

Environmental Audit Committee call for evidence: Community Energy

Written evidence submitted by Regen (19 March 2021)

Regen is an independent, not-for-profit centre of expertise in sustainable energy with nearly 20 years' experience in transforming the energy system. We have extensive experience delivering independent expert advice and market insight on all aspects of sustainable energy delivery, including community energy.

This response is based on ten years of experience working on-the-ground with community energy organisations nationally, facilitating community energy networks, hosting regular forums for communities, delivering technical guidance, tools, and innovation projects, and supporting Ofgem, BEIS and Distribution Network Operators (DNOs) to better engage and support community energy.

Regen's current work on community energy includes:

- Working with Community Energy England, Scotland and Wales to deliver a State of the Sector Report.
- An innovation project funded by BEIS and led by Carbon Co-op to develop a 'Community Energy Aggregator' model.
- Working with DNOs to engage with community energy groups in developing RIIO-ED2 price control Business Plans for 2023 to 2028.

Summary

1. Community energy is essential to achieving the UK's net zero statutory target. We will not be able to decarbonise at the speed and scale necessary without bringing people and communities with us. Through their role as trusted intermediaries, community energy organisations can help establish public consent for the energy transition.
2. Alongside delivering renewable generation, community energy can facilitate a just transition by providing local jobs and ensuring the hard-to-reach are not left behind, as well as alleviating fuel poverty and supporting the green recovery by reinvesting the economic returns of community-owned generation into the local area. During the pandemic, the cheque to the food bank from the local community energy project was the largest funding source in some areas.
3. Many excellent community energy organisations have been established in the past decade and have a track record of delivery when there is genuine community ownership and control of energy assets. The challenge now is to scale up the sector to play a transformative role.
4. Community energy is currently operating in an unsupportive policy and regulatory environment which impedes the realisation of its potential in achieving net zero.
5. More supportive policies, along with financial and technical support, are needed from national government, in collaboration with Ofgem and local authorities, to level the playing field for community energy. This means recognising that community energy projects should be treated differently to commercial projects as they operate with limited resources and at a disadvantage within the current centralised energy system and regulatory regime.

Call for evidence questions

1. What contribution could community energy (through renewable power and/or energy efficiency) make to achieving net-zero by 2050 in the energy sector and its potential role in decarbonising the heat and transport sectors?

- 1.1 Community energy is already playing a role in achieving net zero in the UK, contributing to around 265 MW of renewable electricity generation and 13.1 MW renewable heat to the energy system¹. If properly supported by government, its role could be even more significant, with the potential to contribute 5,270 MW, power 2.2 million homes, support 8700 jobs, save 2.5 million tonnes of CO2 emissions and add over £1.8 billion to the economy each year by 2030.² Community energy is ready to scale, but government support is needed to unlock its full potential.
- 1.2 The role of community energy goes beyond simply the provision of “renewable power and/or energy efficiency”. Community energy organisations hold a vital role as trusted intermediaries who can build consent for the energy transition amongst citizens and communities by empowering them to actively participate and by securing benefits for the local area. Without the approval and participation of an engaged citizenry, the energy transition will fail to move at the pace and scale needed to achieve the net zero by 2050 target.
- 1.3 Community energy organisations place people, social justice and equity at the heart of their projects and focus on upskilling communities, creating green jobs and tackling fuel poverty. As such, community energy will be vital for facilitating a just transition where no one is left behind, acting as a social conscience for the wider energy sector, and contributing to a green recovery.
- 1.4 As we develop a smarter energy system there are risks that this increases the existing ‘poverty premium’ paid by energy customers. Those with the resources can be paid to charge their electric vehicles, whilst those on pre-payment meters have no such opportunities. Community led energy projects can address these challenges.
- 1.5 The decarbonisation of heat is often cited as the biggest challenge to achieving net zero because it demands citizens to consent to significant transformations within their homes. Community energy organisations play a crucial role in overcoming this barrier by building trust within their communities and using their relationships with local businesses to deliver more effective energy efficiency projects than can be delivered by nationally-run schemes such as the Green Homes Grant.
- 1.6 Community-led approaches to decarbonising transport are more holistic, aimed at both accelerating electric vehicle (EV) uptake and shifting transport habits by better facilitating public transport and active travel. Community energy organisations have the potential to play a role in developing EV infrastructure at a local level, particularly in ensuring rural areas are not left behind by the transition to EVs.

2. How well are the financial and technical needs of setting up and running community energy projects met by existing Government support mechanisms? What changes would be needed to the access or nature of support to develop community energy further?

¹ https://communityenergyengland.org/files/document/388/1591956106_CommunityEnergy2030Vision.pdf

² <http://wpieconomics.com/publications/future-community-energy/>

- 2.1 In 2014, the government launched a Community Energy Strategy that provided comprehensive support to the sector. The strategy was abandoned by subsequent governments and support is now very limited.
- 2.2 In terms of financial support, there are limited sources of funding to cover the costs of setting up and running a community energy project. Funding that does exist is often too narrowly focused on feasibility for energy generation.
 - 2.2.1 The main government support mechanism is the Rural Community Energy Fund (RCEF), which ends in April 2022 and only helps with the costs of setting up a project in a rural area. In addition, to obtain a grant, a community group must already possess a legal entity, a bank account, ensure there is grid capacity for their project, and have received three tenders. The RCEF needs to be extended beyond 2022. It should also offer seed funding to provide upfront support for new and emerging community energy, local and climate action groups. It must also be expanded from its current narrow focus on renewable generation to include participatory engagement projects, and energy efficiency projects that can support people in fuel poverty and enhance local cohesion.
 - 2.2.2 We need an urban equivalent to parallel to the RCEF, where many community energy organisations are based in diverse communities and there are significant untapped skills.
 - 2.2.3 With the withdrawal of the Feed-in Tariffs, there is a lack of long-term support from national government to meet the financial needs of running a community energy project within the current centralised energy system. The Smart Export Guarantee (SEG) is too short term to assist in making an investment case for a community-led renewable generation project.
 - 2.2.4 More innovation funding is needed for community energy organisations developing ambitious projects around local supply and peer-to-peer trading.
- 2.3 Communities are currently using the RCEF to buy-in technical expertise. There is a need for more support than is currently available due to the following:
 - 2.3.1 Existing community energy business models are based on the Feed-in Tariff, which is no longer available, meaning new community energy organisations are unable to look to existing business models to replicate and have to find alternative solutions.
 - 2.3.2 There is a new wave of community energy and climate activist groups who want to develop projects involving local supply, peer-to-peer trading and micro grids, but lack the technical expertise to deal with the regulatory barriers.
- 2.4 Training and guidance are needed to support community energy organisations through developing viable business models and dealing with regulatory barriers.

3. What are the main barriers to development of new community energy schemes under the current regulatory regime? Do lack of connection or high access charges to the electricity grid pose an obstacle? How could these be overcome?

- 3.1 Community energy projects face additional barriers to those faced by commercial projects.
 - 3.1.1 Network connection is one of the main barriers to community energy generation. Due to their participatory decision-making process and limited resources, community energy organisations are slower to deliver projects in comparison to commercial organisations. This means the cost of network connection for community energy organisations, particularly those that want to develop generation projects, are very high as they are subject to high

network upgrade charges when connecting last to the grid. This barrier could be overcome through:

- 3.1.1.1 Shallower network charging where those connecting to the network pay for their sole use assets and upstream reinforcement costs are planned strategically and socialised.
 - 3.1.1.2 Reserved capacity on the network for community-owned generation. Capacity is currently taken up by fossil fuel generators and other commercial developers, who have not already been paying for the socialised part of the connection cost through their energy bills.
- 3.2 Government's 2014 Community Energy Strategy included an objective that it should be the norm for communities to be offered some form of ownership of new commercial renewable energy projects from 2015. The government took powers in the 2015 Infrastructure Act to create a Community Electricity Right. The government also supported a Shared Ownership Taskforce, that Regen participated in, to develop a voluntary approach. Subsequent governments have not pursued either of these initiatives.
- 3.2.1 The policy objective to require shared ownership should be reintroduced to enable greater participation by people in the transformation of our energy system.

4. What role should Ofgem play in supporting community energy and resolving regulatory issues, such as decentralisation and incorporating community energy projects into smart electricity grids?

- 4.1 Ofgem must conduct a review of the current regulatory barriers for community energy projects and set out a plan for levelling the playing field. This does not mean treating everyone the same: community energy organisations require additional support because they possess limited expertise and resources and already operate at a disadvantage compared to industry incumbents within the current regulatory regime.
- 4.2 Ofgem must have a clearly defined statutory remit to prioritise decarbonisation and must value the social benefits provided by community energy in tackling fuel poverty and not leaving anyone behind as we transition to a low carbon energy system.
- 4.3 Ofgem should ensure they have community representation on all network reform forums and panels. This would hold them to account to support community energy and include those who pay for the system in decisions determining its design.
- 4.4 Using plain English and expanding on acronyms in all communications is a small action that Ofgem can take to better support community energy organisations who lack the same level of technical expertise as industry incumbents.
- 4.5 Community energy organisations want to generate and supply energy locally, and pay their fair share of network charges, however they are not being supported sufficiently to explore the best way of doing this or realise any financial return for the benefits this brings to alleviating pressure on a constrained network. A potential measure here could be to disaggregate the balanced responsible party role from the supplier hub model.

5. What role can local authorities play in developing community energy, for example in planning, decision making and the availability of sites for energy generation?

- 5.1 Many local authorities have declared a Climate Emergency and are now setting out plans of action to reduce emissions. Included in these plans should be a commitment to developing

energy projects in partnership with community energy organisations, which bring benefits to the local area, from financial returns, improved social cohesion and participation in energy issues. There are a broad range of options for local authorities to support community energy organisations.

- 5.1.1 Local authorities can commit to buying their energy from community-owned renewable energy generation via long-term virtual Power Purchase Agreements (PPAs) that stimulate the ability of communities to build new renewable generation projects that are financially viable, while offering the local authority a source of renewable energy and retaining the additional social, economic and environmental benefits within the local area. Devon County Council and the Devon Energy CIC have been working on this model for several years now.
- 5.1.1.1 Support from central government would be needed to rollout this idea widely and to issue procurement guidelines for local authorities on how to set up new PPAs to fund new community energy projects, as well as other routes to form community energy partnerships.
- 5.1.2 Local authorities can opt to offer ownership of key generation sites on Council-owned land to community energy organisations. Central government should support local authorities in developing planning practices that promote local support of community energy projects.
- 5.1.3 Local authorities can also play a role in ensuring community energy organisations participate in planning for a low carbon future. This can be done through providing practical support, engaging them in climate emergency governance and expert groups and by paying community energy organisations to deliver engagement activities such as home energy advice in the community.
- 5.2 Many of the most successful existing community energy projects were developed in collaboration with local authorities. To fully unlock the role of local authorities, additional funding and guidance is needed from central government.

6. How can policy ensure that community energy projects maximise their positive impacts (social, environmental, economic) on the local communities?

- 6.1 Community energy organisations are already committed to maximising the positive impacts of their projects on the local area, but policy measures are needed that allow community energy a route to market and to make an investment case for these benefits to be delivered.
- 6.2 The government should prioritise the following:
 - 6.2.1 Remove the ban on Social Investment Tax Relief for community energy projects.
 - 6.2.2 Give explicit support to community energy in the Net Zero Strategy.
 - 6.2.3 Create an Urban Community Energy Fund as a counterpart to the Rural Community Energy Fund, which should be extended and given a wider focus than generation projects.
 - 6.2.4 Work with Ofgem to remove regulatory barriers and level the playing field to enable community energy business models to thrive, for example through shallower connection costs and reserved capacity for community-owned generation.
 - 6.2.5 Remove extra planning restrictions for community-owned wind and solar.
 - 6.2.6 Provide funding for community energy efficiency projects that prioritise fuel poverty alleviation.

6.2.7 Provide funding and support for local authorities to procure local and community energy, via partnerships with community energy organisations that deliver the additional social, environmental and economic value to local areas.

7. What are exemplars of successful community energy systems from across the UK’s urban and rural communities; what makes them so successful?

7.1 There are inspiring community energy organisations across the UK. Regen’s [Green Energy Awards](#) have had a community energy category for many years and the judges have been hugely impressed by the achievements of all those nominated. Organisations Regen has worked with across the UK include:

- 7.1.1 [Plymouth Energy Community](#) is a member-led charitable organisation that provide free renewable energy installations to homes and businesses, energy efficiency advice, and mentoring and staff training for local authorities and organisations.
- 7.1.2 [Communities for Renewables](#) is an asset locked community interest company that helps communities set up local energy enterprises and supports them to develop, finance and manage their own renewable generation. They have delivered over 35 MW of community solar and provide community energy company and asset management services to 50 MWp of community solar projects across 7 localities.
- 7.1.3 [Carbon Co-op](#) is an energy services and advocacy co-operative that helps communities make radical reductions in home carbon emissions through deep retrofit. They are also leading a BEIS funded trial for domestic flexibility.
- 7.1.4 [Devon Energy CIC](#) is a consortium of community energy organisations in Devon who develop large scale community energy generation that will hopefully one day be bought by local authorities.
- 7.1.5 [Brighton & Hove Energy Services Cooperative \(BHESCo\)](#) has developed community energy projects using an innovative ‘Pay As You Save’ model for delivering low carbon technologies and heat at a domestic and commercial level. They are also developing a rural off-gas grid heat network in Firle.
- 7.1.6 [Bath and West Community Energy](#) is a member-led not-for-profit community benefit society that has installed 12.35 MW of renewable energy, built 5 solar farms, and installed solar PV on the roofs of 11 schools and 4 community buildings. Through these projects, they have delivered tangible on-the-ground community benefits, including re-circulating 30-40% of their income into the local economy and providing their community with skills and knowledge training.

7.2 The success of these community energy projects stems from excellent leadership and engaging their communities to deliver social, environmental, and economic benefits to their local area whilst reducing emissions and contributing to the national net zero by 2050 target.

7.3 Many of these community energy projects have been developed with local authority support. For example, Plymouth Energy Community was developed with a no interest loan from Plymouth City Council and is a good example of a local authority working together with a community energy group to get a local project off the ground.

7.4 Many of these organisations have developed to a point they can have paid staff. Community energy organisations need financial support to help cover their core costs and support the professionalisation of community energy.

7.5 Many of these projects were developed and operated successfully with business models underpinned by the Feed-in Tariff. New viable business models need to be developed, which will require changes to policy and regulation to level the playing field. This means providing community energy projects with additional support to unlock their untapped potential in achieving net zero.

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