

# DECC Community Energy Strategy

## Position Paper, July 2013

The DECC Community Energy Strategy provides a vital opportunity to reconnect communities with their energy use by bringing about greater community ownership of energy assets and encouraging the mass take-up of energy efficiency measures.

There is strong political and public support for community energy. Ed Davey, Secretary of State for Energy and Climate Change, recently said "*I want nothing less than a community energy revolution*", and Greg Barker, Minister of State for Climate Change, states that "*community engagement in the energy sector will be vital to our vision of the development of energy in the UK in the coming decades.*" The May 2010 Coalition Agreement makes a commitment to "*encourage community-owned renewable energy schemes where local people benefit from the power produced.*" Public opinion research shows that support for renewable energy projects, including onshore wind, increases considerably if they are owned by local communities. Community energy is common elsewhere in Europe and should be in the UK too.

The Government has recently introduced supportive policy measures, such as introducing a 'community' Feed-in Tariff (FiT) and increasing the capacity of community projects able to access FiTs from 5MW to 10MW. These changes are warmly welcomed.

However, significant barriers still remain to dramatically increasing the number of communities controlling and benefiting from their own clean energy schemes, not least the lack of a comprehensive and integrated framework of support. The DECC Community Energy Strategy provides the opportunity to introduce such a framework.

### Recommendations for inclusion:

#### 1. Coherent vision for community energy in the UK

We encourage the Government to set out its ambition and commitment to the scaling up of community energy activity in the UK in robust and unambiguous terms. This will send a clear and long-lasting signal to community energy practitioners, supporting services, new sources of finance and the wider energy system. With Government leadership and commitment, much of the supportive framework required for the acceleration of community energy activity will more easily fall in to place.

#### 2. Standardised processes and documentation

The administrative burden placed on community energy projects could be alleviated, and costs reduced, if government worked to streamline the process by bringing together relevant bodies to agree a standardised process. This would set out the steps that projects will be asked to follow, and the information required of them. Wherever possible, standard models of documentation should be produced, analogous to the standardised conveyancing documentation and system for property transactions. Ofgem, the Environment Agency, Natural England, DCLG, devolved administrations, Distribution Network Operators, banks and other major funders should all be involved.

The Government and its agencies should also agree formal service standards for community energy, guaranteeing response times and support available.

#### 3. Co-ordinated advice and support services

The Government should fund an independent advice service for community energy, providing support from assessing feasibility through to generating and selling energy or implementing energy efficiency. The service should:

- Be run by an independent agency or network of agencies that are already active in the field, rather than being run by the government itself. Scotland's Community and Renewable Energy Scheme (CARES) could provide a model;
- Provide person to person advice, rather than just an online resource;
- Sponsor a mentor scheme, whereby a successful project is paid a fee to provide advice to a newer start-up;

- Consider networking and development opportunities for established community schemes to ensure that they continue to grow and build on success to date.

#### **4. Financial framework and access to finance**

The Government should introduce a supportive financial framework for community energy that includes Feed-in Tariffs, the Renewable Heat Incentive, Green Deal, the Green Investment Bank (GIB), investor tax breaks and incentives for pension funds to invest.

GIB should support community energy by:

- The provision of junior debt to leverage investment from the mainstream commercial banks that are not currently operating in this market;
- Use of the GIB to establish framework agreements with suppliers to drive down capital costs; and
- The establishment of a development fund to underwrite a share of pre-development project risks.

GIB support would act as a stimulus to encourage mainstream banks to invest.

The Government could also support aggregated community energy finance deals with banks, to allow small and medium sized community projects to access the same, better deals as large commercial developers.

#### **5. Feed-in Tariffs (FiTs)**

We welcome recent changes to the FiT scheme, including the creation of a 'community' tariff band; the right to fix the FiT rate at an earlier stage; and increasing the capacity of community projects able to access FiTs from 5MW to 10MW. Together, these changes could help to create a more supportive environment for community energy. However, in order to gain benefits from these changes, DECC will need to ensure that FiT levels are set at levels which provide a workable return for communities, allowing them to access finance (both debt and new equity). Particular attention needs to be paid to FiT levels for certain technologies, e.g. solar PV between 250KW and 5MW. DECC should also consider introducing a higher community FIT rate as other countries have, e.g. Nova Scotia has introduced the COMFIT with the express intent of encouraging a third of all renewable generation deployment by community ownership.

#### **6. Planning & Local Authority involvement**

For planning, the system must be locally accountable, strategic and considerate of landscape capacity. Government should ensure that local communities feel genuinely able to have an influence through the planning system to locate renewable energy applications in the right places. The National Planning Policy Framework and its request to planning authorities to "support community-led initiatives for renewable" could help. This could be done by identifying strategic sites for community energy as part of Local and Neighbourhood plans with community consultation.

DECC and the devolved administrations should work with 'pathfinder' local authorities to develop models of co-operation between local authorities and community organisations. In other countries it is often local government or municipalities that act as the catalyst or co-ordinator. Involving local authorities is particularly important to achieve significant scale.

#### **7. Grid connection**

Often a stumbling block for community projects, we would like DECC and Ofgem to introduce a 'right of first access' for community energy projects to the grid, whereby Distribution Network Operators are required to facilitate connection for community projects. Furthermore, all renewable energy schemes should have priority access to the grid in preference to fossil fuel projects, as required by Article 16 of the 2009 EU Renewable Energy Directive, which the UK is yet to fully implement.

The Government should also consider ways to assist with grid connection costs for community energy, such as the socialisation of costs or an option for amortised payments out of FiT payments.

#### **8. Shared ownership obligation**

We believe that there should be a requirement on commercial wind developers to offer for sale at least 20% of the project to local ownership, as is the case elsewhere in Europe (any onshore or offshore turbine over 25 metres high). We would suggest the following approach:

- The Government should make clear that it expects commercial developers to offer ownership options to local communities.
- Developers would be given a certain amount of time to experiment with different voluntary approaches to community ownership. This would allow innovative partnerships between communities and commercial interests to emerge.
- DECC should consider offering preferential rates through Feed-in Tariffs and the new Contracts for Difference for projects with a significant proportion of community ownership.
- If, after a period of time, there has not been sufficient progress, then legislative solutions would be proposed.

## 9. Energy Efficiency

Community organisations can play a significant role in the development of the Green Deal / energy efficiency market. We would like to see community energy groups enabled to carry out this activity by Government, considering where such groups could create value and be rewarded for this in the Green Deal value-chain.

## 10. Definition of 'community'

*“Community energy projects are schemes owned by the local community through established legal structures and/or those which generate tangible local economic and social benefits. They are developed and owned by a range of people and organisations, including individuals, businesses, farmers and landowners, local authorities, housing associations and other community groups. Sometimes community ownership structures can also widen their membership beyond those who live or work near the particular project but they maintain an emphasis on community ownership.”*

We consider the following legal structures to be community owned:

- Community interest companies (CICs)
- Industrial and Provident Societies (IPSS) (bona fide co-operatives and community benefit societies)
- Northern Ireland IPSS
- Registered charities and their wholly owned trading subsidiaries

DECC needs to amend its definition for access to the 'community' FiT to include charities. This definition can then be used in the development of supportive Government policy measures, such as those identified above.

It is important that community energy is not just defined geographically, i.e. a group operating within a certain geographical area. Some projects may involve a community that is dispersed geographically, but linked by a common aim.

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