People Powered

How Communities Can Fund and Sell Their Own Power

2025

Contents

Introduction

Community energy projects are on the rise. They're helping local groups to generate their own renewable power, cut energy costs, and reinvest in their communities. But bringing these projects to life can be complicated. That's where this toolkit comes in.

This guide is for community organisations looking to fund, develop, and sell electricity from renewable energy projects. Whether you're setting up your first solar array or expanding a wind farm, we'll help you understand the financial landscape, and how to secure the right Power Purchase Agreement (PPA) to help make sure your project is a success.

We're writing this because we believe in a greener and more affordable energy system – one where communities play a leading role. With years of experience in the community energy sector, we've worked with groups of all sizes to make local energy work for people. There'll be exciting opportunities along the way, as well as challenges – but we'll be here to help you make the right decisions for your community.

The community energy landscape

The UK's community energy movement has gained momentum in recent years, as more people set up their own local energy projects. The Government recognises the importance of this sector. It's launched the Local Power Plan and established Great British Energy – a new publicly-owned energy company that could open up new opportunities for local projects.

While the policy landscape is still evolving, one thing is clear: local, clean energy is the future. The right funding and commercial structures will help communities thrive in this transition.

About OVO

In 2009, OVO was born to make energy better for people and the planet. Today, OVO is trusted by around 4 million customers with their home energy, EV charging, green tech upgrades, and more. OVO is getting the UK ready for a greener, fairer future – planting 1 million trees a year and supporting new renewable power projects in communities across the country.

About Thrive

Thrive Renewables is a renewable energy investment company with 30 years' experience working with developers, businesses, and communities to finance, build, and operate clean energy projects in the UK. Using flexible funding models, the company has invested over £21 million into 6 community-owned wind and solar projects. It also enables communities to take a stake in larger local renewable energy schemes through shared ownership.

Foreword by Emma Bridge

Chief Executive of Community Energy England

Across the country, communities are coming together to take control of their energy future, developing locally owned renewable projects that cut carbon, reduce bills, and reinvest in the places they call home. **Community energy is not just about generating clean power – it's about empowering people.**

At Community Energy England, we support this growing movement and are working to increase demand for collaboration and investment within community energy. But we also recognise the challenges. From securing finance to navigating Power Purchase Agreements (PPAs), the technical and commercial aspects of a project can be complex – especially for volunteer-led groups driven by purpose, not profit.

It's great that OVO and Thrive, two of the leading organisations in the sector, have produced this guidance to help those interested in community energy to understand their options and make confident, informed decisions. **Whether you're just starting out or looking to refine your approach, the information here can help you unlock greater impact and long-term sustainability.**

The opportunity is growing. With renewed political interest in community energy and a potential shift in policy support, now is the time to equip ourselves with the knowledge and tools so that we can grow in scale and impact.

Community energy has the power to transform the way we produce and consume energy – and put people at the heart of that transformation. We're proud to stand with communities leading this change, and we hope this guide helps you go further, faster.

Technical terms explained

Contracts for Difference (CfD)

A Government deal that gives renewable energy projects above 5 megawatts (MW) a guaranteed price for the electricity they generate. If the market price goes below this, the Government tops it up. If it goes above it, the project pays back the extra. It helps keep income stable and supports green energy. These are generally 15 year contracts and are delivered via auctions.

Matching benefits

The extra value a project can get by making sure the energy it produces lines up with when people need it, or when electricity is worth more and can link with embedded benefits. For example, a project might earn more and deliver more embedded benefits if it generates power during peak times or when local demand is high.

Embedded benefits

Savings or payments that local energy projects can get by being connected to the local electricity distribution network rather than the National Grid. These benefits can make local, renewable energy cheaper and more attractive.

Senior debt

A type of loan that gets paid back first if anything goes wrong. It's often used to fund big projects and is seen as lower risk by lenders, so it usually has lower interest rates.

Community shares

This is one of the most popular ways to raise funds for community energy projects, and can help ensure democratic ownership. It means that shareholders become members of the business or organisation they invest in.

Crowdfunding

A way to raise money by asking lots of people to each contribute a small amount, usually through a website. It's a popular option for community energy projects because local people can invest and support clean energy close to home.

Licence exempt supply

A way for small or local energy projects to sell electricity to customers without needing a full supplier licence. It's sometimes used by community groups to supply power to nearby buildings or people but can bring regulatory and legal risk.

How do I finance my community energy project?

Community Energy England says securing finance is often one of the biggest obstacles for community energy groups. That doesn't mean that financial support isn't out there. It's just about understanding exactly what you need and where to find it.

Funders – whether they're a bank, private investment company, or community member – are ultimately looking to minimise risk. It helps if you have a clear idea of your objectives:

- Do you want to help increase renewable generation?
- Are you hoping to use it as a revenue source for other initiatives?

Understanding your motivations, strengths, and weaknesses will help shape your business plan and build trust with potential investors.

Due diligence and project analysis

As well as developing your business plan, there's some vital due diligence to do before approaching an investor. You'll need to consider:

1. **Financial modelling** – potential local energy groups need a clear financial model, factoring in development costs, construction costs, grid connection, project management, and project returns. It also needs to show projections for ongoing maintenance costs, as well as long-term revenue forecasts and routes to market.
   - This modelling is particularly important as, without subsidies, renewable energy projects need to be fully optimised if they are to deliver a satisfactory return. CARES, the Scottish Government's Community and Renewable Energy Scheme, provides a free early-stage financial model to help community groups understand the potential profitability of projects.
   - A well-built model will help you gain confidence when you start to have conversations with lenders.
2. **Project management** – one of your early decisions will likely be whether you want to appoint a project manager to support you. Organisations like Communities for Renewables CIC, Sharenergy, Energy4All, Empowered, and Community Energy Pathways offer experience and structure that can help keep your project on track.
   - They'll also have extensive industry contacts that might come in useful.
   - Additionally, seeking specialist advice from technical advisors and legal firms could help you avoid costly surprises later.

Next, you'll need to look into your funding options for your development and construction phases.

Development funding

For your project to be a success, there needs to be enough natural resource, like wind or sunlight, to make it economically viable. There might be data online that you can draw on, and you can also do your own calculations. But every site is different, so it's important to make sure your data is accurate.

In most cases, you'll want to get a resource study carried out by professional consultants or community energy organisations. They measure wind speed and UV radiation accurately on a site-specific basis.

This is the first phase of funding that you'll need. It'll help to pay for feasibility studies and professional advisors. But without planning permission and grid connection, it can be very difficult to secure private investment due to the level of risk that's still attached to the project.

Instead, you should explore the different grant funding available. For example:

- The Government's new £5 million Great British Energy Community Fund
- The Naturesave Trust's Community Renewable Energy Funding
- The Energy Industry Voluntary Redress Scheme

You can find more information about available funding through your local Net Zero Hub or at:

- Community Energy England
- Community Energy Scotland
- Community Energy Wales

Construction funding

Once you've completed your feasibility studies and successfully obtained land rights, planning permission, and grid connection, you can start to engage with investors for support with construction.

A good place to start is by looking at what long-term finance arrangements are available from banks and other reputable organisations, as well as checking the appetite for crowdfunding in your local community. As well as finance, investors bring with them a wealth of insight and experience, so it's important to choose the right partner.

Generally, these are the types of finance available:

1. Senior debt (50-75% of project costs) from banks

Often used for larger projects, a senior debt allows the bank to be repaid first. This helps to reduce the risk profile and often lowers interest rates.

- The level of debt available will depend largely on your revenue strategy – i.e. Contracts for Difference (CfD) or different types of Power Purchase Agreements (PPAs).
- This debt can then be complemented by secondary funding, such as capital raised from a community share offer.

2. Mezzanine finance or co-investment from private investment companies

If you've secured a bank loan for part of the construction costs but still have a funding gap, investment companies like Thrive Renewables can offer various flexible finance options, particularly for larger projects.

- Mezzanine funding combines features of debt and equity finance – typically a long-term loan with a fixed interest rate.
- Co-investment is when an investor invests directly into an individual clean energy project through a Special Purpose Vehicle (SPV), taking an equity stake (i.e. part ownership of the project) and receiving a return on their share of the project via dividends. This could be a short or long-term arrangement, and the community could have the option to buy back shares from the investor and take a controlling interest.

3. Bonds or share issues

Community energy lends itself well to community investment, allowing ordinary people to take a financial stake in the project or company, while a community share or bond offer can help bolster local support at the same time as raising capital.

- A share offer lets individuals purchase shares, with the aim of investors receiving a return, as well as voting rights over how the company is run. Community shares often work on a democratic "one member, one vote" principle.
- A bond offer could be a viable alternative – essentially a loan with fixed interest, paid back by the date set out in the terms.
- There might be grant funding available to you to help facilitate a share or bond offer. For example, Co-operatives UK has published guidance on this. Some organisations provide this as a service, like Triodos Bank, Abundance, and Ethex.
- Some Community Energy groups and co-operatives are exempt from Financial Services and Markets Act 2000 (FSMA) regulations and so do not need to run FCA regulated share/bond offers. However, other organisations might need to, so extra costs should be considered.

How can I sell the energy from my project?

You can sell the energy your project generates through a Power Purchase Agreement (PPA). This is a contract that determines how and at what price you sell the electricity you export back to the grid. It's a crucial part of your community energy project. The right PPA will support your financial goals, provide revenue certainty, and help maximise the impact of your renewable energy asset.

Before choosing a PPA, consider:

- **Your community's core motivation** – are you aiming to lower local energy costs, generate funding for community projects, or maximise environmental impact?
- **Your financial structure** – do you have external loans with repayment deadlines? Have community members invested, and what are their return expectations? Do you rely on grants with specific conditions?
- **Your commercial understanding and risk appetite** – how comfortable are you with market fluctuations? Do you have someone to help compare contracts and negotiate terms?

What are my Power Purchase Agreement options?

Before choosing a PPA, consider:

Contract term

- **Short-term (6 months to 3 years):** your energy price will be linked to the wholesale energy market. You can get higher prices for your energy using short term PPAs, and you'll find the widest choice of available providers for this type of PPA. Keep in mind that prices might go up or down when you renew.
- **Long-term (10 to 15 years):** this contract type can help provide stability and predictable income. It locks you into a fixed rate, meaning you won't benefit from price increases, but are protected from price falls. You might find fewer providers willing to offer long-term PPAs, particularly for smaller sites. It is more likely to be a corporate PPA with a stable institution like a local authority or other public sector body/utility.
- **Your return requirements:** what return do you need the project to deliver in order to make it viable?

Pricing structures

1. Single all-in fixed price

A straightforward contract with a set price per unit of electricity, including any embedded benefits. It's best for:

- Smaller sites
- Groups needing simple, clear terms for multiple stakeholders

2. Fixed rate with embedded benefit passthrough

Similar to an all-in fixed price structure, but lets you receive a portion of embedded benefits separately. This is a common structure in the PPA market. Make sure you compare like-for-like offers, as benefit calculations can differ by supplier.

3. Seasonal or time-of-day pricing

Rates vary based on the time of year or day. For example, you might get a higher price for the electricity you export during the evening peak times of 4pm to 7pm. These can increase revenue if your site can control export times. It's best for:

- Generators with battery storage or flexible output
- Those willing to manage variability for potential price boosts

4. Index pricing

Your price follows a market price index, often with a set percentage passthrough. It's often used for:

- Sites under the Contracts for Difference (CfD) scheme
- Projects in early commissioning stages with uncertain output

5. REGOs and additional value

Suppliers will usually offer to pay for your Renewable Energy Guarantees of Origin (REGOs) as part of your PPA. You'll need to register with Ofgem to make sure you receive REGOs. If your scheme is new and unsubsidised you might be able to get a better price for your REGOs through some PPAs, like OVO's Extra Investment PPA.

Understanding key contract terms

A PPA is a legal contract, and its terms can have significant financial implications. Make sure to read all of the terms, and in particular look out for the following potential issues:

- **Balancing costs** – what happens if your power generation is higher or lower than expected? Check if the costs are passed on to you.
- **Commissioning terms** – understand the conditions during site commissioning, including any supplier information requirements and how delays affect the contract.
- **Payment terms** – how often and when you'll be paid can make a big difference to the viability of your project.
- **Matching benefits and licence exempt supply** – some suppliers offer "matched benefits" that might be linked to licence exemptions. However, eligibility rules are strict, and incorrect claims can lead to penalties. Always verify your eligibility with an energy lawyer.

Who can help me find a PPA?

There are several ways to secure a PPA:

- **Directly with suppliers** – speaking to multiple energy suppliers can help you find the best deal, particularly for smaller projects.
- **Through a specialist broker** – a broker or advisor, like Renewable Exchange, can handle supplier negotiations and comparisons for you, as well as offer market expertise. Always make sure you understand their fees upfront.
- **Via your development partner or asset manager** – if you're working with a renewable energy partner, they can sometimes help with negotiating PPA terms.

Making the right choice

A well-structured PPA can ensure financial sustainability and stability for your community energy project. Whether you're prioritising revenue certainty, flexibility, or maximising returns, taking the time to explore different PPA structures and contract terms will help you make the right decision.

If you're looking for expert guidance in securing the best PPA for your project, OVO is here to help. Get in touch to explore how we can support your community's energy ambitions.

Conclusion

Community energy projects are about more than just generating clean electricity. They're about local empowerment, financial resilience, and building a fairer, greener future from the ground up. But for these projects to thrive, communities like yours need the right tools, knowledge, and partners to navigate complex areas like financing and offtaking.

We hope this guide has helped demystify the key concepts, from understanding your funding options to securing the right PPA. While the path might seem daunting at times, know that you're not alone. There's a growing network of organisations, funders, and experts ready to support you every step of the way.

The opportunity is real and growing. With the right approach, your community can take control of its energy future, unlock new income streams, and deliver long-term benefits for local people. Now is the time to get started.

Together, we can make energy better for our communities and our planet.