Please find attached a variety of information on local councils existing and planned future work to address street lighting in the context of sustainable asset management and addressing the overall strategy outlined in terms of RPP2.

Scottish Futures Trust have outlined that following on from the Dunbartonshire studies they would be able to provide to councils via Society of Chief Officers of Transportation in Scotland (SCOTS), funding permitting, the following services:

- To support the development of an initial feasibility study for a range of local authorities to inform an analysis of the pan-Scotland investment need and any barriers to this investment. This will initially be based upon a Toolkit developed by SFT which will provide a high level indication of the investment need.
- To continue to support Local Authority pilots through providing assistance in the pre-procurement period and development of standard contracts, specifications and related documentation. To provide business case support as required to Local Authorities
- To examine alternative commercial structures where Council's wish to enter into spend to save contracts where savings may fund column replacements.

I've also attached links to committee reports from Scottish Borders and Dumfries & Galloway Councils regarding their own proposals. I am personally aware of these proposals and so an using them as examples, it is by no means meant to represent an exclusive list of councils activities in this regard.

http://egenda.dumgal.gov.uk/aksdumgal/images/att26794.pdf

http://councilpapers.scotborders.gov.uk/viewDoc.asp?c=e%97%9Dc%95ky%8F
http://www.scotborders.gov.uk/news/article/388/cost-efficient_street_lighting_plans_for_the_borders

The letter promoting the aforementioned toolkit and planned workshops is attached to this e-mail and has gone to Directors of Finance and SSN contacts. A street lighting report will be considered at the next meeting of the COSLA DES Executive Group Street lighting report scheduled for the 14th March, following on from consideration of the attached report on DUoS Charges at the last meeting.

Finally given there was also discussion at the session regarding councils and energy production, I've included below a link to the 2011 report produced by SFT/COSLA and the subject of a major conference in Aberdeen in Summer 2011.

http://www.scottishfuturestrust.org.uk/files/publications/Commercial_Aspects_Local_Authority_Renewable_Energy_Production_Main_Report.pdf

George

George Eckton

Chief Officer – Development, Economy and Sustainability Team

Convention of Scottish Local Authorities (COSLA)

Investing in Energy Efficient Street Lighting

All Local Authorities have experienced significant increases in the cost of electricity – almost 20% in 2011/12. At the same time, there are exacting carbon emissions targets and street lighting is due to come within the scope of the Carbon Reduction Commitment scheme. Given that street lighting typically accounts for c.25% of both electricity costs and carbon emissions for a Local Authority, there may be significant savings to be gained from replacing some, or all, of the existing conventional lanterns with a more energy efficient technology.

SFT, in conjunction with SCOTS, has developed a Toolkit to assist Local Authorities understand the investment costs along with the carbon and financial benefits of investing in energy efficient street lighting. In addition the Toolkit will support a high-level feasibility study.

SFT has previously briefed the Directors of Finance on its work in street lighting and the Directors have been copied in on this letter given the potential benefits of the scheme and the need for financial input.

The Toolkit comprises:

o technical guidance, which has been produced in conjunction with SCOTS Lighting Group and advisers Ove Arup & Partners;

o commercial guidance, which looks at a range of commercial structures and sources of finance which are available to facilitate an investment into the street lighting asset and

o technical and financial models which allow Local Authorities to quickly calculate the capital cost associated with upgrading their street lighting assets and introducing a central management system. The technical model also forecasts the energy, maintenance and carbon costs to allow comparison of the existing assets to the upgraded assets. The financial model enables a Local Authority to assess the payback taking into consideration the cost of finance. The models also forecast future carbon emissions.

The Toolkit and feasibility study will allow Local Authorities to analyse the impact of investing in energy efficient street lights, both in terms of future energy costs and meeting carbon reduction targets. It will also inform the assessment of the investment need across Scotland.

It is recognised that Scotland has exacting carbon emissions targets and that affecting an investment into a Local Authority's street lighting assets has the potential to deliver significant savings, protection against future energy costs rises, and also make a material impact in the achievement of Scotland's environmental targets.

The Toolkit will be available for downloading on the Scottish Futures Trust website: (http://www.scottishfuturestrust.org.uk/publications/low-carbon-and-energy-efficiency) from week commencing 4th March 2013.

Support will also be provided to Local Authorities who wish to participate in the form of:

- a training session in the use of the Toolkit which will help them to develop their high level feasibility study. To maximise the benefit of the session we recommend that representatives from the street lighting, finance and sustainability teams attend, and

- assistance in the development of the feasibility study from both SFT and Ove Arup Partners. This will be in the format of telephone support

The sessions are as follows:

1. Glasgow on Tuesday 12th March, 10:30am to 2:30pm

2. Edinburgh on Tuesday 16th April, 10:30am to 2:30pm

3. Perth on Tuesday 30th April, 10:30am to 2:30pm

The sessions will be split into two sections to cover the technical model in the morning and the financial model in the afternoon.

We hope you will be able to attend one of the sessions. Please reply to Anne Robertson (anne.robertson@scottishfuturestrust.org.uk) to let us know on which date you wish to attend and who will be attending from your Authority. Once we know numbers attending, we shall book a suitable venue and inform you and provide directions.

Yours sincerely
Vivienne Cockburn
Scottish Futures Trust
Cc: Director of Finance

Distribution Use of System (DUoS) charges

Purpose

1. To advise the Executive Group of the continuing issue with the significant street lighting cost increases implemented in 2012/13. Specifically the "pass through" cost burden involved in the Distribution Use of System (DUoS) Charges for unmetered Electrical Street Furniture.

2. The paper also suggests further actions members may wish to consider in terms of lobbying the power companies involved, OFGEM as well as the UK and Scottish Governments.

Recommendations

3. The Executive Group are requested to:
   i. Note the significant increases in pass through charges for 2012/13 which show substantial rises in DUoS charges for all councils across Scotland;
   ii. Discuss the explanation from the power companies involved in terms of rationale for the £6m increase this year and the continued wider ranges of high cost charging for electricity at certain times of the day;
   iii. Note the lobbying activities already undertaken on behalf of member councils on this matter with the power companies, regulators and Governments; and
   iv. Mandate the Development, Economy and Sustainability Spokesperson to write to the Secretary of State for Energy and Climate Change Edward Davey MP to seek an explanation of the anomaly in street lighting charges in Scotland.

Background

4. Street Lights and other unmetered electrical equipment such as Traffic Signals, Illuminated Traffic signs etc account for approx 18% of all Scottish Councils energy costs. Across Scotland, this type of equipment consumes an estimated 380GWhrs of electricity annually at an estimated cost of £43m.

5. The introduction of the National Energy Procurement Contract administered by Scottish Procurements on the 1st October 2009 has help mitigate some of the risks and large scale rises which have been prevalent in the wholesale world wide energy market in recent years. The National Procurement Contract has 180+ participating public bodies and >99% of public sector volumes are purchased through the contract. The flexible purchasing model used by the contract, allows for electricity to be purchased when market prices are low and in advance of when required.

6. The main benefit to Councils in this collaborative approach is that it not only achieves the best average market rate through collaboration and economies of scale, it should also provide a degree of certainty in relation to future budget requirements.

Pass through Charges and DUoS

7. The actual cost of electricity to Councils is made of two discrete elements: the raw energy price, which is administered through the National Contract and the pass through charges or standing charges levied by the local Electricity Distribution Network Operator (DNO) which is not competitive but regulated by OFGEM (Electricity Regulator).

8. There are 14 DNO operating in the UK, two operate in Scotland, Scottish & Southern Energy (SSE) and Scottish Power (SP). In general 11 Scottish Councils are located in SSE area and the remaining 21 in SP area.

9. All suppliers of electricity are charged by the local DNO for passing electricity across their cable networks. This charge is referred to as Distribution Use of System (DUoS) and is the largest of the non-competitive pass through charges.

Financial Implications for 2012/13

10. The effect this year on Councils in the SP area is an increase of 10.9% on 2011/12 costs which amounts to an additional total budget requirement of £2.64m across the 21 Councils. For the 11 Councils in SSE area the increase is considerably more severe and costs increased by 38.9%. This smaller group of councils will have to find an additional £3.19m to cover their electricity costs for street lighting and other unmetered electrical equipment in 2012/13. The difference in the scale of increases is attributed in the main to the difference in pass through charges for DUoS. The SSE charges for DUoS are significantly out of step with the other 13 DNO companies and are more than twice the UK average.

11. When this matter was initially raised through Society of Chief Transportation Officers in Scotland (SCOTS) in early 2012, the final figure for DUoS had not been set for 2012/13 and the initial figures given out equated to an £10m increase for 2012/13. This was subsequently revised and reduced to an £6m increase, which could be viewed as highlighting the potential lack of robustness of the original calculation/model used to construct the initial estimates.

Previous Lobbying

12. The Executive Group previously mandated the DES and R&C Spokesperson to write a letter to the Lord Mogg chair of OFGEM, as the regulator of the DUoS Charges and to the Chairs of Scottish Power (Ignacio Sanchez Galan) and SSE (Lord Smith of Kelvin) seeking an explanation for the significant increases across Scotland but also the great discrepancy between Scottish Power and SSE areas within Scotland. The letter was copied to the Secretary of State for Energy and Climate Change and the Scottish Government's Minister for Energy, Enterprise and Tourism.

13. COSLA in their response to the recent Scottish Government consultation on the Procurement Reform Bill have raised this issue and the Development, Economy and Sustainability Spokesperson has specifically raised this in personal correspondence with the Deputy First Minister about procurement reform.

14. The point was made in regard to the consultation questions about the procurement of contracts designated as utilities and that member councils were extremely concerned about the inherent inequality between street lighting charges in

Scotland and the rest of the UK. It was suggested that this is an example where a utilities contract procured with limited competition by private bodies should be subject to some provisions within the Procurement Reform Bill to ensure transparency of pricing and competition to enable the public purse to deliver best value services.

15. The SCOTS representative at the October meeting of the UK Lighting Board raised this matter again. This officer advisory Board recommended that OFGEM should take a lead on this matter rather than councils being referred to the DNOs who in turn respond saying they are administratively constrained by the Common Charging Model methodology used to calculate charging levels.

16. COSLA and SCOTS officers met with OFGEM officials on 22 June 2012. An outcome of this meeting was that OFGEM agreed to ask SSE – the DNO whose charges are significantly higher than others across the UK and Scotland – to write Councils and clarify the rationale for the increase. SSE have written to the Councils in their area, however they continue to charge the higher rate, and Ofgem insist that the DNO is operating within the bounds of the regulation.

SSE Position

17. In summary, SSE have outlined to COSLA a short explanation of how they review and arrive at their DUoS charging levels. This involves the requirement via a DCUSA (Distribution Connection and Use of System Agreement) obligation for DNOs to establish the charging time bands for their DNO Area. SSE advised that it is their understanding that the principles for doing so are common to all DNOs.

18. SSE at the time the charging periods were established used 9 consecutive years of peak demand data as the basis for devising the relevant charging bands. This data was the aggregate peak demand for the current SSE area and reflected the geographical diversity (e.g. includes the most northerly and outlying points) of the region. The resultant charging periods reflect the times in which the actual peak demands occurred during this period of base data.

19. SSE have as part of their 2013/14 tariff setting processes, agreed to review the charging time periods. They agree that DNOs must be consistent in establishing their charging time periods, and SSE believe that the relevant methodology in the DCUSA facilitates this. The resultant charging periods should then reflect the diversity of the regions arising from geographic, demographic and business considerations.

20. Despite SSE explanations, there is still the unresolved issue of why SSE peak demand periods of the day (which attracts the highest DUoS rate) are significantly different from other DNOs. This is the key contributing factor to why SSE DUoS charges are so high and more than double the national average.

Next Steps

21. It is suggested to members that given the limited traction gained by writing to the SSE/SP and OFGEM earlier this year on this matter, that any further representation made on this matter should principally be to the relevant politicians in the UK and Scottish Government. This would be the Secretary of State for Energy and Climate Change in the UK Government copied to the Deputy First

Minister and Minister for Energy, Enterprise and Tourism in the Scottish Government.

22. Members may also wish to consider whether correspondence should again be sent to the relevant Chairs of the power companies and regulator involved, advising them of our continuing position on this matter and the political correspondence which has taken place.

23. This report is also being considered by the Resources and Capacity Executive Group in early December with a similar recommendation to mandate the Resources and Capacity Spokesperson to sign off any agreed correspondence.

Conclusion

24. The Executive Group are requested to note the increases in DUoS charges in Scotland for 2012/13, the £6 million pound increase relative to 2011/12 costs, the significant geographical discrepancy in charges across Scotland and mandate the Spokesperson to address this matter with relevant Secretary of State and Ministers across the UK and Scottish Governments.

George Eckton
Chief Officer (DES Team)
george@cosla.gov.uk

Lindsay McGregor
SCOTS

November 2012