Member update: Key policy developments and consultations

As there have been several policy developments over the last couple of months we have produced a summary of the key issues and documents which have potential implications for community energy, along with current consultations. This paper will be added to and updated as necessary until our new website is launched next month.

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Recent policy developments

Local and community energy roundtable

A local and community energy roundtable took place on 1st February with Nick Hurd MP, Minister of State at BEIS. Representatives from both community energy and local authorities attended. Discussions focussed on:

- The role for local energy in achieving the UK’s emission reduction targets
- Barriers and what government can do to break them down
- Strengths and practical examples of partnership working at the local level and how this can be encouraged
- What is needed to encourage deployment of renewables on a subsidy-free basis, and how the government support this
- How deliverable business models can be developed for local energy efficiency/smart systems.

Business rates

A petition signed by more than 200,000 people was delivered to Phillip Hammond on 2 March urging him to stop the business rates hike on solar in his Spring Budget, due to be announced on 8 March.

Following on from previous newsletters articles about business rates, we have been continuing to assess the situation and thank you to those members who have been in touch to let us know how they think the changes will affect them. The Solar Trade Association has been leading the charge on this and, as mentioned previously, a Memorandum of Understanding has been signed between representatives of the solar trade industry and the VOA with the new business rates that will apply for solar PV on buildings owned by third parties from April. This MoU means that the impact of the changes on third parties will be less severe than it is for systems where the buildings and the recipient of the FIT are the same organisation. We think that community members with rooftop schemes are classed as third party owners.

The position for third party owned sub-50kW is less clear. To date many sub-50kW systems have not been charged any business rates. Based on the Memorandum of Understanding we think they will be now be charged according to the rates in the memorandum unless they fall under an exemption e.g. the exemption for charities. There is some uncertainty about whether this general absence of charges for sub 50kW systems to date is because they have benefitted from an existing sub 50kW exemption from rates or whether rating authorities have simply been failing to collect rates. The publicly available information for current exemptions relating to sub 50kW schemes owned by third parties is inconclusive and just says “refer to valuation office”. We are actively continuing to research the situation and will update members with any progress as it becomes available. If any member thinks they can shed any light on this, please contact us here.


This report sets out the recommendations of the review chaired by Peter Bonfield on consumer advice, protection, standards and enforcement in relation to home energy efficiency and
renewable energy measures in the UK. The key recommendation is a quality mark for all energy efficiency and renewable energy measures and for all companies operating in the sector. This will include three key elements; a Code of Conduct; defined Codes of Practice and standards; and a Consumer Charter. Other recommendations relate to consumer protection, advice & guidance, skills & training, compliance & enforcement, insulation & fabric, smart meters, home energy technologies, and application to social housing.

Although there is no reference to community energy groups within the report, there is an important role for the community energy sector as trusted organisations to engage consumers with energy efficiency and renewable energy, and to deliver awareness-raising programmes at national and local levels. Community Energy England will be working with the Each Home Counts team to demonstrate the importance of this and to embed community energy within their processes. We will also be working to link the existing Community Energy Hub with their emerging Information Hub and Data.

Renewable Heat Incentive: A Reformed Scheme

Tariffs have increased for a number of technologies. However, the idea of transferring RHI contracts to third parties has been postponed. BEIS report that it is still likely to happen but they just to ensure that there are no consumer protection issues. Please see here for more information.

Local Energy in a Transforming Energy System

This paper from Ofgem is the third in their series of “Future Insights” publications and considers the current local energy landscape, the types of business models that are emerging and the implications for consumers and regulation. Ofgem conclude that the emergence of local energy is a welcome development and one that is likely to increase consumer engagement and choice. They recognise that local schemes need proportionate treatment and that regulatory arrangements should enable the emergence of business models that are in the long-run interests of consumers. However, this should not be at the expense of customers who aren’t included in a local scheme, and will need to provide appropriate protection (such as opportunities to switch) if service standards and value aren’t maintained to the satisfaction of those customers.

The reports notes that there are overlaps between local and community energy and that community owned distributed generation schemes raise additional interesting issues. However, it is stated that they are beyond the scope of the paper. Despite this, it uses a number of community energy projects as examples of local energy archetypes, which may imply a lack of understanding regarding what community energy is.

Rural Community Energy Fund Review

A review is currently taking place on the value of RCEF and how it might evolve in the future to better support rural development and community energy. Community Energy England is inputting into this review.

Smart, Flexible Energy Systems call for evidence

This joint BEIS and Ofgem call explored policy and regulatory issues such as removing barriers to aggregators and storage, providing price signals for flexibility (including smart tariffs and distribution network tariffs) and a system for the consumer (including smart appliances, consumer engagement with DSR and ultra-low emission vehicles). This work area is a key
priority for both BEIS and Ofgem and will have ongoing implications and potential opportunities for community energy.

Community Energy England and Community Energy Wales submitted a joint response to the call. The response emphasised the vital role of community energy organisations in mobilising communities and accessing hard to reach consumers. It also stressed that community energy groups are uniquely placed to act as trusted aggregators, advisers, intermediaries and delivery-agents for demand-side response. Other areas it touched upon included the need for:

- A clear definition of storage and the ending of double charging of consumption levies
- Smart meter technology to be fit for purpose, costs kept reasonable and consumer trust maintained
- Involvement of community energy groups when supporting further pilots
- Easing of the restrictions on tariff types
- Liaison with the community energy sector to build demand-management projects across the UK and to empower electric vehicles owners to engage in 'smart charging'
- Innovation funding to be made accessible (in partnership where appropriate) to community organisations and their representatives.

The emerging disconnect of the aims set out in the consultation and the direction of travel of network charging was also commented on, given Ofgem's 'embedded benefits' review and the recent changes to distribution charging, which undermine the business models of many community energy groups. Our full response can be read here.
Current consultations (in date order)

**Ofgem Regulatory Sandbox: expressions of interest**

Ofgem are inviting expressions of interest for innovators to trial business propositions that will benefit consumers without incurring all of the usual regulatory requirements. Business propositions that are deemed eligible for sandbox support will receive bespoke guidance to help address regulatory barriers; innovators will be able to rely on the guidance for a defined period of time. Deadline **17th March**.

**Embedded Benefits**

Ofgem has published proposals to cut embedded benefits payments by 95% to as little as £2/kW. These changes would be phased in between 2018 to 2020. Consultation is open until **10th April** and CEE will be preparing a response which it will share with members. Regen SW’s paper *Network charging for a flexible future* gives a useful overview of embedded benefits.

**Building our Industrial Strategy**

The Government is looking to build an industrial strategy that addresses long-term challenges to the UK economy. Their aim is to improve living standards and economic growth by increasing productivity and driving growth across the whole country. This green paper sets out the BEIS approach and some early actions that they have committed to take.

The deadline for responses is **17th April 2017**. This will be a key policy driver for BEIS. It will be important to ensure linkages with the Emissions Reduction Plan and to demonstrate the wider impacts and contribution of community energy. Community Energy England is currently working on a response and will share their draft with member organisations shortly. Please find the link to the consultation [here](#).

**Fixing our Broken Housing Market**

This [White Paper](#) sets out a programme of reform to tackle the long-standing problems in the housing market. It also consults on a range of planning proposals, including onshore wind energy (p.104).

Firstly, the Government proposes to amend the wording of paragraph 98 of the National Planning Policy Framework to:

- Clarify which parts of existing policy relate specifically to onshore wind energy development and which to all forms of renewable and low carbon energy development;
- Remove the need for wind energy development applications outside of suitable areas identified in plans to demonstrate that the proposed location meets the criteria used in identifying suitable areas; and
- Be clear that proposed wind energy development involving one or more wind turbines should ‘not be considered acceptable’ rather than ‘should only grant planning permission’ to reflect the language of the existing planning policy

Secondly, following practical experience in implementing the revised policy, the Government will issue further guidance to clarify what is meant by the phrase “following consultation, it can
be demonstrated that the planning impacts identified by affected local communities have been fully addressed and therefore the proposal has their backing”.

Finally, it proposes that there is no need for a transitional provision nor to include the original transitional period and is asking for opinions on this matter.

We are currently canvassing members on whether this will affect their activity and will be submitting a response based on this feedback. The deadline is 2nd May.