

LCN Fund Full Submission

Supplementary Answer Form

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Project code:	NGT203	Question Number	21
Question date	03 October 2013	Answer date	11 October 2013
Submission section question relates to	Expert Panel Bilateral		
Topic	Partners		
Question	<p>We note the current and ongoing funding constraints on County Councils.</p> <p>(a) To what extent does the project's successful delivery rely on Durham's involvement? What contingency is there in the event that Durham was forced to withdraw from the project?</p> <p>(b) What is Durham's role in ensuring the retention of trial participants?</p> <p>(c) Please explain why the variable cost of local authority intervention (£80k/year) is much higher than for the wider community or schools interventions (see Table 3.3. p16).</p>		
Notes on question			
Answer	<p>(a) To what extent does the project's successful delivery rely on Durham's involvement?</p> <p>Durham County Council (DCC) is a key partner as the involvement of a council is very important to the success of the school trials and the local authority trials to facilitate access to schools and to council buildings and employees. However, whilst it is highly unlikely that DCC will withdraw from the trial, should they do so we believe the project will still be able to deliver successfully. This is for two reasons:</p> <ul style="list-style-type: none"> • We have close links with other local authorities in Yorkshire and the Northeast to take forward the trials and expect the trials to appeal to many Local Authorities (for the reasons set out in (b) below); or • Alternatively, the wider community trials could operate without a council involvement but the ease of access to the full range of recruitment channels would be reduced if the council were not to provide the project with the strength of its trusted brand in the community and promotional channels via council forums, 		

community groups, council buildings and council newsletters, etc.

DCC is also providing up to £944k of external funding. This is made up of £430k of employee time managing the local authority trials and facilitating the school trials and £514k of potential EU funding which, if successful, will be used to extend the schools trials. Of the £944k, only £514k is contingent on receiving the EU funding. The success of the trials is not contingent on the successful awarding of the EU funding.

What contingency is there in the event that Durham was forced to withdraw from the project?

As explained to the Expert Panel by Stuart Timmiss, Head of Planning & Assets, Durham County Council are fully committed to the success of this project and are highly unlikely to withdraw from the project. DCC see real value in this project through aiding its sustainability agenda and making real budget savings. We expect all councils to view ACE in the same way.

All councils have a sustainability agenda in which they have to achieve the carbon reduction targets set by the government. Crucially, they also have to reduce costs and manage within budget constraints in order to reduce the budget deficit and maintain lower public spending in the long-term. All councils therefore require long-term sustainable solutions for CO₂ reductions and for cost reductions. DCC can see that there is synergy between these two goals in that energy reductions, in particular peak energy reductions, can reduce operating costs and also reduce CO₂ emissions for the Council and across the County.

Sustainability is therefore a key element of the Council's core plan, which is essential to help achieve its CO₂ and cost reduction goals.

The ACE project contributes to both of these goals:

- The **Local Authority Trials** are a win / win arrangement that any Council would want to undertake for commercial cost saving reasons as well as for its sustainability credentials. 30% of the council's energy consumption is at peak time and so there is scope to address peak demand and lower the council's energy bills. Most of the council benefit in kind is to be spent on this activity utilising the employees that are already engaged on identifying energy savings. The additional aspect that the ACE project brings is to look at the potential for energy saving in the peak periods.
- The **Schools Trials** fit well with Durham County Council's existing "Sustainable Schools Corporate Strategy" which has been put in place to help all schools become Sustainable Schools by 2020. A good working relationship has been developed between the Council and headmasters since the introduction of this strategy, particularly on sustainability issues, and the headmasters are all tuned in to this subject area. The ACE project offers another aspect of sustainability that would be a useful addition to the school curriculum, providing an element of competition, the opportunity to raise funds for the schools and the potential to influence the next generation of energy

consumers.

- For the ***Wider Community Trials***, we are requesting that the Durham County Council provides access to decision makers, opinion formers and people active in the community to promote the ACE DSR propositions in targeted geographic areas. We feel that the DSR propositions should have wide appeal, once communicated, and so access to these channels is important for the project.

The above descriptions set out why we feel that it is highly unlikely that Durham County Council will withdraw from the project. We already have a letter of support from the Council, which was appended to our answer to question 4, and, if the project receives funding, we will have contracts in place with all partners before the end of quarter one 2014.

In the unlikely event that Durham County Council are forced to withdraw from the project, we have sustainability contacts with other local authorities in Yorkshire and the Northeast with which to take forward the local authority and school trials. We also have other routes to wider community engagement with organisations such as the Voluntary Organisations Network Northeast (VONNE), who have indicated that they would be keen to support the project through their various channels by undertaking such activities as:

- Helping us to recruit target clusters of communities who might be interested in being involved.
- Assisting with the identification and selection of local good causes to support, which could be done in partnership with the County Durham Community Foundation with whom they have good links.
- Considering the setting up of a specific good causes fund at the Foundation for the individuals in each cluster to pool their energy savings into and then give out grants to local projects.
- Promoting the initiative widely through their e-bulletin, sent to 1,500 subscribers across the Northeast, which could be targeted down to community groups and charities working in the County Durham area.
- Sending out direct mailings to the targeted groups, endorsing the idea from VONNE.
- Using their social media channels, in particular Twitter to promote the idea.

(b) What is Durham's role in ensuring the retention of trial participants?

Durham County Council will play an important role in recruiting participants and also retaining them. They will provide channels of communication in the community such as the Area Action Partnerships, the Durham Rural Community Council, etc. to aid recruitment, and these channels will be kept open to facilitate the customer retention activity. For instance, project progress reports, individual performance updates, etc. will be provided via these established forums, newsletters

	<p>to residents, etc.</p> <p>(c) Please explain why the variable cost of local authority intervention (£80k/year) is much higher than for the wider community or schools interventions (see Table 3.3. p16).</p> <p>The number and type of participants in each of the three trials are different. This means that the variable costs (presented in Table 3.3, p.16) are not directly comparable with each other.</p> <p>In our bid, we estimated the variable cost of the local authority intervention at £80k/year at project scale. This is higher than the variable costs estimated for the schools and wider community interventions.</p> <p>However, on the basis of cost per kW released, the variable costs across the three interventions are comparable. In fact, the local authority intervention has the lowest variable costs at project scale per kW released: £23/kW compared to £27/kW for the wider community trials at project scale (costs per kW are significantly lower at GB-scale). This is because a local authority site has much higher energy consumption than a domestic customer. We estimate the typical peak demand in Durham for local authority I&C sites to be included in the trial is 200kW, compared to 1.5kW for a household. This means that in absolute terms, the potential reductions in peak and overall energy use per customer are much higher for a local authority site than for a domestic customer. Therefore while the variable costs associated with the trial are higher at project scale than for the other two interventions, the returns in terms of kW of capacity released and in terms of energy savings are also higher.</p> <p>Our analysis of the benefits of the local authority intervention also assumes that the changes in energy use persist for longer than the other interventions, further reducing the annual variable cost. The advice can be applied year after year without further external input at each site (i.e. the council management can ensure that their employees continue the desired behaviours). This means that the cost of the energy advice can be spread over a number of years.</p> <p>As part of the bid resubmission we are re-examining the costs associated with these interventions. We will adjust the business case to reflect these changes.</p>
Attachments	Presentation provided to the Expert Panel on 25 September 2013
Verbal Clarifications (Consultants)	

Q4: Dependency on Durham County Council (1 of 2)

a) Dependency on Durham County Council and contingency should they withdraw

Durham County Council is a highly valued partner

- Durham County Council (DCC) are a key partner and are essential to the success of the school trials and the local authority trials
- The wider community trials could operate without DCC but the ease of access to the full range of recruitment channels would be reduced
- DCC is providing up to £944k of external funding

The risk of withdrawal is low...

- DCC has demonstrated strong commitment to the success of ACE and is highly unlikely to withdraw from the project due to the synergies with its own strategy and plan:
 - Managing the energy use in council buildings will deliver energy cost savings, keeping costs down for council tax payers
 - The wider societal engagement aligns with the council's remit to reduce carbon emissions through a strategy of promoting energy efficiency and sustainability in the region
- Commitments are included in DCC's core business plan

...but alternative options always exist

- Northern Powergrid has well established sustainability contacts with other large councils in the Northeast and Yorkshire
- Other routes to customer engagement are already being discussed with VONNE – the Northeast voluntary sector support body

Q4: Dependency on Durham County Council (2 of 2)

b) Participant retention

- Durham County Council will provide channels of communication to assist with customer recruitment
- These channels will be kept open to facilitate customer retention

c) Variable cost of local authority intervention

- Since the local authority can offer a greater level of flexibility than a domestic household, the cost per kilowatt is similar
- The variable cost is £23/kW compared to £27/kW for the wider community trials
- The variable costs of the local authority trial relate to the provision of energy use advice