

# Community Energy England Member Policy Briefing, May 2019

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Welcome to CEE’s May policy briefing. This document provides a summary of key consultations that may impact community energy and CEE’s responses to consultations over the past month. Future briefings will provide further details on CEE’s wider policy, advocacy & campaigning activity.

## Current Consultations

Can be found [here](#). Please visit for consultations documentation for the following upcoming consultations.

### **The Future of Small-Scale Low Carbon Generation: Part B**

Deadline: 11:45pm, 27 May 2019

This part of the consultation proposes the modifications to electricity supply licence conditions which would be required to introduce a SEG. It is **primarily of interest to organisations who are (or may in future be) bound by the electricity supply licence conditions.**

### **Social Investment Tax Relief: call for evidence**

Deadline: 11:59pm, 17 July 2019

SITR is not open to community energy projects because historically they received other government support. Since the withdrawal of FiTs there is a strong case for community energy being eligible. There are also proposals to increase the investment cap from £1.5m to £5m which would help larger projects.

***All projects expecting to seek community investment should respond to this consultation.***

If you have any information on projects that could have proceeded had tax relief been available please let us know details (as well as putting them in your consultation response) including amount of investment prevented, generation capacity and other outcomes, including social outcomes, not realised. We have been asked for this by a couple of working groups that are feeding into the consultation and will be supporting the inclusion of community energy. Please email [d.law@communityenergyengland.com](mailto:d.law@communityenergyengland.com).

### Issues to highlight in consultations and discussion of community energy

1. Social impact far beyond carbon-saving.
2. Importance of CE as 'trusted intermediary' with local people in new energy efficiency, smart and flexibility rollouts and experiments.
3. Thousands of local volunteers and investors.
4. Source of additional and engaged investment.
5. Community energy sector has received numerous body blows in recent years:
  - a. withdrawal of FiT,
  - b. and export tariff,
  - c. EIS, SEIS and SISR tax relief,
  - d. planning constraints,
  - e. business rate increases on solar,
  - f. current proposals for VAT increases on energy saving materials.
6. This has stalled a rapidly growing sector and prevented huge amounts of social and environmental benefit. In 2014 government strategy envisaged 1 million homes powered by community energy in 2020. Actually 62,000 homes are powered. In 2017 1 new community energy projects initiated and 66 stalled or failed. The government presided over an 80%+ fall in energy efficiency installations.

*N.B. CEE will be adding to and providing further details to this list over the next couple of months.*

### Recent consultations

CEE's responses to recent consultations are available [here](#).

### Update on Ofgem's Targeted Charging Review

In February, CEE, Community Energy Scotland and Community Energy Wales submitted a joint response to Ofgem's consultation on how they will recover the costs of using the network. We expressed concern that the planned TCR reforms risked undermining the government's stated ambitions for local generation, community energy and energy efficiency – as well new smart solutions such as DSR and storage. The TCR had not been designed in a way that would incentivise the sorts of investment and behaviour that communities – and the government – wish to see and would place significant barriers to the development of community energy.

Earlier this week Ofgem stated that it was likely to delay implementation of the TCR, indicating that that April 2021 was now its preferred option as opposed to implementing the reforms next year. Ofgem has also proposed a new timeline for implementing changes to residual charging, including April 2023 as a leading option for complete phase out as well as considering implementing changes to transmission charges and distribution arrangements at the same time. It is hoped that industry discontent with the proposals will lead to some changes ahead of implementation.

Ofgem will publish a working paper in summer on potential changes to access rights, distribution network charges and transmission demand network charges. A second paper later in the year will consider changes to transmission network charges, distribution connection charges and access and charging arrangements for small users.

You can read Ofgem's letter regarding the delay [here](#). CEE will keep members apprised of further developments.

### **Consultation on Draft Legislation to increase VAT on 'energy-saving materials' from 5% to 20%**

Summary of our response:

- This measure favours the consumption of energy (VAT at 5%) over the conservation of energy (proposed VAT rate 20%). This is counter to the general and necessary direction of government policy to tackle climate change, energy security, fuel poverty, health and well-being and more.
- This would impact community energy projects' cash-flow and for smaller non VAT registered projects might prevent them altogether.
- Community energy projects have suffered many set-backs recently including removal of tax reliefs and increases in business rate as well as removal of FiTs and Export Tariffs.

New measures that impede progress on rolling out energy efficiency and renewable energy and assessed having 'negligible environmental impacts' must be questioned, particularly in light of Parliament declaring a climate emergency. Energy efficiency and community energy deliver significant social benefit which was the basis for the state aid ruling permitting reduced VAT on energy saving measures. Given that it will have 'negligible' impact on increased tax revenue to the Treasury but significant impact upon 'civil society' and 'social and environmental goods', this policy change should not go ahead.

#### **Key ask:**

- To protect a progressive and right-minded policy that has helped to begin the urgent transformation of the energy system towards a distributed, renewable model with many engaged community stakeholders. Therefore, the 5% VAT level for all renewable, storage and flexibility technologies should be kept, and not just for those that meet the proposed exceptions.

## Energy Efficiency Scheme for Small and Medium-sized Businesses: call for evidence

We requested that any scheme to enable SMEs to access energy efficiency be **designed from the outset to be accessible to community energy organisations and that any actors are mandated to work with community organisations.**

Delivering energy efficiency, especially to small organisations and premises, must essentially be dealt with on a case by case basis and dealing with people is key. Local community energy organisations, with the trust and traction they enjoy, are therefore likely to be the best advocates and deliverers of energy efficiency to local SMEs.

**Auctions** for contracts are likely to favour large corporate contractors.

**Energy Efficiency Obligations.** Any contractors under an EEO should be mandated to work with the community and community energy organisations.

**Expanding access to finance.** Community energy can be an additional source of finance. Investors are likely to be customers of the SMEs - an additional re-enforcement. Community energy is likely also to be a good conduit for central funding or finance mechanisms for energy efficiency such as Green Loans, Pay as You Save schemes and Revolving Loans. More community energy groups may adopt the Energy Services Company (ESCO) model if significant energy efficiency funding were made available.

## Energy Networks Association Open Networks Programme: Consultation on future worlds impact assessment

Key points:

- Rapid decarbonisation should be a priority when deciding which Future World(s) to progress and that emphasis should be placed on optimising the use of flexible resources.
- OFGEM's Targeted Charging Review risks undermining the government's stated ambitions for local generation, community energy and energy efficiency – as well as new smart solutions such as DSR and storage and will not incentivise the sorts of investment and behaviour that communities – and the government – wish to see. See our recent [response to the TCR](#).
- Future plans need to provide information and appropriate routes to market for community energy and to ensure that flexibility is procured in a manner that enables community energy to participate.
- The barriers facing community energy and other local energy stakeholders and the additional value that they can bring to the energy system should be investigated as part of Energy Networks Association future work plan.