



## Future for small-scale low-carbon generation: Call for evidence

### Joint response by Community Energy England, Community Energy Scotland & Community Energy Wales August 2018

*“Almost three quarters of consumers would be interested in joining a community energy scheme if the government made it easier (71%), and individuals keen to install their own solar panels (62%) and home energy storage (60%).” - ClientEarth survey, 20 August 2018*

#### 1. Summary

Citizens want Community Energy and are much more likely to support projects that are community owned.

Community Energy is a successful model - people can see where their money goes and are enthused and act independently to reduce their environmental impact. It gives the general public the same rights, returns and influence as large investors.

Community Energy has multiple additional benefits that deliver a huge amount of social capital.

Communities are innovative – many groups are at the forefront of incorporating solutions such as DSR and storage as well exploring options for local energy supply.

However, there has been a significant reduction in policy support for Community Energy which has resulted in a dramatic slowdown in the formation of new Community Energy groups and initiatives.

If the government is to have a low carbon transformation - it needs a model that puts people at its heart - and that is a community model.

**Recommendations** (see section 5 for more detail)

There are three clear low-cost ways that Government can support Community Energy:

- Retain the Feed in Tariff (FIT) generation and export tariffs for community energy projects – or introduce a modified ‘Community Feed in Tariff’.
- Reinstatement of the Enterprise Investment Scheme (EIS) and Social Investment Tax Relief (SITR) to community energy projects
- Extend the Contract for Differences (CfD) mechanism to sub-5MWe schemes and create a specific tranche for community energy generation projects, with a clear schedule of when rounds were to be announced.

Other ways that Government could foster a thriving community sector include:

- Setting clear goals to boost the uptake of community energy (such as that already seen in Scotland)
- Working with the sector to establish an ambitious new strategy to achieve these goals

- Working with Ofgem to ensure forthcoming proposals for RIIO2 and network and transmission charging forum fully consider the issues around the siting of smaller scale generation, where closer to energy consumers, on the distribution network
- Harnessing the strength of community energy to overcome recent challenges faced by Government, such as the smart meter rollout and the deployment of energy efficiency measures
- Utilising the strengths of community energy to support the consumer journey on Government's plan for a 'smart energy' system
- Building on successful community energy fuel poverty alleviation initiatives
- Supporting the development of 'behind the meter' solutions allowing a greater amount of distributed generation to be matched with local demand
- Ensuring a truer reflection of the costs of deploying small scale systems against more traditional, centralised generation plant.

## 2. Introduction

We welcome the opportunity to respond to the Government's 'Future of Small Scale Low Carbon Generation: Call for Evidence'.

Community energy groups have led the approach to local energy since the early part of this century. The idea of community energy was unique in that for the first time it empowered normal people to consider and act on their energy choices in a way that would bring benefit for their local communities, either through reducing energy costs, reducing fossil fuel use, raising awareness of the impact of energy choices, promoting behavioural change away from high carbon activities and generating revenue for investment by a community, in their community. Community energy differs from, and adds to, the local energy concept as it is fundamentally about strengthening communities and improving lives in a way which builds enthusiasm for more sustainable behaviour, rather than the more opaque 'local energy' which is not anchored in community wellbeing and so has less traction with normal people. Community Energy creates a real 'Community Empowerment Dividend'.

The community energy sector has been an active player in developing small-scale low carbon generation capacity over the past decade. Many projects have been highly innovative, sited in often challenging locations – from church roofs and school buildings to inner London tower blocks to remote Scottish islands – and have involved countless hours of volunteer-time to develop, raised millions of pounds in investment, and generated many thousands of GWh of renewable energy and built real social value.

[Community Energy England](#) (CEE), [Community Energy Scotland](#) (CES) and [Community Energy Wales](#) (CEW) were established to provide a voice for and to bring together and support the growing number of community groups developing clean energy projects in their local areas. These projects are predominantly based around the introduction of renewable generation assets (solar PV, wind farms, hydro, biomass heat, small scale anaerobic digestion), but are also involved in the installation of energy efficiency retrofit solutions, and fuel poverty alleviation guidance. The majority of members are directly involved in developing projects, but membership also extends across a network of organisations that work with and support the sector. CEE, CEW and CES represent over 700 groups and associated organisations in total.

Community energy groups are unique in their ability to support the development of small-scale, low-carbon generation projects, being able to identify suitable sites, provide access to local networks, and build community support around the development of new energy assets. The majority of projects also directly raise finance from the local community to develop the project, and contribute to inward investment into neighbourhoods by employing local businesses. A number of projects provide training and internship opportunities and help contribute to raising awareness amongst local residents/investors on their own energy use and carbon footprint. This often leads to further positive energy and

environmental behaviour changes – from installing solar on their own roofs, to insulating homes to recycling, enhanced use of public transport and cycling to the take up of EVs.

Community energy works to support the local community, the UK and helps combat global climate change.

Many groups are now further developing the potential on existing projects and are at the forefront of incorporating solutions such as DSR and storage as well exploring options for local energy supply.

A report on the future potential for community energy, commissioned by Government, found that: *“community projects installed offer between 12-13 times as much community value re-invested back into local areas as would be achieved through 100% commercial models. The estimate is based purely on an assessment of economic value, when full social and wider environmental returns are factored in the benefits will be substantially higher.”*<sup>1</sup>

### 3. State of the Sector

CEE and CEW’s annual State of the Sector 2018<sup>2</sup> survey, published in June 2018, highlighted that:

- Since 2010, following the introduction of the Feed in Tariffs (FITs), the community energy sector has grown rapidly, with 228 organisations now actively working across England, Wales and Northern Ireland
- Between them, these groups have helped to develop largely small-scale renewable generating capacity in excess of 170 MW
- Work by these groups has involved the input of over 48,000 members and 1,800 volunteers
- In 2017, 67 energy efficiency projects were undertaken, where 84,000 community members were engaged and over 1,000 energy efficiency upgrades installed
- Community energy continues to have a high level of public support and the sector is seen as a trusted intermediary
- In 2017 alone, community energy groups have leveraged in over £14 million of investment with just £299,000 of early stage funding which demonstrates the economic effectiveness of community energy organisations in delivering projects with only modest support
- And have allocated £1.1 million last year in community benefit for a variety of fuel poverty and environmental projects
- In Scotland, community energy installed capacity stood at 81MW by 2017<sup>3</sup>. In the Outer Hebrides alone, community energy projects have levered in over £30million of external investment for project development and are transforming communities through local investment of profits of around £2m each year.

However, the State of the Sector study also reported that, following a period earlier this decade when the Government strongly – and successfully – supported the community energy sector, the years following 2015 have seen significant reduction in policy support from BEIS for small scale generation, reducing investment in the number of projects going forward. The survey found:

- There has been a dramatic slow down in the formation of new community energy groups and initiatives, with only one newly constituted group identified in 2017
- Groups reported difficulties throughout the project development process, as projects have become more difficult to initiate and traditional business models fail to ‘stack up’
- These poor project margins are reflected in the lower number of projects financed, with a 75% drop in investment in comparison to 2016.

---

<sup>1</sup> Community Renewable Electricity Generation Potential Sector Growth to 2020, Report to DECC, 2014

<sup>2</sup> State of the Sector Report, Community Energy England & Community Energy Wales, June 2018: <https://communityenergyengland.org/pages/state-of-the-sector-report-2018/>

<sup>3</sup> ‘Community and Local renewable Energy in Scotland at June 2017, Energy Saving Trust, 2017’

The adverse environment for project development is a consequence of policy changes introduced by Government over the last three years. These include:

- Rapid changes and deep reductions to Feed in Tariff (FITs)
- Closure of the Renewables Obligation and the complex and irregular nature of its replacement policy, Contracts for Difference (CfD), which are too challenging for community groups to apply to
- The introduction of planning restrictions on the development of new onshore wind projects in England
- The abandonment of the Government's 2014 Community Energy Strategy, and outputs from the Strategy's working groups
- Closure of both BEIS's Community Energy Team and the advisory Community Energy Contact Group (CECG)
- Reduction in funds to the Energy Company Obligation (ECO), which supported community group energy efficiency activities
- Failure of the Government's flagship environmental programme, the Green Deal, and its disastrous knock on effect to the energy efficiency sector
- Removal of tax relief measures for investors in community energy projects
- Implementation of higher business rates on sites hosting solar PV and Hydro (in Wales this has led to the Welsh Government offering 100% rate relief to community hydro)
- Early closure of the Urban Community Energy Fund (UCEF).

#### Case Study – TGV Hydro

TGVHydro design and installed microhydro schemes in Wales, founded in Wales in 2011, was a multi-award-winning business including a 2015 Ashden Award. The company consistently achieved a turnover of over £1m and was profitable. It employed 15 people and had developed considerable expertise in the design and construction of microhydro schemes below 200kW. It has completed over 60 schemes with a combined capacity of approaching 2MW. The removal of FIT from next year has led to no new enquiries for schemes. In 2018 all staff were made redundant and the construction equipment in part purchased with a WG business growth grant in 2012 of £50k is being sold.

The community energy sector has faced the full impact of these changes and is an example of what happens as a result of the 'chopping and changing of policy' highlighted by the Committee on Climate Change which *"has led to uncertainty, which carries a real cost. A consistent policy environment keeps investor risk low, reduces the cost of capital, provides clear signals to the consumer and gives businesses the confidence to build UK-based supply chains."*<sup>4</sup>

In addition to the above, cuts to local authority budgets has led to a reduction in the number of council energy officers in place for community groups to consult with. And the removal of the Zero Carbon Homes targets has taken away a powerful driver for building developers to engage with community groups to seek out low carbon solutions in local areas.

A PQ from 2017 highlighted the fall in the number of community energy and school small scale generation projects as a result of the Government's policy changes:

---

<sup>4</sup> Reducing UK emissions, 2018 Progress Report to Parliament, Committee on Climate Change, June 2018

**Asked by Dr Alan Whitehead (Southampton, Test) - 24 November 2017**

To ask the Secretary of State for Business, Energy and Industrial Strategy, how many school and **community energy** solar PV installations were commissioned between (a) 1 October 2015 and 30 September 2016 and (b) 1 October 2016 and 30 September 2017, and what the total installed capacity was in each period.

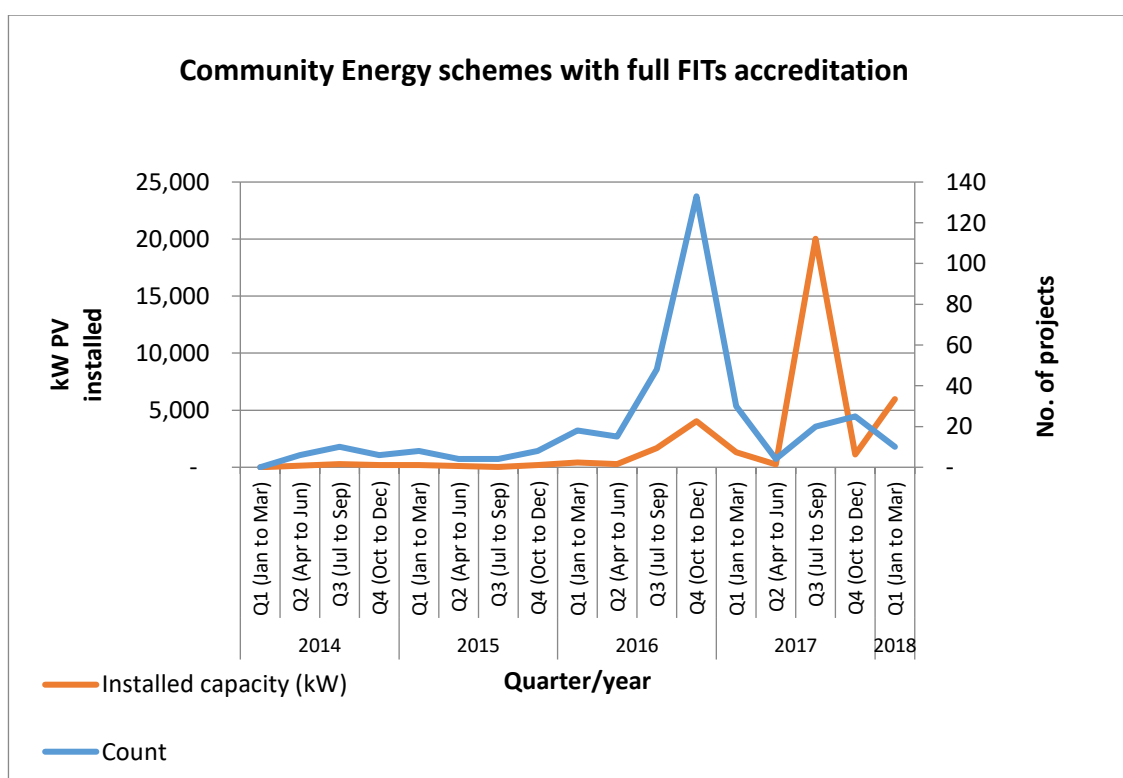
**Answered by: Richard Harrington 04 December 2017**

The Department for Business, Energy and Industrial Strategy (BEIS) holds data (only) for the number of community solar PV installations (including schools) supported by the GB Feed in Tariff. The table below shows the quantity of these installed during the two periods. BEIS cannot separate out all school installations from these figures.

	Number of installations	Capacity (MW)
1 October 2015 – 30 September 2016	328	209.7
1 October 2016 – 30 September 2017	36	1.4

Source: Feed in Tariff installations report, 30 September, BEIS

More recent data is as not yet available – however BEIS produce quarterly reports<sup>5</sup> on “the number of community and school installations that have been granted a specific benefit (for example, a Tariff Guarantee or Energy Efficiency Relaxation) under Feed in Tariffs. These installations represent some, but not all, community and school schemes accredited/pre-accredited on FITs” which clearly indicate a significant fall in the number of schemes coming forward to BEIS.



<sup>5</sup> Community and school Feed-in Tariff statistics, BEIS, 26 April 2018

<https://www.gov.uk/government/statistics/community-and-school-feed-in-tariff-statistics>

In Wales the situation is similar with the number of Hydropower abstraction licenses dropping from 87 in 2014 to just 3 in 2018<sup>6</sup>. The Energy Saving Trust indicate that in Wales alone there are 46 MW of community projects and 14MW of local authority projects that currently have no route to market (and the development of which is largely on hold). This is a result of the current FIT rate and export tariff and does not take into account the impact of the proposed removal of FIT and export Tariff.

A recent PQ<sup>7</sup> outlined the Government's existing policy initiatives for supporting community energy, which included reference to the Rural Community Energy Fund (RCEF), a local authority best practice community energy programme and support to the online Community Energy Hub. Whilst these programmes are welcome, when compared to the wholesale removal of policies and measures, which were previously in place to encourage the sector, remaining initiatives wholly fail to capture the full potential that community energy can bring.

Ministers additionally point to the recent formation of a Local Energy Contact Group within BEIS as a route to support the community energy sector. However, it is still not clear what the remit of the Group is or how the LECG will inform and influence Government policy making.

The Government is now seen by the community energy sector, and more widely, as actively dissuading communities from exploring opportunities to develop low carbon projects.

#### 4. Community Energy's Role in Transitioning to a Smarter Energy System

We are pleased to see the Minister's comment in the foreword to the 'Call for Evidence' paper that links the future growth of smaller scale low carbon generation to the transition to a smarter UK energy system:

*"This call for evidence reaffirms our ambition set out in the Clean Growth Strategy to consider our approach to small-scale low-carbon generation beyond 2019, and to explore the clear cross overs between a smart energy system and small-scale low-carbon generation."*

This relationship is also set out in the very first paragraph of the BEIS/Ofgem Smart Systems and Flexibility Plan<sup>8</sup>:

*"Our energy system is changing. There is more low carbon generation, much of it located close to people's homes and businesses, and it produces different amounts of electricity depending on factors like the time of day or the weather. New technologies such as storage are emerging and the costs of many of these technologies are falling rapidly. If we take advantage of the opportunities this provides, we can create new businesses and jobs, empower consumers and help people save up to £40bn off their energy bills in the coming decades."*

There is widespread acceptance that small-scale, decentralised generation systems will play an increasingly important role in the transition to a smarter energy system, particularly in helping to meet the growing demand at the local distribution level for new electric heating and EV energy consumption needs.<sup>910</sup>

Distributed energy systems have already grown from around 6 per cent of total UK electricity generation output in 2000 to over 25 per cent of generation today. National Grid's recently published 'Future Energy Scenarios' opening statement is that *"We are entering a new world of energy. The expected growth of*

---

<sup>6</sup> Source: Natural Resources Wales

<sup>7</sup> PQ 146089, David Drew MP, 21 May 2018

<sup>8</sup> Upgrading Our Energy System Smart Systems and Flexibility Plan, BEIS/Ofgem, July 2017

<sup>9</sup> <http://www.iwa.wales/wp-content/uploads/2018/04/Regen-SBCR-A-Renewable-Future-FINAL.pdf>

<sup>10</sup> <http://fes.nationalgrid.com/media/1253/final-fes-2017-updated-interactive-pdf-44-amended.pdf>

*low carbon and decentralised generation means the electricity system will need to change...Up to 65 per cent of generation could be local by 2050.*<sup>11</sup> Distribution Network Operators (DNOs) are already progressing work in this area through the Energy Networks Association (ENA) Open Networks Project, where the importance of community energy has been recognised with the Open Networks Advisory Group having strong community representation.<sup>12</sup> DNOs state that community energy can support their transition to acting as a Distribution Systems Operator (DSO) role by:

- Facilitating customers' transition to a low carbon future at lowest cost
- Enabling new local markets for peer-to-peer local trading
- Providing more value for customers by contracting for local grid balancing flexibility services
- Providing the physical trading platform for other parties in the energy market
- Keeping the network stable and power supplies reliable.<sup>13</sup>

And feedback from DNO workshops to support innovation trials reported that the *"overwhelmingly clear lesson is that DNOs should work together with existing locally based organisations who already have established networks and are trusted in their local communities. Community engagement is easier when there is already a community energy project in the area as people may be more energy aware as a result"*.<sup>14</sup>

We believe that community energy will play a significant role in supporting this transition to a smarter energy system. In fact, we believe that community energy *must* play a significant role to help ensure this transition is successful as a result of the complex and fundamental changes that energy users will experience. Homes will need to evolve from their present role as a passive participant on the energy networks, simply taking gas and electricity supplies as needed, transforming into active 'energy hubs', where electricity will be generated, stored (including electricity-to-heat storage in thermal stores), supplied to neighbours, used for transport (displacing petrol), converted to heat on site (displacing gas) or locally, through the use of district heating networks. Payment transactions will change, depending on time of day, choice of where each kWh of electricity is allocated, and also its carbon content.

We also believe that a strong focus on community energy will result in:

- Much greater level of direct local renewable energy supply for local electricity, heating and transport demand
- Significant substitution of renewable energy in place of continuing widespread fossil fuel use (especially in more remote rural areas)
- Locally driven innovation to overcome electricity system constraint blockages on new development
- Minimisation of the need for grid reinforcements
- Minimisation of the costs associated with transmission losses
- Creation of opportunities for new local investment benefiting local economies
- New tariff arrangements which help to recycle value in the local economy
- New revenue opportunities for social enterprise through aggregation of community energy demand and provision of local balancing and grid services

---

<sup>11</sup> Future Energy Scenarios, National Grid, July 2018

<sup>12</sup> Community Energy England, Community Energy Scotland and Regen SW are all members of the Advisory Group.

<sup>13</sup> The transition from DNO to DSO – what could it mean for community and local energy? Electricity NW presentation at Community Energy England Conference, 23 June 2018

<sup>14</sup> Rough Guide to Engaging Communities in Energy Network Innovation, ENA/Regen SW, January 2017

- New measures to tackle the ‘supply side’ aspects of fuel poverty through reinvestment of flexibility services revenue in home energy improvements and smart appliances able to take advantage of ToU tariffs
- Economic multiplier as more money is retained in the local economy
- Thousands of volunteers and members actively engaged in the energy market within communities right across the UK delivering huge amounts of social capital and transforming local places.

Much of this potential can be evidenced by a survey conducted for CEE on community energy activity in 2015<sup>15</sup> that found:

- 45% of spend went to local contractors
- 88% of community energy groups were actively involved in wider community initiatives
- 83% of schemes mentored other community energy organisations
- Community energy schemes drew on the skills and expertise of local people and increased awareness of renewable energy in the local area
- They also increased active participation in the voluntary sector in their local communities.

As we move to a more decentralised energy system, community projects will not only be key to the efficient – and hence more affordable – use of this energy but will also provide opportunities to enhance consumer protection.

The ‘prize’ community energy offers and what we believe should be encompassed in the UK vision for the future of small scale low carbon energy generation is a highly engaged populace committed to the low carbon transition and empowered to secure benefits from the evolving smart energy system. To secure the benefits envisaged in the consultation, we think it is vitally important *not* just to focus on the technical aspects of ‘the system’ but also to recognise and support measures that lead to a well-informed and aware population who can drive engagement and innovation from the ‘bottom up’.

#### Case Study: Energy Local – Bethesda

Energy Local is being developed in a number of communities across the UK. Bethesda in North Wales is the first operating Energy Local club and is able to provide cheaper locally sourced electricity to members within the local community. In partnership with Co-op Energy the initiative is able to encourage the use of locally sourced electricity through a local match tariff and encourage demand shifting through a Time of Use Tariff through the use of smart meters. This has the benefit of saving its members money when they use locally sourced or off-peak electricity, increasing the income of the community owned generator leading to greater community benefit and reducing the impact on the distribution and transmission network by shifting demand.

<sup>15</sup> Community Energy: Generating More than Renewable Energy, Quantum Strategy & Technology, October 2015



### Case Study: Heat Smart Orkney (HSO)

Heat Smart Orkney led by the Rousay, Egilsay and Wyre Development Trust and funded by the Scottish Government is demonstrating the benefits that can arise through a community designed and operated smart energy project. By using smart devices linked to grid monitoring equipment, HSO has created a highly efficient way of using locally-generated electricity from a community-owned wind turbine which would otherwise not have been generating owing to constraints on the Orkney distribution network. When the local grid becomes constrained, local intelligent and controllable electricity demand – from storage heaters, immersion heaters and flow boilers in c.80 houses - is switched on, enabling the turbine to keep generating without threatening the local grid. As the intelligent control and communication system ensures that this demand creates additional generation for a known generator, this allows a rebate to be paid to participating households from increased revenue. The project is showing that it is possible to overcome grid constraint without expensive reinforcement, link local generation directly to local demand using existing infrastructure, support households to manage their energy demand more efficiently, help reduce fuel poverty and increase income from the turbine for further investment in the community.

### Case Study: Assisting Communities to Connect to Electric Sustainable Sources’ – The ACCESS Project

The ACCESS Project led by CES with funding from the Scottish Government and Ofgem’s Network Innovation Allowance has demonstrated that local loads can be switched on and off remotely to match the power output of a local hydro-electric generator. It also showed that the electricity network power flows can be monitored and that the domestic heating loads and hydro scheme output could be adjusted to keep within set limits for the network while maximising the output from the community hydro scheme. The project provides the evidence for DNOs to be confident that this solution works and is sufficiently robust to deploy in real-world, constrained situations without risk to the network. This approach will help improve the efficiency of local networks, reducing losses in wires and transformers and increasing the resilience of the electricity system as a whole. Financial benefits are also achieved due to increased output, especially where a generator is constrained by network capacity, while the project also highlighted value to be gleaned via financial mechanisms such as local domestic supply tariffs that reward householders for offering flexibility in relation to their various heating demands loads to the system. Local engagement (> 70 households and local businesses) would not have been possible without the Mull and Iona Community Trust who provided the trusted ‘front end’ for advice and support on the project in the community.

## 5. Looking Forward

Whilst we welcomed the publication of the Government's Clean Growth Strategy (CGS), we were disappointed it contained no new specific policies around small scale generation – and in fact scant reference to community energy at all, despite the significant progress by the sector since the start of the decade, as detailed earlier in this response.

In addition:

- The lack of new policy proposals in the CGS across most areas was highlighted by the Committee of Climate Change (CCC) in their analysis<sup>16</sup> of response to the CGS
- The CCC also stated the UK is not on course to meet the legally fourth and fifth carbon budgets and will not be on course until a series of new fully funded policies are brought forward
- The areas the CCC identified as key low-cost opportunities for Government to action – such as onshore wind, improving the energy efficiency of buildings and home insulation - are all solutions that community energy groups actively promote and have a proven track record in the delivery of projects.

The Government's announcement to close the FITs generation tariff to projects as of April 2019, alongside other unhelpful changes to policy, as listed earlier in this response, is already significantly impacting the viability of new community energy projects. At the same time, further negative impacts on projects are predicted as a result of the removal of embedded benefits for small-scale generators and through amendments proposed as part of the network charging reform. These changes all contribute to what has been called the "ongoing erosion"<sup>17</sup> of benefits for smaller scale embedded generation projects, and hence their potential for being developed. The full impact of these changes remains unquantified at the present time however, groups are already reporting a far more challenging investment environment exists for projects.

A recent survey indicated that "80% of businesses believe a quarter of energy needs will be generated onsite by 2025"<sup>18</sup> through the use of smaller scale decentralised energy systems. This may be the case for industrial sites, where larger generation plant may be appropriate, and resources exist to procure the relevant expertise to develop such projects. However, smaller scale plant (i.e. typically below 5MWe), typical of community energy projects, are highly unlikely to be developed in the immediate future, until a time when costs fall sufficiently to initiate such projects once again.

The investment landscape for community energy projects has become increasingly difficult for groups to develop projects over the past two years. The Government's proposal as set out in BEIS current consultation on FITs<sup>19</sup>, to close the export tariff alongside the generation tariff on 31 March 2019, would further limit new activity in the community energy sector in terms of developing low carbon small-scale generation projects over the next few years.

The Call for Evidence paper does not set out a definition for smaller scale generation. The majority of community energy generation projects are within the FITs threshold, i.e. below 5MWe, and it is these smaller schemes that are often more challenging to develop. But it also these projects that will be critical across our towns and cities if the UK is to transition to a smarter energy system.

---

<sup>16</sup> An independent assessment of the UK's Clean Growth Strategy From ambition to action, Committee on Climate Change, January 2018

<sup>17</sup> Paradise Lost: The Changing Face of Embedded Benefits, Cornwall Consulting, 22 August 2018

<sup>18</sup> Centrica Business Solutions survey, as reported by the Association of Decentralised Energy, 15 August 2018

<sup>19</sup> Consultation on the Feed in Tariffs Scheme, BEIS, 19 July 2018

Many community projects are based on buildings often ignored when examining opportunities for carbon savings. Though small, they are sites which can be found on most high streets across the country - from religious and community buildings to housing projects, GP surgeries, leisure centres to warehouses, and so on. Their retrofit is fundamental to achieving UK carbon targets and, in many instances, community energy is fundamental in helping deliver their retrofit.

We are particularly concerned that, whilst the threat of the removal of the export tariff is being proposed by the end of Q1 2019, no timescales have been provided by Government in relation to any new positive policy measures that may be introduced to support small generation in the community energy sector – be that through new fiscal instruments or the removal of existing barriers to the introduction of decentralised energy systems on the distribution network. In addition, the consultation rightly says: “Government action involving changes to legislation will be subject to Parliamentary processes”: legislation is currently ‘log jammed’ as a consequence of BREXIT, and this situation will only further delay government decision-making in the coming months ensuring any new policy measures are unlikely to be introduced swiftly.

## 6. The Future for Community Energy

We believe that, if the Government’s plans to see the growth of low carbon small scale generation as part of a smart energy system are genuine, then community energy will, as a matter of necessity, need to become an integral part of this sector and of the UK’s energy landscape. This can already be clearly seen in countries such as Denmark and Germany where local decentralised energy systems are common place, and are developed, managed and owned by municipal and community energy operations. Indeed, the European Union recently has been putting great efforts into putting consumers and communities at the heart of its energy transition.

Smaller scale low carbon generation therefore needs action by UK Government similar to other sectors of the industry where substantial progress has been made – such as offshore wind deployment.

### Recommendations

**There are three clear low-cost ways government can support Community Energy to contribute highly leveraged national benefit in carbon reduction, decentralised energy sector growth, and positive social impact:**

- **Retain the Feed in Tariff (FIT) generation and export tariffs for community energy projects – or introduce a modified ‘Community Feed in Tariff’. Community Energy England would be willing to act as a focus for detailed drafting of such a proposal**
- **The Chief Secretary to the Treasury wrote to CEE in 2016<sup>20</sup> setting out that community energy projects were seen as “low risk” and that “the purpose of the tax-advantaged venture capital schemes is to encourage investment into smaller, higher risk companies that would otherwise struggle to access the funding they need to develop and grow.” This is a misunderstanding on the part of the Treasury as Community Energy schemes are not low risk. We can provide further evidence on this if required. The sector calls on the Government to reinstate the Enterprise Investment Scheme (EIS) and Social Investment Tax Relief (SITR) to community energy projects**
- **Extend the Contract for Differences (CfD) mechanism to sub-5MWe schemes and create a specific tranche for community energy generation projects, with a clear schedule of when rounds were to be announced.**

---

<sup>20</sup> Letter from David Gauke MP to Community Energy England, 6 January 2016 (Ref: MC2015/27107)

The Government's public attitude tracker consistently shows the public's strong support for renewable energy and a recent survey by ClientEarth reported that *"almost three quarters of consumers would be interested in joining a community energy scheme if the government made it easier (71%), and individuals keen to install their own solar panels (62%) and home energy storage (60%)"*.<sup>21</sup> Government needs to respond to the public's appetite and foster a thriving community sector by:

- Setting clear goals to boost the uptake of community energy (such as that already seen in Scotland)
- Working with the sector to establish an ambitious new strategy to achieve these goals
- Working with Ofgem to ensure forthcoming proposals for RIIO2 and network and transmission charging forum fully consider the issues around the siting of smaller scale generation, where closer to energy consumers, on the distribution network
- Harnessing the strength of community energy to overcome recent challenges faced by Government, such as the smart meter rollout and the deployment of energy efficiency measures
- Utilising the strengths of community energy to support the consumer journey on Government's plan for a 'smart energy' system
- Building on successful fuel poverty alleviation initiatives, such as the Plymouth Energy Community programme, (highlighted in the Call for Evidence paper)
- Supporting the development of 'behind the meter' solutions allowing greater amount of distributed generation to be matched with local demand
- Ensuring a truer reflection of the costs of deploying small scale systems against more traditional, centralised generation plant (for instance, it is not clear if costs of connection are always taken into account when comparing the economic value of generation projects e.g. the original cost calculation by National Grid to provide adequate transmission connection to the Hinkley C nuclear power plant (the Hinkley Seabank (HSB) Project) was set at £840m<sup>22</sup> with an eventual cost of £640m approved by Ofgem in July 2018<sup>23</sup>. This cost is that associated with a single large-scale power station).

## 7. Conclusion

The Government is now seen by the community energy sector, and more widely, as actively dissuading communities from exploring opportunities to develop low carbon projects.

The investment landscape for community energy projects has become increasingly difficult for groups to develop projects over the past two years. The Government's proposal as set out in BEIS current consultation on FITs, to close the export tariff alongside the generation tariff on 31 March 2019, would further limit new activity in the community energy sector in terms of developing low carbon small-scale generation projects.

The impact of the proposed changes to the FITs will be:

- For investment in new small-scale community owned distributed generation to severely reduce
- To close design and installation companies, losing skills and experience, which may not be available if and when market reforms are established. There are already signs that this is happening

---

<sup>21</sup> British public supports urgent action and litigation on climate change – poll reveals, Client Earth, 20 August 2018

<sup>22</sup> Ofgem balks at National Grid's £840m Hinkley Point plans, Daily Telegraph, 30 August 2017

<sup>23</sup> Ofgem gives go-ahead to National Grid for Hinkley project, Reuters, July 30 2018

- Adversely impact on the goodwill and motivation of thousands of committed and dedicated volunteers across the country
- To limit the opportunity for communities to be in the driving seat of developing clean, secure and affordable energy systems making them passive spectators in an increasingly complex energy system. It will not only limit their opportunity to be involved but will also reduce the opportunity for them to generate income from new schemes to invest in innovative local solutions.

Community Energy Scotland, Community Energy Wales and Community Energy England remain committed to supporting the UK's transition to smarter, more affordable low carbon energy system through the wider uptake of local, community-led energy projects. We would welcome the opportunity to work with Government to develop solutions to ensure that the value that community energy brings is not lost within this transition.

## Contacts:

Emma Bridge, Chief Executive, Community Energy England

Email: [emma.bridge@communityenergyengland.org](mailto:emma.bridge@communityenergyengland.org)

Tel: 0114 312 2248

Robert Proctor, Business Development Manger, Community Energy Wales

Email: [robert@communityenergywales.org.uk](mailto:robert@communityenergywales.org.uk)

Nicholas Gubbins, Chief Executive, Community Energy Scotland

Email: [nicholas.gubbins@communityenergyscotland.org.uk](mailto:nicholas.gubbins@communityenergyscotland.org.uk)

## 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 200 organisations. The majority of the member organisations are community energy groups, but membership extends across a wide range of organisations that work with and support the community energy sector. [www.communityenergyengland.org](http://www.communityenergyengland.org)

**Community Energy Scotland** (CES) is a Registered Scottish Charity and Company Limited by Guarantee established in 2007. Its mission is to strengthen and empower local communities by helping them to own, control and benefit from their local renewable energy resources, control and reduce their energy costs, regenerate their communities and play their part in the low carbon transition. CES has around 400 members and has worked with well over 500 community groups across Scotland. It has a 33% share in a joint venture 7.5MW windfarm 'The Fishermen Three' in Berwickshire, developed with its partner Berwickshire Housing Association to create long-term revenue for both CES' and BHA's charitable purposes. [www.communityenergyscotland.org.uk](http://www.communityenergyscotland.org.uk)

**Community Energy Wales** (CEW) brings together a network of practitioners and a membership of over 60 organisations who work with and within the communities of Wales to develop renewable energy generation and energy efficiency schemes. [www.communityenergywales.org.uk](http://www.communityenergywales.org.uk)