Community Energy England response to ESNZ Committee call for evidence: Unlocking community energy at scale

Energy Security and Net Zero Committee

House of Commons

Introduction to Community Energy England

Community Energy England (CEE) represents over 320 community energy and associated organisations across England involved in the delivery of community-based energy projects that range from the generation of renewable electricity and heat, to the energy efficiency retrofit of buildings, to helping households combat fuel poverty.

Our vision is of strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable energy system.

Community energy refers to the delivery of community led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.

The overwhelming motivation of people and groups involved in community energy is to make a contribution to averting climate catastrophe, followed by a desire to bring community and social benefit. It is a values based movement very much focused on cooperating to get things done.

We believe that these motivations should be shared by all working in the energy sector and on energy system transformation.

NB. Recommendations are indicated by blue text

We ask that the ESNZ committee engage with DESNZ Local Energy Team to get sight of the results of the Barriers to Community Energy consultation that closed in June 2024 and is due to be published imminently. Our consultation response is here.

We remind the ESNZ committee of the Environmental Audit Committee inquiry into 'Removing the barriers to the development of community energy'. Some of the committee's recommendations have been enacted by this government. Some are still relevant such as those referring to Ofgem and local authorities.

Contents

1. How could the Local Power Plan to be produced by Great British Energy build upon existing community energy support schemes, such as the Community Energy Fund?

1.1. The Local Power Plan must be about more than generation. It must support whole systems thinking about the development of the energy system including the vital importance of 'local' and of the active participation of people. It must help to create local energy markets to incentivise local balancing and flexibility to increase efficiency and reduce pressure on the grid. Without this we will fail to achieve net zero targets because it will be physically impossible to reinforce the grid fast enough, no matter how many more gigawatts of additional renewables we install. Smart Local Energy Systems are key to this local balancing and will reduce fuel poverty at the same time as people access cheaper local power.

1.2. Continuity from the Community Energy Fund (CEF) to the Local Power Plan (LPP) provisions is key to avoid any hiatus in the momentum for growth. Certainty is needed as soon as possible.

The Community Energy Fund

1.3. Underwrite CEF, extend and expand to UK-wide until LPP measures are in place so that no viable projects are stalled.

1.4. Currently 170+ projects have been supported by the CEF. The sector is back growing exponentially again. At the half-way mark of the fund in July 2024, more than half the funding had been allocated and the Greater South East Net Zero Hub had awarded all its funding, meaning there are many good viable projects and organisations in the region that are effectively stalled for want of development money which this government has pledged in the Local Power Plan. Both the SW and the Midlands Hubs expect to be 'very, very oversubscribed' by the end of the last round in March 2025.

1.5. We must not lose expertise and mechanisms developed to support the sector, especially in the Net Zero Hubs (as happened when the Rural Community Energy Fund ended in March 2022 without replacement).

1.6. The CEF supports generation *and heat* projects and for the first time (after much lobbying) energy efficiency projects. Community energy organisations are brilliant at bringing together multiple elements as appropriate for the location. One example supported by the CEF is the Bishops Castle Heat Initiative which plans to build a wind turbine to provide cheap energy which will make viable a town scale heat network. The LPP must support such holistic projects, not just the generation element of them.

1.7. The Net Zero Hubs should set up a library of successful CEF projects so that people planning projects can learn from those ahead of them. This would become part of the knowledge hub and spoke model described below.

1.8. Ensure LPP funds are co-designed with the sector and local authorities to ensure collaboration, rather than two strands of activity that compete and conflict at a local

level. This must be both mandated by grant (and loan) conditions, and encouraged by incentives and education and support programmes for councils and communities. See examples below. Local authorities that plan to collaborate with their communities should have priority access to the LPP grant funds. Local authorities in areas without community energy organisations should be supported to set them up (as happens with the DESNZ supported Community Energy Pathways programme with great success). Local authorities like Plymouth City Council pioneered setting up Plymouth Energy Community fifteen years ago which has delivered many generation, energy efficiency advice and retrofit projects in the city.

1.9. Examples: North Lincolnshire County Council received money from the Town Fund, with a condition to connect with the community. They commissioned Energy4All to set up North Lincolnshire Community Energy, which raised £600,000 to install solar on multiple schools, saving £100,000 on energy bills in the first 9 months of operation. Crawley Borough Council received £1m from the Towns Fund and this has been used by Brighton Energy Cooperative and Brighton and Hove Energy Services Cooperative to set up a community energy organisation in Manor Royal business park.

1.10. The LPP should focus on supporting and nurturing the sector back to growth not just on getting money out of the door. This requires funding for expert input and project support which is both technology specific and knowledgeable about the local circumstances. CEE proposes a 'knowledge hub and spoke' model where a national centre of expertise (hub) about a specific technology or theme can produce resources, advise and support local experts (spokes) to visit projects to give more locally specific advice. The representative community energy associations (CEE, CE Wales, and CE Scotland) already have the networks to support the coordination of this model, working with the UK Energy Learning Network (see 1.15).

1.11. Nurturing community energy organisations and projects is particularly important in the pre-application period, building capacity, doing pre-feasibility scoping and relationship building work before even a project is identified for which to apply for feasibility/development funding. Experience from CO2sense, a revolving loan fund established in 2012 as part of the Yorkshire Forward Regional Development Agency, shows that a loan scheme which has a long term stake in the success of a project may be better at this than a simple grant scheme like the CEF. Experienced community energy organisations and practitioners have a valuable role to play in nurturing new projects but would need to be supported to do so.

CARES, the Welsh Government Energy Service, and London Community Energy Fund

1.12. Effective advice and support programmes are already working in Scotland and Wales (CARES & Welsh Government Energy Service) See this Energy Saving Trust briefing note on 'How the UK Government can support community energy to deliver clean power.'

1.13. Another example is the London Community Energy Fund, which is described in the En10ergy response to this call for evidence.

1.14. For more information on the effectiveness of CARES, see Community Energy Scotland's response to this call for evidence.

Energy Learning Network

1.15. Thanks to 4 years of funding from the National Lottery Community Fund totalling £1.5 million, a UK Energy Learning Network (ELN) has been established to facilitate knowledge sharing and support mechanisms for the growth of community energy across the UK. The network is a collaboration between Ashden, the Centre for Sustainable Energy and the representative community energy associations in every UK nation: Community Energy England, Community Energy Scotland, Community Energy Wales, and Northern Ireland's Action Renewables.

1.16. The government should support the ELN to expand its activity and become a long-term operation beyond its 3 year funding, helping to coordinate and resource the growth of the sector.

Designing the Grants and Loan Schemes

1.17. The government should be open-minded and flexible in designing the loan and grant schemes. There is a good case for grants for communities (alongside the low interest loans), particularly to do the capacity building. This may be more efficient administratively. It may be able to cope with riskier but important and pioneering or more marginal projects in more difficult and non-commercial locations. It will certainly be important to enable new organisations (that might not have the financial track record to get a loan) to enter the sector thus feeding its growth and spread. The UKSPF and the Rural Development fund have tested this process with several local authorities.

1.18. Support should be provided to enable smaller and less experienced organisations to access funding that pays in arrears (see Energy Redress Fund below). This should be both bridging finance and support to get finance systems, process and skills in place.

1.19. A proportion of grant funding for local authorities should be ring fenced to be passed through to communities to build capacity and enable new and smaller organisations and those operating in marginal situations to initiate projects (as described above.). This will have the added benefit of encouraging collaboration between communities and their Local Authorities.

1.20. There should be a LPP Mission Control with regional offices to carry out due diligence and project support to ensure understanding of local circumstances and the maximum local joining up. Officers handling grants to local authorities should sit across the table from those administering loans to community organisations. The Net Zero Hubs could perform this role but would need additional skills and resources, especially to run a long term revolving loan fund of the proposed scale of the LPP.

The Energy Redress Fund

1.21. The 'Energy Industry Voluntary Redress Scheme' Innovation Fund and Carbon Emissions Reduction Fund were opened up to community businesses in 2022. These represent 25% of the total Fund. The Main Fund (representing 75% of the scheme), dedicated to helping 'vulnerable consumers', is only open to charities, and is largely drawn down by the large charities. Most community energy organisations are unable to access this fund despite being extremely effective at fuel poverty and energy efficiency advice work by virtue of it being mostly in person, often in the home and delivered by people who know the local community, housing stock and other local support provisions (eg debt counselling, accessing benefits). This makes it challenging to provide a consistent service and retain and develop good staff. Bristol University research calculated that community energy fuel poverty and energy efficiency advice work delivers at least £9 of social return for every £1 spent on delivery.

1.22. The Energy Redress Main Fund should be opened up to community businesses as soon as possible.

1.23. Barriers to entry to receiving Redress funding are high, preventing smaller and newer organisations from accessing it. Even if they have the financial track record to be eligible they need between 3 and 9 months of money in the bank to deliver the project as the Redress Fund pays up to 9 months in arrears.

1.24. The government should work with the Fund, the community energy sector and other finance providers to provide bridging finance and support for community businesses to access this and other funding that pays in arrears.

Innovate UK

1.25. InnovateUK also pays 3 months in arrears. The government should apply the same enabling measures described above to support community businesses to access this funding.

1.26. There needs to be the same pre-application support and nurturing as required for the LPP to ensure the projects that get funded are as good as possible. Community energy is a really important real-world test-bed for innovation and also brings a hive-mind of community entrepreneurs to bear on a challenge. This support is needed for Ofgem Sandbox projects too.

ERDF or similar funding

1.27. Brighton Energy ran a successful ERDF funded grant scheme in 2021-23 providing 33 PV array grants of £25k each to SMEs in the South East. Other community organisations like the Low Carbon Hub in Oxford ran ERDF schemes too. These have the ERDF compliant processes and structures in place so if the government were able to create a similar funding mechanism we could deliver similar grants to SMEs.

Shared Prosperity Fund

1.28. The previous government's UKSPF included criteria for LAs to work with community energy - an example is New Forest District Council who worked with Community Energy Pathways to support a New Forest Community Energy Group who are delivering village wide energy advice services as well as developing a portfolio of rooftop solar projects and Central Bedfordshire who worked with Community Energy Pathways using UKSPF to set up three community energy groups who are working on a powering up and powering down programme across the Unitary Authority.

Supporting Low Carbon Heat

1.29. Consolidate funding for the low carbon heat transition and ensure that it is integrated with power, retrofit and storage, is accessible by community energy at appropriate scale and eligible for innovative solutions. This will help community energy target the unable to pay communities that will fall between commercial solutions and government supported initiatives like the Heat Network Zoning programme and to develop innovative solutions such as the 'ambient loop' which does not require a centralised heat centre or large scale heat pump, like a conventional heat network.

1.30. There are currently multiple pots of funding for different interventions. Some key ones are not accessible to community energy because the scale of village and community scale projects mostly fall below thresholds: e.g. Green Heat Network Fund - 150MW/100 households.

1.31. The Heat Network Development Fund's definition of a heat network is a 'series of connected pipes' which excludes the ambient loop solution using a network of boreholes and a phased approach which is cost effective and inclusive and is being pioneered by such projects as Net Zero Terrace Streets by Rossendale Valley Energy

1.32. Decarbonising heat is capital intensive but suitable for sound investment from pension funds and suppliers e.g. Kensa Utilities funding solution. It is important that the durable in-the-ground infrastructure is owned and controlled by a transparent community organisation for the benefit of the community so that it is trusted and delivers profits back to the community. Finding a way to attract long-term low cost finance and still ensure the asset is community owned and controlled is a key challenge for the expansion of community energy. See Long Term Finance in 8. Below.

1.33. Develop a rural GigaWatt voucher scheme modelled on the Gigabit broadband voucher pioneered by Broadband for Rural North (B4RN). This will support hard to reach areas to develop the solution that is appropriate for them.

Solar on Schools

1.34. With £5.4bn needing to be spent on the education estate just to meet net zero targets community energy collaborations with schools need to be encouraged. Department for Education processes have not always made things easy, raising barriers about leases on school roofs which have blocked good projects.

1.35. Roof rental/access for schools should be standardised and made available to all potential projects. The DfE should engage proactively with the sector to enable more community energy work in schools which can bring so many co-benefits, leading to energy audits, education programmes, community engagement and support and more.

2. How should the energy market and licensing regulations be reformed to enable community energy projects to sell the electricity that they generate to local customers, without the current barriers, and be properly remunerated for doing so? What lessons can be learnt from other jurisdictions?

2.1. Currently community energy organisations cannot sell their energy directly to local people without using complex workarounds.

2.2. The Local Power Plan must positively enable local supply and local energy markets to facilitate holistic Smart Local Energy Systems at distribution level on the last mile of the grid (downstream of the primary substation). These projects can join up local supply and local demand, bringing greater flexibility into the system, which is necessary for both reducing pressure on the grid, the need for costly upgrades and lowering energy bills. This will ultimately reduce system costs levied on bills and help mitigate the problem of the Spark Gap (difference between gas and electricity prices which impedes the electrification of heat) when cheap local power can be used.

2.3. For example, Energy Local has developed a model which has enabled them to create local energy clubs, whereby households show that they are using local clean power when it is generated. This local balancing reduces the amount of electricity required from higher up the grid. Under Energy Local's model, clean power generators receive a fair price for their electricity and club members' bills are reduced.

2.4. However, using this model has required several workarounds to satisfy regulation that currently detrimentally impacts the replicability of the model. Examples of this include:

2.4.1. the requirement for the generator to be connected to the grid at the same voltage as the consumer, which naturally limits the scheme to small scale renewable projects only;

2.4.2. the balancing and settlement codes could be strengthened to protect these rights; and

2.4.3. licensed suppliers are not mandated to offer such a mechanism.

2.5. To roll out local balancing more widely, which is needed to reduce our reliance on fossil fuels for electricity generation, regulation must change to encourage local supply and local balancing.

2.6. Community energy has been at the forefront in the UK and Europe of developing and providing a 'community test bed' for local supply models. The majority of Ofgem's Sandbox projects have been community energy projects. See Repowering London's innovation projects working with the DNO, EDF, and multiple commercial partners.

Repowering also runs an Energy Local club supplying social housing residents with a share of solar power from the roofs of their estate at 6.3p p kWh. They and other community energy organisations are pioneering blockchain solutions with commercial developers such as Verv and UrbanChain which allow residents to trade their allocation of local renewable energy with one another. One estate resident said, "we are being empowered to generate, store and trade our own community energy"

2.7. Time of use tariffs can encourage people to use power at off-peak times, as happens with Energy Local - residents engaging in flexibility without even knowing they are helping the energy system.

2.8. Octopus Flex and Agile tariffs are pioneering this but are mostly only of interest to the able to pay market who can afford solar, batteries and an EV. Their Smart Export Guarantee tariffs even reward domestic generators who can supply energy at peak times. Their Fan Club rewards people living near the wind turbine with cheaper power when the wind is blowing.

P441 - Complex Site modification.

2.9. One of the first actions that could be taken to enable local supply is to enact Elexon's Modification P441, which would create 'Complex Site Classes'. This would allow 'non-standard' complex sites to be approved, whereby some local energy schemes of the type used by Energy Local, would not have to be granted an exception to operate.

2.10. The related Modification P442 should also be approved.

2.11. The current requirement under the 'complex site' provisions for the generator and the consumer to operate at the same voltage should be removed. For example a generator connected to the transmission grid at 33kVA can still usefully supply local consumers operating at 240 volts.

2.12. Approving P441 and P442 would be a good starting point, but not nearly sufficient to truly enable and incentivise local flexibility and balancing.

Enabling Local Energy Markets

2.13. Fundamentally the position of local energy markets must be strengthened within the wider power market and their fundamental importance to achieving net zero and the transformation of the energy system recognised by the government and Ofgem and requisite duties, regulations and incentives put in place. See 1.1 above

2.14. There must be rewards for reducing the costs of and need for upgrades to distribution and transmission networks. We understand that increased distributed generation presents challenges and necessitates upgrades to networks. However, some way of calculating the long-term 'avoided cost' of overbuilding the networks must be found and those enabling that cost to be avoided must be rewarded. Additionally the avoided carbon of a more efficient system must be factored into calculations and rewarded. Currently payments for flexibility services take account of avoided reinforcement but not

of carbon savings from a more efficient system. Consequently the payments are too low for communities to be able to make a business case to build flexibility assets like storage.

2.15. The government should institute a Community Electricity Supply scheme with duties, incentives and financial support on stakeholders (e.g. energy networks and suppliers) in order to 'make the market' for local balancing and flexibility through local supply.

2.16. The government should guarantee a floor price for clean energy generators looking to supply electricity directly to local people. (see Q3 below).

Other jurisdictions

2.17. Under the European Union 'Clean Energy Directive', citizens enjoy a right to be part of Renewable Energy Communities where they can 'generate, store, share or trade' energy. Governments have a duty to enable Renewable Energy Communities and this has driven much more engagement between local and regional as well as national governments and the community energy sector.

2.18. The government should seek to harmonise or emulate the community energy enabling legislation in Europe, instituting a Renewable Energy Community right.

2.19. Community energy organisations have a number of mechanisms for sharing or trading electricity locally. The government should work with REScoop, the European community energy network to evaluate the best models and most relevant to the UK for replication. Community Energy England can facilitate connections.

3. How could existing government support mechanisms, such as the Smart Export Guarantee, provide community energy projects with more financial certainty?

3.1. The **Community Energy Fund** must be underwritten, extended beyond March 2025 and expanded to include the whole of the UK, as necessary to ensure a smooth transition to the LPP (see 1.1 above).

3.2. Growth in the community energy sector stalled in large part because of the withdrawal of ROCs, the FiT and the Export Tariff without adequate replacement, alongside the removal of the eligibility of energy generation under the EIS and SEIS and later the Social Investment Tax Relief (SITR) schemes.

3.3. The **Smart Export Guarantee** (SEG) has failed to help community energy initiate new projects. It does not provide a long enough guarantee nor, previous to the energy cost crisis, sufficient levels of return to make a business case. When the highest on offer was 5.9p p kWh, CEE member organisations told us that if it were 6p guaranteed over 20 years they could make it work. This return would probably need to be higher now as costs have risen.

3.4. Members tell us that the SEG is targeted at domestic scale arrays with smart meters rather than 10-50kW arrays with half-hourly metering so most community energy organisations cannot access the SEG which means they do not receive income on what

they export to the grid. The government should urgently ensure that the current SEG is applicable to community energy organisations.

3.5. The government could underwrite the SEG with a long term guaranteed floor price. This would make it into a useful guarantee and would be smart in that it would actually solve the market failure of the SEG which was its failure to enable build-out of significant small-scale renewable installations in the sub 5 MW category which is not covered by the Contract for Difference. A better alternative would be the Community Energy Export Guarantee proposed below.

New support mechanisms

3.6. The government should institute a **Community Energy Export Guarantee** with a negotiated floor price guaranteed over 15-20 years, underwritten by government. This would provide a fair playing field with the big developers who can access a stable price for their power over a guaranteed period, underwritten by government, via the Contract for Difference scheme (CfD). It would encourage community schemes at community scale, which would deliver community benefit, rather than smaller commercial schemes which deliver little or no benefit. This could be delivered through energy suppliers who would account for export payments quarterly for reimbursement of any costs when wholesale prices fell below the floor.

3.7. The Community Energy Export Guarantee Scheme should incorporate 'value-based pricing' recognising the high value of electricity supplied at peak times of the day or year. This would for instance enable higher returns for hydro power that is more costly to install but delivers reliable power through the winter.

3.8. A simplified Community Energy CfD could also work, with either a separate pot or a carve out from Pot 1, with a separate strike price and auction taking account of the increased social benefits community energy delivers and the generally smaller scale of operations. The contract would have to be significantly simplified.

3.9. The government should encourage and incentivise the public sector to enter into **long-term PPAs** with the community energy sector. This would have a similar effect of guaranteeing financial certainty (for both parties). It would also kickstart many productive relationships and projects to join up local supply with local demand to enable flexibility and local balancing to reduce the need for grid overbuild and centralised generation and balancing. Riding Sunbeams are pioneering community energy generation directly powering network railways. They are negotiating a long term PPA with TfL at a price lower than TfL pays and higher than the SEG. It will provide the certainty to continue developing the programme.

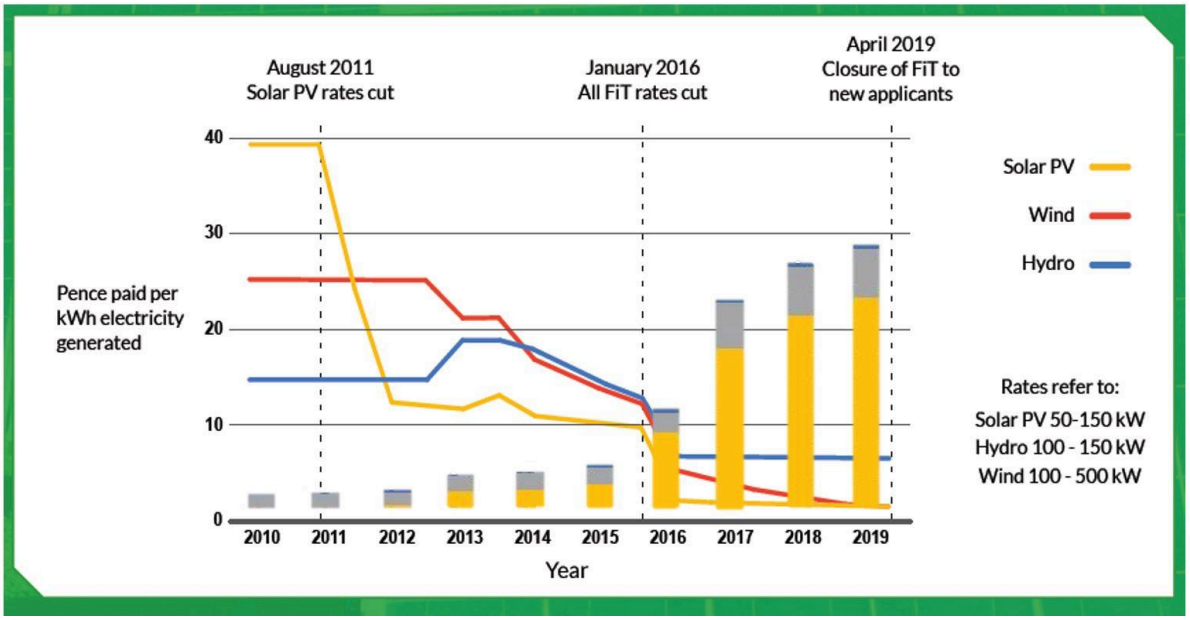
3.10. The public sector should be mandated or encouraged to make their rooftops accessible to community energy organisations. Most hospital roofs are devoid of solar despite there being significant demand below them and real cost savings to be made. These roofs are mostly owned freehold simplifying the contractual and administrative process. Many local authorities have jealously guarded their assets, wishing to make profit for the

authority by developing it themselves, and yet many years later the assets remain undeveloped. Conversely community energy organisations asked to assess public buildings and school rooftops for solar have sometimes found solar already up there, forgotten by the school or institution, unmaintained, even disconnected and certainly not earning FiT payments, sometimes even dangerously installed by commercial contractors who, unlike community energy, have no long term interest in the performance of the panels.

Enterprise Investment Scheme and Seed Enterprise Investment Scheme.

3.11. The EIS and SEIS were hugely instrumental in the exponential growth of the community energy sector between 2014 and 2015 even as the Feed in Tariffs were being cut.

Growth of community energy (bars, 2010-2019) plotted over Feed-in Tariff rate cuts. Community energy more than doubled each year 2015-2017 – 27MW to 136MW



3.12. We recognise that energy generation was removed from EIS as the government at the time (2015) saw benefitting from EIS and the Feed-in Tariff (FIT) as 'double subsidy'. The FIT scheme closed in 2019 (2020 for community energy) so now there is no subsidy for renewable/community energy particularly as the SEG is not fit for purpose.

3.13. Securing community investment can be difficult in the current climate where householders' disposable income is reduced by the cost of living crisis, interest rates are high so community energy's interest rates, restricted to the minimum necessary to secure the finance, can struggle to compete with some savings account interest rates. In addition, community investment is long-term, often not transferable or withdrawable, accrues no capital gain and only attracts one vote per investor rather than one per share.

3.14. The government should reinstate the eligibility of 'energy generation' to benefit from EIS and SEIS. From experience the existence of tax relief often helps people decide to invest even though many may not claim the tax relief. It certainly helps the larger investor

invest in social schemes when otherwise they may just invest commercially for higher returns. These investors will be key to enabling the sector to grow to meet net zero targets and the 8GW.

4. What are the regulatory solutions needed to minimise the high costs and long delays incurred in securing a grid connection for community energy projects?

4.1. Grid connections issues have repeatedly come at or near the top of surveys of barriers to community energy projects conducted by Community Energy England including our State of the Sector report. It has the potential to prevent the achievement of the government's legal net zero targets and ambitions for Clean Power by 2030 as well as the ambitions to grow community energy. Alongside strategic reinforcement and improved connections we need support for local markets to incentivise Smart Local Energy Systems.

4.2. The government must ensure that grid reinforcement happens at pace and prioritises the grid edge so that local projects can connect and local flexibility can develop at speed thereby reducing the need to overbuild the Transmission network to enable net zero. Network companies must be able to invest ahead of need.

4.3. Delays to 2037 and beyond are commonly reported as are ballooning costs and a lack of flexibility on the part of DNOs or the National Grid when dealing with community projects.

4.4. Connection costs should be reasonable and where possible socialised for community energy connections. The process to notify DNOs of planned connections should be simplified and zero cost for community organisations.

4.5. CEE welcomes initiatives by NESO to unblock the connections queue by connecting projects that are ready and 'needed for Clean Power by 2030' first. However not all renewable energy is equal.

4.6. Community renewable energy projects deliver vastly more community and social benefit than commercial ones and should have priority access to the grid to enable that to be delivered.

4.7. The government should institute a **'Community Right to Connect'** which would allow projects that are ready to connect and deliver additional social benefits to connect ahead of purely commercial projects, as soon as possible and at a reasonable price. Priority should also be given to projects that are demonstrably delivering on a Local Area Energy Plan. We understand that this should not be a carte blanche for communities to connect the wrong projects in the wrong place but this should be resolved in discussion with the DNO.

4.7.1. This community right to connect could be part of an obligation on the DNO's to provide a connection and the necessary Active Network Management infrastructure to enable community projects to connect. To protect the network, this right to connect could be restricted to those projects that can demonstrate

that they have in place appropriate local active network management arrangements to balance load and generation, to ensure that the local network can continue to operate within its capacity constraints.

4.7.2. Community Energy Scotland has been working closely with NESO and Ofgem on this and recommends that, as part of NESO's Connections Reform process, they add criteria for 'designating' community-owned energy and storage projects. This would mean that those community-owned projects could be included within the reformed connections queue and be prioritised for queue position within a Gate 2 assessment process. These changes would need to be made to the Connections Network Design Methodology (CNDM) and project designation methodology.

4.7.3. Ofgem has indicated to Community Energy Scotland that project designation for community energy would be a good route to give community energy priority access to the grid. However, Ofgem needs a statement of support from the UK Government in order to instruct NESO to include Community Project Designation. Providing such a statement of support should be a priority for DESNZ/GB Energy.

NESO's proposed £20k security fee for connection applications

4.8. In a recent consultation, NESO proposed instituting a £20k per MW 'security fee' for connection applications to the transmission grid to deter speculative and zombie applications. Applying such a cost to transmission scale community energy projects would, we calculate, add at least 20% to their at-risk development costs. This additional cost will severely damage the economics of the £3.3bn investment the government is making in their 8GW Local Power Plan target and could prevent the sector scaling to meet it. See our consultation response with testimony of negative impact by a number of our larger member organisations.

4.9. The proposed security fee of £20k per MW for Transmission connection application should not apply to community energy applications.

Relaxing Transmission Impact Assessment 1MW threshold

4.10. Projects larger than 1MW wishing to connect to the grid have to submit a 'statement of works' assessment of their impact on the transmission grid. This causes hugely increased costs and delays. Sub 1MW projects can connect to the Distribution grid in as little as 24 weeks from application. Projects over 1MW, even those connecting to the Distribution grid, can incur costs of hundreds of thousands of pounds and connection delays to 2037 and beyond irrespective of whether there are constraints that need to be fixed.

4.11. Bristol Energy Cooperative, which in 2023 completed the largest community owned rooftop solar installation at 1.1MW on Bottle Yard, commented "For now we are generally not developing projects that require entering the grid connection queue at all, because the very long waits and high development costs involved are really difficult to

reconcile with our model of being both the developer (to ensure meaningful community engagement upfront) and the asset owner over the project's lifetime for community benefit. So, we are focusing on connections below the 1MW 'statement of works' threshold - while watching and waiting to see if/when connection reforms open up space for community energy." So a really ambitious energy cooperative is having to limit its ambition because of transmission connection issues.

4.12. The threshold at which transmission considerations apply (Transmission Impact Assessment threshold) which is currently 1MW should be relaxed for community and council projects, especially where local balancing is in place to manage export to the Transition network. (NB Ofgem has recently indicated in this blog that it would be "increasing the lower Transmission Impact Assessment threshold from 1 megawatt (MW) to 5MW in England and Wales." This is welcome but needs to go further.

4.13. Jake Burnyeat of Communities for Renewables CIC suggests this should be to at least 5MW, preferably 20MW. We, in consultation with Community Power Solutions, suggest at least 13MW. This would allow two 6.2MW turbines to be connected. This size will soon be the most economical to install. We are advised by people who have had dealings with engineers dealing with local distribution grid capacity that when examined there is very often much more grid capacity than the DNOs initially estimate, especially in rural areas, and that this level of connection would in many cases not cause disruption to the grid especially as Active Network Management becomes more prevalent. See this short article by Charles Gamble of Community Power Solutions.

4.14. DNOs should be required to work proactively with communities and councils to identify flexibility solutions that they could jointly implement in situations where network constraints would (or will in the future) otherwise necessitate reinforcements to deliver more supply. Likewise they should alert communities and councils where there is spare capacity that might allow projects to happen. Reinforcement at the grid edge is absolutely necessary but should be implemented strategically and should drive prioritised work to implement flexibility strategically so the system is made more efficient as it grows. This should be a theme in Local Area Energy Planning.

5. Should the local benefits of community energy projects be formally recognised as a material consideration in planning decisions?

5.1. Yes.

5.2. The local planning authority should be obligated to take into account the local benefits, when making their determination. Benefit should be defined in the broadest terms including multiple benefits from Smart Local Energy Systems, i.e. not just Community Benefit Funds.

5.3. Community ownership should be a material consideration, and is a good proxy for delivering local benefit.

5.4. The Social Value Act 2012 "requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits."

5.5. Currently mentioning a Community Benefit Fund in a planning application is deemed by a Supreme Court ruling to be 'buying planning permission' despite there being considerable emphasis in the NPPF on planning delivering benefits on multiple other fronts. This needs to be clarified.

Other planning reform needed.

5.6. The government promised in their Clean Energy Mission to "add net zero mandates to all relevant regulators that need it, including in the planning system." This was absent in the recent consultation on the NPPF.

5.7. This net zero mandate for planning must be instituted as soon as possible. The 'purpose of planning' should be 'to achieve net zero as quickly as possible by means of sustainable development'.

5.8. Until Local Authorities have a statutory duty to deliver carbon savings it will always be deprioritised against other statutory duties such as social care.

5.9. Local authorities and local planning authorities should have a statutory duty to deliver a proportionate share of the national target - a Locally Determined Contribution.

5.10. The government has recognised problems in the local planning system and has put money into increasing capacity. However more is needed including local energy expertise in each local planning authority.

5.11. The government should update Permitted Development Rights, particularly around solar on heritage buildings and sites and to include critical infrastructure for community heat and energy projects, such as boreholes, regardless of their location relative to property boundaries.

6. What should be the role of Neighbourhood Plans and Local Area Energy Plans in building local support for community energy projects?

6.1. The government should encourage, mandate and fund local authorities to work with community energy to facilitate the development of local assets, enable planning permission and on Local Area Energy Planning (LAEP) to create holistic Smart Local Energy Systems.

6.2. Local Area Energy Planning should be a statutory part of the Regional Energy Strategy Planning (RESP) process to give it status in statute, proper coordination and a stated purpose in feeding up into national strategy and policy.

6.3. In the short term, the government should enable LAEP where there is local enthusiasm for it - to inform and 'ground-truth' the RESP process, bring stakeholders together with a shared aim, identify local opportunities and needs, and synergies

between stakeholders. It will enable community energy organisations and local authorities to move forward with confidence on prioritised strategic projects.

6.4. There should be a funded Community Energy Development officer in each local authority. The government should support local authorities with clear guidance and training on working with community energy, including templates for contracts, leases, MoUs, etc. The presence of a Community Energy officer in Lambeth in 2011 supported the creation of Brixton Energy and Repowering London, now one of the leading community energy organisations in the country employing 30+ people. In Wales each local authority is required to produce a Local Area Energy Plan and has funding for an officer to facilitate the LAEP. This should include councils **supporting, funding and investing in community energy.**

6.5. Local Authorities should be mandated to secure carbon reductions.

6.6. Community energy organisations should be mandated to be involved in Local Area Energy Planning from the very beginning. This brings many benefits described in these outputs from a CEE discussion event with the sector and the Energy Systems Catapult in 2020. These include: deep and long local knowledge, community contacts, public engagement skills, convening powers and skills, a strong focus on community benefits and ownership, realising local opportunities (often of no interest to commercial players) and on meeting local needs, the ability to engage many stakeholders and technologies in delivering holistic projects. LAEPlanning also helps community energy, always very focused on delivery, to get a pipeline of strategic projects to deliver or partner on. These projects provide opportunities for local people to get active, as volunteers and/or investors, which gives agency, focus for discussions and advocacy around energy, and hope. These local, visible, practical projects also help change the norm which helps speed up change on all fronts.

6.7. Neighbourhood Plans can be powerful having genuine status in the planning system. However they can also be divisive. They require a designation of a neighbourhood which can generate counterproductive arguments about boundaries and can alienate people or communities that are excluded.

7. What is the potential for community energy to incentivise consumer demand flexibility at the scale needed to achieve the UK's net zero targets?

7.1. The government's Clean Power 2030 identifies a need for 12 GW of domestic flexibility by 2030. The NG ESO Future Energy Scenarios (Holistic Transition Scenario) modelled a need for 15 GW demand flexibility in 2030 and 71GW in 2050. If we can maximise intelligent flexibility the cost savings can be huge. By 2050, BEIS has forecast related savings of around £10bn per annum, while the Carbon Trust has forecast a higher figure of £16.7bn for their high electric heating scenario.

7.2. Community energy has a huge potential to drive consumer demand flexibility at scale especially as it grows and spreads. Face to face engagement with trusted local intermediaries has been identified as the best way to encourage the adoption of new technologies, behaviours and retrofit. Octopus sees huge potential for harnessing flexibility using time of use tariffs. This engages the heads and benefits the wallets, mostly of the able to pay. Community energy has the capacity to engage the hearts of the majority of people it touches.

7.3. According to surveys carried out as part of the State of the Sector Report produced by Community Energy England, Community Energy Scotland and Community Energy Wales in partnership, 76% of existing community energy members and supporters say their relationship with a community energy organisation helped them to get involved in other sustainable energy initiatives. Other research commissioned by Community Energy England, shows that it changes their relationship with, and the way they use, energy.

7.4. People want to take action, do the right thing and invest for impact (especially local community impact) but often do not know how. Community Energy South is tracking over 40 rural communities and local neighbourhoods that are highly engaged in energy - local knowledge is high and local people are asking for decarbonisation plans. Capitalising on this momentum and understanding of the impact on local grid to create community-led flexibility projects could provide multiple benefits: enabling local grid capacity, wellbeing for local people, sharing of energy as well as increasing local renewable energy generation.

7.5. The government's targets for the growth of community energy by 2030 include up to 1m new 'owners' i.e. investors. Each one of those is an opportunity for deeper engagement in the generation, flexible use and saving of energy.

7.6. In 2022-24 community energy organisations held 65,065 energy advice appointments, engaged 7,180 people in energy efficiency retrofit, and saved residents £4.4m on their energy bills.

7.7. Examples of community energy flexibility projects below.

7.8. The Net Zero Terrace Streets project (see response from Rossendale Valley Energy for more detail) is building demand side flexibility (DSF) into its holistic model to deliver affordable low carbon warmth to communities that would otherwise fall between commercial and government schemes. They calculate that there are 6 million smaller terraced properties across the country that would benefit from their solution and that this could enable 12GW of flexibility by reducing the need to heat at times of peak heat demand. This is achieved by using a Mixergy or equivalent smart hot water cylinder solution alongside retrofit to improve energy efficiency of properties and solar to increase local power generation. Revenue from delivering flexibility contributes to paying for the scheme, targeted at unable to pay communities. Community Energy England is working with NZTS to identify organisations to be early adopters of their model.

7.9. Lymm Community Energy applied to Scottish Power Energy Networks (SPEN) to connect a 5MW solar farm but were only allocated a 2.5MW connection. They proposed that they build a 2.5MW flexibility function using 600 Mixergy cylinders installed in the community to give cheap hot water, thereby guaranteeing that the 5MW solar farm would only ever need to export 2.5MWs to the grid. SPEN weren't able to facilitate this sort of innovation which will be vital to achieving net zero and clean power by 2030.

7.10. There needs to be a mandate on energy networks and suppliers to engage with and facilitate these innovative solutions

7.11. Consumer demand flexibility should be encouraged by enabling community energy organisations to supply electricity directly to consumers. For more information, see our response to question 2.

7.12. The biggest future demands will come from the electrification of heat and transport so the need for integrated solutions that link local generation with flexible local demand especially of heat (and cooling) and transport will be vital and need to be at the heart of the Clean Power 2030 plan and the Local Power Plan which is currently much too focused on generation.

7.13. The value to the system of these integrated local schemes in reducing constraints and the need to overbuild the grid, as well as the benefits they deliver communities, should be recognised in financial and policy support for these schemes.

8. Other barriers to unlocking community energy at scale

The Law Commission's recent proposals to modernise Coop and Community Benefit Society Law:

8.1. are a potentially catastrophic threat to existing community energy organisations and certainly to the sector's ability to scale. Our consultation response is here.

8.2. The government must ensure that reforms to Coop law facilitate growth of the cooperative energy sector by removing the unnecessary distinction between Cooperatives and Community Benefit Societies in a broader single definition that focuses on the Cooperative Principles.

Shared ownership

8.3. There is broad consensus in the sector that a significant proportion of the growth of community energy will be in the form of shared ownership projects. Shared ownership is a stated ambition in the GB Energy founding document but there is no clear movement towards it that we have seen.

8.4. The government should reconvene the Shared Ownership Taskforce (ensuring continuity with its first incarnation in 2014). It should require commercial developers to offer a 15% share of commercial projects to community ownership.

8.5. This can be done by reviewing the Infrastructure Act 2015 which provides for a Community Electricity Right and putting in place secondary legislation.

Public Awareness

8.6. Public awareness of what is required in the way of public action to meet net zero is low. Public awareness of community energy also needs to be higher especially of the opportunities to invest and get involved that will be opened up by the Local Power Plan. An Ipsos Mori survey commissioned by Bristol Energy Coop found 26% of British adults had heard of community energy (know a great deal/a fair amount/just a little (13%) or have heard of this, but know almost nothing about this (13%)) 1% or around 534k adults know a great deal about community energy - probably compares favourably with other measures for net zero like heat pumps but still needs improvement.

8.7. The government should collaborate with the sector on a public awareness campaign on community energy and net zero.

Long term finance

8.8. Great British Energy and the Local Power Plan must support the development of mechanisms for long-term finance for community projects to refinance following the Local Power Plan, development and construction loans.

8.9. This must address the challenge of attracting long term low-cost finance that still keeps the asset in community hands. It will have to be a blend of finance solutions.

The professionalisation of the community energy sector:

8.10. is an urgent priority to enable growth. The Energy Learning Network will be key to transferring knowledge and skills but finance for employing people is key to enabling organisations to move from being reliant on volunteers to growing social enterprises. The Pathways programme, working with local authorities to set up local community energy organisations has had great success when they have been able to get a professional coordinator to organise and support local volunteers, often on the Powering Down agenda, supporting energy advice and fuel poverty alleviation. This has led to the organisations having capacity to move into the Powering Up agenda of doing renewable generation and other energy projects.

8.11. Government support for community energy should include funding for salaries.

Insurance

8.12. It is becoming increasingly difficult to get insurance for rooftop solar especially on flat roofs where it is held down by ballast. Electric cars are becoming more expensive to insure, seriously impacting the business model for community electric car clubs. Community Energy England is exploring setting up a mutual insurance scheme for the sector but this is difficult and will be unlikely to provide a solution for all schemes.

Signed by

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Further information

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals over 320 organisations. The majority of the members are community energy organisations, but membership extends across a wide range of organisations that work with and support the community energy sector.
www.communityenergyengland.org