Call for Evidence: Unlocking community energy at scale
Energy Security and Net Zero Committee

UK100 Submission

Contact:

Tunisha Kapoor
Research and Insights Manager
UK100
Tunisha.Kapoor@uk100.org

Patrick Hargreaves
Parliamentary Officer
UK100
Patrick.Hargreaves@uk100.org

Introduction

This submission is from UK100 which is a network of 116 local authorities and their leaders who have pledged to lead a rapid transition to Net Zero in their communities ahead of the Government's legal target.

Our submission focuses on the following key concerns that we consider crucial for achieving the objectives:

1. **Creation of a stable policy environment:** This is critical for the success of community energy programmes. A long-term national community energy strategy with clear guidelines and stable funding supported should be developed, or be a feature of the Clean Energy Mission, establishment of GB Energy and Local Power Plan.
2. **Stable and consistent funding streams:** Create stable, consistent and long-term funding streams for councils and community energy that can develop and sustain community energy organisations and groups to develop capacity and deliver projects.
3. **Streamline and simplify planning processes:** Make it easier to get planning permissions for renewable energy infrastructure, including onshore wind, and ensure these are consistent. Remove any barriers to onshore wind and solar and ensure the Climate Change Act is prioritised in planning policy.
4. **Building a sustainable and inclusive community energy market:** To foster the growth and sustainability of community energy projects, it is essential to create a comprehensive framework of incentives and supportive policies. This should include reintroducing effective financial incentives, such as feed-in tariffs, the ability to sell locally and the establishment of schemes like a

Community and Smaller-scale Electricity Export Guarantee, ensuring fair compensation for energy exports.

5. **Enhance technical support and training:** Provide training and technical support to community energy organisations, through national, regional and local umbrella organisations, so they can build their own capacity to develop projects with financial returns of interest to investors, vital for creating blended and community finance models.

Recommendations

In our submission we answer the following questions asked by the Committee:

Q1. How could the Local Power Plan to be produced by Great British Energy build upon existing community energy support schemes, such as the Community Energy Fund?

Financial

- **Create Dedicated Funding Streams:** Great British Energy aims to generate 8GW of clean energy by working with community energy groups and local authorities. However, GB Energy should fix the funding picture by establishing national and local funding programs, such as grants, low-interest loans, and green bonds specifically for community energy projects. This can help set-up community energy groups, increase capacity, support feasibility studies and initiate projects. There should also be funding for innovative project pilots to test new solutions that can then be scaled up. In addition, the available funding needs to be easier to access with low entry barriers, and fewer short term competitive pots and where possible collated under one fund that can be used to develop and deliver projects. It is good to see organisations like UK Power Networks and other DSOs investing to grow community energy groups to support and ensure local people to receive the benefits from the transition to net zero.
- **Funding for local councils and community energy umbrella bodies:** The community energy sector is still emerging, with differences in capacity, infrastructure and support across the country. The most established and developed community energy ecosystems, often align with places where regional or local government have been able to offer sustained support for the development of organisations and groups. This has often taken the form of direct support, organisational, feasibility or incubation funding and relies on councils investing in this work either through dedicated officers or grants. A sustained and successful roll out of community energy should look at direct investments in local councils and combined authorities to allow them to take on this local coordination role. National and regional organisations like Community Energy England, Community Energy South (including their work with Essex), the Net Zero Hubs and Ashden and their

local equivalents should also be supported to ensure knowledge sharing and technical expertise is available.

- **Investable Business Plans:** If these projects are to be increased they need the support to create investable projects and business plans. In addition, if they partner with local authorities who are trusted not just by the communities but by businesses and financial institutions as well, they can develop stronger plans. However, local authorities need the support to develop and grow these groups and projects. Many local authorities require Technical Assistance to develop community energy projects into viable investor products. This is outside the capacity and scope of the UK Infrastructure Bank/National Wealth Fund at the moment.
- **Bulk procurements:** If bulk purchasing of materials such as for solar PV can be done through alliances with businesses, local authorities and other organisations this could support community energy groups as well, particularly for smaller projects.
- **Blended finance:** Attracting private investment is crucial for growing community energy but is hampered by administrative hurdles. Individual investors must manage each share offering separately, complicating portfolio diversification. Institutional investors face similar challenges, further discouraged by the small size of most offerings, which limits interest from foundations, endowments, and family offices. A pooled fund could simplify investment for individuals and institutions. The Government could support this by underwriting losses or providing low-risk seed funding. This approach would also allow the Government and Great British Energy to focus the £100 million Local Power Plan (2025–26) on early-stage development and diverse community projects[1].
- We have also seen combined authorities and the Mayor of London create successful funding models for community energy that could be scaled up and partnered with GB Energy.
    - For instance, CO2Sense CIC is developing a 'pooled fund' to attract private investors to the community energy sector. The fund will support ‘lower risk’ projects in three categories: those ready for construction needing bridging finance; those requiring additional financing through community shares; or projects which are already in operation and are looking to refinance existing more expensive development loans.

Technical

- **Enhance Technical Support and Training:** Provide training and technical support to community energy groups so they can build their own capacity,

[1] https://www.gov.uk/government/publications/great-british-energy-bill-factsheets/great-british-energy-bill-overarching-factsheet#:~:text=The%20government%20has%20already%20made,British%20Energy%20as%20a%20company

develop and run programmes with local communities. This would involve technical knowledge, business planning, project planning and management as well as community engagement strategies. This will empower them to co-create and develop successful projects.

- **Develop Knowledge Sharing Platforms:** Providing community energy groups with the necessary tools and guidance means they do not have to reinvent the wheel and can make use of existing sector expertise. These should be created as a central repository and be made available to them focussing on practical aspects of project development and implementation. In addition, these groups can learn from each other and such forums, events, and knowledge sharing platforms should be created so best practice examples can be easily replicated. We have seen significant interest from our UK100 network in more knowledge sharing around community energy.

Policy

- **Establish a Stable Policy Framework:** Long-term certainty is vital, as businesses, talent, and public services hesitate to invest or commit without assurance of stable regulatory and policy landscapes. To support this, develop a long-term national community energy strategy with clear guidelines and stable funding supported by relevant capacity building measures and extended budget certainty. This should be supported by a national campaign for community energy projects that can help create legitimacy and build support. Set a target for local ownership of renewable energy via a community benefit or shared ownership model. The favourable policies in Denmark resulted in the development of wind cooperatives that were investing in community-owned turbines. They considered these as profitable investments and this grew to include 100,000 families by 2001 accounting for 86% of all installed turbines.

Social

- **Increase Community Engagement and Participation:** Local community engagement is key for the success of these programmes. The groups and organisations should be given the necessary training and frameworks to be able to enhance community engagement and address misinformation campaigns that may arise, including sharing existing best practice which could be done through directly supporting organisations like Community Energy England and those listed elsewhere in our response. This can build trust among the community and lead to stronger support and better participation.
- **Promote collaboration among relevant stakeholders:** Partnerships between community energy groups, local authorities, businesses and other community groups can be beneficial for project success. These should be

encouraged and built up. Environmental, Social, and Governance (ESG) goals can be a useful opportunity to collaborate between businesses and community energy groups to deliver.

Q2. How should the energy market and licensing regulations be reformed to enable community energy projects to sell the electricity that they generate to local customers, without the current barriers, and be properly remunerated for doing so? What lessons can be learnt from other jurisdictions?

Establish a revenue certainty mechanism: Introducing a mechanism to provide revenue certainty could significantly enhance the economic viability and investment readiness of community energy projects. For example the Small-Scale Renewable Electricity Support Scheme (SRESS) in Ireland that offers guaranteed tariff support over 15 years.

- **Develop the right set of incentives to build the market:** Incentives like feed-in-tariffs helped provide certainty of returns, which becomes critical for project development and business plans. Such incentives should be brought back including the ability to sell electricity generated to the local consumers. Solutions like A Community and Smaller-scale Electricity Export Guarantee Scheme to provide guaranteed income so communities can receive adequate remuneration. Licensed suppliers should be encouraged to support community energy groups or sources a proportion of their energy from these groups to secure demand.
- **Promote innovative financing models:** Develop and promote the use of community shares, crowdfunding, cooperative models and community energy generated trading schemes to raise capital from a broad base of community members. This will enable wider community participation and investment. It will help enhance community ownership and support for projects. There is also a need to build financing solutions for the able-to-pay markets as well so they can get the necessary advice and solutions catering to their needs.
- **Enable local electricity markets:** Facilitate the establishment of local energy markets where community energy projects can sell electricity directly to consumers, businesses, or public sector organisations. Introducing a minimum requirement on licensed suppliers to source a portion of their electricity from community energy sources.
- **Create a local supply license option:** Establish a specific licensing category for community energy projects to directly supply electricity to local customers, streamlining the approval process.
- **Mandate fair export tariffs:** Reform export tariff policies to ensure community energy projects receive fair compensation for surplus energy sold back to the grid.

- **Encourage local authority partnerships:** Foster collaboration between community energy groups and local authorities to create integrated, locally tailored energy systems.
- **Power Purchase Agreements (PPAs):** can support community energy groups with long term incomes. Encourage the use of PPAs between local authorities and community energy organisations.
- Commit to being an **"off-taker of last resort"** (purchasing any power you cannot sell elsewhere) for any future generation projects, to give project backers financial certainty.

Q3. How could existing government support mechanisms, such as the Smart Export Guarantee, provide community energy projects with more financial certainty?

- **Introduce a minimum export tariff:** The current SEG does not mandate minimum tariffs, leaving community energy projects vulnerable to low or unstable export prices, which undermines their financial viability. Set a mandatory floor price for SEG tariffs to provide baseline financial security for community energy projects, ensuring fair remuneration for exported electricity.
- **Mandate longer-term SEG contracts:** SEG agreements typically lack long-term guarantees, which can make it difficult for community energy projects to secure financing or plan for future investments. Require suppliers to offer long term SEG agreements to provide the certainty needed to attract investment.
- **Expand SEG eligibility and incentives for larger community projects:** Adapt the SEG framework to offer tiered tariffs or additional incentives for larger-scale community energy projects that deliver significant local benefits.
- **Align SEG with complementary funding streams:** Integrate SEG with other financial support mechanisms, such as grants, loans, or tax incentives, to create a cohesive support ecosystem for community energy projects.

Q4. What are the regulatory solutions needed to minimise the high costs and long delays incurred in securing a grid connection for community energy projects?

- **Facilitate grid connections:** This is critical for the sector to grow, also explore decentralised generation and how this can support local communities and be viable. The current situation around private wire connections and the selling of community energy locally, still hinders the development of the sector and we continue to support many of the

objectives of the recent cross-party Local Electricity Bill to reform this situation.

- **Grid connection costs:** Community energy projects face disproportionately high upfront costs for grid connections, which can make many initiatives financially unfeasible. Allocate government funding or subsidies to cover a portion of the connection costs for projects that deliver local social and environmental value, ensuring community energy schemes remain viable and aligned with national decarbonisation targets.
- **Streamline connection processes:** Simplify and standardise the process for securing grid connections by developing a fast-track pathway for community energy projects. This would help reduce administrative burdens and improve timelines for small-scale, low-impact initiatives.
- **Facilitate collaboration between stakeholders:** Encourage collaboration between community energy groups, DNOs, and policymakers to identify local grid challenges early and co-develop solutions. Establishing a central point of contact for community energy projects within DNOs could help streamline communication and reduce delays.

Q5. Should the local benefits of community energy projects be formally recognised as a material consideration in planning decisions?

Yes, the most established and developed community energy ecosystems often align with places where regional or local government have been able to offer sustained infrastructure support (a network or officer) and financial support for the development of organisations, groups and projects. If supported in the right way these community energy groups and organisations can provide various advantages including:

- Local wealth-building
- Local employment and skills
- Better engagement with and support from residents (by being locally owned and led)
- Reduced energy bills for local community organisations
- Often not-for-profit, with any return or dividend being returned to the community.

There do exist some good case studies, especially at a local authority level, which if supported by the measures highlighted can expand the scale of benefits to local communities and net zero goals.

- Some community energy groups have collaboration agreements with their local authorities that recognise them as their delivery partners which helps efficient delivery without going into a tendering process to save transaction costs. Some examples are groups like Bath and West Community Energy (BWCE) and Plymouth Energy Community (PEC).

- This report from the Greater London Authority showcases how carbon offset funds accumulated to £145 million between 2016-21 and were ring-fenced for carbon reduction projects. Such mechanisms can be used to build up community energy groups and projects that can then become self-sustaining and serve the community.
- Some local authorities have started to partner with local community energy organisations providing retrofit advice, such as Devon County Council. Supporting this group of householders to become aware of the potential of ECO+ and providing confidence in the scheme will require authorities to commit to major new initiatives in partnership with other local and regional organisations.
- The Hackney Community Energy Fund supports public institutions and not-for-profit organisations to work with community energy groups to to improve the energy efficiency of publicly-used buildings.

However, these benefits are not consistently recognised as important in planning decisions. This lack of formal recognition can result in delays or rejections, even for projects with strong community support and alignment with local and national climate goals.

Local benefits of community energy projects should be formally recognised as a material consideration in planning decisions. Clear guidance should be issued to planning authorities, outlining how to assess and weigh these benefits alongside other planning factors. Incorporating local benefits into decision-making processes would provide greater certainty for community projects, ensuring that their social, economic, and environmental contributions are acknowledged and supported within the planning framework. This approach aligns with broader objectives of empowering local communities and accelerating the transition to a low-carbon energy system. With greater infrastructure being built locally it will become critical to take local communities along on the journey. They are likely to be supportive of changes where they see the benefits in their local communities and areas. Community energy projects can help deliver on these goals and hence, should be supported.

Q6. What should be the role of Neighbourhood Plans and Local Area Energy Plans in building local support for community energy projects?

- A local area energy plan (LAEP) sets out how an area will transition its energy system to net zero in a given timeframe. In order to be comprehensive, a local area energy plan should be developed in collaboration with key stakeholders including Community energy organisations and groups. This approach allows councils to engage with a wide range of energy consumers and stakeholders and build a local energy plan that meets their needs and aspirations, and ultimately a LAEP that will

be anchored in the local place leading to greater acceptance and a smoother implementation of the local energy plans.

- This would help articulate a clear vision for community energy, aligning local ambitions with regional and national energy strategies.
- These plans should serve as vehicles for public participation, empowering residents to co-design energy solutions that address their needs. Accessible and inclusive public engagement processes can help build trust and enthusiasm for community energy projects.
- Allocate sites to community energy organisations for renewable energy generation, storage, or both, including them in the Local Plan.
- A national framework for LAEPs should be put in place, giving a strategic role and more powers to local and regional authorities on energy planning. Non-competitive funding and resources should be provided by GB Energy for local authorities so that LAEPs can be developed and implemented, including for significant capacity building within local authorities.

Q7. What is the potential for community energy to incentivise consumer demand flexibility at the scale needed to achieve the UK's net zero targets?

More efficient management of the grid and solutions like storage- and demand-side management can reduce the need for grid expansion to some extent. While community energy organisations have not played a major role in flexibility services yet, given their scope and structure they can become key players.

- **Building consumer trust and engagement:** Community energy organisations have a unique ability to foster trust and engagement by directly involving residents in energy initiatives. By offering locally tailored education on the benefits of demand flexibility, such as lower bills and environmental impact, community energy projects can encourage behavior changes like shifting energy use to off-peak periods.
- **Leveraging technology and innovation:** Community energy projects can integrate smart technologies such as home energy management systems, time-of-use tariffs, and local energy storage. These tools can empower consumers to participate in demand flexibility while providing real-time feedback on their contributions to the energy system.
- **Aggregating local demand flexibility:** Community energy groups can act as aggregators of local demand flexibility, pooling resources from households and small businesses to provide grid services. This model ensures that the financial and environmental benefits of flexibility are shared locally while contributing to national grid stability.
- **Policy and financial incentives:** To unlock the full potential of community energy for demand flexibility, government and regulators should introduce

targeted incentives. These could include financial support for community-led flexibility pilots, subsidies for installing enabling technologies, and regulatory reforms to reduce barriers to participation in flexibility markets.

We would be grateful if you would consider UK100's response to the call for evidence. Please get in touch if you would like to know more or explore our response in more detail. We would be happy to provide a UK100 representative or member for the upcoming evidence sessions.