



CENTRE FOR RESEARCH INTO  
ENERGY DEMAND SOLUTIONS

# Local Values & Business Models: a look at energy services



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# Joining the dots on local value, business models and local authorities

- What is local value and to what extent is being delivered through energy services business models?
- What kind of local values are local authorities creating *and* capturing through energy business models?
- Who captures the local value? And why?





# Business model innovations, localism and local value

*Localism* in business models:

- 'Close integration between the firm and local communities and other stakeholder groups' (Bocken et al, 2014)
- Emphasis on the relationship between companies and their sense of place (knowing and caring about a place) (Shrivastava and Kennelly 2013; Guthey et al. 2014)
- Emphasis on the knowledge of the supply chain - closer contact with the different supply partners and other relevant stakeholders (Dybdahl, 2019)
- **Local:** community or local ownership stakes, local involvement in decision-making, geographical scope, compliance with legal or regulatory guidelines, resource proximity, and forms of service provision (Gonzalez, et al, 2021)



# What is *local* value?

- “ Needs to **involve local people** and create and capture local value”
- It is performative: “Local value is about **empowering people locally**”
- “Local benefits .. fuel poverty, energy efficiency, upscaling decarbonisation, making homes nicer places to live for the elderly ...to **the community and the social aspect are more important than the energy which is being created**”
- “Business models are led by **local authorities** because they value the wider **benefits of the energy transition, that are not valued by the market and industry...like responsibility for public health**”
- **Local value almost always emerges from intersectional activities/action:**  
“However, not just the energy strategy of local authorities need to be Net Zero, the health strategy, the waste and education strategies also need to be Net Zero ....otherwise they might be working across purposes...”

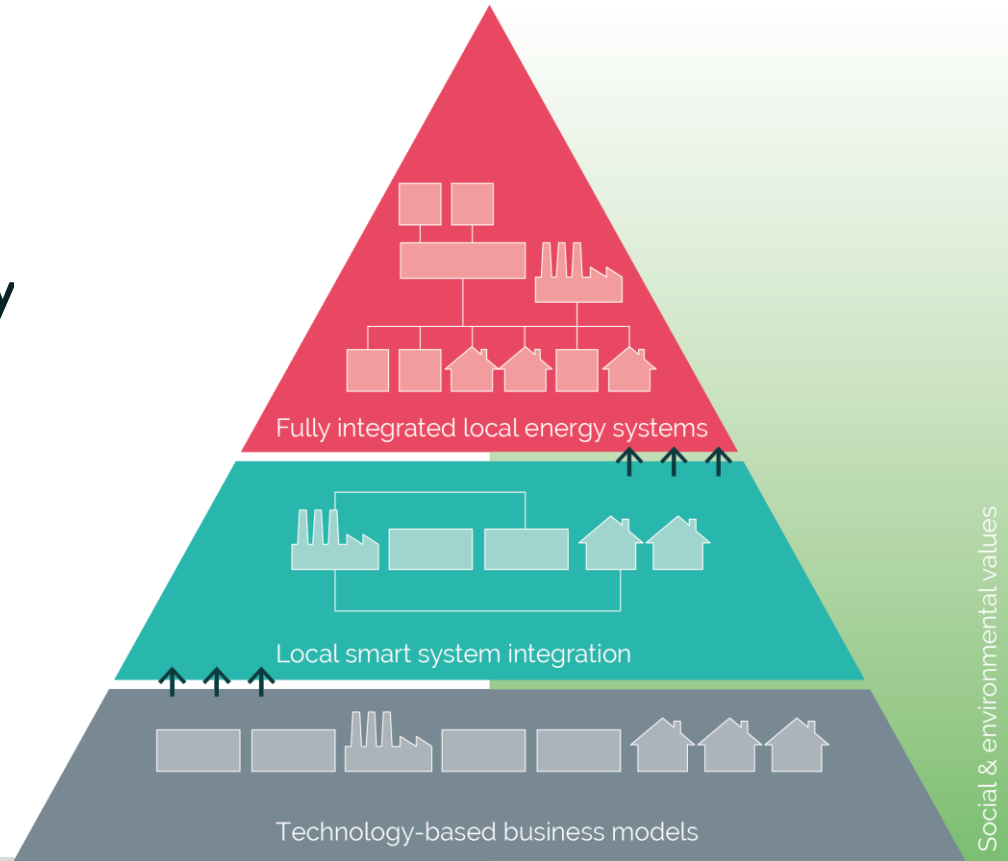


# Why we need to unpack local value?

- Gonzalez, et al, (2021) found that more than one third (36%) of businesses declare the delivery of some type of benefit to communities (community funds, local ownership, etc)
- **Value gaps** in digital energy business models: social and environmental values & difficulties realising local user values (Hiteva and Foxon, 2021)
- Discussion on local content (re: economic growth and acceptance) but little in terms of business models as a vehicle for the delivery of local value
- Focus on local authorities to identify and deliver local value, however, action remains mostly small scale and piecemeal, often strongly dependent on “wilful individuals” (Tingey and Webb, 2020)

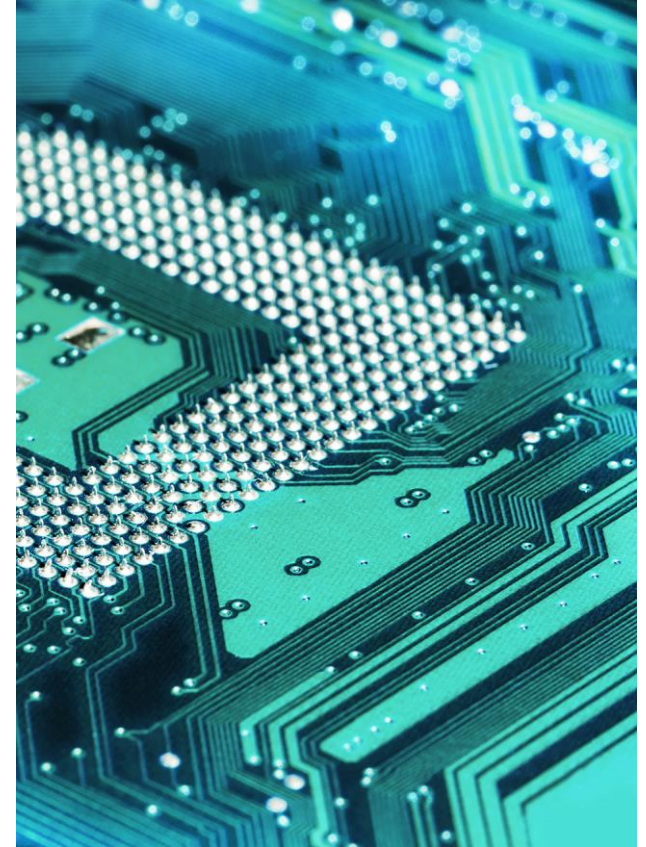



# The innovation ladder : digital energy services business models



# Local value and business models

- Business models as vehicles for shared understanding of different value propositions, which fit together (Magretta, 2002:436)
- Business models as a way to create, capture and monetise value
- Distinction between economic value as traditional business model value and *social & environmental values* as *new values* (Hall and Roelich, 2016)
- Institutional layer of Local Authorities





## ***“Energy business models are a good delivery mechanism for more than energy locally”***

- Energy is not a statutory requirement for LA but enables a lot of “new” economic and social values creation through energy services business models
- **Key role for LAs in developing & defining value propositions in business models for local energy services**
- Local business models offer stability and lower risk (easier to predict local policy and behavior of local actors) and easier budgeting for longer periods of time
- Austerity driven value expansion by business models – LAs need to look for new ways to make money and deliver key values





## Enablers of local value creation and capture

Institutional-level technical knowledge and ability to articulate the nature of the offer

Ability to bring together different stakeholders across different administrative and utility scales and sectors (borough and district authorities)

Good relationships with the supply chain and ability to make use of knowledge in the supply chain

Focus on local business models and multi-vector, multi-benefit models rather than energy business models, building on Climate change legislation and declarations of Climate Emergency

Developing a set of habits in identifying opportunities for innovative business models

Shared expertise rather than replications within innovation

Public money to de-risk/leverage commercial investment

Aggregation to add scale and move away from projects to portfolios



## Barriers to local value creation and capture - I

Those in LAs who have expertise lack the authority to act, while those with authority lack the energy expertise (an early stage barrier)

Risk: Limited budgets and limited appetite for taking risks, particularly lack of culture of taking risks in energy projects - links to vulnerability

Projects are prescribed risk levels according to technology but not in terms of delivering objectives to users

Skill gaps: Many energy managers and planners lack the skills to challenge (big) developers

Working with SMEs- SMEs are often invisible to LAs and risky. Procurement rules of LAs make working with LAs very risky for SMEs. Many SMEs lack experience in successful bid-writing

Procurement rules do not value local content or the delivery of local value

Digital gap – lack of relevant data and the skills to analyse and translate local data from elsewhere (e.g. DNOs)



## Barriers to local value creation and capture - II

Some energy initiatives scaled back and values (carbon savings, efficiency, social welfare) squeezed out through financing

Local value assessed within the established mechanisms (payback, IRR, etc) which don't account for non-financial local value

No clear routes in terms of monetizing or evaluating local value so business cases often don't 'stack-up financially'

Popular mechanisms (PPAs) have limited scope for wider values and redistribution of value for customers and vulnerable consumers

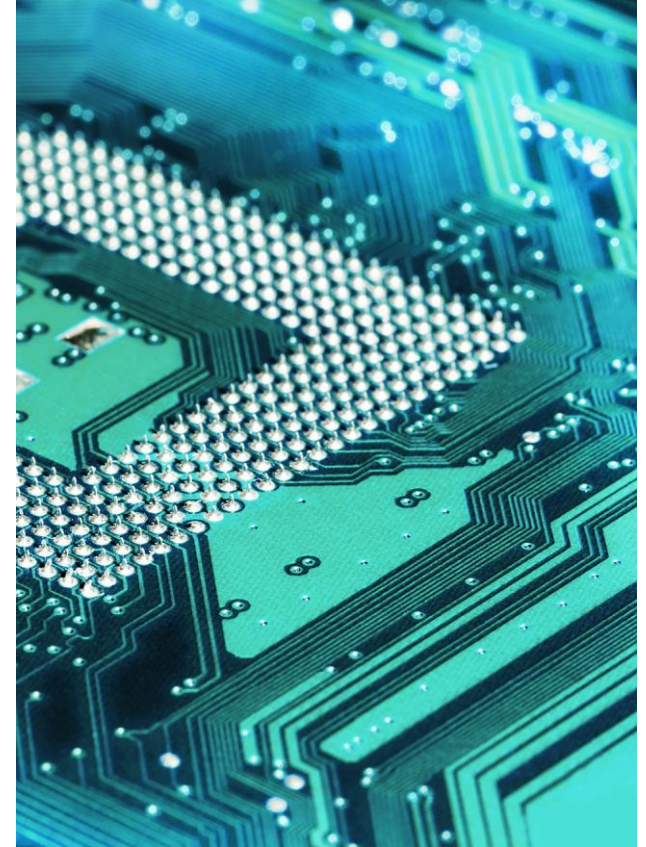
Local authority with high transaction costs

High levels of policy (national level) and local uncertainty

Local energy developments tend to stall due to perceived financial risks, and resulting higher cost of capital

# Conclusions

- Big differences between vector technologies & different scope for creating local value due to lack of skills, partnerships to scale up use etc.
- Big difference in capture of local value depending on who puts the business model together: some projects branded as local in fact create and capture limited local community benefits
- Local value is often articulated through technological need (e.g. the local grid)
- Digital technologies tend to highlight technological need rather than introduce other drivers of local value





Thank you & get in touch:

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