

July 2023

## **Community Energy England response to government consultation on Strategy and Policy Statement for Energy Policy in Great Britain**

### **Introduction to Community Energy England**

1. This is a response by Community Energy England (CEE), which represents over 270 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.

### **Summary and general comments:**

1. We welcome the publication of this consultation on a strategy and policy statement for Ofgem and the FSO. A re-examination at the role and remit of Ofgem is long overdue.
2. We support the inclusion of “Enabling Clean Energy and Net Zero Infrastructure” and “Ensuring Energy System is Fit for the Future” as core parts of the FSO’s remit.
3. However, the statement stops short of giving Ofgem any core responsibility for supporting the delivery of net zero, only stating that Ofgem must consider “the need to contribute to the achievement of sustainable development.” Ofgem’s formal remit should more clearly set out its role in regulating the transformation of the grid to achieve net zero.
4. We are disappointed that the statement does not set out a role for local communities in the transformation of their local energy systems except as energy consumers. Local actors must be granted the agency to genuinely engage with and shape their local energy system. Empowering communities to identify their own energy needs and drive the development of their local energy systems will help the energy sector to meet its aims while commanding community support.

5. [The Net Zero Review](#) identified that community energy had been “neglected by government” and recommended that the government “turbocharge community energy” and local climate action.
6. Meaningful engagement with local communities, and particularly with community energy, should be explicitly stated as a core responsibility of the government, Ofgem and the FSO. In its ‘[Call for Input: Future of local energy institutions and governance](#)’ in 2022, Ofgem recognised this, stating that “decisions on how to best meet evolving system needs will need to be increasingly led by local actors.”
7. The statement should be adapted to include clear frameworks for how both Ofgem and the FSO would proactively engage with communities in order to co-produce the transformation of local energy systems. Mechanisms for delivering practical support for community energy, which analysis of the Scottish energy sector suggests deliver [34 times the economic benefit to local communities than commercial projects](#), should form a key part of this framework.
8. The strategic priority of “[Ensuring] the Energy System is Fit for the Future” is welcome. However, the ambition to deliver “coordinated national and local electricity markets which are open to all technologies of all sizes” is currently hamstrung by the government’s effective ban of new onshore wind developments in England.
9. Equally, energy projects “of all sizes” are not currently supported to enter the energy market. Small scale projects, which includes the vast majority of community energy projects, are not eligible to apply to the Contracts for Difference Scheme due to the exclusion of sub-5MW projects.
10. Under “Electricity Markets Fit for the Future”, the statement concedes that “reforms to the wholesale market and investment and adequacy mechanisms (including the Contracts for Difference and the Capacity Market) as well as to wider electricity market arrangements may be needed to drive greater investment in a range of low carbon assets and enable efficient system operation.” One such reform should be the creation of a community energy and small scale focused Contracts for Difference scheme, open to <5MW generation, simplified and with an enhanced strike price.
11. The delineation of specific roles and responsibilities between the government, Ofgem and the FSO are clearly important. However, these bodies will not be able to realise their goals of achieving net zero and ensuring the energy system is fit for the future while government policy acts as a barrier in key areas. A change of policy on onshore wind and community energy will be needed if Ofgem and the FSO are to be empowered to deliver on their strategic priorities.

## Questions

1. **Does the strategy and policy statement identify the most important strategic priorities and policy outcomes for government in formulating policy for the energy sector in Great Britain? If not, please provide details of the priorities that you think should be included.**
1. The strategic priorities listed are broadly sensible, however, current government policy runs counter to them in some cases.

2. “Driving the net zero transition by achieving government targets for renewable and low carbon deployment, innovation and uptake of clean technologies.” It is hard to see how the effective ban on new onshore wind deployment can be squared with this government priority, given that it is one of the cheapest and cleanest renewable energy technologies available.
  3. “Competitive and effective markets and regulation that facilitate the anticipatory investment required in innovation, clean technologies, and infrastructure to meet government’s net zero targets while ensuring an appropriate balance between economic, environmental, and social costs, and addressing undue barriers to entry, growth and innovation.” Community energy projects have the potential to deliver innovative energy solutions based on a deep knowledge of local needs and priorities but face huge barriers to entry and struggle to secure anticipatory investment.
  4. As mentioned above, one such barrier is the lack of funding available through Contracts for Difference to projects delivering less than 5MW.
  5. Many community energy projects used the Rural Community Energy Fund and Feed in Tariffs as support mechanisms to get off the ground. These funds were withdrawn and not replaced by comparable alternatives. As a result, there are no dedicated government funds available for community energy project development. This lack of anticipatory investment has prevented the community energy sector from fulfilling its potential as a means of driving the net zero agenda and delivering social benefits on a far greater scale than commercial projects can.
  6. A national community energy fund would enable the government to achieve its stated aim of facilitating “the anticipatory investment required in innovation, clean technologies and infrastructure” in order to meet its net zero targets.
  7. In order to address these challenges, the government should adopt “expand the community energy sector with bespoke regulation and support” as a strategic priority.
  8. Another barrier to entry is securing connections to the grid. Our members report networks saying they are unable to connect projects bigger than 1MW until 2028, 2030 or even 2035 and even then they are unable to put a price on the connection. This will prevent the achievement of legally binding targets let alone government ambitions for a net grid by 2035.
  9. Bespoke regulations could include giving community energy priority for grid connection and upgrades and the introduction of a mandated offer of 15% shared ownership (with voting rights) for renewable energy as provided for in the Infrastructure Act 2015’s ‘Community Electricity Right’.
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2. **Does the strategy and policy statement effectively set out the role of Ofgem in supporting government to deliver its priorities? If not, please identify where these expectations could be made clearer.**
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1. As set out above, the government is not making adequate use of some of the most effective tools available in transforming the energy sector through its lack of adequate support for or

engagement with community energy, a sector that is well placed to help deliver on the government's strategic priorities.

2. Ofgem could help to rectify this with a revised mandate that includes an explicit central focus on decarbonisation and social impact.
3. Ofgem's role in the strategy and policy statement should explicitly amend its principle that "[\[ensures\] that regulation is neutral between different technologies.](#)" Ofgem should give priority to renewable and clean technologies.
4. Ofgem's mandate should include a provision to maximise social impact. As mentioned above, community energy can deliver [34 times the economic benefit to local communities than commercial projects](#), so explicit a framework for how Ofgem can support community energy should also be included.
5. Local Area Energy Planning (LAEP) is not mentioned as part of Ofgem's or the FSO's roles and responsibilities. These should be included as a key tool in planning for upgrades to the grid. Proactive investment ahead of need at the grid edge should be based on LAEPs.
6. Ofgem and the FSO should also do more to incentivise local flexibility projects that reduce the need for expensive upgrades to the grid. This should be included as part of the framework for their engagement with community energy.

**3. Given the Future System Operator does not exist yet but will need to have regard to the strategy and policy statement once it does, do you consider that we have effectively reflected the Future System Operator's role in this document? If not, please identify where these expectations could be made clearer.**

1. The inclusion of environmental and social impacts as two of a number of factors that the FSO should consider when delivering a centralised strategic network plan (CSNP) is welcome.
2. However, social impact is not defined in the statement or in the initial [CNSP planning review](#), published November 2022.
3. In order to ensure that the FSO has a meaningful responsibility to deliver social impact, the statement should clearly define its parameters.
4. As with Ofgem, the FSO should have specific provisions for how it can positively engage with community energy set out in its core remit. Community energy is well placed to deliver on a social impact agenda. As mentioned above, community energy delivers a vastly greater economic benefit to local communities than commercial projects. Community energy is also [better at engaging people than commercial projects and even local authorities](#). The sector has deep knowledge of local needs, priorities and opportunities. It has excellent capacity for innovation; two of the four Ofgem Sandbox Projects were community energy.
5. [The Net Zero Review](#) calls for "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."

6. If the FSO embeds support for community energy within its core remit from the outset, it will give itself the best possible chance of delivering the environmental and social impacts envisaged by the Net Zero Review.

## Recommendations

1. Meaningful engagement with local communities, and particularly with community energy, should be explicitly stated as a core responsibility of the government, Ofgem and the FSO.
2. Ofgem's formal remit should more clearly set out its role in regulating the transformation of the grid to achieve net zero.
3. Ofgem's role in the strategy and policy statement should explicitly amend its principle that "[\[ensures\] that regulation is neutral between different technologies.](#)" Ofgem should give priority to renewable and clean technologies.
4. Ofgem's mandate should include a provision to maximise social impact.
5. Ofgem and the FSO should also do more to incentivise local flexibility projects that reduce the need for expensive upgrades to the grid. This should be included as part of the framework for their engagement with community energy.
6. In order to ensure that the FSO has a meaningful responsibility to deliver social impact, the statement should clearly define its parameters.
7. The FSO should have specific provisions for how it can positively engage with community energy set out in its core remit.
8. The government should adopt "expand the community energy sector with bespoke regulation and support" as a strategic priority.

## Signed by:

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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 270 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)