

***Your Agency as
a Catalyst and
Project
Enabler:
Good Practice
from AGENER,
Jaen Energy
Agency,
Andalusia***

This Management Good Practice series is part of ManagEnergy’s ongoing work to help Local Energy Agencies and actors to learn from effective management innovations and good practice implemented across the network of 400 local and regional energy agencies in Europe.


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1. INTRODUCTION

In this management innovation profile we look at the experience of AGENER (*Agencia de Gestion Energética de la Provincia de Jaén*) in Andalusia, Spain. AGENER’s experience offers some interesting insights from at least two perspectives. The first is in terms of the **importance of design and finding an organisational structure and operating basis that will allow you and your agency to achieve its long-term goals.** The second relates to the role of AGENER as a **catalyst between the public and private actors, and how it plays a role of project enabler.**

The enclosed example looks at AGENER's key role in the development and financing of a photovoltaic project. This project may give you insights that are relevant as to how your agency can play a bigger role as a catalyst for the deployment of renewable energy solutions. Aspects of AGENER's good practice are highlighted with the symbol 

2. ABOUT AGENER

The Energy Management Agency of the Province of Jaén started as a non profit organisation in 1998, as part of a project co-financed under the EC SAVE Programme. From the beginning until the middle of 2006 the Provincial Council of Jaén, one of the eight Andalusian provinces in Spain, was the basic supporter of the Agency. Since then AGENER has evolved into an independent and autonomous entity which enjoys the full support of the Provincial Council of Jaen.

For Managing Director of the agency Mr. José La Cal Herrera, some of the biggest challenges during the first years were economic, for example with some of the partners often reneging on investment promises. Another challenge was that of determining what the agency's mission was, and how it would go about fulfilling that mission.

Instead of setting itself up as a non-profit organization, which, according to the

Managing Director, would present "limited possibilities" and is more suited for cultural and social initiatives, the agency took the form of a "société anonyme" in 2006 giving it more of a free reign to manage the agency as deemed best in order to fulfill its mission.

3. PUBLIC MISSION – PRIVATE MANAGEMENT

The share capital of this "société anonyme" was established from the beginning at €300.000, paid up in total by its owner, the Provincial Council of Jaén. As a société anonyme the agency is in an economically more secure position than that of a non profit organisation and is free to approach banks in pursuit of financing. Also, its judicial form leaves it in a stronger position than other entity forms, such as an association or a foundation.

For José La Cal Herrera, being a publicly owned company with a more private sector management and operating structure gives AGENER the best of both worlds – **public endorsement and credibility allied with a highly efficient operating framework.**

Key advantages of AGENER's set-up and structure are summarized in the table below:



ADVANTAGES OF AGENER'S STRUCTURE

- As a "société anonyme" internal working has been streamlined making the agency more secure, stable and agile, able to react to unforeseen circumstances.
- The agency's capacity for obtaining funds has increased, thanks to its strong balance sheet and its public ownership.
- The agency enjoys political support and 100% public capital coupled with a dynamic operating framework.
- There are more possibilities and greater flexibility to supply new services.
- The agency is afforded greater credibility among private companies
- As a "société anonyme" the agency is free to practice complete autonomy in decision making.

4. AGENER TODAY

Today, turnover stands at approximately €1,000,000. Regarding its financial and operating model, AGENER does not intend to grow significantly beyond its current size. *"At present, we believe that we are more or less operating at our optimal scale",* comments José La Cal Herrera; *"if we were to grow the agency further we would need to start implementing projects ourselves. This would require hiring more*

technical and specialist staff, increasing our fixed costs base and the danger of increased risk exposure of a larger costs base should we be unable to secure enough project work. Secondly, and more importantly, we would risk moving somewhat away from our core role as a catalyst and intermediary, and risk starting to compete with local service providers"

5. AGENER THE INTERMEDIARY – THE PROJECT FINANCING AND PROJECT DEVELOPMENT CATALYST

In 2004, the Programme of Local Subsidies was launched by the Andalusian Regional Energy Agency to develop and promote the use of photovoltaic energy in the region. The agency provided up to 40% of the funding. At the time photovoltaic energy was quite an unfamiliar concept in Spain, and hence the drive to increase uptake of photovoltaic energy was not without its challenges.

Initial feedback proved positive when AGENER set about researching which of the municipal authorities would be interested in participating in the project with many of the authorities expressing enthusiasm and a will to get involved. However, concern over financial liability proved to be a big problem with the authorities clearly reluctant to foot any opportunity costs ensuing from the project. The key obstacle was the level of debt that would be incurred by the Local Councils, who were

concerned by the impact such debt levels might have on their capacity to obtaining more funding for their core activities. In light of this concern, some Local Councils began to refuse PV installations.

A solution was suggested whereby AGENER would take on the debt itself but would also benefit from the income. The risks were obvious for AGENER as the installations had to remain under the title of the local authority.

The Agency nonetheless assessed that this was a risk worth taking, in particular given the important renewable energy promotion issues at stake, and decided to push on with the plans. Financing of the projects comes from LCB (by an agreement between the Provincial Council of Jaén), AGENER and a private financial entity), Caja Rural of Jaén, the Andalusian Energy Agency (Regional Council) and I.D.A.E. (Ministry of Industry, Tourism and Trade).

In order to mitigate against the possibility of any of the Local Council refusing to support the installation of PV stations, AGENER proposed to take on the loan itself thus taking over responsibility for management of the entire project. EUR 5.6M was the initial sum needed to launch the first eight installations. Before approaching the banks, AGENER was already in possession of subsidies which could cover up to 40% of the projects and so intended using the income that would be generated by the PV systems as collateral for the required loan.

In their discussion with local authorities, AGENER's main message conveyed was its desire to recover the collateral loan and so an agreement was signed to manage the PV installations for 25 years. Over this period a percentage of the net income generated by the PV installations is paid to the Local Authorities. The amount paid to the Local Authority depends on the size of the subsidy received.

The cost of one 100 Wp PV system is about EUR 770,000. The higher level of subsidies for the installation was 40% of the investment, including VAT (i.e. EUR 308,000). The bank provided EUR 462,600, of which EUR 106,345 came from a short-term loan and the remainder from a long-term loan (amounting to 18 years with 3 years of free interest payment).

Since the inception of the project 21 installations have been initiated throughout the province, representing a total of 1.698 kWp. The cost for an installation generating 100 Kilowatts of power is approximately EUR 600,000 which generates income of in or around EUR 60,000. Operating and maintenance costs and security costs amount to EUR 6,000 which accounts for around 10% of income. AGENER has also succeeded in managing the risk and has remained within its debt ratios.

6. BENEFITS OF THE PV INSTALLATIONS

The PV installations have entailed benefits for all parties, including:



Environmental Benefits: The PV installations championed by AGENER have resulted in a significant fall in CO2 emissions in the region with a total of 1.275 tonnes being prevented from going into the atmosphere.



Benefits for the Local Councils: by pledging their support for the PV installations, the Local Authorities across the regions have boosted their credentials in the field of renewable and sustainable energy, apart from the benefits of their new solar energy supply. The Local Councils' general image has improved among a citizenship increasingly concerned with global warming and CO2 emissions.



Benefits for the Region: the PV initiative has led to a diversification of the economic structure in the region and has created jobs. It has also led to an increase in the production of electrical energy, thereby bringing the region a step closer to achieving the objectives set out in the National Energy Plan.

Benefits for AGENER: by devising this unique model, AGENER has pioneered a system that allows it to act as a catalyst in promoting the deployment of PV solutions. The success of the installations has allowed

the Agency to grow in standing and credibility among its target groups and it has, of course, helped Agency to meet its fixed costs. Today, 25% of AGENER's financing comes from the Provincial Council, with a further 20% coming from the Regional Council of Jaen. **The income from the photovoltaic systems and subsidies now accounts for some 20% of AGENER's income.** Other income streams include income from the services the agency offers to enterprises, which accounts for 15% of agency income, and a further 10% is derived from both European projects and training.

FOR MORE INFORMATION

For information on AGENER and its experiences you can access the Agency's website at www.agener.es or to get in contact with someone at AGENER call +(34) 953294750 or email agener@promojaen.es

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