by coupling electricity and heat production (for example via heat pumps and cogeneration units) or by operating water network and heating and cooling networks.

Example: In Kalundborg, an industrial symbiosis concept has been deployed for many years, based on circularity. For example the wastewater of the area, managed by the municipal utility company, is provided to an industrial company which extracts organic matter to produce biogas. Then the local company recovers heat from wastewater to supply the DHC network.

Business models (III): the end of Feed-in-Tariffs leads to new business models for energy producers

Some local energy companies invested in energy plants (like solar panels, wind turbines, hydro power plants, CHP plants) to produce electricity but most of the time this energy has been sold through Feed-in-Tariffs scheme. However, with the decreased use of these kind of schemes by national governments, **new business models are emerging** like aggregation (pooling electricity from small decentralised power plants to sell it on the wholesale market) or direct supply to end-users.

Business models (IV): a lot of services can be offered in addition of energy

The energy market is an ever-changing world, today mainly through decarbonisation, decentralisation and digitalisation. It opens a lot of opportunities: local energy companies can offer third-party financing, energy performance contracts, technical services (boilers' maintenance, meters' change and billing), e-mobility services, and building energy management.

Example: Stadtwerke Ettlingen (SWE) offers energy performance contracts, proposing customers to replace their old gas boilers with highly performing ones for free in exchange of a long-term gas supply and maintenance contracts. It also installed 20 electric charging stations in the area and proposes a car-sharing service (20 electric vehicles) to foster the development of e-mobility. Besides, the local company manages several municipal buildings including swimming pools and optimises their energy consumptions.

Data protection and hacking: in a digitalised world, these two topics are growing issues

More and more operational equipment, especially for the electricity grids, are connected to the Internet and remotely managed. This leads to a risk of digital attacks which could have important negative consequences, like black-out.

Example: Stadtwerke Ettlingen is working to improve data protection and protect its infrastructures against hacking.

Pricing: attractive offers in line with strategic goals but not the least expensive ones

It is necessary to have a **fair price** to attract customers but being the least expensive actor on the market is not always necessary. Customers choose a local company mainly for the **relationship**: they want to have someone to talk to and know their supplier. Price is one decision factor but not the only one. There are many pricing possibilities according to the company goals. Some electricity tariffs can support the electricity self-consumption. Some companies offer lower prices to local customers or different prices according to customer categories (students, elderly...).

Examples: RobinHood Energy offer very attractive tariffs on the pre-paid segment because deprived households having pre-paid meters are the core target of the company whose goal is to fight fuel poverty.

Grid ownership: better but not compulsory

It is not necessary to own gas and power grids or district heating networks to start an energy company. However, it is usually a **source of revenues** for the grid owner which receives concession fees from the

operator and for the company which operates the grid. Grid operation is a regulated activity which requires a **high level of expertise**, thus it is difficult to enter this market (and sometimes impossible due to policy barriers, like for example in France).

Examples: Stadtwerke Müllheim-Staufen bought the power grid in 2012 and the gas grid in 2015. The pay-back period is around 10 years. However, the power grid is operated by a private company, the local company is the owner only.

Stadtwerke Ettlingen is more than 160 years old and is operating the power and gas grid in Ettlingen area, one the most profitable activities of the company. Since 2011 the grid operation has been done through a separate subsidiary as being a supplier and a distribution supply operator at the same time is not legally allowed.

Finding customers (I): a strong brand required

Important point before starting a local company is to design a strong brand aligned with the goal of the company. It will be more successful if it is **linked with the local identity** and underlined the services' quality.

Example: RobinHood Energy has the goal to tackle fuel poverty and help deprived households getting access to energy at affordable prices. Their brand, based on Robin Hood, both reminds the local identity and how much they take care about people in need.

Finding customers (II): Customers from local areas and beyond

A local company usually has local customers as first customers, as one goal is to **create value** for the local community. Local companies can reach them through attending and organising promotional events. However, more distant customers should not be neglected because they can be also interested in local companies' offers focused on customer relations, quality, social and environmental commitments. These customers can help reaching the **minimal size** allowing the company to be sustainable. As well both residential and private customers can be targeted, it could be a mistake to narrow the customer segments to one category.

Examples: The first customers of Stadtwerke Müllheim-Staufen were commercial companies which was a surprise because at the beginning the company was focused on households.

Since the energy market liberalisation Stadtwerke Ettlingen lost 15% of their customers in Ettlingen area, so they develop a marketing strategy for customers outside the territory.

Finding customers (III): the involvement in local energy communities can be a booster

The involvement of local public companies in the local energy community reinforce the position of the company as a positive impact player, under the conditions that goals of the energy community and the local company are aligned. The company can invest in the local cooperative and/or bring know-how about project development and energy market for example. In return members of the energy community often become customers and informal ambassadors of the local company.

Example: Stadtwerke Müllheim-Staufen has invested 25,000€ in a local cooperative which has developed a hydropower plant. Almost all of the cooperative members are customers of the utility company.

Finding customers (IV): building partnerships is key

Building partnerships is key to reaching new customers and propose new services. One way to do so is to propose **white-labels** to other municipalities. This enables them to propose energy offers of the company under their own brands. It can help them strengthen their local identity and it brings new customers to the local company.

Example: RobinHood Energy has partnerships with 9 local authorities and social companies to propose its services under white labels.

Finding human resources (I): the barrier of the public salary scale

Entering the energy markets requires skills and experience and it is a key issue to hire competent employees. Sometimes public companies are subject to the salary scale of the public sector, which can be a barrier to attract experienced people. If possible the legal form of the company should authorize to propose **attractive salaries**.

Example: Stadtwerke Ettlingen, unlike Stadtwerke Müllheim-Staufen, is not able to decide the salary grid in the company, which makes them more difficult to attract high-skilled employees.

Finding human resources (II): the company board and the shareholders can be a valuable source of knowledge

The board of the companies can include people outside the city council who will bring their experience and knowledge of management and business. Besides it could be interesting to propose to an existing utility company to be a shareholder of a new local company (joint-venture). This utility company could also transfer knowledge to the new one.

Example: the company board of Stadtwerke Müllheim-Staufen includes 5 city representatives and 7 external persons who brings different competencies. The 3 shareholders are two cities (Mullheim and Staufen) and one utility company.

Financing (I): up-front investment costs are usually high and finding other financing solutions than the municipality budget is often required

The energy sector is usually a highly capital-intensive sector which required huge investments with a long payback period. Municipal companies cannot afford to have loans with interest rates of 5%, usually their acceptable rate is 2%. One financing solution can be the emission of **green bonds** from the municipality which can be invested in green projects conducted by the municipal company. Another option is to have partnership with **pension funds** which can lend money on a long-term period and do not require to be reimbursed during the first operation years, which gives time to become profitable.

Example: Mijwater BV, originally a company owned by the municipality of Heerlen in the Netherlands, is developing and operating district heating and cooling networks. In this kind of projects almost 90% of the investment is for infrastructures, with a payback period around 25 years.

Kalundborg municipality emitted green bonds for an amount of 500 million kroner. Investors were even willing to buy bonds for 1,500 million kroner in total, showing that there is high-interest for the implementation of green projects by the municipality.

Financing (II): municipal companies are a source of revenues but also a risk

Municipal companies can be a source of revenues for municipalities but also a source of costs in case the company is in deficit. In a highly competitive market, it is important to give **agility** to the management and have **flexible decision making** processes, so that the company can be reactive. Long-term investments have always a part of uncertainty, as customers are often reluctant to sign long-term contracts (more than 5 years).

Example: Stadtwerke Ettlingen has been profitable for many years but due to the economic crisis (2009-2012) the company's annual balance was in deficit for 3 years. The municipality had to pay for the losses. Annual benefits in the past years have been situated between 0.5 – 1.5 m€.

RobinHood Energy is a not-for-profit company so the benefits are not redistributed to the municipality. However the municipality is lending money to the company with an interest rate (if not, it would be kind of public aids); so the municipality is perceiving some revenues from the company. In addition, Nottingham municipality has invested around 7 million pounds to set up the company, which is now evaluated at 30 Million pounds.

Tackling energy poverty: a difficult task not always in the priority of energy companies

Energy poverty is a risk for energy companies as they have to deal with people who are not able to pay their energy bills. There are different ways to tackle fuel poverty, it could be done via **discounted tariffs** for people in need, or via **trainings** about energy management and efficiency. However, depending on the goals of the municipality and the company, it is not always seen as the responsibility of the company but rather a social issue. Having regard to the data protection, a municipal energy company

can be the adequate organisation to identify fuel poverty situations, working hand in hand with social and municipal services to find solutions.

Example: The city of Cadiz trained more than 1,200 citizens about energy efficiency. They also created a social tariff for poor people which will benefit around 2,000 families. This social tariff was designed in a collaborative way with citizens and stakeholders. The company and the municipality will each pay half of the costs of this tariff. In case families can't pay their energy bills, the city will advance them the money.

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