

## **Annex IX**

### **Municipalities and Energy Efficiency in a Liberalised System**

#### **1. Task Description**

The project will investigate how the roles of local authorities in demand side management are affected by a liberalised market and in the light of these changes and examples of good practice, to prepare guidelines for improving the local authorities' service delivery in this field.

Demand side management (DSM) includes action to improve energy efficiency, load management and action to reduce CO<sub>2</sub> emissions by energy substitution.

Local authority activity in this field will be assessed for its replicability, its choice of targets, its effectiveness in producing long term results, its response to social and political needs, its response to conditions of the liberalised market and the likelihood of resources and financing being found on a long term basis.

The Annex will provide an up to date view of municipal action in Participants' countries and the likely results that can be expected from such action.

#### **2. Objectives**

The objectives of the Task are to:

1. Identify municipal roles and municipal practices in DSM activity within the context of their national energy scene and evaluate their effectiveness;
2. Evaluate the impact of the liberalization of energy markets on DSM activity and identify means by which municipalities can respond to this;
3. Define priorities for municipal action on DSM;
4. Make recommendations on how municipalities can improve their service delivery on DSM, both in-house and to third parties;
5. Propose an action guide relating to demand side management at municipal level, presenting common factors and specific features and to illustrate this with examples.

#### **3. Means**

- a) The objectives shall be achieved by the Participants in the following Subtasks.
  - (i) Subtask A: Launch workshop

The objective of this Subtask is to host a launch workshop to bring the Task Participants and their designees together and to present the issues

facing municipalities in the Participants countries when promoting energy efficiency.

(ii) Subtask B: Municipal roles

The objective of this Subtask is to describe the roles and responsibilities of municipalities in the Participant's countries before the introduction of liberalization in the context of national energy policies, including those affecting energy efficiency. The Participants will achieve this Task by preparing briefing papers on the situation in their countries, providing a summary outline of the situation.

(iii) Subtask C: Impact of Liberalization

The objective of this Subtask is to analyze the different approaches to liberalization and their general impact on energy efficiency activity. Participants will review the approach to liberalization in their country and the impact on energy efficiency activity, in particular by energy suppliers and by local authorities. Participants will carry out this work by designing a common framework for identifying and analyzing the impact of energy restructuring on DSM activity at municipal level including modifications to municipal powers and responsibilities.

(iv) Subtask D : Best Practice Studies

The objective of this Subtask is to describe best practice DSM projects in municipalities, and changes introduced in municipalities, in response to liberalization. Participants will prepare a limited number of best practice case studies in each country to demonstrate the potential action that can be achieved.

(v) Subtask E: Evaluation

Activity 1: Comparison of the Context of Municipal Action

The objective of this Activity is to compare the different situations faced by municipalities. This will include an assessment of how the situation is affected by the national legal framework.

Activity 2: Comparison of Projects

The objective of this Activity is to compare the projects carried out and methods used to meet the need for DSM.

Activity 3: Drafting Recommendations

The objective of this Activity is to propose recommendations at national and local levels regarding the involvement of municipalities and the role they can play in promoting DSM on the basis of Activities 1 and 2.

For each of these Activities the Operating Agent will prepare a draft appraisal for consideration by a small informal workshop of interested parties and possible amendment of the appraisal.

(vi) Subtask F: Action Guide

The objective of this Subtask is to publish an «action guide» on the IEA DSM and Task web sites and as a printed document. This will include specific recommendations and be illustrated with practical examples. The Participants will achieve this objective by commissioning the Operating Agent to prepare draft recommendations to be considered by an informal workshop and ratified by the Task Participants. In due course these recommendations will be revised in the light of the conclusions of the seminar proposed in Subtask G.

(vii) Subtask G: Dissemination

The objective of this Subtask is to disseminate the results of the work to national, regional, and local elected, administrative and private bodies and those involved in determining policies on energy efficiency in the Participants' countries.

In addition to the web site referred to in Subtask F, the Participants will achieve this objective through the following Activities:

Activity 1: Best practice case studies

Prepare and distribute copies of the best practice studies and action guide to local authorities, national and regional administrative bodies and relevant private bodies such as non-government organizations.

Activity 2 : International Seminar

Organize an international seminar to present the results of the Task and receive feedback from municipalities on the suitability of the recommendations.

b) Subtask Leaders

A Subtask Leader may be appointed for Subtasks B and C, and for other Subtasks, as required by unanimous agreement of the Task Participants which will:

- 1) Co-ordinate the work performed under that Subtask;
- 2) Assist the Operating Agent in preparing a detailed Programme of Work and Budget;
- 3) Direct technical Workshops and provide the Operating Agent with written summaries of workshop results; and
- 4) Edit technical reports resulting from the Subtask and organize their publication.

The Subtask Leader shall be a Participant which provides the Subtask with a high level of expertise and undertakes substantial research and development in the field of the Subtask. The Subtask Leaders shall be proposed by the Operating Agent and designated by the Executive Committee acting by unanimity and funded out of the Common Funding for the Operating Agent as described in paragraph 8(a)

below. Changes in the Subtask Leaders may be agreed to by unanimous agreement of the Annex Participants.

#### **4. Results**

The products of the work performed under this Annex will be designed for use by the Participants and local authorities and government administrations in the Participants countries specializing in energy efficiency.

The results of the joint activities will include:

##### **Subtask A**

Proceedings of Launch Workshop. Minutes of the Task Meetings. An internal newsletter on progress in the project to be produced throughout the project.

##### **Subtask B**

Report 1 : The roles and responsibilities of municipalities in the energy field in each of the Participant's countries and, in particular, their roles in promoting energy efficiency.

##### **Subtask C**

Report 2: The different approaches to liberalization and their impact on energy efficiency activity in the Participants' countries. This will form the basis of an assessment of the situation faced by municipalities.

##### **Subtask D**

Report 3 : Best practice projects to promote energy efficiency which have been introduced by municipalities and action introduced in response to liberalization.

##### **Subtask E**

Proceedings of Workshop. Report 4 : Evaluation and Recommendations for guidelines at national and local levels regarding the role of municipalities in DSM and how the current restructuring process affects the role that they can play.

##### **Subtask F**

Report 5: Publication of an «action guide» on local authority practice on energy efficiency, including specific guidelines and recommendations and illustrated by practical examples.

##### **Subtask G**

- a) Widespread dissemination of the action guide and best practice publications among the target audiences in the Participants' countries;
- b) Organization of an international seminar, publication of the proceedings, and amendment of the action guide, as needed.

#### **5. Time Schedule**

This Annex shall enter into force on 1 January 2000 and shall remain in force for a period of three years. Within the limits of the terms of this Agreement, this

Annex may be extended by two or more Participants, acting in the Executive Committee, and shall thereafter apply only to those Participants.

## **6. Specific Obligations and Responsibilities of the Participants.**

In addition to the obligations enumerated in Article 7 of this Agreement:

- a) Each Participant shall provide the Operating Agent with detailed reports on the results of the work carried out for each Subtask.
- b) Each Participant, in collaboration with participating municipalities, shall collect, assess and report to the Operating Agent information on DSM action and on the context of liberalization of energy markets in its country.
- c) Each Participant, in collaboration with participating municipalities, shall contribute to the editing and reviewing of draft reports of the Task and Subtasks.
- 4) Each Participant shall make available sufficient manpower resources to carry out its responsibilities under this Annex.
- e) Each participant shall be individually responsible for all legal liabilities, actions, claims, costs and expenses connected with action that they individually will take in carrying out the work described in Article 3(a) of this Agreement and shall not be responsible for action taken out by other Participants and the Operating Agent.

## **7. Specific Obligations and Responsibilities of the Operating Agent.**

- a) In addition to the obligations enumerated in Articles 5 and 7 of this Agreement, the Operating Agent shall:
  - 1) Prepare and distribute the results mentioned in paragraph 4 above.
  - 2) Prepare joint assessments of
    - i) the impact of liberalization on DSM in local authorities;
    - ii) best practice in the delivery of DSM by local authorities;
    - iii) recommendations and guidelines for improving the delivery of DSM by local authorities;
  - 3) At the request of the Executive Committee, organize workshops, seminars and other meetings;
  - 4) Prepare the detailed Programme of Work for the Task in consultation with the Participants and participating municipalities and submit the Programme of Work for approval to the Executive Committee;

- 5) Propose and maintain a methodology and a format for the submission of information on municipal roles and responsibilities in the energy field, the impact of liberalization on DSM activities and examples of best practice collected by Participants and participating municipalities as described in paragraph 3 above;
  - 6) Provide, at least semi-annually, periodic reports to the Executive Committee on the progress and the results of the work performed under the Programme of Work;
  - 7) Provide to the Executive Committee, within 6 months after the completion of all work under the Task a final report for its approval and transmittal to the Agency;
  - 8) In co-ordination with the Participants, use its best efforts to avoid duplication with activities of other related programmes and projects implemented by, or under the auspices of, the Agency or by other competent bodies;
  - 9) Provide the Participants with the necessary guidelines for the work they carry out with the minimum duplication;
  - 10) Perform such additional services and actions as may be decided by the Executive Committee, acting by unanimity.
- b) In addition to the responsibilities described in Article 10(c) of this Agreement, the Operating Agent's responsibilities will extend to persons.

## **8 Funding**

- a) Common Fund. A common fund shall be established by the Executive Committee and shall be included in the Annual Programme of Work and Budget for the purpose of funding the obligations of the Operating Agent under this Annex.
- b) Task Costs. The Budget of the Operating Agent for carrying out the management of the Annex is set at \$75,000 for the financial year 2000 on the basis of three Participants. For each of the following years of operation of this Task, the Budget is to be decided at yearly intervals by the Executive Committee, acting by unanimity. If significant changes in price levels or the scope of activities under the Annex occur, the Executive Committee, acting by unanimity, shall consider whether to adjust the Programme of Work to the available funds or to increase the Budget.

c) Sharing of Task Costs.

The Budget shall be funded by the Participants in equal shares of \$25,000 per year.

- 2) For the second and subsequent years of the operation of the Task the Participants' contributions to the common fund shall be determined by the Executive Committee, acting by unanimity.

If further Participants wish to join the Annex in the second or subsequent years, then they may do so on terms agreed by the Participants, acting by unanimity.

d) Payment Terms

The Operating Agent shall send invoices to the Participants at the beginning of each financial year of the Task. Payments from each Participant must be received by the Operating Agent no later than 60 days after the Participant's receipt of the Operating Agent's invoice.

- e) Changes in the Number of Participants. If the number of Participants changes through withdrawal of a Participant the Executive Committee acting by unanimity, shall decide whether to adjust the proportionate shares of the Participants in the Budget or adjust the Programme of Work and Budget to take account of such withdrawal.

- f) Individual Financial Obligations. Aside from the contributions described in sub-paragraph (c) above, each Participant shall bear all the costs it incurs in carrying out its obligations under this Annex, including reporting and travel expenses.

- g) Task Sharing Requirements. The Participants shall commit to the Task a minimum of 6.5 person-months per year.

## **9. Operating Agent**

The Agence de l'Environnement et de la Maîtrise de l'Energie (ADEME) is designated as Operating Agent acting through Energié Cités.

## **10 Information and Intellectual Property**

No intellectual property shall accrue from the products of this Annex unless decided otherwise by the Task Participants, acting by unanimity.

## **11. Participants in this Task**

The Contracting Parties which are Participants in this Task are as follows:

Le Ministère de L'Industrie, des Postes et Télécommunications et du  
Commerce Extérieur (France).

The Netherlands Agency for Energy and the Environment (NOVEM)

The Ministry of Industry and Energy (Spain)

The Swedish National Energy Administration (STEM)