



Energy efficiency scheme for small and medium-sized businesses: call for evidence

Response by Community Energy England

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Community Energy England

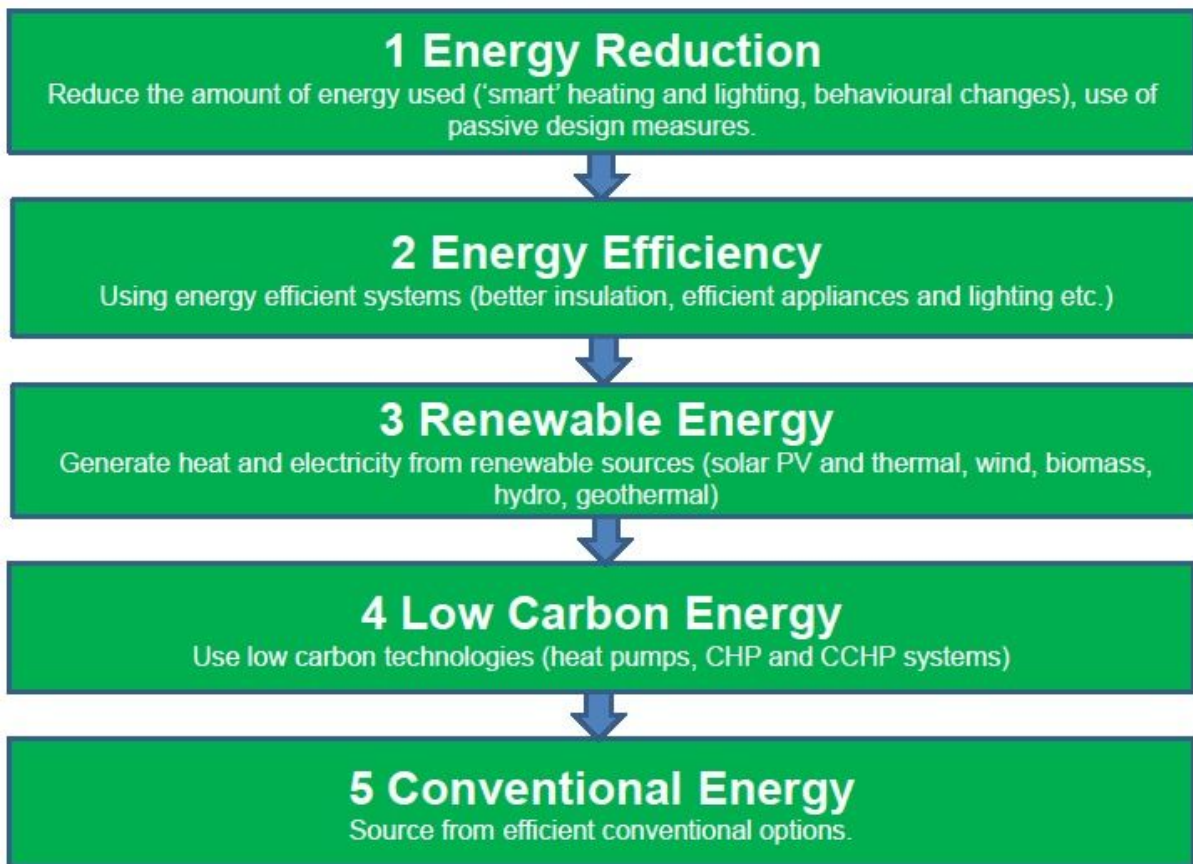
Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Our vision is of strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable energy system.

Membership of CEE totals over 200 organisations. The majority of member organisations are from the community energy sector but the membership extends across a wide range of organisations that work with and support the community energy sector. Our members are involved in the delivery of community-based energy projects, engaging thousands of local volunteers, that range from the generation of renewable electricity and heat, to the energy efficiency retro-fit of buildings to helping households combat fuel poverty. They also deliver new local investment and community benefit funds.

Overview

Community Energy England is not able to respond to specific questions above about models. No one model will suit all our members. However, since community energy has immense potential to engage with local businesses and deliver locally appropriate solutions **we request that any model that is adopted is designed from the outset to be accessible to community energy organisations and that any actors are mandated to work with community organisations.** We will assist with this as far as possible connecting you with relevant projects and experts in the community energy field.

Energy efficiency comes high up the energy hierarchy and should be invested in ahead of new generation.



From our members' experience, the IEA assessment of barriers to SME uptake of energy efficiency is accurate.

Our members have long and detailed experience in implementing energy efficiency. It is a difficult process as fundamentally each situation is different and engaging people to address their needs is core.

Community energy (CE) projects enjoy high levels of local trust and often engage committed and expert volunteers. A report entitled '**The current and potential roles of community groups in the uptake of energy efficiency by UK householders**' that Forum for the Future and Energy Saving Trust produced for DECC in 2015 sets out the effectiveness of community energy groups in engaging households on energy efficiency. Plymouth Energy Community trained and branded volunteers achieved a 4.5 times higher rate of uptake for home energy assessments than their British Gas trained and branded counterparts supporting the conclusion that community organisations may engender better levels of trust and, therefore, better rates of uptake.

As such they are very well placed to be the advocates among local SMEs of energy efficiency. As the IEA pointed out, supporting the business to install energy efficiency measures is key. Community energy projects will in many cases be able to supply the whole package including contributing to the investment.

As the Digital Discover presentation makes clear SMEs are often more highly motivated by people, fulfilment and ethical values all of which would motivate engagement with a local

community energy project. Keeping money local, thereby benefiting the local economy and local stakeholders, is often appealing to local businesses.

The monitoring and evaluation of energy efficiency is a significant challenge which an organisation embedded locally is better placed to do than a contractor who leaves once the installation is complete.

Any model that the government designs to deliver energy efficiency to SMEs should be designed to be accessible to community energy organisations. No one model will suit all situations or all groups but ones that disadvantage community energy involvement should be de-prioritised.

Auctions

Auctions generally favour larger organisations and would exclude community energy organisations. As community energy is not (yet) eligible for Contracts for Difference or Capacity Market Payments, community energy organisations have not had experience of this kind of mechanism.

Larger corporate actors may be mistrusted by the community, lack local knowledge and contacts and are often demonstrably less effective at engaging local people in energy efficiency and supporting them to take action. They are likely to withdraw once the contract ends so failing to provide longer-term involvement which community energy projects can offer.

Energy Efficiency Obligations

Community energy organisations have also worked closely with ECO installations, for example, following large roof insulation schemes with community-owned renewable energy schemes which benefited from ECO money to enable the installation. Brixton Energy engaged with residents about energy efficiency in a way that none of the ECO contractors had.

Any delivery contractors for the EEO should be mandated to work with the community and community energy organisations.

Engaging with Network Operators

We would support the EEO applying to network operators, but we would urge that they be **mandated to work with local communities and community energy projects.** Some of them, as you say, have done good energy efficiency work.

Community Energy England is working with Energy North West, Northern Power Grid and UK Power Networks to pioneer good practice. Scottish and Southern in their role as network operator in the South have pioneered engaging with community energy in 'Social Constraint Management Zones'. Installation of LED light-bulb has resulted in a 5-7% reduction in peak demand. They are exploring targeting areas of grid constraint with energy efficiency

measures to enable the limited energy available in the system to go further. Community energy projects have (or can get) the local knowledge and trust that makes them best placed to deliver these interventions alongside the Network Operator.

A big part of energy efficiency at grid level will be effective flexibility management. This can increasingly be delivered at a local DNO level and by small community projects. Distribution Network Operators will be engaging with increasing amounts of distributed supply and storage and so will be best placed to know how to prioritise other energy interventions including efficiency to yield greatest increase in overall local grid efficiency, requiring less standby generation to be made available.

BEIS/Ofgem could and should liaise with the community energy sector to build demand-management projects in every town and city in the UK. This would allow the UK to show global leadership, in the same way as Germany and Denmark did with generation.

Expanding access to finance

Community energy's role

Community energy has access to engaged capital from local people who are keen to keep money local and do impact investment locally. As potential customers of SMEs that would be benefitting from locally funded energy efficiency projects, they can act as an extra support mechanism to embed the energy efficiency measures long term. Community energy projects are thus a useful conduit for central funding or finance mechanisms for energy efficiency. A few community energy organisations have adopted the ESCO model and more would likely adopt the model if significant funding for energy efficiency was made available to them. They would be well placed to administer Green Loans or Pay as you Save schemes. These community ESCOs can also offer targeted support to enable SMEs to take action on energy efficiency.

Revolving Loans

We are very supportive of the Revolving Loan model. Some community energy organisations and social enterprises might be logical holders of such a scheme.

Government guarantee for any Loan schemes would be useful to de-risk and encourage the involvement of local community investors. Local community involvement would encourage repayment due to the social contract with the local supplier, which would not exist if administered by an entity that is not rooted locally.

Summary

Community energy organisations are unique in their ability to provide access to local networks, provide energy efficiency advice and support and build peer recognition. They can also help to increase the local profile for new technologies and behaviours as well as offer local ownership of new infrastructure, such as storage and charging facilities. They create

opportunities for aggregating solutions to build scale whilst promoting local networks, retaining local buy-in and drawing in much needed social investment.

These traits, when combined with strong local knowledge make community energy organisations the ideal trusted intermediaries to encourage active engagement in the adoption of new practices and behaviours within an environment which is technically and regulatorily complex. This can be seen through the success of a number of community-led initiatives to engage. Wider inclusion of the community energy sector would ensure that larger organisations are also able and willing to support partnerships for delivery.

Community Energy England is committed to supporting the UK's transition to a 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 the Department for Business, Energy and Industrial Strategy and HM Treasury to develop solutions to ensure that the value that community energy brings is utilised to enable the uptake of energy efficiency by SMEs.

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