Who needs business models?

Civic demands on energy business models

The need for new business models for civic energy arises from the rejection of the classic energy business model, known as the one-way street, with its sole objective of delivering a Return on Investment, traditionally in excess of 20%, to corporate shareholders. As we shall see below, civic energy serves a range of objectives that can be clustered as community benefits, many of which lie outside of the energy system. Business model innovation is needed since different objectives imply different business models. Ultimately, however, the success of a civic energy initiative will be attributable to the appropriateness of its business model, which is dependent on two distinct criteria:

- Inclusion of a permanent civic identity into the business model and its decision-making procedures
- Framing as a continuous improvement process to ensure that objectives are achieved, monitored and are safeguarded by corrective action.

These two perspectives in turn determine the main addressees of civic energy business models: communities, regional policy makers and later adopters.

Adopters as future owners of energy supply chains

The group of later adopters or market entrants comprises civic entrepreneurs including those without a professional business background who are keen to replicate the benefits of pioneering energy communities in their home community, albeit with shortened learning curves. For this group of addresses a process approach to initiating civic energy helps avoid pitfalls that have been explored by others and thereby reduce the risks to be taken by stakeholders.

Municipalities and communities of citizens

"Community" in a civic energy context refers to both formal representatives of municipalities and groups or communities of citizen stakeholders or local enterprises with a common goal of shaping their own energy system, building local value chains and generating a consensus on what community benefits the engagement should deliver. Those municipalities with no history of energy services provision or those who wish to regain control of such services and thereby reverse outsourcing strategies of the past require a reliable, quality-assured approach to business model development.

Policy makers

For many policy makers the concept of civic energy is entirely new with energy associated solely with the pursuit of corporate interests. In particular in the light of the transposition of the new European energy communities regulations, policy makers who share a readiness to exploit the potentials of civic energy will need to know how civic energy works and need to be able to assess its successes in order not to impose restrictions on and obstacles to civic energy development brought forward by incumbents' lobbyists.

The Civic Energy Business Model Framework presented in the following addresses these three audiences.

COBEN Business Model Framework

The Civic Energy Business Model Framework outlined in the following was compiled, tested and applied within the COBEN project to allow for transfer of expertise and good practice between the initiatives. The Framework comprises key stages that serve to secure the methodical implementation of diversified civic energy initiatives and thereby reduce the risks associated with civic energy pioneering. Key business model data were condensed in a web-based survey to allow for an assessment of the

prototypes and, as a future assignment, provide an easy-to-use tool for civic energy business model development in other locations.

The COBEN Business Model Framework is not only reminiscent of the Civic Energy; key process elements have been integrated into the Framework with the intention of allowing civic energy business models to be used to drive, direct and monitor civic energy processes.

(You can access the Civic Energy Business Model Browser here and the survey here)

A. ***Location***

Since civic energy by definition is a local affair the specification of the location and its boundaries greatly influences the selection of available renewable energy sources but also the range of potential stakeholders to be enrolled in the undertaking.

B. ***Community benefits***

Many of the benefits a defined community would like to reap from taking control of its energy system lie outside of the energy system and are not purely financial but extend to include social and environmental targets. Since these adopt the function of business model objectives they need to be specified by the community stakeholder consortium at the outset.

C. ***Enablers***

Not all interesting and worthwhile pursuits and investigations of numerous feasibility aspects are suited to delivering the targeted community benefits. The TQM understanding of enablers demands a conscious focus on what factors, individuals, resources or pre-requisites will make the intended results (benefits) happen. The processing of the identified enablers is the central activity of civic energy projecting.

*D. **Energy model***

In this section the technical and material aspects of the energy supply chain are identified in order to provide targets for engineering planning. These include the deployed energy sources.

*E. **Economic model***

The data compiled in this section serve to provide some general characteristics of the initiative's economic model and include whether the initiative is profit-oriented, access to funding support, investment calculations and planned sources of income and equity capital.

*F. **Organisation***

Although a number of organisational archetypes can be used to select an organisational model, civic energy initiatives tend to be unique as they differ in their legal structures, the contributions of individual stakeholders, the number of enrolled households, decisions on ownership of the supply chain, appointed service providers and the management structure.

*G. **Roles distribution***

The roles played by consumers, contracted service providers and the formal community representatives such as the municipality are decisive in structuring the operational set-up of a specific civic energy initiative.

*H. **Risks and security***

The initiators and the members of a civic energy venture need to be able to assess all risks to the success of the initiative. A structured risk assessment of the civic energy

venture is highly recommended. In the light of changing legal frameworks the establishment of legal security is a key success criterion.

I. Launch target

The launch target can be set once all other preparatory stages have been completed.

J. Transfer

Although the adoption of the developed business model is not an intrinsic element of the focussed venture, transfer consultations with other communities provide bilateral learning opportunities and add to the wealth of expertise in civic energy entrepreneurship.