Ofgem RIIO-ED2 Methodology Consultation

Community Energy England response

Introduction to Community Energy England

1. This is a response by Community Energy England which represents 250+ community energy groups 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.

2. 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.

3. 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.

4. 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 benefit.

5. We feel that all efforts of government and regulators should share these primary motivations and ensure that whatever else they achieve they also prioritise these goals.

6. Unfortunately we do not have the capacity to respond exhaustively to this consultation so we confine ourselves to what seem to be the most relevant questions to our sector.

Consultation Questions

Net Zero and Innovation

OVQ3

Do you agree with our proposed approach to a Net Zero re-opener?

Yes. We think adaptability and flexibility is key in these times. One to-be-desired potential change might be government reading the science with the precautionary principle in mind and moving the net-zero target date forward. Many local authorities have set 2030 deadlines which is much more consonant with the science and which will present different challenges and trajectories to networks.

We think DNOs should be able to trigger or request the net-zero re-opener if they perceive conditions have changed sufficiently.

OVQ4

In what circumstances, would a centralised approach to setting forecasted outputs be appropriate? What form should this take?

In almost no circumstances.

OVQ5

What would be the factors we should take into account that would give us high certainty in a centralised approach to setting outputs?

OVQ6

Alternatively, in what circumstances would it be more appropriate to take a decentralised approach to determining forecasts?

"The future of energy is local" (Chris Skidmore and Claire Perry, Energy Ministers) and decisions about the energy transition should be made as locally as possible, involving as many relevant stakeholders as possible in an iterative Local Area Energy Planning process **with community energy at its heart**. **With that final proviso we endorse Model C as the most appropriate way forward.**

The 'whole system' that is envisaged in the consultation centres around 'consumers' - passive users of energy most of whom won't even switch suppliers, some of whom are 'vulnerable' and must be protected. The Committee on Climate Change Net Zero report[1] is clear that the UK will fail to achieve net zero without the buy-in and active participation of people, not least because behaviour change is essential for 62% of their recommended interventions for reaching zero-carbon. They state (p33) *"Engaging the public to act. Much of the success so far in reducing emissions (e.g. power sector decarbonisation and even the phase-out of inefficient gas boilers) has happened with minimal*

[1] https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-The-UKs-contribution-to-stopping-global-warming.pdf

change or awareness needed from the public. However, this cannot continue if the UK is to reach net-zero emissions." and (p193) *"It will not be possible to get close to meeting a net-zero target without engaging with people or by pursuing an approach that focuses only on supply-side changes...Some of the difficult decisions that will be required (...) will only be possible if people are engaged in a societal effort to reach net-zero emissions and understand the choices and constraints...There is currently no government strategy to engage the public in the transition to a low-carbon economy. This will need to change."*

Engaging local people and stakeholders as active participants in the local net-zero transition must be central to that strategy and Local Area Energy Planning will do that and develop locally acceptable and appropriate solutions that take account of unique local conditions, needs and assets. Community Energy England is working with the Energy Systems Catapult to build a central role for community energy into the LAEP models as recommended in the independent report The Future of Community Energy[2] by WPI Economics

Local Area Energy Planning needs to be resourced by central government, Ofgem and the networks in recognition of the large amount of money local strategic planning will save. We need social, organisational and strategy innovation as well as technological innovation and as such your 'funding for innovation to focus on the key challenges facing the energy sector' (p24 consultation document) would be appropriately used for this purpose. Also local innovation needs funding - a particular combination of measures to solve a particular local problem or constraint.

The foundations of this have already been laid with the community energy and stakeholder consultations processes and the CEGs for DNOs Distribution Future Energy Scenarios work. However we have heard some DNOs say that this isn't contributing to their RIIO2 business planning, which is a huge wasted opportunity. The DFES modelling should be the baseline for the initial business plan to be confirmed or modified as more granular local energy planning occurs. But since LAEPs will not be in place before the business plan must be submitted, some 'uncertainty mechanisms' must be in place to ensure that RIIO2 genuinely 'is adaptable and can provide the funding necessary to meet decarbonisation targets' (p24 consultation document).

The DFES, based on the NG ESO Future Energy Scenarios is in some cases based on a 'decarbonise business as usual' roll-out that shouldn't be part of whole-system climate solutions. Predicting and providing for up to 36 million electric vehicles by 2040 is not the system change that the IPPC 1.5 degree report[3] says is required to avoid catastrophic climate change. Localisation and local community transport solutions if supported by the system transformation have the possibility of avoiding the need for this level of transportation. The LAEP model is more likely to engage the 'people power' of people connecting and collaborating that can identify and exploit potential local synergies, possibilities that would not be visible from a centralised perspective, nor realisable by the DNO on its own.

The 2050 net zero target date (already 2045 in Scotland) may, indeed should, be brought forward which would necessitate an urgent review of all network investment. It would be prudent to plan to

2 http://wpieconomics.com/site/wp-content/uploads/2020/01/Future-of-Community-Energy-20200129-Web-Spreads.pdf

3 https://www.ipcc.ch/sr15/chapter/spm/

exceed trajectories and targets in the certain knowledge that the target date will soon be understood to be too late and modified.

People, communities and organisations are the most complex and unpredictable parts of the 'whole system' that is the evolving energy system. Their choices or intransigence will dictate what technologies must be provided for. But also as local participants in the transition they have the capacity to thwart or to add up to 'more than the sum' and drive the process forward faster than predicted.

It must be recognised that while a LAEP approach may seem high risk, and there will be some failures, it is less risky and costly than the old centralised 'predict and provide' model. A centralised model is less likely to produce locally-appropriate solutions that engage stakeholders as active participants in adding distributed generation, DSR/DSM measures, storage, flexibility etc. that will ultimately reduce network reinforcement costs and save carbon. Rigorous assessment of the plans for any possible delivery issues and ongoing monitoring to assess progress can only enhance their effectiveness.

Community energy also delivers 12-13 times the community benefit of commercial energy installations[4]. Community energy is 4-5 times better at engaging communities on energy efficiency than commercial players as another report[5] commissioned by DECC shows. Community energy also has a long track record of delivering community-owned renewable generation, often on uncommercial sites and fuel poverty and energy efficiency work in areas of high deprivation as well as community embedded innovation projects (as 2 current Ofgem sandbox projects with Repowering testify). Such organisations can offer a benefit and impact vastly greater than their apparent size.

Many local authorities have set ambitious net-zero targets (the majority for 2030), many mobilised by community groups in their area. Many, like community energy groups, are extremely motivated to move the net-zero programme ahead of the curve. By working locally with these ambitious and capable organisations DNOs can trial pathways and solutions that can be rolled out to less able communities. These situations may require early funding to do their planning and begin the roll-out, which cannot be predicted in the business plan.

Ofgem must play a coordinating, connecting and checking role to make sure that local plans' outputs will together meet national goals, rather like the UNFCCC checking countries' Nationally Determined Contributions to see if together they are sufficient to meet Paris goals. There is some usefulness in coordinating among the networks to avoid re-inventing wheels and to share perceptions about trends and knowledge about solutions.

Key issue: Tail end distribution grid reinforcement to enable the net-zero transition.

We have feedback from Community Energy England members that applications to connect renewable generation are often turned down because of lack of voltage capacity at the tail end of the network. This is due to the traditional way of running the low voltage network by putting the voltage at the upper limit at the transformer so that it still meets legal requirements at 'point of use'. If the network were reinforced at this end it would open up many more possibilities for adding heat

[4] https://www.gov.uk/government/publications/community-renewable-electricity-generation-potential-sector-growth-to-2020

[5] DECC commissioned report 'Community groups and energy efficiency' https://bit.ly/2ErXOj0 para 3.3.3 for example.

and EV demand and at the same time locating distributed generation to feed these demands. This is an example of the kind of investment ahead of need that the DNOs should be making in line with their assessments of local constraints and projected increase in demand for heat and EVs

Another related issue is the inequality in rights to access the grid for load and generation. It is possible to install a 12 kW power shower with no permissions but any generation in excess of 3.68 kW has to go through lengthy permissions and has to pay for reinforcement at connection level and the voltage level above. This is unfair and is preventing the localisation of energy, the electrification of high carbon demands and the roll-out of local renewables to supply increased local demands. Engineering Recommendation G98 needs urgently to be reformed to rectify this.

OVQ7

What would be the factors that we should take into account that would give us high certainty in forecasted outputs derived through a decentralised approach?

OVQ8

Do you consider that the LAEP Best Practice guidance produced by the Centre for Sustainable Energy and the Energy Systems Catapult provides adequate checks and balances to ensure that local or regional energy plans are robust, unbiased and have broad support?

We consider this methodology of LEAPs 'done well' to be thorough and well founded.

However we identify one important omission which needs to be rectified. Whilst there is brief mention of community energy among the community groups that should be engaged with we contend that, where it exists, **community energy should be treated as a key partner with the local authority** and others. Where it doesn't, the Local Authority should be encouraged to try and set up a local group as Plymouth City Council did with Plymouth Energy Community, which has led the way in joined-up Local Authority and community energy collaborations ever since. In many cases community energy will have local knowledge, community trust, a supporter base of passionate volunteers and unconventional, committed impact investors, which cannot be got anywhere else.

Local Authorities may be the most relevant geographical and administrative areas in which to organise LAEPs but many are not as motivated (and are frequently under-resourced) to take a lead on LAEPlanning. This can only be rectified by adequate resourcing, good recruiting, political will (often driven by the community) and culture change. Here community energy may be best equipped to play a convening and galvanising role especially if LAEPlanning is something the local authority recognises as part of its duty.

DNOs may play the convening role but as private companies should not assume that role without partnering with a more trusted, independent, locally-rooted entity, ideally a partnership between the local authority and the community (with a key role for any community energy group).

CONTACTS

Emma Bridge, Chief Executive, Community Energy England
Email: emma.bridge@communityenergyengland.org Tel: 033 3303 4126

Duncan Law, Policy & Advocacy Manager, Community Energy England
Email: d.law@communityenergyengland.org

Address:
Community Energy England, The Workstation, 15 Paternoster Row, Sheffield, S1 2BX

FURTHER INFORMATION

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals 250+ organisations. Many 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