March 2026

Community Energy England response to DBT/DESNZ Corporate PPA Call for Evidence

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Introduction to Community Energy England

1. This is a response by Community Energy England (CEE), which represents more than 330 community energy 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 a thriving community energy sector integrated into and truly powering a fair, zero-carbon 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. We make 8 specific **Recommendations** (with 5 sub-recommendations under Recommendation 5 on public procurement.) These are **emboldened in blue text** under question 3

Questions

1. To what extent and in what ways are CPPAs attractive for industrial and commercial electricity consumers compared with other electricity supply arrangements?

In your answer, consider different types of CPPA and what makes each type more attractive.

Community energy enterprises do not generally generate energy at an 'industrial' scale. But their energy is often built to serve the demands of local businesses, schools, community organisations and is supplied behind the meter. It is often installed on the rooftops of the buildings it supplies. These can exceed 1 MW and we hope to install on warehouse and other local industrial rooftops in the future. Once the Elexon P441 modification on the

“Creation of Complex Site Classes” within the Balancing and Settlement Code (BSC) is in place enabling local netting off of supply and demand behind the substation we hope these local trading relationships will become commonplace.

As more community projects reach the end of **FiT and Renewable Obligation support**, long-term PPAs will become increasingly important in providing revenue certainty and supporting refinancing, repowering and new project development. We are already seeing generators actively exploring CPPA structures as a route to stabilising revenues once legacy support mechanisms fall away.

PPAs are the common arrangement between generator and offtaker. Younity and OVO Energy offer Utility PPAs with community energy organisations for surplus energy that is exported to the grid. These PPAs are key to offering security to the community energy sector but are out of scope of this consultation. On their own they are not enough to justify a new installation.

Generally PPAs with community energy generators provide the customer with

- Long term price security. (ideally 20 years - but this requires long-term off-taker like a public sector organisation - (See Recommendations 4 and 5 below.)
- A guarantee of, often locally produced, clean electricity
- A relationship with the supplier that can lead to other projects and outcomes such as further work on energy efficiency, involvement of staff in the work of the community energy organisation and alliance with its community benefit delivery.
- An ESG outcomes not provided by most other PPAs. This is often the most attractive proposition for CPPA counterparties. Our member SE1 Energy does not offer discounts and even charges a ‘social premium’ and finds counterparties are still keen to engage.

There may be some negatives

Many community energy organisations can only offer small discounts of 10%. (Others can offer up to 40%). They cannot always cover 100% of a customer’s demand. Customers usually need to join the licenced supplier the generator is using. The long term commitment to a PPA is a problem for many (see Recommendation 5 a.)

Specific types of PPA used by community energy organisations and their benefits to customers include:

Onsite and private wire CPPAs

This is the standard community energy CPPA, frequently used in tandem with a roof lease for rooftop solar. These arrangements provide strong traceability and a compelling local

ESG story but are constrained by proximity and the cost of physical connection infrastructure.

Sleeved and unsleeved CPPAs

Sleeved CPPA are becoming more commonly used by community energy, usually supplementary to a behind the meter supply to export the surplus generation. This model allows generation and demand to be matched across locations but introduces supplier sleeving fees, imbalance risk and credit considerations.

In practice we are seeing increasing interest in sleeved structures for projects in the 1–20 MW range, which is exactly where many community energy schemes sit.

Since the implementation of the P442 Licence Exempt Supply modification it has been possible and advantageous to community energy to supply large corporate offtakers with their renewable energy. An additional selling point (see SE1 and Energy Garden's models cited under Virtual PPAs below) is the ESG benefits that can be cited. The larger the offtaker the more of the surplus supply can be absorbed on a matched half-hourly basis by the offtaker. Using a virtual or sleeved PPA this offtaker does not have to be local. Indeed there may not be a sufficiently large off-taker within the substation area (a requirement of P441). A smaller local offtaker may not have sufficient demand to match all the energy generated on a sunny summers' day for instance, resulting in lost income, since there is no longer any export tariff.

Community energy would prefer to supply local organisations for the potential additional local benefits, and the synergetic relationships that can lead to further projects, more energy saving, and a virtuous circle of benefit. But sometimes, especially in times of high interest rates and inflation a secure income stream will be prioritised.

Virtual CPPAs ('synthetic' or 'financial') fall outside the scope of this consultation

A number of our members' CPPAs under P442 are in fact virtual PPAs, though they also count as sleeved PPAs.

Devon County Council were considering using a virtual PPA for their proposed purchasing from a 20 MW community solar farm. CAG CONSULTANTS (2021) 'Devon Community Energy: Socio Economic Impact Assessment - Final Report' showed purchasing from the community solar farm would yield around £1.9m of benefit to the area over the lifetime of the agreement. Devon County Council considered that this was justification for using community energy. This is cited in the government's Evidence Annex to the Local Power Plan.

Issues with REGOs

Danger of double selling - of the renewable power to one customer and the REGOs to another who then claims their non-renewable supply is renewable. This is allowed but effectively fraudulent allowing over-claiming of the amount of renewable energy being used.

Also REGOs are not yet tied to certifying power generated in relation to power consumed. Neither are the volume-settlement models which gross up energy demand against energy supplied taking no account of when either the demand or the generation is happening. The cost of covering any difference 'comes out in the wash'. The value of REGOs are now less than £1 each and therefore not a significant contribution to a revenue stream.

PPAs with data centres

Community Smart Local Energy Systems (a key focus of the Local Power Plan see p22) could work well with data centres. Community projects could supply energy and have contracts to take the surplus heat and use it in the local area. It is unclear what the value of that would be as it is a waste product - but it is costly and wasteful for data centres to deal with at present and also consumes large amounts of water.

There are companies that are looking at distributed data centres which work very well with the community energy model. Heata is one example which a more distributed and fair way of enabling the expansion of data capacity which otherwise will become a real and costly problem for our energy system

The consultation document says that "data centres are attractive counterparties of CPPAs, … and work to meet environmental, social, and governance (ESG) and net zero commitments." The first part of that statement is true. A large and stable load is ideal for smaller variable generators to supply with CPPAs under Licence exempt supply under P442. This provides a useful income for surplus power.

However the race to expand data centre provision is a very significant problem for the energy system and net zero that will not be solved by a bit of ESG. Large data centre providers are already warning the government that they will have to use onsite gas generation - in defiance of the government's clean power mission - because of their over-riding need for very large amounts of secure power. Their ESG is fairly tokenistic and often amounts to greenwash - like an airport putting solar on the roof and calling their operation zero-carbon. The growth of this sector - more than doubling UK electricity demand by 2050 - is part of the problem. It is already hoovering up grid connection needed for genuine decarbonisation projects and will be able to out compete other demands for renewable energy. You rightly diagnose that it may crowd out smaller businesses and

community energy. Actively managing the ballooning demand for data and AI must be a key government energy priority.

2. To what extent can CPPAs support the development of new electricity generation capacity?

In your answer, consider different types of CPPA.

Community energy enterprises, being mostly Community Benefit Societies or Cooperative Societies, and occasionally Community Interest Companies, are not able to access venture capital or borrow against assets that may be asset-locked, are reliant on cash-flow, unsecured borrowing or grants (or volunteer time and contributions) to do feasibility and development of new projects.

So a secure income stream on existing projects that ideally allows a predictable surplus to dedicate to community benefit and developing new projects is vital to the success of the organisation. PPAs can provide this security and income. Depending on the term of the contract they are more or less useful for securing loan finance and underwriting community share issues.

We agree that few new projects can be (have been) justified simply by a PPA. Most PPAs will only be entered once the supply is available. There is such volatility at the moment that it is impossible to build a business case with sufficient certainty. (See Recommendation 1. on a stable floor price.)

CPPAs will be increasingly relevant as existing projects reach the end of the RO or FiT agreements.

One of our members, SE1 Solar, is working on a CPPA to go alongside P441/P442 License Exempt Supply to give the length of term to underwrite install investment. They offer no discount on wholesale price and add a social premium. This model was pioneered by Energy Garden with their CPPAs with Patagonia. However, and critically, the price SE1 will receive is below break-even so only works for surplus export on top of substantial direct wire self use.

Community energy organisations are increasingly looking at co-locating wind and solar and storage to maximise use of their grid connections. The varying output profiles across the seasons and across day and night time mean that the output is increased and smoothed as the two sources complement each other. Solar maxima tend to happen at times of lower wind output and vice versa. Wind is strongest through the winter and solar during the summer. This will enable a more stable and predictable supply to CPPA customers. This consolidation will increasingly happen as projects seek to repower, a costly business that needs a sound business case.

3. What actions could support growth in the GB CPPA market and make CPPAs a better option for:

- **Electricity buyers?**
- **Electricity generators?**

If relevant, reference specific business level barriers your organisation has encountered when attempting to enter into a CPPA.

The wholesale price is (in normal times) too low, on its own, to achieve viability for most rooftop solar. To resolve this and significantly support the growth and spread of community energy:

Recommendations

1. **The government should introduce a stable, long-term export price for community energy projects (as defined by the 'eligibility criteria', currently being finalised by the government.). This should be a floor price over 10 or ideally 20 years at a rate to be agreed,** that takes account of the additional costs of social businesses operating at a small scale often on deserving sites that industry would consider uncommercial. The government could also introduce a cap so that in the event of high wholesale prices money reverts to the government. But the expense of administering this would probably exceed the benefit - given that any surplus profit is dedicated to benefiting the community and often to addressing fuel poverty.

Additionally:

2. **The government should enable local energy markets to take advantage of the P442 and especially P441 - which is specifically about local licence exempt energy trading.** This is a Local Power Plan priority p23

"Give communities fairer access to energy markets. DESNZ will:

• Continue work with Ofgem and Elexon on key code modifications P441, P442, P444 and P415 to make it easier to establish local energy communities, share locally generated power and benefit from community energy. We strongly support the progression of these modifications."

We understand that there is a DESNZ/Ofgem team working on this. If they can get local power trading at a viable price for the generator (by removing transmission and policy costs etc. in a fair way) then that will be a gamechanger for community energy.

The role of the licensed supplier in sleeved structures

One of the practical barriers to CPPAs in GB is the role of the licensed supplier in sleeved structures. Suppliers must manage settlement, balancing and regulatory compliance, which introduces:

- sleeving fees
- imbalance and shaping risk
- supplier credit requirements

These factors can materially affect the economics of smaller CPPAs and in practice this is often the point where otherwise attractive CPPA opportunities stall unless the commercial structure is carefully designed.

Recommendation

3. **The government should introduce a duty on suppliers above a certain size to be required to provide fairly priced sleeving arrangements to community and small local generators, especially to facilitate local trading under P441.** This would level the playing field and increase competition and enable more community energy organisations to commence local energy trading under P441.

Community energy organisations are mostly looking to CPPAs with local businesses, schools, and other public sector organisations such as councils, hospitals with generation on the roof or adjacent and supplied behind the meter. This may be supplemented by a CPPA (sometimes a virtual CPPA) to get a better price for surplus that is exported. These and Utility PPAs are not usually enough to ensure break-even so are also usually for surplus energy after the onsite demand is met.

Community energy CPPAs align particularly well with public sector electricity demand. Local authorities, universities, schools and NHS estates typically have long-term electricity needs and strong decarbonisation commitments, and can place value on local economic and social outcomes.

Providing clearer procurement guidance and encouragement for public sector organisations to consider community energy CPPAs could materially expand the market.

Recommendations continued

4. **Government should encourage and incentivise public organisations to engage in long-term PPAs with community energy generators. This should include**

5. **Providing clarity around procurement rules to the public sector and expectation, encouragement and incentives to the public sector to enter into CPPAs with community energy.**
    a. **Underwrite the public sector/community energy PPA by providing a guarantee, or 'contract for difference' so that if the wholesale price that the public sector buyer could have got on the open market falls significantly below the PPA price, the government will make up all or a proportion of the difference.** This would give risk averse energy managers in the public sector the confidence to enter into long term contracts.
    b. **Provide a strong presumption that opening up public assets to energy projects delivered by community energy organisations is a good thing to do.** This should include:
        i. **Providing guidance that refers local authorities to the planned GBE Partnership Fund for collaborative projects with community energy.**
        ii. **Clarity that large amounts of capital funding will not be forthcoming** once the confusingly named GBE Solar Partnership Scheme which spent £255m on solar panels on hospital and school rooftops is concluded and that government money is better invested in enabling community energy enterprises to crowd in community investment to deliver more megawatts, more savings and more community benefit.
    c. **Provide a recommended social value weighting.** Bristol City LEAP gave a 20% weighting to social value and local supply. This was well evidenced but other councils have been slow to follow this lead, despite the benefit that it could bring to their local residents. Community energy is a good proxy for social value, as all surplus profits are dedicated to benefiting the local community. This can also be used by companies to meet their ESG requirements.
6. **Provide education and guidance to PPA buyers in all sectors on the benefits of the Local Multiplier effect** where money that stays local delivers up to 4 times more benefit to local residents than money that escapes down the long supply chains and into the investors' pockets of large corporate energy suppliers. This can also be used as evidence to meet companies' ESG requirements
7. **Support community energy organisations with dedicated expertise and brokering to enable CPPAs to be successfully negotiated.**

Community energy on the public estate

The Local Power Plan states (p 24) that in 2026-27 DESNZ will:

"Engage across the public sector on opportunities to unlock PPAs between community energy groups and public buildings, building on the decision made at the November 2025

Budget to enable public-private partnerships for decarbonisation.[1] We have listened to community energy groups on this issue and reiterate our support for this approach, recognising it will create new development opportunities on public land and expand co-benefits for communities and the public estate."

This has recently fallen foul of accounting rules which account all leases and PPAs with public sector bodies (except for certain commonly leased items such as photocopiers) as borrowing, adding to the national debt. This precipitated a pause imposed on installations of rooftop solar during the vital summer holiday installation window, which could have bankrupted a number of established community energy organisations. Thankfully, with urgent lobbying and good cross departmental working this was averted. However the long-term solutions are still not in place and despite strong statements in the budget in favour of private investment in public estate decarbonisation uncertainty continues to reverberate and ongoing projects with the health service and schools are still being paused or cancelled. We understand that NISTA is working within HMT on standardising PPAs, leases and other contracts to help facilitate speedy sign-off by departments.

Recommendation

8. **The government must expedite resolving the uncertainty around contracts on the public estate and publicise the solutions across all energy and estate operatives working on the public estate.**

4. What best-practice approaches developed in comparable markets could address the challenges in developing and agreeing CPPAs in Great Britain?

Reference any experience of participation in these markets, and any evidence of how approaches could be adapted to fit the GB market.

We would encourage GB not to copy 'best practice' examples from other markets but to create the best practice examples.

Best practice with a focus on social, environmental and energy transition benefits would encourage public sector, and other, organisations to enter long term PPAs with community energy organisations, within a framework of local supply regulation that removed most of the

[1] Wording from Budget 2025 Document: 'Private finance for decarbonisation of the public sector estate – The government has confirmed it will consider private sources of finance – including Public Private Partnerships – to decarbonise the public sector estate (alongside or in place of government capital. expenditure), where these offer value for money. HM Treasury will consider proposals based on business cases from relevant departments.'

transmission, distribution and policy costs, to achieve both viability and community funds. This would assist the energy transformation towards a local-first, flexible, smart, participatory energy system

CEE has contacts with the EU network of 'energy communities' REScoop.eu and we can connect you with relevant experts.

Contacts

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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. Membership totals more than 320 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