House of Commons

Scottish Affairs Committee

Oral evidence: GBE and the net zero transition, HC 459

Wednesday 7 January 2026

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Watch the meeting

Members present: Patricia Ferguson (Chair); Dave Doogan; Mr Angus MacDonald; Douglas McAllister; and Kirsteen Sullivan.

Questions 338 to 383

Witnesses

I: Zoe Holliday, Chief Executive, Community Energy Scotland; Neil Mackinnon, Development Manager, Galson Estate Trust; Alan Roseweir, Community Energy Project Lead, Wallacetown Community Energy Project.

II: Gail Anderton, Community Benefits Manager, Highland Council; Christianna Logan, Director of Customers and Stakeholders, SSEN Transmission; Finley Becks-Phelps, UK Country Head of Development, Nadara; Dr Lynda Mitchell, Chief Executive, ALIEnergy.

Examination of witnesses

Witnesses: Zoe Holliday, Neil Mackinnon and Alan Roseweir.

Chair: Good morning, and welcome to the first meeting of the Scottish Affairs Select Committee in 2026. I am delighted to be able to welcome Members back after the break, which I hope was a restful one, and to welcome our witnesses here today, who are going to give us evidence about the community side of our inquiry into GB Energy and the net zero transition.

I ask the panellists in the first panel, both those in the room and Neil Mackinnon, who is not in the room, to briefly give us their names and their job titles, which would be very helpful. We will start with Neil.

Neil Mackinnon: Good morning. Neil Mackinnon, Development Manager at Galson Estate Trust in Lewis.

Alan Roseweir: Good morning and happy new year to the Committee. My name is Alan Roseweir. I am Chair of the Fort, Seafield and Wallacetown Community Association, a registered charity. I am also on the Community Council for the same area and a Project Lead for the Wallacetown Community Energy Project.

Zoe Holliday: Good morning. My name is Zoe Holliday and I am the CEO of Community Energy Scotland.

Q338 **Chair:** Thank you very much. We will come to Ms Holliday first. What is your assessment of the current state of Scotland's community energy sector?

Zoe Holliday: We have a thriving community energy sector in Scotland. Currently, as an organisation, we represent and advocate on behalf of more than 400 members, 400 community organisations. Based on our most recent State of the Sector survey, we have just over 100 megawatts of capacity across Scotland, the majority of which are wind projects and then also solar, hydro, and some other projects. Those projects are creating a huge amount of turnover within communities and a huge number of community benefits, both financial and non-financial. They are also engaging and building the capacity of the communities, not only as volunteers.

Last year we had reported nearly 1,400 volunteers working in community energy. As well as that, 280 full-time employees were reported from 144 organisations that filled in our survey; I know that work has been quite a focus of this Committee in previous sessions. When you think that that is 2.8 full-time employees per megawatt—and it will not even be all of them because not every organisation has filled in the survey—I do not think you would find anything comparable in the private sector.

Q339 **Chair:** Are there differences with community energy across the country? Scotland has a rich bank of assets there. Does the situation differ much across the UK?

Zoe Holliday: The community energy sector is surprisingly different when you compare Scotland and the rest of the UK, and in a number of ways. First, in terms of technology, south of the border you will find that the predominant model is solar—I think it is around three-quarters from the latest State of the Sector survey—whereas, as I said, certainly more than two-thirds of the megawatts in Scotland is from wind projects.

There is also a different standard governance model. In Scotland it tends to be local development trusts, which are normally registered as charities then set up companies as subsidiaries, or the SCIO model—the Scottish Charitable Incorporated Organisation. South of the border it tends to be the co-op and community benefit model.

For financing, communities in Scotland tend to have gone down the line of a combination of bank finance, grants, and loans, rather than the community share offer. That is not across the board. Again, the co-op model down south, it tends to be more common.

This is very broad brush, but I think that the motivation in Scotland in general is often coming out of the need of the communities. In many cases, it is communities that are deprived and that are facing significant challenges that are the ones taking these projects forward. We see a lot of island communities and rural communities. They are set up because the communities themselves want to address fuel poverty, resilience, and energy resilience, whereas often south of the border—again, this is very broad brush—it tends to be more of an environmental incentive. That is not to say that that is not one of the motivations here, but I think that the level of need is often the primary motivator.

Chair: Thank you. I will pass to Kirsteen Sullivan now.

Q340 **Kirsteen Sullivan:** Chair, I have a supplementary first of all. I was interested in your comment about the different models in operation across the United Kingdom. Do you think there is scope and potential for more co-operative models in Scotland? Do you think those would benefit more communities?

Zoe Holliday: I am a strong advocate for the model that has been used to date in Scotland because it comes out of development trusts that are rooted in communities, that understand the priorities of the local areas, and that are addressing a wide range of needs—not just environmental ones. You will hear from my fellow panel members shortly about the wider activities of their organisations, but this is often a part of the organisation and a means of finding a financial income stream rather than the primary activity of the organisation itself. It is about enabling the activities and the priorities that the communities want to do.

The co-op model is suitable in some areas. Community shares are an opportunity in Scotland and there have been examples, but I would caution that we would like to see a real distinction between community financing—which is a positive thing where people have the opportunity to take an investment themselves in local projects—and community energy.

Something being community financed does not make it a community energy project. In order for it to be a community energy project, it needs to be a project where the predominant purpose and the profits are flowing into the community to address their priorities. There are examples where some of the co-op models start to blur the lines with an investor club where, essentially, those who are able to pay and invest end up taking the profits themselves, rather than it going to the community.

Q341 **Kirsteen Sullivan:** Further on in the discussion, we will come to the differences and perhaps the benefits or pros and cons of community ownership versus community benefits. Do you think co-operatives would have a role to play in expanding community ownership?

Zoe Holliday: Every community has to look at what governance model is most suitable for them. I think there are opportunities. However, in general, most of the development trusts we are working with will still have opportunities for local people to become involved as members. They will take a 'one member, one vote' attitude, it is just that you do not have to invest in order to be involved and to participate in those decisions. As I said, every community will look at what the most suitable model is, but I would caution that where a co-operative approach is being taken forward, it should not be blurred with an investor club model.

Q342 **Dave Doogan:** It is very helpful to hear the distinction between the various models to stand up these projects. On the basis that we should never let perfection be the enemy of the good, and knowing from my work in my own constituency that community energy seems like a distant pipe dream to a lot of people who are surrounded by massive, industrial electrical infrastructure, there must be a priority to, at pace, normalise community energy, to show that it is not some distant, unachievable pipe dream and that it can be achieved. To that end, what is happening in England that we could maybe do in Scotland to accelerate that?

Similarly, what are we doing in Scotland, or what are you and your members doing in Scotland, that would help accelerate it in England, in recognition of the growing disquiet from a lot of communities that are having to host massive, large-scale, industrial electrical generation and transmission infrastructure, to show that there is room for them as well?

If you could pick one or two things from the way that it is evolving in England to use in Scotland, and vice versa, one or two things England could benefit from based on what we are doing or what you are doing in Scotland, what would those be?

Zoe Holliday: I would say that historically, Scotland is probably a bit ahead of the game. We had a slightly more established community energy sector before England.

In terms of different models, for example, Alan Roseweir represents a community that has taken forward a solar rooftop model. That is still a relatively uncommon model in Scotland, while it is quite common down in England. It is looking at what models have become successful across the border and learning directly from those case studies. We see that communities take inspiration from seeing another community that has done something similar and is moving forward. Certainly, looking at the different models that we have across the different countries within the United Kingdom and learning from those models is a big opportunity.

In Scotland, as well as the actual, inspirational projects that our members have, we have been privileged to have had the CARES funding programme running continuously now for, I believe, 14 years. While different tranches of funding have come into that programme and it is always run on a year-to-year basis, which we will probably come back to, knowing that there is that high-level support from the Government has been a huge advantage to our sector.

As a sector, there is probably something that we need to do about shouting out about our successes more and sharing these incredible projects. You see particularly that there is a ripple effect. When you come to speak to Neil Mackinnon shortly and if you look at the Outer Hebrides in particular, there have been so many excellent examples. It is natural that you see one example and you think, "Well, we could do that, because they are only down the road and they have done that". There is something there about us trying to share more what the success has been, what the impacts have been, and the opportunities for communities to get involved.

Q343 **Mr Angus MacDonald:** I attended a meeting in Strathpeffer that was called the Convention of Community Councils in the summer of last year. There were, say, 200 people there and the atmosphere was very against particularly onshore wind in the Highlands. The community benefits were £7 million in the Highlands last year and £30 million across the whole of Scotland, for a multi-billion pound industry. They have lost the support of the people in the Highlands because the community benefit is not large enough and the impact is too significant, I would say.

Shared ownership, community ownership, which we are talking about now, would seem to be a much better model, but in line with Dave Doogan's remarks, it does not seem to be happening—certainly in my constituency or my area of knowledge. We have had a Scottish Government consultation and a UK Westminster Government consultation. I cannot see any major move happening that will transform that. If you can see any, we would love to know, because we are losing the audience as far as renewables in the Highlands are concerned.

Zoe Holliday: Absolutely. Looking at the difference between a private and a community development, there is a completely different attitude towards wind turbines. Polling last year by YouGov showed that 62% of people in Scotland would support a community energy project in their area, compared to, I think, 32% for a private development.

As you say, even if commercial projects are following the current Scottish Government recommendations—I know we have discussed this before and that we both agree that they should be raised significantly, given that they have not increased since they were first introduced—community energy will be providing multiple times the financial benefit as well as all of these extra social benefits, investment in the community and additional jobs. Several of our communities have become affordable housing providers, regenerated and reopened community buildings and businesses, and supported communities with hardship and fuel poverty grants. There are all sorts of different benefits that we would not see from those smaller-scale community benefits.

As for how we achieve that, there is an opportunity with Great British Energy when you look at what its overarching aims are. If we could lever that for it to happen in Scotland, it would be great.

Unfortunately, right now we have a significant issue with grid capacity. Following the results of the connection reforms, last week we wrote to Michael Shanks because the grid has essentially been allocated all the way up to 2035 in Scotland for all onshore solar, battery and wind, and without some kind of change we have a real challenge on our hands in how many opportunities there are for communities to take forward projects.

We need to see policies that prioritise community energy, recognising the additional social and financial benefits in local communities, because it is incomparable. A report from Aquatera a few years ago stated that community projects, on average, give 34 times more financial benefit to the local community than the recommended level, which not all communities are being paid. A lot of them are even more extreme. Take the North Yell Development Trust, which is a tiny community development trust on the island of Yell in the Shetlands. The community benefit that it is giving to its community is around the same amount per year as the ginormous Viking Wind Farm on the Shetland mainland, which is 100 times larger in capacity.

Chair: Thank you. I think we will come on to some of those issues as we go through our agenda, but I will pass to Kirsteen Sullivan now.

Q344 **Kirsteen Sullivan:** A question for both Neil and Alan. What challenges did you face as community groups trying to establish a community energy project in Scotland? Following on from that, can you tell me about any specific policy interventions that you think would help remove the current barriers to establishing community energy projects? If I can go to Neil first; nice to see you again, Neil.

Neil Mackinnon: You as well. There are no end of difficulties at the moment. Some community groups have assets at the moment. We have wind energy here in Lewis. Generally these projects went through 10 or 15 years ago, when the regime was very different from what it is now. There were schemes and subsidy support available in the past. All of that has been removed now. A lot of the support mechanisms that were available when we did ours, back in 2015 or so, are no longer there. Basically, now you are subject to the market, in effect, and communities find it difficult to compete with other developers that have far more resources and far more technical knowledge.

Communities generally are only dealing with one piece of land. They have a site that they have identified and they do not have any other options, which makes things difficult.

Resourcing is hard at the moment. Development funding is limited in some ways. We have the CARES monies here, which are very helpful, but as Zoe mentioned earlier on, they depend on the financial year and you normally end up with a gap between the end of one funding amount and the start of the next one.

The grid is always an issue. Particularly in the more rural areas, the grid is limited. In the islands here, we have a major investment coming in the grid in about five years or so. It is a significant amount of new capacity. However, unfortunately, because of the waiting list here over many years, there is no capacity left at the moment and so we are left in the queue.

The connections reform process that was completed recently, as was mentioned, has effectively ruled out onshore wind for most of Scotland, particularly in the islands here.

We are wrestling with a host of issues at the moment. With a difficult situation like this, it is very hard to see a way forward. It effectively needs political will to change things, to give opportunities for local organisations in the islands and other parts of the Highlands, Scotland and the UK to have an opportunity to come into the system.

The grid situation is difficult. That is usually what you start off with, it can take many, many years and is very expensive. The consenting side of things is difficult as well. Again, that is very expensive and can take two years, potentially. A range of things is facing us at the moment, and there are usually numerous setbacks along the way.

Basically, community projects would need to be given designations in the system so that the grid operators are looking at them in a favourable way. Capacity needs to be made available on the grid as well.

The support mechanism financially is difficult. There is not really anything at the moment for communities. They would have to compete in the auctions, which again would be difficult. We are looking at a range of potential interventions in the process from government level, and we can talk about these later on, potentially.

Alan Roseweir: We faced, and were able to overcome, a number of challenges but there are some ongoing challenges.

To start, our project was fully funded. We were lucky. We got funding from Scottish Government and we get funding from SP Energy Networks. It is a full funding package.

The first hurdle we had to overcome was the legal agreement. This is a challenge for communities. We entered into a legal agreement because we were talking to the council about getting access to the roof space on the three buildings. It was not a lease of the building; it was access to the roofs for 25 years. We went into negotiation with a number of legal companies and the price range was huge. It ranged from over £10,000 down to under £5,000, eventually.

We had to create the model and it was an interesting model. We set up a joint working group between the association and the council legal team, and we worked behind the scenes to create a draft agreement. Once we got to a comfortable position, we then engaged with our legal advisors and they looked at it through a traffic light system—red, amber, green—where they were able to identify things that were okay, things we might need to take cognisance of, and the red areas were areas that would be a challenge. Then we were able to go back into the full negotiation with the council and we eventually got to a full agreement.

One of the things I might bring to the Committee’s attention is that if all community projects are engaging in legal discussion, there could be an advantage in having a national agreement or a national framework, maybe agreed through COSLA, that impacts all 32 councils. That might loosen things up in terms of how communities can move forward with the legal side because it is a minefield and a lot of these community associations are just people giving of their time, who might not have legal expertise. We had a solicitor on the committee, but he did not have the expertise that was needed for this particular exercise. That is one thing.

The other thing was the insurance impact. Again, this is one of the things that came to light fairly early on. We asked the council to engage with the insurers to see, if this project goes ahead, if there would be any impact, and we ended up having to meet with the loss adjusters because they brought to our attention that they were not happy. For example, “You are putting solar panels on a flat roof using a ballast system. Is the roof combustible? If that is the case, we would not like that. It might have an impact on insurance. Are you putting inverters in roof spaces and loft spaces?” Not to get into detail, we worked through that with them and we got solutions, but insurance companies are risk-averse and they are already looking at strengthening the whole approach to installations on public buildings. Be mindful of that.

There is another crucial thing at the moment. Although we are fully installed and we are generating, one of the things that we are deeply involved in is the export tariff, which is a minefield. The council at the moment is supplied through a procurement scheme through Scotland, which is through EDF. Therefore, I thought it would be prudent to approach EDF. Eventually, we got to EDF, having to ask my MP to intervene. That is a different story. We got through to the head of complaints and a business advisor at EDF, and there was a long, protracted discussion about what rates were available.

The best rate that could be offered was 5.6 pence per kilowatt hour. The comment from EDF—and I can send copies to the Committee—was, "We are currently looking at a Smart Export Guarantee business rate", but there is no timeline to this. I managed to speak to Ofgem as well, which said that energy companies are obliged to offer a community rate, and I phoned other companies, and it ranged from three pence a unit to four pence a unit.

It is a huge problem, this. I have to make the Committee aware that I had a letter from the Minister for Energy, Michael Shanks, and he has asked that I meet with his team to discuss. This is a huge problem because the energy companies see a risk in community energy projects generating into the grid, especially solar. They are risk-averse to this because they work, of course, against wholesale prices. It is just, again, bringing this to your attention. That is ongoing.

Remember that our system was designed to be overcapacity, generating roughly 50% for the use of the buildings and another 50% available for export purposes. Currently, we do not have a contract so we are losing out on this. The best we can get is from a company called Younity, which is offering us 7.8 pence a unit. Talking to other community groups across Scotland, that is roughly the best rate at the moment. If you and I put solar panels on our roofs tomorrow we would be offered 15 pence, just to give you the balance of that.

There are two final challenges. One seems a simple thing but it is not. Two of the schools require to have their meters changed over to smart meters because unless they are smart meters, we cannot measure what has been exported. The council has a contract with IMSERV, a company based in Milton Keynes, and it was contacted to get the meters changed over. The date we have been given is March of this year. They have one technician covering Scotland. We cannot move forward with this export until we get these meters changed. I thought it was appropriate to bring it to the attention of the Committee. We are still ongoing with that.

The final challenge—we have now resolved it—was setting up bank accounts. We had to set up two bank accounts, the charity bank account and the trustee account, which took a while. We ended up getting two rounds of compensation from the bank. The final one was setting up the business account. Very briefly, the reason we have had to do that is that we have had to set up a trading company within the association. We will invoice through that.

The money coming back will go back to the association, the charity, and we will Gift Aid into the community benefit fund. There is no money lost in that. However, it took from October until last week to get this account set up. Again, there were another two rounds of compensation. Also, there is no point of contact in the branch. Everything had to be done on the phone. Even the application had to be done on the phone, which took hours. There is no business advisor in the branch at all.

That is a quick summary of some of the issues we have had to face on the project. Thank you.

Q345 **Kirsteen Sullivan:** Thank you, Alan and Neil. You have given an incredible level of detail there and quite a bit of insight into some of the challenges and potentially the interventions that could assist. I am particularly interested in what you mentioned, Alan, because some of your challenges required a high level of professional insight and you had to seek external advice, which is a costly, lengthy process.

I wonder if there are mechanisms for sharing the advice and expertise that you got with climate action networks. I know one in my own constituency, the West Lothian Climate Action Network, is looking to do work with solar, and a lot of groups across the country are probably going to come across the same issues.

I am mindful of time, so if you could perhaps address that point and then if you could both advise what you see as the key benefits that your projects have delivered to the community.

Alan Roseweir: I am a great believer in not working in silos. I have said from day one in this project that we want to share it across as many people as possible. This idea of "keep reinventing the wheel" is crazy.

We have tapped into lots of expertise and support. When I started I had some knowledge because my background is education, both FE and HE, and I was able to tap into the university because I worked at the University of Strathclyde. I also reached out to others, the Community Energy Group in Glasgow, Calum Watkins, and Jim Lee from Energy4All. I reached out to these people and we started a relationship, networking to tap into their expertise. Similarly, I was able to share with them. That is the important thing in this whole community engagement, the bigger community, through Zoe's team at Community Energy Scotland, getting to the finer detail of the issues that impact on making things happen.

One thing I should mention, one of the things we have a challenge with to do with funding—this is going into community benefit and I will come to the specifics in that—was to do with having to build a reserve fund for decommission costs. Decommission costs at the moment would cost us £10,000 to £12,000 per school. Councils are risk averse, and I get that, but we are having to take money from the community benefit fund to build that reserve. My plea to the Committee would be: could you consider ways we can mitigate it for communities, because it is a huge cost? There is still residue value in this commodity, because, as we know, solar panels are still generating after 25 years. That is certainly within our agreement, we could not get rid of that red line on the contract and we basically have to support that.

The community benefit project was driven from the bottom up, very much focusing on schools to start with. We ran a competition in local schools to get the Gen Alphas excited. We are starting to see benefits, because already we have had Education Scotland come in and meet with head teachers. In Scotland's curriculum, sustainability education is now mandatory and will embed into the curriculum by 2030 from early years right to year 6. We already see this project as a vehicle to see practitioners in action and a reference site where other practitioners can see sustainability.

In the schools there are monitors showing the generation data and the kids can use this for their STEM development, even at early years. The early years are already doing things like this, because these kids are digitally active and this is giving them encouragement. Another area where there has been a huge involvement is through Primary Engineer UK. Again, the chief executive, Susan Scurlock, has met with head teachers and already there is funding being made available for the project to develop the programmes and help the practitioners within the schools, so we are beginning to see that.

The community benefit fund will be driven from the bottom up. We have an established advisory panel that will look at projects driven by the community. As I said to them openly, this is your banker money. This is for you to use. I, and the charity, have the responsibility to carry out impact studies. Again, through our partnership with University of Strathclyde and Ayrshire College, we will be able to do the impact studies through the Fraser of Allander Institute, because they did our initial feasibility study as part of the relationship. It is a bit of networking and bringing things together.

Q346 **Kirsteen Sullivan:** Neil, could I ask you to briefly talk about the benefits to your community?

Neil Mackinnon: Thank you. We have been receiving income from Wind Energy for about 10 years now, and it has made a big impact in our area. First of all, within our own organisation, the trust now has a team of 15 people. When the trust started, there was just one. We have built a team here, and that is people being employed in the office here in the area. The trust has permanent contracts as well.

There are the 15 people employed here plus there are impacts in other organisations as well. We give out monies to local organisations to help them with their activities. There are about 15 organisations in the area that are all locally run, in the main volunteers, who come to us for assistance, usually every year, for various different investments in projects. A number of these are vital to retain population. A number of them now depend on us as a partner with the council and other development agencies and local initiatives.

We are looking at investments in housing in the area and have taken a lead role in that. We are looking at tourism investment as well, and we have some initiatives running with local organisations to host visitors in the area, particularly ones who come in on the cruise boats. That is a new initiative that has kicked off in the last two years. We have a big push in the area to retain population.

We have an aging population here and we are losing people to other parts of the island and to the mainland as well. We are supporting activities in the schools. We are helping with health issues and with fuel issues in the area. We had a scheme a number of years ago to assist with costs in heating homes and we are looking at schemes with other organisations at the moment to do improvements in peoples' homes so they can reduce heat loss and to install renewables in the future.

That is just a snapshot of what is involved here and, as has been mentioned already, it has now become normalised, so a lot of the residents and organisations now depend upon us. If that was no longer available, then that would leave a large hole in the area.

Chair: We saw a number of the initiatives that you have in the area at Galston when we visited last year and it was very impressive. I am very conscious of time and am going to move on now to questions from Dave Doogan.

Q347 **Dave Doogan:** Thanks very much Alan for giving us an insight into the challenges and pitfalls, and the need for real resolve to take this from conception through to delivery. Everywhere you turn there is another challenge, and not the least of those is funding. To help the Committee understand, maybe from Zoe or Neil as well, is there a generic, or nearly generic, funding model that communities can go for, or is it all very diffuse and dependant upon each community project's individual circumstances?

It seems that the more routine and standardised this approach could be, that would be one less thing for individual community organisations to think about. Whether they meet the criteria or not is a different matter, but if there is an expeditious and vaguely standardised approach to generating the funding, that seems to me to be helpful. Does that exist? What does it look like?

Zoe Holliday: It is genuinely a challenge. I would not say that it is completely standardised, but the most standard model is a combination of accessing whatever grants are available, including CARES but also, depending on the area they are in, there are quite often local grants and schemes, particularly those relating to community benefit funds from existing turbines.

Q348 **Dave Doogan:** Can you just expand a little on CARES, Zoe? What is the funding? I know it is annual, but where does it come from?

Zoe Holliday: I am not going to tell you what the funding part is off hand, because I will get it wrong, but if I had to guess I would say it would be £14 million this year. I have written down how much they have given out in total, and I will find that as I am speaking to you.

For the funding available currently, there are a few streams. One is for community building to improve community buildings, put in heat pumps, solar panels and so on. There is a generation growth programme for larger generation projects. There is a variety of support available from the team, including on shared ownership. There is a new launchpad programme that we are delivering in partnership with the consortium, which is led by the Local Energy Scotland consortium led by the Energy Saving Trust.

There is also now a small development fund that was only introduced halfway through this year. This is a support resource for the communities to hire someone themselves or to bring in external resource. That is something I would like to continue in following years because when the funding only comes halfway through the financial year, it is a challenge for a lot of communities to employ someone in that time.

My note was that CARES has distributed £74 million to date to 1,600 organisations.

Q349 **Dave Doogan:** Where does that funding come from?

Zoe Holliday: The majority has come from Scottish Government funds. This year the money that Great British Energy gave to Scotland as its allocation was also put into the generation growth fund. This year is £4 million and that was what was distributed to Scotland. I believe there was maybe a little extra distributed recently with the new announcement, but I am not sure what the scale of that was. Rather than take the approach of putting projects directly on schools and hospitals, the funds have gone directly to communities in Scotland.

Alan Roseweir: That was a good question. The reason our project took four years was because there was no funding available. At the time, CARES was not funding solar panel installation. The Scottish money came in later and it was only when that triggered that the CARES programme changed to fund rooftop solar installation.

Having a fund continually available to fund these definitive types of projects would be good. That pot of money would be there and would encourage communities that probably have common objectives in what they are trying to achieve for their communities and in areas of deprivation, and that is what we are trying to challenge. That was clear. With our bid, that was fine, it was recognised, but the challenge for us was getting to the funding pot. It took that long.

Zoe Holliday: Sorry, I was interrupted and it sounded like I stopped on grants.

Alan Roseweir: Sorry, Zoe.

Zoe Holliday: Normally it is a combination of grants and then bank finance. Normally it is a bank loan; that is the most standard model within Scotland. The grants are normally a relatively small proportion, but they can bring down that overarching cost.

Q350 **Dave Doogan:** But the grants will need to be in place first before the banks will be interested?

Zoe Holliday: All the schemes essentially just need to build a business model that makes sense. The biggest challenge for communities in general is that early-stage finance where the project is potentially at a higher level of risk or having to do feasibility studies, for example, where the money is not necessarily going to come back if the feasibility study shows that the project is not viable.

The early-stage funding is often the most difficult for communities. In general, communities have to make a model that stacks up as a business model, in the same way that a private enterprise would. We see that bigger projects often stack up better these days than the smaller projects. I am sure Neil had previously told you, when you visited, about their ambitious 40 megawatt plus project and that is the sort of ambition we are hoping we will start to see more of, if we can get access to the grid.

There is a role here, in terms of de-risking some of the finance, and that is something that GB Energy could be coming in to do, to de-risk finance for projects taken forward.

The other issue that we have is in terms of not having that guaranteed income. The larger projects would be able to access the contracts for difference programme. It is an incredibly complex process, and only available above a certain project size. We would really like to see a minimum floor price come through, not to be subsidised like a feed-in tariff, but just a minimum floor price that enables communities to build a business model based on that, and the banks the confidence that that is a minimum level of income that will come in in the future. Likewise, as Alan referred to, for those that are private wire, to have an enhanced smart export guarantee programme.

Q351 **Chair:** I am conscious of time, and I hate to have to do this, but I have to ask Members and panellists to be as succinct as they possibly can from here on in, otherwise we are not going to get through everything we need to get through today.

Great British Energy has indicated that it wants to develop a model that enables, what it has called, simplification and modularity for community energy projects. Do you think that is an approach that would be sensible or necessary, and what could it look like in practice?

Zoe Holliday: I would be cautious about that without seeing the details. There is definitely a role for some standardised documents and contracts—I know that is something already being looked into with shared ownership—and again some standardised financial models are being offered.

My first concern about that is that we do not want to see an English approach being forced on Scotland when they are quite different contexts, as I have spoken about already. Also, the realities of the communities we are working with is that they are so diverse so how much can they be standardised? That is one question. The other thing that I would emphasise is that you cannot be building a project and handing it over to a community group. There needs to be the process of the community itself being involved in that progress and building the capacity throughout that process, rather than just handing that across.

I would just flag one specific issue as well—the issue that was mentioned in the strategy—about having listed, trusted delivery partners and technologies. That is something that we have really struggled with in Scotland in terms of the microgeneration certification scheme and so on, because the reality is that in rural Scotland it is hard enough to get any installer and if those installers who are already busy and have no real need to go and get this accreditation because they have work on their books already, if you are not able to use those because they do not have the accreditation, you essentially fall out of potential support.

I would be very hesitant about that being an obligation. It is great if it is an opportunity for people to access to avoid having to go through their own procurement processes, but it cannot be an obligation, or we are going to find that whole communities literally cannot get access because they just do not have the local suppliers available. If you are trying to find somebody on an island, the additional costs of bringing people to do that is huge.

Q352 **Chair:** If Great British Energy could come up with a model that said, for example, to Mr Roseweir's project that it has been done somewhere else in a very similar fashion; here is how they did it, here are the contracts they used, here is the legal advice they got, please use that and, not follow it to the nth degree, but take it forward. Would that be helpful?

Zoe Holliday: Definitely helpful, having standardised templates and support available and utilising the existing network of organisations and also building up the capacity of all the relevant organisations like local authorities—not just supporting community groups but also supporting planners and those who can have a facilitating role.

Q353 **Chair:** Do you think the UK is on track to meet the 8 gigawatts of community energy by 2030 that Great British Energy has as a target?

Zoe Holliday: I am highly doubtful. There should be some indication by looking at what is already in this recent grid reform process. You should be able to get quite a good indication of how many of those are community projects. I would imagine that some calculations could be done.

The reality is that in order to meet that 2030 target, most of that should already be in the system. The real opportunity to meet that 2030 target is going to come through shared ownership and right now, we need to see focus on that, both of potentially taking forward the mandatory approach that was consulted on last year but also incentivising.

All the mandatory approach would do is ask developers to offer shared ownership; it does not mandate them to secure a deal. There needs to be some kind of incentive for developers, whether that is improved access to the grid, enhanced CfD, if they have an X% shared ownership offer, but that is a significant concern. My concern now is whether that 8 gigawatts will be predominantly made up of projects elsewhere in the UK because of the situation we face in Scotland.

Q354 **Kirsteen Sullivan:** Very briefly, how do you think the GB Energy's forthcoming local power plan can add value to the existing community energy support schemes that are available? Do you think there is a risk of confusion or duplication because of the very distinct schemes that the Scottish Government has in Scotland?

Zoe Holliday: Alignment and co-ordination is going to be key. I have been heartened to note that to date they have been trying to work with the Scottish Government and align with CARES and so on. I am hoping that approach will continue.

As for what we would like to see coming through, I have already spoken about the minimum price guarantee and the enhanced smart export guarantee. We have all now mentioned the challenge with existing Government funding being tied to financial years.

The fact that GB sits outwith the Government system gives a real opportunity for funding that can cross financial years, whether it is multiyear funding or whether it just allows you to extend into the next year, because the challenge is that by the time you apply for funding and get the offer, you have already hit the winter months, which makes the actual process much more challenging, but also you have that tight timescale. If you want to take forward ambitious projects, having multiyear funding would be a real opportunity.

We would also like to see commitment to the target itself but also delineating between community energy, municipal energy and anything else that has been counted towards this local and community energy target.

One thing we have learned from Scotland is that currently only 10% of what is being counted towards progress towards the Scottish local and community energy target is actually community energy. The vast majority of it is farms and estates, local enterprises and so on, that we would not consider to be community energy and it does not have a same impact. We do not want to see that target being diluted. We would like to see specific delineation of what that target looks like and what organisations are eligible.

We would also like to see the £1 billion annual commitment that was in the manifesto being upheld for funding for local authorities and communities.

We would like to see capacity building, not only in the form of expert support—and I would like to see that expert support bolstering existing trusted intermediaries, not just being built within GB Energy—but also providing resource funding for communities to be able to take forward the projects and build up their own capacity during that process.

Then, flexible funding with the mix of grants, loans and equity and, as I said earlier, de-risking of projects, especially in the early stages.

Also, encouraging local authority partnerships with community organisations—where there are local projects being taken forward by municipalities encouraging them to involve communities as partners or even shared project ownership. Also, again, facilitation of shared ownership, whether that being made mandatory and rewarding the developers but having a stronger policy position on that shared ownership.

Q355 **Kirsteen Sullivan:** What factors influence community energy projects connection to the grid? What do you think would improve this process? You have spoken a lot about the issues, but what do you think would help? That is a question for everyone but like the Chair, I am mindful of time.

Chair: We are very short of time. We are actually overrunning now, so we need to crack on.

Zoe Holliday: We have recently put out a report. The number one thing I would ask the Committee to take away today is the need for designation for community energy to be considered to be needed within the process and be given priority within the grid. That would be the number one issue.

The other issue is in terms of the current difference between the transmission impact assessment between Scotland and England. Within England, projects under 5 megawatts do not have to fall under this new process, so they can go ahead without going through the reformed process and the gates. In Scotland, the threshold is currently set at 200 kilowatts on the mainland and 50 kilowatts on the islands, so we are talking tens of scales of difference in how big a project communities can take forward without having to go through this process and having those capacity limits applied.

The other thing we would like to see is to ensure that all of the current processes that are being developed—the SSEP, the RESP and so on—are all being co-ordinated and aligned with the reformed process and particularly that the RESP is being taken into account, because that is a bottom-up process that is going to identify local priorities and, in many cases, community energy will form part of that.

Q356 **Dave Doogan:** The challenge that Alan highlighted—these are my words, not yours—is that at 3 pence per kilowatt hour, your energy is basically just being taken; it is scarcely being sold. I know that for community energy one of the big hurdles is getting access to the market because of the regime that Ofgem put in place, which is faintly ridiculous for community energy.

Would it not be helpful if GB Energy were to provide community energy schemes, across GB, with a front door to the market? If GB Energy were somehow the connector—not literally, but if you did not have to find a customer for your excess energy, if you were not private wire. GB Energy could facilitate that, and could aggregate all community energy through the front door of GB Energy into the UK supply—facilitate it with all of the various energy companies and network owners or operators. Would that not be a real gift?

Alan Roseweir: It is an interesting thought and that would give communities confidence for both their system design, and the impact of what community benefit is going to realise in the fund going forward. Remember, these projects span 25 years and lot of money can be generated over that period. Anything that mitigates against these low tariffs would be very welcome.

Q357 **Dave Doogan:** Any thoughts on that, Zoe?

Zoe Holliday: It is definitely an interesting idea. Obviously, as I have said, if there was that guarantee of a price per unit exported, that would make a significant difference. It is definitely an interesting model that should be investigated.

Q358 **Dave Doogan:** Any indication that GB Energy is looking at that?

Zoe Holliday: Not as far as I am aware. I do know that GB has looked into the opportunities for minimum pricing versus a community safety type concept, so something like that, but I do not know where it has got to with that.

Q359 **Chair:** Community Energy Scotland has suggested that the repowering of commercial windfarms could create opportunities for community buy-outs. What is required to make that happen?

Zoe Holliday: Repowering does provide a big opportunity for communities. A pilot was launched a couple of months ago by the Scottish Government and Forestry and Land Scotland. They identified 10 sites where they are going to essentially allow communities the opportunity to put forward interests a year before they come up to be leased to private organisations. We would rather have seen that across all of the sites, but obviously every pilot is welcome.

The opportunity on public land is something that the Government has direct power over. We would also like to potentially see opportunities and negotiation with the Crown Estate.

Obviously this is devolved, but potentially using any powers, planning powers for example, to encourage community ownership to be prioritised through that planning process, anything that can be done to encourage that to be seen as being more positive.

Really, this is about giving communities access to information and knowledge of when different sites are coming up, potentially having a national database available, and having that expert support for communities to tap into to be able to understand how to enter those negotiations and develop that project. Given the situation with the grid, that is essentially grid capacity that is already being used so it is one of the biggest opportunities right now.

Q360 **Chair:** My last question is for Neil specifically, because you are more towards this end of your project. What challenges associated with decommissioning might a community energy group face, Neil?

Neil Mackinnon: The ideal would be to ensure that the assets are used for as long as possible. The repowering ideas are being considered at the moment. Zoe has mentioned that communities on the islands are considering how they can extend the life of turbines, to maybe replace them potentially. The way the market has moved means that turbines are now much larger, so the smaller ones that the communities have here are not readily available on the market anymore. It is not that easy to consider the end-of-life issues. Taking them away is not the ideal, if we can find a way around that, but there are many hurdles and there is no subsidy available. Turbines would need to be larger to be viable.

At the moment, communities are dealing with turbines that are smaller than those available on the market, and there are the planning issues that mean even if you are looking at replacing them, you would be starting all over again within your planning regime. There are many hurdles there and we need companies' technical advice and help as well as suppliers available in the market who can offer turbines at the scale needed.

Zoe Holliday: There is also a need for a presumption that those projects will get grid access at the end of their lifetime, and also potentially within the planning system, a presumption in favour of a project that is continuing at a scale within similar bounds.

Chair: That makes sense, thank you very much. Thank you all very much indeed for being with us today. We are now going to move on to our second panel but we are going to private session as we do so. Thank you all again very much. It has been really interesting and helpful. Thank you.

Examination of witnesses

Witnesses: Gail Anderton, Finley Becks-Phelps, Christianna Logan and Dr Lynda Mitchell.

Chair: We are now resuming this meeting of the Scottish Affairs Committee. I would like to welcome our second panel and thank them in advance for coming to give evidence to us today. Could you all briefly introduce yourselves and say what your role is? I will start with Gail.

Gail Anderton: Good morning, thank you. I am Gail Anderton. I am the Community Benefits Manager for Highland Council.

Christianna Logan: Good morning. I am Christianna Logan. I am the Director of Customers and Stakeholders for SSEN Transmission, part of the SSE Group.

Finley Becks-Phelps: Good morning, all. Finley Becks-Phelps, I am the Head of Development for Nadara.

Dr Mitchell: Hello, I am Lynda Mitchell, CEO at ALIEnergy, charitable energy agency.

Q361 **Chair:** Thank you all.

In March, the UK Government published guidance on community funds for those hosting new network infrastructure and in May outlined proposals for a mandatory benefit scheme, as we have been discussing, for those hosting generation developments. Would you like to give a quick assessment of that approach and say what you think that approach will achieve? I will start with Gail.

Gail Anderton: Highland Council welcomes the mandating of a community benefit. The experience of communities across Highlands is that the current system, being a voluntary system, can be inconsistent and lacks transparency. Some communities are getting good deals but we would like to see an opportunity for funding to be spread across the whole of the Highlands and not just for those locally impacted communities, although we do recognise that those communities ideally need to have something. Yes, we would fully support the mandate.

Q362 **Chair:** Christianna, any thoughts from you?

Christianna Logan: Yes. We very much welcome the inclusion of community benefit for electricity transmission infrastructure. Within that, the guidance has given our regulator confidence to approve that investment within our business plans. We expect there to be well over £100 million associated with our projects in the north of Scotland.

I would like to take the opportunity to thank Angus MacDonald for helping us to build cross-party support for the inclusion of significant upgrades to network infrastructure. It is important that communities hosting upscaled infrastructure also receive benefits.

SSE has a long history of community benefit, and we are excited about the opportunity now there for us to take that into the communities hosting this transmission infrastructure. We launched a community benefit fund for our region ahead of that guidance because of our view that it is critical that these local communities do get benefit from hosting that infrastructure.

Finley Becks-Phelps: If we were to mandate, in principle that is wise and it is good that developers are adhering to it. The element that I would add is also ensuring that there is some flexibility. Every community around Scotland is unique, and they operate in different ways. The opportunities for community benefit are quite vast but will look very different per community. Whatever comes off the back end of this, if there is flexibility to allow initiatives to come forward in certain areas, we would welcome it.

Dr Mitchell: Anything that can improve and increase the amount of community benefits coming through, particularly to the deprived communities in Scotland, is a good thing. It would be good to have a more consistent approach and more developers giving money to communities through the community benefit funds. There is also an issue about how widely, geographically, community benefit funds are spread.

Some projects focus on a very small geographic area and that can result in quite large amounts of money coming to quite small communities. Other projects are much more widely geographically spread so that there is benefit to more people. There needs to be flexibility because all communities are different, but there can sometimes be some unfairness with the distribution of community benefit funds. It would be interesting to explore that.

Q363 **Chair:** Dr Mitchell, how do you define community? That would be one of the challenges I can see in that discussion. It would be interesting to know how the community would be defined.

Dr Mitchell: That is a good question. Many developers coming in may define the local community as the community council areas within sight of a development, for example. I would like to see the definition widened a bit. I feel that some of the community benefit funds should perhaps be spread more widely because some communities in Scotland have sight of many windfarms.

We also have communities who have sight of no windfarms, and you can come to the result where people in one glen have lots of money coming from community benefit funds while people in the next glen have severe fuel poverty but have no access to these funds. We work on that at ALIEnergy a lot. I totally support the idea that some of the community funds should go to a more regional pot.

Q364 **Chair:** Do you have any thoughts on that one, Finley?

Finley Becks-Phelps: Absolutely. I focus on primarily on the journey for onshore wind, which evolved so much over the past two decades. Dr Mitchell mentioned the site of turbines. The original community benefit was introduced to allow communities to benefit from having a renewable energy project in their area, irrespective of whether they could see it or not. That has evolved significantly over the years.

I have worked on this for quite a long time. Historically, when you brought forward a new development, you would draw a 10-kilometre radius around that and that was deemed to be your immediate community and that was where you focused your community benefit. That world has come and gone.

We have 45 community benefit projects throughout the UK and each one looks different. We have some where we give community benefit directly to the community but also go to the local authority to allow them to distribute to a wider area as well. The definition of community can be reassessed. We are now dealing with much bigger turbines, so the community benefit, particularly as we begin to repower projects, will significantly increase. We are now dealing with hundreds of thousands of pounds. For more rural communities, that becomes an overwhelming sense of money, and how best to administer and distribute it is a wise conversation to have.

Q365 **Chair:** Christianna, do you have thoughts on that one?

Christianna Logan: The flexibility that guidance-based approaches give us is important. Local communities in urban or rural areas can look very different. The needs of those communities can be very different. Having flexibility to tailor funds to their requirements is most important within the design of any future rules and guidance.

We agree that there is a need for broader areas to feel the benefit from this transition and these investments, and that is why we have set up our funds so that some of the funding goes into a regional pot that is available to communities all across our network area. That means that those who do not have infrastructure right on their doorstep can still deliver impactful projects.

In SSE's history with its regional development funds—the sustainable development fund—it has been able to deliver a social return on investment of £11 for every pound of funding invested. The opportunity for an amplifier effect in these local areas is huge.

Gail Anderton: I agree with a lot of what has already been said, and particularly with what Lynda Mitchell said about rural locations. Many quite affluent communities are benefitting from a significant share of the benefit while other communities are not. Within a geographical location, many communities are impacted in some way through a development process. Communities in a Highland context in particular may have to move to more urbanised areas to shop, socialise, or use facilities. Allowing us the flexibility to create a local community fund in addition to the wider local authority regional fund would allow us to support some of the activity that is needed within those areas to accommodate everybody's needs.

Chair: I understand the complications.

Q366 **Mr Angus MacDonald:** Christianna, thank you for your shout out; I will give you that fiver afterwards.

Two things worry me. The first is that the root of the problems in remote Scotland is lack of housing, because you cannot keep people in the area. You kindly volunteered a number for legacy housing. I had a meeting a year and a half ago with SSEN and we discussed housing, and the person who was responsible then has left and I have been unable to get clear answers to this since then. I have two bits of information from you; one is 500 legacy housing in the north of Scotland and one is 1,000, and both of those bits of information have come from SSEN recently.

Can you explain what you can do about legacy housing? I cannot tell you how important that is, because that would create a workers' camp in Broadford for 400 people in a village of only 800. That would be very intrusive for the people on the island of Skye.

The second thing is about the offer of 17,500 jobs for the north of Scotland, but all we see are worker camps for people coming up from the south. They are not local jobs.

I would love a bit of clarification on those two things.

Christianna Logan: I can add a bit more colour. For the benefit of the Committee, our commitment for housing associated with our projects is to build 1,000 permanent homes in the north of Scotland that will be initially used as accommodation for workers on the projects, but will then be provided within communities for use there, either for sale or for affordable rent, and 60% of the 1,000 homes will be affordable homes. That is 500 homes in the Highland region, and that is part of our commitment within the social value charter.

The rest of the homes are across the wider network area up in Caithness, across in the north-east. We recently announced a commitment in the

Western Isles and also in Brechin. They were the first housing developments that we have outside contracts on.

Those developments have been worked up in collaboration with the local authorities based on the areas that they have identified as needing housing for development and are being taken forward in partnership with social landlords, housing associations and councils. As far as possible, we are using local contractors for the development of those projects, for example in the Western Isles, as well.

Regarding the commitment for jobs, we have made the commitment for 17,500 jobs in the north of Scotland, but that is across all of our supply chain and activity on these projects. We will have jobs specifically in our organisation. Our offices in Inverness and Aberdeen have grown materially over recent years. We had to open a new office in Aberdeen and expand our office in Inverness. We have our supply chain opening offices in Thurso and Alness. Those are roles in those communities during construction, but also with the operation of the infrastructure once it is built.

There will be an impact in local areas during construction and there will need to be some temporary camps to accommodate the volume of the workforce but by committing to permanent homes and jobs, we are bringing enduring legacy benefits into these communities as well.

We recently committed to 600 new earn-as-you-learn roles within SSE Transmission specifically, being apprenticeships, graduate apprenticeships and trainee schemes associated with these specific projects.

Dave Doogan: Chair, can I just get a very quick question? I know we are pushed for time.

Chair: Be very, very quick, Dave.

Q367 **Dave Doogan:** How are these houses going to be transacted once SSEN has finished with them for your requirements and they go over to a social landlord? Are they gifted, sold? How does that work?

Christianna Logan: There are different commercial models for the different projects, and they are still being negotiated with all of the parties that we are working with. In some cases, we are making a significant capital contribution in the region of 60% to 70% of the cost of the development of the homes. That means that the enduring owner can take ownership of those homes at a reduced rate, which brings them into the range of what is affordable, for example, for local authorities to develop as affordable housing and the same for registered social landlords.

Q368 **Mr Angus MacDonald:** Gail, this is a question for you. NPF4 was meant to bring a requirement for an economic advantage for communities when energy infrastructure was put in. To my opinion, when I was on the planning committee for Highland Council, that did not happen. Do you see any changes in planning that will result in a requirement for renewable energy projects to benefit the community?

Gail Anderton: We are starting to see that coming through, following NPF4 introduction. There is the more social economic output. In the planning applications coming forward, we are starting to see more commitments relating to jobs, social amenities and economic investment in local supply chains and so on. We are starting to see a change in the direction towards community wealth building and how that is going to look. It is still very much early days in how it is coming through. I know that some of the Scottish renewables, for example, have been working with developers on a template for developers to work through. We are starting to see a bit of change in that direction, but seeing how that develops will be a work in progress.

Q369 **Mr Angus MacDonald:** In my experience—and this is a real example—a windfarm developer would come forward and, in one case, said to me, "We are offering 45 jobs in the north of Skye". I said, "I do not believe that, can you list them for me?" and the developer said they would come back to me. The answer is that they are not offering full time jobs in that vicinity or almost none. It seems to be something that the councils cannot enforce. Once the permission has been given, it is job done; they have got away with it but do not actually deliver.

Gail Anderton: If something can be made a condition of the planning application and the consents, it is the responsibility of the local authority to ensure that it happens and hold to account any developers that are not doing what they have said that they would do and what has been consented within the planning application.

Q370 **Mr Angus MacDonald:** Lynda Mitchell, do you have anything to add on that issue?

Dr Mitchell: Housing is certainly a big issue. We see all the time that it is not just the people growing up in the areas who cannot find affordable housing in order to stay. When people are trying to employ and bring people into the area—and these are areas where de-population and aging population is a huge issue—there is no housing to support those people's livelihoods. Anything that can improve that situation would be great, but I do not think I can add much more than that.

Q371 **Mr Angus MacDonald:** Both the Scottish and Westminster Governments have finished consultations on community benefits. At the moment, it is £5,000 per megawatt just for onshore wind. It does not include anything for offshore wind or for pump storage, which as we know is going to become massive. The £5,000 figure was set in 2014 by the Scottish Government. I have written to John Swinney asking for that guidance to be changed to £12,500, which is the Highland Council's figure. I got a nondescript answer and we are still waiting for the Westminster Government to come up with their conclusion, although it was meant to happen late last year.

Do you believe that we are going to end up in a position where proper community benefits that can make a real difference to the economy of rural Scotland can be delivered across all renewable sources?

Gail Anderton: I would like to think so and we fully support the £12,500 uplift from original 2014. That there has been no inflationary increase on that since then is a critical element to us, hence we have gone for that particular approach. I would hope that we will see that increase implemented but the jury is out on whether it is going to be put forward or not.

We would like to see it consistent across all technologies. As you have identified there is no necessity to deliver anywhere near that for hydro pump storage for instance. Some are covered; some are not. That is causing a little bit of angst and conflict between communities, particularly in Highland where we have one developer saying they are going to meet the £5,000 per megawatt and others saying they are not. To have something mandated in a framework so that everybody knows exactly what they are going to receive would be helpful but I am not sure we will get to the position of £12,500, but it would be nice to think that we could.

Q372 **Mr Angus MacDonald:** If all developers were required to pay the same, do you believe it is affordable for the developers to pay, say, 5% of gross revenue or £12,500, which is roughly the same?

Finley Becks-Phelps: I mentioned earlier how windfarms have evolved over years. When the £5,000 was introduced was when we had the renewables obligation, and the cash pool profile was very different from what it is today. With the introduction of the CfD, our return rates have significantly reduced by almost half. However, the cost of construction has not decreased so our margins are much smaller. The caution I would express on this is that any one project is different from others and so it is very hard to say whether one project should give more than another one, or whether there should be a standard approach or not.

I was involved in two projects last year. One had a very simple construction, much higher up on a hill, very windy. That one could potentially shoulder something slightly different. On the other project that I was involved in, there were trees to fell, it sat slightly lower down, the wind profile was very different from the other one, and every week I had to justify why that £5,000 should be adhered to because the project was already so marginal. However, it was important that we maintained the position.

I ran some quick numbers to demonstrate what this would look like. I have focused a bit more on the northern part of Scotland, and I will come to why in a second. However, increasing the payment to roughly £7,500 is a difference of almost 1.2 percentage points. Increasing the community benefit to £12,500 is roughly about 3.6 percentage points across our portfolio. If we are already dealing with marginal investment opportunities, that could very quickly make the project fall to being uninvestable. I need to reflect on the overall objective of what we are trying to do here, which is making sure that developers are adhering to bringing forward the best community benefit possible for these areas while also bringing forward clean energy, which is the overall objective.

It is important to remember that we sit within a global context here. Scotland is only one country. Money is sought all around the world, and we have to make Scotland an attractive place to invest. I do what I do because I want to do right by the communities—and I do get a little bit hot under the collar about that because I think it is such an important element—but I also sit on various boards where I have to justify what we do. I still have to make this an attractive investment proposition so it is important to highlight why these elements are so important and not come forward with such a substantial increase that could debilitate projects potentially coming forward.

Another issue, particularly in the Highlands, is the increase in grid charging. It is incredibly volatile and we see a potential three-fold increase in the future. That means that the margins we are talking about are getting much smaller.

To finish and bring it back around—and this is a little bit harder to put into words because I have one particular opinion—when we come back to the mandating prospect—and I do believe that £5,000 is an appropriate number—we also have to encourage developers to do right. At Nadara, we host a lot of additional activities. We do cover projects, we have ESG funding, we help support students through training, we have eight community ownership elements, which is more than any other developer in the country. There is a host of opportunities above the £5,000 and if we focus too much on this, we take away the opportunity for developers to expand and make sure they bring some beneficial opportunities to rural communities in Scotland.

Q373 **Mr Angus MacDonald:** Do you accept that many people are now saying that unless it is really worthwhile for us, we do not want it? It may be that if you guys cannot deliver the financial numbers that we need, it should not go ahead anyway.

Finley Becks-Phelps: The point is fair. The world in which we now develop windfarms is entirely different. Our understanding of how wind flows across a given site is different. Historically, 20 years ago, it was the case that you would stand on top of a hill and say, "This looks like a nice opportunity for a windfarm, let's pop one in", and it was likely that you could make it financially attractive. That world no longer exists. You have to focus very much on the cost profile much earlier on; focus on what the grid charging will look like in the future; what is your wind looking like. If that windfarm cannot sustain those costs, there needs to be a very serious question about whether it is the right project to bring forward or not.

You are beginning to see that, particularly with the connections reform process. You mentioned earlier last year's intervention in the Highlands. There is a sense of overwhelmingness. There were 700 gigawatts of connections in the UK, and I do believe that hopefully we will see a sense of realisation that we cannot just pop another windfarm in every location as well.

Q374 **Kirsteen Sullivan:** This is question for Gail Anderton. Picking up on some of the aspects that Finley mentioned BiGGAR Economics suggested that the Highland Council social value charter could reduce the number of onshore wind projects by 80%. What is your view about that?

Gail Anderton: We were initially shocked at the reaction. When we launched the charter in June 2024, it was received quite negatively by the sector. We have been disappointed with the uptake of involvement by particular developers during that time. We strongly oppose that, based on the fact that we believe that the inflationary increase should have been there all along to get us to the position that we are in.

There are many other elements of the social value charter that we need to look at. Various developers have alluded to that already. We are looking at a variety of elements around housing to supporting de-population, skills training and development. Some of the £7,500 that we asked for to go into a strategic pot is to support those types of initiatives.

We have looked at area and place plans, engaged with local communities to ask what our priorities are, what do we need to change. That is talking about infrastructure, transport, digital solutions. When we have engaged with some of the developers one-on-one, and we have explained in more detail what we are looking for in relation to that figure. They are already doing some of that work so the £12,500 that we looked at initially, although it was probably a shock to the sector, on a case-by-case basis they have said, "We are already delivering some of that so we can look at some of the elements of it that could fall within the £7,500 that we are looking for."

What we are trying to do is, strategically across the whole of Highland, if each of the individual developers putting pots of money into different projects and different initiatives—apprenticeships, training, development, housing and everything else—pooled it in one strategic pot with a governance model that sits with private sector, public sector and communities, we could probably be more effective and transformational in what we are trying to achieve.

We were very disappointed at the response that BiGGAR came back with, particularly the fact that there was no discussion. It was very much a case of "Here is our opposition to the figures that you are proposing under the charter" without any communication or discussion about the rationale.

Q375 **Kirsteen Sullivan:** Picking up on that latter point, it sounds to me as if the £12,500 total was arrived at without prior engagement with the companies to have a better understanding of the wider contribution through training, apprenticeships, housing; the community wealth building elements. Do you believe there is scope now to move forward with a better, more holistic approach and having better engagement with the companies up front?

Gail Anderton: That is what we are trying to do now. We are trying to embed the social value charter process as early in the planning process with individual developers as we can. We have also started to have positive engagement with Scottish Renewables and they, obviously as the representative body for a variety of different companies in the sector, were looking at ways that we can operate and work with them on different solutions to try to help us achieve what we are trying to achieve. For me and for the Council it is reassuring that the majority of organisations agree in principle with what we are trying to achieve. It is in the facts, the figures, the numbers, and the proportionality.

We have tried to say, yes, it is a blunt tool to start a negotiation, but we will have case-by-case, development-by-development communication, to see what can be achieved across the charter. We are not looking for all nine elements to be produced for every single development, but we are looking for meaningful engagement to look at what can be achieved with each development, or collaboratively across numerous developments if they have numerous developments in the area.

Mr Angus MacDonald: Just as an intervention, that figure of—

Chair: Sorry, Mr MacDonald, no. Dave Doogan.

Q376 **Dave Doogan:** Thanks, Chair. Ms Logan and Mr Becks-Phelps, community engagement in your projects; how would you very quickly summarise how you are seeking to drive that forward with the base? I want to understand any respectful frustration you have with the regulator, because I know fine well from my constituency that the regulator is responsible for setting the detail or the framework into which developers, for generation or infrastructure, have to frame their community benefit prospectus. But often they are behind the curve. That is my view.

I do not want to say difficult things about the regulator obviously, but communities have an expectation, the regulator sets a framework and you are in the middle trying to pull the strings together. How do you do that effectively and expeditiously?

Finley Becks-Phelps: I have used the word "flexibility" a few times already this morning. I cannot highlight enough how different every single community is. You always have to have a framework, a policy position. I accept that. But how do you have that meaningful engagement when you go into a rural community that is potentially hosting something that they have never experienced before? It is about becoming invested in what that looks like.

Our company has employees all around the UK, not in one specific city but from the Highlands to the very south of Scotland as well. Having people that sit in within these communities allows them to have a much more engaged conversation. When you begin to do that, you can begin to understand what that community actually wants out of this. If you do that much earlier on, you can evolve the community benefit and tie in some of the elements that the community would like out of it—whether it is social housing or relief from fuel poverty—but you can then use that to facilitate some wider conversations.

What Labour is trying to achieve with Clean Power 2030 is commendable, but it is introducing a bit of a rushed process so we are taking away a little bit of that meaningful engagement. Part of the discussion has to be about how we ensure developers are having meaningful engagement with the communities to ensure that it is tied back into their applications. It is much easier said than done, of course.

Christianna Logan: Specifically on community benefit funding, we are very pleased that the regulator has accepted what has been put forward in the guidance, and that we are being allowed to make those investments. One of the very beneficial elements is that any funding available beyond the administration costs of the funds can also be invested in capacity building in local communities, which is sometimes a barrier for local projects being able to apply to funding in the past. We are pleased that Ofgem has allowed that.

We work very closely on the development of these funds with local communities. We built our regional fund based on open consultation to identify the themes of people, around skills and employability, place—which is mostly focused on culture and heritage—and also fuel poverty, because we recognise that is a challenge across the north of Scotland. Local panels are made up of local members, independently chaired, and we help inform the decisions on allocation of funding using things like local place plans, engagement with development trusts, community councils, and a wide range of people from the local area. That helps us to tailor those funds to the real needs of the local area.

Take Peterhead, for example, in one of the lowest bands of the Scottish Index of Multiple Deprivation. Their place plan has a focus on supporting young people. Through our local north-east fund, we have been able to apply £200,000 to projects supporting young people including £100,000 to Peterhead FC to work in partnership with schools to increase motivation and attendance at school.

Q377 **Dave Doogan:** Thank you very much. Ms Mitchell and Ms Anderton, maybe you could be a little bit more candid than commercial operators can be. Ofgem, it seems to a lot of people, would not know a volt from a bolt, and when it comes to regulating they are invariably on the back foot. This is especially important when it comes to community engagement because communities start from a position, naturally, of huge scepticism when some of these projects come down the line.

It should be abundantly clear to all communities that there are significant community benefits if this project gets greenlit. Whether they want it specifically on its own merits or not, if it does go ahead there should be a clear benefit. In my constituency I have very mature community benefit funds from windfarms, and I have community funds that are yet to be delivered from infrastructure. I have the full spectrum and still people are hugely sceptical about what will benefit their communities and how. That cannot be just the fault of the developers; there has to be a role for the regulator that has failed to demonstrate what the benefits are of these investments.

How can we change that dynamic from this clunky, pejorative, "Here is a little bit, here are a few crumbs off the table, but we will tell you how to spend them" to actually empowering communities to benefit from what is, in effect, the common good that belongs to them—the land, the wind and the sun—to benefit—

Chair: I think we have the gist of the question so if you would not mind giving the answer now, thank you.

Dr Mitchell: You are right: most of the communities that we work with, when they see wind turbines on the horizon they cannot see any benefit at all and they are probably living in fuel poverty as well. What they see is that the turbines are generating lots of revenue for somebody but not for them. Indeed, they are paying some of the highest prices for electricity are in the whole of the UK, and suffer from the highest levels of fuel poverty as well with almost one in every two households across north-west Scotland suffering from fuel poverty.

It is not just due to the obvious things like the lower incomes, bad weather, elderly demographics and so on; a lot of it is to do with rurality because it is off gas so people are having to pay for electricity to heat their homes, and the cost of electricity is now more than four times as much as gas per kilowatt hour. So these people are suffering very badly and yet what they hear about is quite cheap electricity being generated all around them on the hilltops.

As far as community benefits are concerned, a regional approach is useful to target and deal with fuel poverty. For example, a model we use at ALIEnergy is that there are a couple of community benefit funds that were set up a very long time ago—about 20 years ago—in Argyll and Bute, when it was very early days for community benefit fund schemes and wind turbines. These were small, early wind farms. But there was a model set up by Argyll and Bute Council at the time whereby 60% of the community benefit fund is kept by the local community in the usual way, and 40% went to a regional tranche, and that regional tranche—which admittedly was quite small because these were small wind turbines in the days before it was £5,000 per megawatt—came to ALIEnergy.

The rationale there is that energy related revenues should help to address energy related problems, so ALIEnergy can use it to address fuel poverty regionally. ALIEnergy can also use it for energy related education in schools and other community energy benefits. Those funds were linked to the lifespan of the wind turbines and so we still benefit from those funds today. It is a legacy that has seen us through 20 years of ups and downs of short-term funding. It is a bit like a bedrock that the rest of the charity has been able to build and operate successfully.

Q378 **Dave Doogan:** Sorry, I do not mean to cut you off but I think one of the things—and you have raised it—is that the actual revenue use of this funding is maybe not optimal and that some of it should be invested into a trust and a legacy so that it becomes a dripping roast for a community in perpetuity, rather than consumed on a revenue year-to-year basis. Is that something anyone is looking at, over and above the example that you helpfully set out, Dr Mitchell? Is anybody else looking at that?

Finley Becks-Phelps: Obviously we can only offer the benefit but we work with a host of communities and we are dealing with a different level of cash. It was quite humbling to hear that. You have examples in Fort Augustus where they use the community benefit—I appreciate they receive slightly more because they have a number of windfarms—to employ individuals, go out and find opportunities to invest. I think more recently they built some social housing. I do know of communities that put some of the community benefit into an endowment fund, for example.

I think it is important to recognise here that the world is moving forward and the level of investment into these rural communities is now different. The points that you raise are very genuine opportunities and I think we can definitely look at the different communities within Scotland to find out what is being done and actually develop something that works with these rural communities, because the opportunity is genuine and can be exciting.

Q379 **Kirsteen Sullivan:** I have a couple of questions and in the interests of time I will wrap them up so if I could ask you to keep your answers succinct. To Lynda and Finley, around shared ownership arrangements, can I ask how many groups have entered into such arrangements in Scotland and what you view to be the main barriers preventing wider adoption of shared ownership? Also, what policy measures could perhaps remove some of those barriers and encourage more of these models to come forward while ensuring that they deliver benefits for the whole of the community, not just those who wish to invest. I will go to Finley first.

Finley Becks-Phelps: Nadara offers more shared ownership than any other developer in the country, a grand total of eight, which feels like a very small number. The reason it is a small number is that it is very complex. We operate a number of different models. I keep referring back to that word “flexibility”. I think it is a genuine opportunity. I have heard different percentages, up to 20%. I think we have to be very cautious here in what we are mandating but also working to what that community wants out of that project. That word "empowerment" is important.

We operate a wind farm in Fintry, where I live. It is a unique example. They pushed for a sort of theoretical turbine equivalent. But the challenge for a developer is that we have to build the wind farm but cannot necessarily wait for the funding to come through from the community. What happened in that instance was that the developer built out the entire wind farm and loaned that percentage back to the community, which is now receiving something in the region of £400,000 to £500,000 per year. It has been transformational for that area so shared ownership there has been a real success story.

Going back to how you can bring that model forward to other communities, it is very challenging because some communities do not have the ability to do it that way. We have mentioned GB Energy, an interesting prospect and something that should potentially be explored further. There will always be challenges around timing if you have a financial investment date by which you have to bring forward a particular project.

Recently, I had a conversation within our own board about an opportunity in Wales: "This is an opportunity we want to bring forward to the community but I ask that we build the wind farm now but the opportunity is still presented to the community." For a lot of developers, that is quite a tall ask, to say, "You pay for this but that may not entirely be yours in the future." Luckily for us we operate at a scale where there is an opportunity to do so, but we do it because we do genuinely believe it is the right thing to do.

The model has evolved a lot. Zoe's earlier point was very fair, that the shared ownership model has evolved. It needs to be focused on the community but again, one size does not fit all. However, there are genuine opportunities for the likes of GB Energy to be involved in this, but we need to focus how we build in the capacity for communities to be able to explore this opportunity, and how do we get the timings for these projects right as well.

Dr Mitchell: Regarding numbers, maybe I could point you towards a dataset, a database that is held by Local Energy Scotland whereby they are looking at not only the ones that exist already but the ones in the pipeline. I do not know the numbers myself. But regarding the process, we are involved with a couple of shared ownership projects at the moment and have been going through quite a long process of community engagement with a couple of developers.

It has been interesting to go through the process. Local Energy Scotland has been helpful in supporting us through the learning process. Local Energy Scotland of course administers the CARES grants, and also offers a lot of advice and handholding to communities that are following this journey.

We found that we could got through the process of signing MOUs and that sort of thing, and then apply to CARES for legal and financial advice, which is helpful as well because there are so many different ways that you can take this forward, there are different legal structures. It was helpful to us to understand from a very early stage the different legal structures that could potentially be used.

We are at a stage now where having done a lot of work during 2024, community engagement work locally, bringing together community councils and all of the local community in an inclusive manner, we can make sure that everybody was happy with continuing to explore these options. The windfarms that we are involved with are still not through the planning permission stage though, so we are at the stage now where we are waiting for that to happen before we make a final decision on things such as the legal structures that will be involved, and putting those into place.

The finances case is interesting one because some members of the community are saying, "We need to make the business case now." It is a bit early for us to make the business case and indeed we do not have the information from the developers to enable us to do that at all at the moment. I understand why; it will be probably at least five years before these things are built and a lot can happen in the supply chain, with global finances and everything. If we had detailed finances at this stage I understand that they would be very much ballpark. That does mean we are a little bit blind on how the financial side of things will stack up eventually, but I do not know if there is an easy way around that.

Q380 **Mr Angus MacDonald:** I do not think anybody in this room would doubt that community ownership, then shared ownership, and then finally one owned by a developer, is the priority people would prefer for their communities. The legislation that is coming through from the Westminster Government is indicating that it will be legislated in 2029. Do you believe that is too late and that by then the industry will have effectively been built out? What do you think, Dr Mitchell?

Dr Mitchell: I do not suppose it will be completely too late. I understand that it takes time to work through these processes to create legislation. Perhaps it would have been great to start this process earlier but at least we are now thinking about it, so that is a good thing.

Gail Anderton: I think that probably it is potentially too late, particularly when we see the amount of opportunity and planning that is coming through Highland at the moment. If it is okay very quickly to say, Highland is exploring a shared investment model and the legal emphasis that would allow us to work with communities around shared ownership particularly. But, yes, earlier than 2029 would be preferable.

Q381 **Chair:** The final question is about looking at everything overall. What is your assessment of Scotland's community energy sector's ability to access the grid? I suppose this is a question for Ms Logan in a sense.

What steps does your organisation need to take to support grid connections for community energy projects in Scotland?

Christianna Logan: The north of Scotland already has a significant volume of generation connected at the distribution level, which is where up to now most community energy projects have connected. It means that at the point where distribution joins transmission, most of it is already exporting to the grid. The best thing we can do to get more community energy projects on the system is to build out the additional capacity that is required, and that is what we are doing with our pathway to 2030 projects.

Beyond that, we recognise that the cost of securitising some of these large grid projects is a barrier for community schemes that can struggle with financing, and we have recommended to Ofgem that once projects are approved those projects no longer have to be securitised by the connecting party.

We are awaiting Ofgem's decision on that. We also took steps to increase the threshold that we mentioned earlier for access to the system. Scotland has a more radial system, it is not so much of a meshed grid, which means increasing that connection without the necessary capacity could risk security of supply by overloading assets, and would also push up constraint costs on consumer bills. We have to strike the right balance on making sure we protect that technical requirement, so we would not see that as an appropriate model for a policy support for community projects, but we are keeping it under review and with increasing demand there will be an opportunity to look at increasing that in the future.

We have also made recommendations to Government and Ofgem on the designation of community energy projects as priority projects. We believe that the opportunity to do that is there now through the Planning and Infrastructure Bill, and Act now, and also through the connections reform process, so we have recommended that. We think there is an opportunity for GB Energy to support community projects with access to affordable capital, which is one of their biggest barriers.

Q382 **Chair:** Do you think there are any issues about differentiating community energy as a category in grid connection?

Christianna Logan: Right now there is because we have an obligation to not discriminate between any projects so we cannot, as the network company, prioritise. But as I say, there is the mechanism there should Government and Ofgem decide to determine community projects as priority. That would allow us to prioritise them as capacity becomes available.

Chair: Very interesting. Dave, very briefly.

Q383 **Dave Doogan:** Ms Logan, I think you referenced the designation of community energy and the prioritisation of connection for community energy as two outstanding questions that you have with Ofgem?

Christianna Logan: And Government.

Dave Doogan: And Government. Have you any indication of when you might get a response to that inquiry?

Christianna Logan: We have not.

Chair: Interesting. Thank you all for coming this morning. It has been a most interesting session. Thank you, all of you panellists, for bearing with our time pressures. We started about five minutes late today and we have ended five minutes late, so that is on track I suppose. Thank you for your forbearance there and thank you again for your evidence; it has been very useful to us going forward.