

## Community Energy England response to the Consultation considerations for future rounds of the Contracts for Difference scheme

### Introduction to Community Energy England

1. This is a response by Community Energy England (CEE), which represents 300+ 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 strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable 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. The overwhelming motivation of people and groups involved in community energy is to make a contribution to averting climate catastrophe, followed by a desire to bring community and social benefit.
5. We believe that these motivations should be shared by all working in the energy sector and on energy system transformation.

### General comments:

6. Presently, small scale and community projects are effectively excluded from the Contracts for Difference Scheme due to the exclusion of sub-5MW projects, and the extremely competitive nature of auctions. As a result, Community Energy England does not have material answers to the provided questions, but we do have the following comments in response to reforms to AR6 and beyond, and the future of the scheme.
7. We note that the consultation is on the future of the CfD scheme to “to ensure it remains fit-for-purpose as our electricity system evolves and we work towards our net zero ambitions.” We consider that the “potential changes for Allocation Round 6 and future rounds beyond AR6” proposed in the consultation are insufficient to evolve the CfD system as necessary to enable either the evolution of the system towards more local energy or meeting our net zero targets, which require involving local people in the energy system.

8. We note (Policy Update 3.3) that the government may “in due course” consult stakeholders on potential consideration of whether other factors beyond price should be taken into account in contract awards”...” that may be a barrier to deployment.”
9. We make the points below to urge that this reform is urgent and must be considered very soon.
10. We note that the Net Zero Review urges the government to ‘turbocharge community energy’ and local climate action. It is clear that:

*“there must be more place-based, locally led action on net zero. Our local areas and communities want to act on net zero, but too often government gets in the way. The Government must provide central leadership on net zero, but it must also empower people and places to deliver. Place-based action on net zero will not only lead to more local support but will deliver better economic outcomes as well.”*

8. The current Levelling Up and Regeneration Bill consultation puts much emphasis on ‘locally supported’ onshore renewable energy. The best way to ensure local support is for local communities to have a stake in the development and ownership of the energy projects. In the absence of any government support for community energy community organisations struggle to make an investment case for any but exceptional projects.
9. The Smart Export Guarantee does not provide any useful long term guarantee on which an investment case can be built. The Community Electricity Export Guarantee proposed in Amendment 237 to the Energy Bill currently before Parliament would go some way towards this but even then the guarantee is only for 5 years.
10. To enable these community led projects which harness the passion, expertise and the money of local people to deliver locally appropriate decarbonisation projects that also deliver 34 times the community benefit of commercial projects<sup>1</sup>

## We propose

11. that **the Contracts for Difference scheme is reformed to include designated support for community energy projects.** This could be done by a ‘Community CfD’ pot or ‘carve-out’ open to <5 MW onshore renewables energy generation,.
12. The Irish Renewable Electricity Support Scheme (RESS) already contains a ‘community preference category’. *“The Programme for Government – “Our Shared Future” – recognises the importance of community involvement in energy projects. RESS 2 includes mandatory community benefit funds for all projects and a dedicated community projects category. The community benefit fund under RESS 2 will deliver approximately €7 million each year to*

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<https://www.aquatera.co.uk/news/community-owned-wind-farms-have-paid-their-communities-34-times-more-than-commercial-counterparts>

*sustainable community initiatives targeted at those communities living in close proximity to the projects.”<sup>2</sup>*

13. This Community CfD pot could be done with a set ‘minimum’ for community-led onshore projects within Pot 1, in which case the pot or the ‘minimum’ must be specifically open to <5MW projects. The second round of the Irish RESS scheme set aside approximately 1% of the pot for community projects. The precise details including the capacity cap (set in GWh rather than MW of installed capacity) and the administrative strike price should be worked out in participation with the community energy sector having a view to the current and likely pipeline across the UK and the real costs of installing community energy.
14. Ownership qualifications must be designed to prevent commercial developers taking advantage. A pipeline of community led projects would be created by a community CfD pot which would enable many more deprived coastal communities, such as those in Lawrence Weston, Bristol, to access sustainable income from renewable energy generation which enjoys community support, and regeneration opportunities for the whole community<sup>3</sup>.
14. Community Energy England welcomes adaptations to the scheme to consider other factors beyond price that may be a barrier to deployment.

## **We propose the following reforms:**

### **Community Co-Ownership**

15. **A required minimum level of ‘offer’ of community ownership** of 15% should be a prequalification for participation of all projects in the CfD auction process. In
16. Government put emphasis on community engagement and community benefit. However, this must be coupled with opportunities for community ownership and control, enabling the ‘democratisation’ of energy, that increasingly joins ‘decarbonisation, decentralisation and digitalisation’ as energy system priorities, and will help deliver the active participation that the Climate Change Committee and other identify is essential to achieving net zero.
17. Developers must empower the community to set up a locally based, community not-for-profit organisation with appropriate community benefit purpose and, where possible, an asset lock to control the community share offer and lead the community engagement.
18. Democratisation must involve genuine participation, not tokenistic consultation and mere passive ‘invitations to own shares’. This is best done by giving local people genuine control, a

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<https://www.gov.ie/en/press-release/7f8e5-major-acceleration-of-renewables-wind-solar-and-community-energy-as-provisional-results-of-second-renewable-electricity-support-scheme-ress-auction-announced/> “In terms of Communities, all projects looking for support under the new RESS will need to meet pre-qualification criteria including offering the community an opportunity to invest in and take ownership of a portion of renewable projects in their local area. A national register of community benefit payments will also be established.”

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[https://planningonline.bristol.gov.uk/online-applications/files/6BA4835908C146780639A8932C20301E/pdf/20\\_01270\\_F-PUBLIC\\_CONSULTATION\\_STATEMENT-2525222.pdf](https://planningonline.bristol.gov.uk/online-applications/files/6BA4835908C146780639A8932C20301E/pdf/20_01270_F-PUBLIC_CONSULTATION_STATEMENT-2525222.pdf)

genuine stake in energy production and use, where possible through community-led development and ownership or co-ownership of energy assets.

19. This ownership should come with meaningful levels of democratic control and especially of input to how the community benefit will be delivered. Community shares normally carry 1 vote per shareholder regardless of the value of the shareholding. This works when all the shares are in community ownership. Some way of giving the community shareholdings a greater say in running the development should be explored with perhaps an opportunity for community shareholders to elect a member to the board.
20. The UK Government convened the Shared Ownership Taskforce in 2014 which produced this report. Their recommendations were enacted in the Infrastructure Act 2015<sup>4</sup> which gives a “right to buy a stake in a renewable electricity generation facility” that is local.. The effective ban on onshore wind and the change of government meant that the opportunity could not be taken up. The Infrastructure Bill (Clause 38 and Section 6) are due for review “as soon as reasonably possible” after July 2021 and the government has committed to this happening<sup>5</sup>
21. The Scottish Government Onshore Wind<sup>6</sup> policy discusses the pathway to the onshore wind sector deal that is being worked on. The policy mentions “Shared Ownership” 26 times as well as in 2.4.8. stating that they will “will continue to urge the UK Government to ensure that UK policy and support frameworks act in support of our ambitions”.
22. The Scottish National Planning Framework 4. DRAFT (Nov 22)<sup>7</sup> says: pg 79 Community wealth building Policy 25 “b) Development proposals linked to community ownership and management of land will be supported.” and pg 125 for the ‘North’ “Community ownership of renewable energy projects at all scales could play a key role in improving resilience, empowering local people to take control of their own assets and helping tackle fuel poverty.”
23. The Welsh Government view on local and shared ownership is summarised in Chapter 2 of their *Guidance for developers, local communities & decision-makers*
24. *Local and shared ownership of energy projects in Wales*<sup>8</sup>. They have a 10% target of local ownership on projects on public land.
25. The government must use its support for renewable energy roll out to promote and enable community-led and owned projects and to increase shared ownership.

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<sup>4</sup> <https://www.legislation.gov.uk/ukpga/2015/7>

<sup>5</sup> <https://www.theyworkforyou.com/wrans/?id=2023-01-11.121040.h>

<sup>6</sup>

<https://www.gov.scot/publications/onshore-wind-policy-statement-2022/#:~:text=Sets%20out%20our%20ambition%20to.an%20onshore%20wind%20sector%20deal>

<sup>7</sup>

<https://www.gov.scot/binaries/content/documents/govscot/publications/advice-and-guidance/2022/11/national-planning-framework-4-revised-draft/documents/national-planning-framework-4-revised-draft/national-planning-framework-4-revised-draft/govscot%3Adocument/national-planning-framework-4-revised-draft.pdf>

<sup>8</sup>

[https://www.gov.wales/sites/default/files/publications/2022-06/guidance-local-and-shared-ownership-of-energy-projects-in-wales\\_0.pdf](https://www.gov.wales/sites/default/files/publications/2022-06/guidance-local-and-shared-ownership-of-energy-projects-in-wales_0.pdf)

## Community Benefit Provisions

26. **Community benefit provisions should be mandatory**, a precondition of access to the CfD scheme, with a minimum level of £5,000 per annum per MW capacity going into a community benefit fund, as is the case in Scotland.
27. Local organisations engaged or created at the planning stage (or another with appropriate remit and asset lock) should have a key role in controlling how the community benefit fund is spent. The community benefit fund should be monitored through the life of the projects, perhaps by a register of renewable energy, as happens in Scotland. An annual community benefit report should be published on the register, locally and also sent to the Low Carbon Contracts Company. Ireland also keeps a register of renewable energy.
28. The local community must have the ability to contribute to how the community benefit is spent. Where a community organisation exists or is created for the project that should hold the fund. Failing that there should be strong local representation on the body that disburses the fund.
29. Making community benefit mandatory levels the playing field and ensures that it is not the project that skimps on community benefit (and community engagement) that is able to bid lowest and win the CfD.
30. It will also level the playing field from a planning perspective removing the anomaly that allows a genuine community energy planning application that mentioned a community benefit fund to be accused of 'buying planning permission' by an opponent with the result that planning permission was revoked by court decisions<sup>9</sup>. Had it been a commercial project returning no benefit to the community that challenge would not have been possible

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**Further Information:**

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals over 300 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](http://www.communityenergyengland.org)