

Energy Security and Net Zero Committee

Oral evidence: [Unlocking community energy at scale](#), HC 394

Wednesday 28 January 2026

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[Watch the meeting](#)

Members present: Bill Esterson (Chair); Ms Polly Billington; Lizzi Collinge; Torcuil Crichton; Wera Hobhouse; Melanie Onn; Bradley Thomas; Claire Young.

Scottish Affairs Committee member present: Mr Angus MacDonald.

Questions 318 - 456

Witnesses

I: Helen Seagrave, Director of Local Energy, Great British Energy; Victoria Moxham, Director of Customer and Code Management, Elexon; Marzia Zafar, Deputy Director, Energy Systems Design and Development, Ofgem.

II: Michael Shanks MP, Minister for Energy, Department for Energy Security and Net Zero; Emma Floyd, Director, Clean Energy Investment, Department for Energy Security and Net Zero.

Written evidence from witnesses:

- [Ofgem](#)
- [Department for Energy Security and Net Zero](#)

Examination of witnesses

Witnesses: Helen Seagrave, Victoria Moxham and Marzia Zafar.

Q318 **Chair:** Welcome to this afternoon's session of the Energy Security and Net Zero Select Committee and our final session on community energy. We are delighted to have our two panels this afternoon. First panel, could you introduce yourselves?

Victoria Moxham: Hi there, I am Victoria Moxham. I am director of customer and code management at Elexon Ltd. Elexon is the organisation that runs the balancing and settlement code. That is the rulebook that makes sure that the GB electricity market works fairly and accurately.

Helen Seagrave: Hello, good afternoon. My name is Helen Seagrave. I am director for local at Great British Energy. I am responsible for setting up our functions for supporting community and local energy across the UK.

Marzia Zafar: Good afternoon. My name is Marzia Zafar. I am a deputy director at Ofgem. I look after our work around decentralisation of the system, digitalisation of the systems, creating a thin digital connection and then overseeing our innovation work.

Q319 **Chair:** Thank you all very much and welcome. We are very much looking forward to your evidence. With the Minister coming after you, this promises to be quite a session. There will be votes at some point this afternoon. We hope to have finished this session before we get to them. I will start the questions and then pass to my colleagues.

We have heard calls for a formal recognition of community energy as needed for 2030. It was very much what we heard in written evidence and in some of our oral sessions too. What is your main priority to ensure we get this target, if indeed it is a target, of 8 GW of local and community energy delivered?

Helen Seagrave: Great British Energy has been set up as a publicly owned energy company with a clear mission to drive the development of clean homegrown energy for the benefit of communities across the UK. We published our first company strategy at the end of last year with three clear priorities, including supporting community and local energy. Within that, we want to use our roles across investment, project development and partnerships to help overcome the barriers that community and local energy is facing, to increase the pace and scale of delivery and to get more community benefits felt across the whole of the UK.

Marzia Zafar: The 8 GW appears in Clean Power 2030. Ofgem's role in Clean Power 2030 is in supporting the rapid build-out of the network to make sure that the electrification needs are met, reforming the connection queue to get new generation connected in a timely manner



HOUSE OF COMMONS

and building demand-side flexibility into the power system to meet increased demand.

When it comes to the 8 GW, Ofgem does not have a specific role in ensuring that the 8 GW local and community energy projects are achieved. We look to the local power plan to give us a priority list of how we should focus on this. Clean Power 2030 gives us an overall set of technologies to look to, but, as for the ownership of it, that is not as clear and we look to the local power plan for that.

Victoria Moxham: Elexon's role is all around removing any barriers and providing a degree of certainty around the rules and governance that underpin everything that my colleagues just spoke around. It is rules and governance, and making those really clear so that people involved in the ecosystem have real certainty around the rulebook that they need to play by.

Q320 **Chair:** Does community energy help or hinder decarbonising the grid?

Marzia Zafar: Certainly it helps Clean Power 2030. It helps decentralisation. By decentralisation, I mean moving away from a small set of power plants to meet the demand of the country. We want to utilise distributed energy resources more and more, and community energy is part of that. Certainly it is not a hindrance. It could be a huge asset.

There are trade-offs to be made around this and we need to figure out whether there are additional costs to encouraging community energy more than other resources. We need to work with Government, GB Energy and community groups to better understand what costs are associated with bringing local energy forward more.

Q321 **Chair:** Before I move to the rest of the panel, my question was about whether it helps with decarbonisation. You said that it could be an asset. Tell us what you mean.

Marzia Zafar: It could certainly help, because, as we decarbonise, we are going to rely more and more on renewable energy. Community energy is largely about renewable energy, so it helps. One issue that Government need to look at is that, right now, we have about 614 organisations in community energy providing 411 MW of energy. On any given winter day, the GB system demand is about 48 GW and it is met by fewer than 614 organisations.

Q322 **Chair:** You have just set out the question that was coming to mind. Given the scale of the grid, how does the very small contribution, in relative terms, of community energy help in decarbonising?

Marzia Zafar: If we rely more and more on distributed energy resources, which community energy is a part of, it is basically small amounts of energy making up multiple microgrids throughout the system. It is small



HOUSE OF COMMONS

amounts of distributed energy resources making up the needs for the system.

Q323 **Chair:** I am not sure that that quite answers the question. Victoria, can you think of anything to add to that question about whether it is a help or a hindrance?

Victoria Moxham: All that I would add is that anything that promotes opportunities and makes it easier for the types of generation that Marzia was talking about to be usable and to gain traction would certainly, I think, contribute to helping with decarbonisation.

Helen Seagrave: All I was going to say is that community energy delivers benefits beyond decarbonisation. Community energy organisations have a huge ambition to scale and to have more generation and impact. We would like to support them and enable them to do that. If we want to achieve decarbonisation in the UK, we need to bring the public along with us and demonstrate the benefits of the energy transition. Community energy is well placed to do that because it delivers social and economic benefits within its communities and involves those around them in its projects.

Q324 **Chair:** We have heard a lot about the grid queue and the connections reform process, and it has clearly made a difference to some people. There are also concerns being raised with community energy projects that they are really struggling to get a connection. We have heard rumours that things are not entirely going smoothly here. What is your sense of how well the reordering of the queue is going?

Helen Seagrave: At Great British Energy, we are just starting out as a company. Our projects will apply for grid connections, but we are not involved in reordering the grid queue.

Q325 **Chair:** Right, so you have not really picked this up with community energy.

Helen Seagrave: Yes.

Marzia Zafar: We have made major improvements, working with Government and NESO, in reforming the connection queue. We have moved from a first-come, first-served to a first-ready, needed-connected approach. To do that, that means NESO will be looking at what is needed for Clean Power 2030. That will then push those projects forward a bit more, so long as they are also ready and they have the planning permits.

However, we cannot provide preferential treatment for anybody. If you have met the ready and the needed, you are part of the queue. There is no preferential treatment for any specific group within that queue.

Q326 **Chair:** Yes, I understand how you have reordered the queue, but the question was how well that process has gone. We have heard some concerns that perhaps it has not been straightforward.



HOUSE OF COMMONS

Marzia Zafar: The process is going very well. Obviously we are going to have some unhappy people who are not ready and will be removed from the queue, but overall the process has gone very well so far.

Q327 **Ms Billington:** Marzia, what we got from a number of community energy organisations is that the stipulations—the things that constituted being ready—were actually unfair and unreasonable for community energy organisations, for example having to stack up an enormous amount of capital, which would be small change for a large developer but is really hard for a community energy company. They are dealing with what is ostensibly a level playing field, but it is not very level.

You have said in your evidence already today that community energy plays a vital part in decentralising our grid, reducing the demand and strengthening the grid, because you can have more flexibility locally and so forth. Surely those benefits should be factored in and we should have a different qualification for being ready, as it were, for community energy, so that they can find it easier to get their place in the queue.

Marzia Zafar: There are two things. First, we have just approved an industry change that has raised the threshold for smaller connection schemes as part of the transmission impact assessment, which is a very long, expensive process. If a smaller generator, which is by and large community energy, is below the 5 MW threshold in England and Wales, it works with the DNO and gets a connection date. It does not have to go through the transmission impact assessment. That is just for England and Wales. For Scotland, we are working with the transmission operators and the Scottish Government to encourage the operators to change their threshold as well.

Before, for England and Wales, the threshold was 1 MW. If you were bigger than 1 MW, you had to go through that assessment, which was long and expensive. Now they do not. That is one process. It is Government's call, and not ours, to carve out a space for them.

Q328 **Ms Billington:** Yes, but bearing in mind that you said that part of the objective that you have as Ofgem is to make sure that we have a decentralised and decarbonised grid as efficiently and as effectively as possible, if we recognise that community energy does that, then surely you, as a regulator, could make recommendations to the Government about how they might change those rules to facilitate the adoption of community energy into the grid more effectively.

Marzia Zafar: Many other types of generation are also vital to Clean Power 2030 and to NZ 2050, community energy being one of them. That is where the trade-offs are. It is a very difficult call for Government to make. To bring community energy up the priority list, they have to deprioritise something else.

Q329 **Ms Billington:** I am aware of that, Marzia. The point is that I am asking you, as a representative here of the regulator, if you really value community energy, how you see the balance of those interests in order to



HOUSE OF COMMONS

be able to support what we know not only has the really important technical value that we are talking about, but also the social and economic value that Helen has referenced.

Marzia Zafar: We have worked with Helen and with DESNZ. We have also sent a letter to the Secretary of State to say, "Here is our advice", but it is not an easy decision. It is not an easy piece of advice to say, "This is a great project, so move this forward", because there are a lot of other great projects. We are saying that community energy should be part of the solution, but it is difficult to say that it should be the only solution or the top solution.

Q330 **Ms Billington:** I am not suggesting that it should be either the only or the top one. I just want to make sure that we get the community energy on to the system that will enable us to have the decarbonised and decentralised cheap and flexible energy system that we need. Would the amount of capital also change with the raising of the limit to 5 MW? They would not have to store up all that capital before they would be able to go forward.

Marzia Zafar: They would not have to go through that assessment, which requires the capital and the timeliness.

Q331 **Torcuil Crichton:** Just to reinforce that point, Marzia, 5 MW strikes me as deeply unambitious in terms of community energy. I come from a place where we have 23 MW already. One turbine is 5 MW.

Thank you all for coming in. I have had Ofgem, GB Energy, the network suppliers, the community energy companies and the Government all in one room. Everybody agrees community energy is a great idea. Nobody is actually coming up with practical solutions on how to get it on to the grid. I would like to ask Helen what instruction you need from Government to give communities priority. Marzia, do you need Ministers to tell you to prioritise community energy at scale? Five megawatts is nothing. Helen mentioned taking people with us on this journey.

Chair: We have about five questions there.

Torcuil Crichton: What do the Government need to do to get community energy on to the grid?

Helen Seagrave: Great British Energy will help enable communities and local authorities to develop community energy projects. There are some that can already connect to the grid, so rooftop solar projects, and there are not grid constraints in the whole of the UK. We will work to support those projects to develop, as well as working within the existing and current market conditions.

The 5 MW limit that you referred to is a per-project limit, so that is not a total ambition for community energy. We can work with projects up to that limit. Community energy projects work within the system, as all



renewable energy projects do, so they need the same help as other organisations to get connected to the grid.

Marzia Zafar: I was going to add that we are focusing on the idea that, if we move community energy up from the connection queue, it is going to solve all its problems. A lot of community energy generation right now does not need the connection queue. Some do, but we need the local power plan to give us some clarity. Ofgem is the economic regulator. Ofgem is not setting or creating policy here. If Government want to prioritise this more, we look forward to the local power plan to give us that level of detail to implement.

Q332 **Melanie Onn:** Level of detail is a very good lead-on to my question. We have been wrestling with the definitions of local energy and community energy. It has been suggested that we need to have that bottomed out. We have a definition of community energy in the national planning framework. It says, "Community-led development. A development taken forward by, or with, a not-for-profit organisation, that is primarily for the purpose of meeting the needs of its members or the wider local community, rather than being a primarily commercial enterprise. The organisation should be created, managed and democratically controlled by its members, and membership of the organisation should be open to all beneficiaries and prospective beneficiaries of that organisation". I am not going to carry on with the rest of it. I am going to assume that you know it because it is your area of work. Do you agree or disagree with that definition?

Victoria Moxham: I can start, but it might be a bit of a spanner in the works because, from my perspective, we are pretty neutral on what the definition actually looks like. We can work with any definition. What we care about is complex, non-standard sites. We have that kind of catch-all definition that applies to the rules that are relevant to this type of energy scheme. Regardless of the type of definition that you are talking about, the rules that are relevant to our settlement arrangements would be equally applicable.

Helen Seagrave: When we are talking about community and local energy, they are two separate things. The community energy is an ownership model that has the facets that you talked about in that definition around the fact that the community own and take benefit from the energy project. That could apply to an energy project of any size, whereas, as a business, we are developing our approach to local energy being more distributed, connected generation, because other parts of the business will look at transmission-connected energy.

Community energy groups can own local energy projects, but other customers or organisations can also do local energy projects. We want to be as inclusive as possible in our approach to how we talk about communities to get them into being interested in energy projects and eventually ending up as community energy businesses, which would have the facets and characteristics that you described in that definition.



HOUSE OF COMMONS

Marzia Zafar: For Ofgem, as a regulator, we need a clear definition. The definition that you state is our understanding as well. The definition is needed, especially if we are told to move them up the priority list or give them an incentive. A definition is very much needed to be clear and concise. We do not want to mix community energy with local energy because that makes it much bigger.

Q333 **Melanie Onn:** Helen, community energy groups and projects are diverse, to say the least. How do you pick winners as GBE? What are the key criteria?

Helen Seagrave: Diversity and communities being able to play to the strengths of their areas and recognise the benefits that are important to their areas is one really good thing about community energy. I do not think that we will be picking winners necessarily. We will be developing support to enable all communities, or as many communities as possible, to think about developing energy projects. We will provide capability and capacity support, and finance and funding support, through schemes that we will develop that will have selection criteria based on which projects meet our strategic priorities and will deliver benefit for their communities.

Q334 **Melanie Onn:** There is an element of picking winners in that, really. That is fundamentally what GB Energy will be doing. You have a role in delivering that 8 GW.

Helen Seagrave: We will have a role in supporting a number of projects, yes, and we will develop schemes that have selection criteria.

Q335 **Melanie Onn:** Do we have the selection criteria yet?

Helen Seagrave: That is what we are currently developing and working on.

Q336 **Melanie Onn:** Do you know when it will be developed by?

Helen Seagrave: The local power plan will come out soon, with some more details about our plans, and we will announce more schemes throughout the rest of this year.

Q337 **Melanie Onn:** In terms of making sure that projects stay community-focused and do not become a proxy for other energy groups to exploit, how do we make sure that they are genuinely community-focused? Who is going to take responsibility for that?

Helen Seagrave: There are certain company structures that can be used to ensure that they are set up purely for the benefit of the community. You can use things such as asset locks to keep assets within the community ownership and community benefit structures. It comes back to your point about needing a definition and clear criteria if you are going to be awarding benefits or priorities to community energy schemes.

Q338 **Melanie Onn:** Do you agree, Marzia?



HOUSE OF COMMONS

Marzia Zafar: I completely agree to the extent that we have a clear definition, especially if we are creating a special route or giving benefits. The definition is very important.

Q339 **Melanie Onn:** If things are community-led and community-owned, very often the structures can be less rigorous in terms of the people who are involved and remain. People can move on relatively fluidly. Is there a risk that, as time moves on, perhaps other groups have moved in on what was once a community group and then start to change the definition?

Helen Seagrave: There is potentially a risk, but it is one that, as the sector starts to professionalise, can potentially be managed and supported. If you think about community energy business as a small sector of SMEs that we can help to support and grow, it could probably be managed.

Q340 **Chair:** Helen, is GB Energy responsible for delivering 8 GW of community energy?

Helen Seagrave: The 8 GW target was set before we as a company and our company strategy were created. The target or the KPI—the key performance indicator—that we have set for ourselves is that we want to support at least 1,000 communities to develop projects by 2030.

Q341 **Chair:** That is a no.

Helen Seagrave: Yes, we have not set a megawatt target.

Q342 **Chair:** You are not responsible for the 8 GW. Marzia, is Ofgem responsible for it?

Marzia Zafar: We are not responsible for it. We are absolutely not responsible. We are responsible for helping with Clean Power 2030. Clean Power 2030 has a list of technologies that Ofgem should follow. It does not say that you have to also create this target for community energy. If that is the case, we would like to see that more explicitly in the local power plan.

Q343 **Chair:** Given Elexon's responsibilities, I very much doubt you are going to say yes to that question, Victoria, either.

Victoria Moxham: I was going to say that we can help by removing barriers and attracting more, but certainly I would not say that we are in the hotseat for that.

Chair: We will see whether there is an answer to who is responsible for it, perhaps with the Minister. That is very interesting.

Melanie Onn: I wanted to make reference to my entry in the register of interests as a director of a community energy scheme.

Q344 **Torcuil Crichton:** I wanted to pick up on what Melanie was saying there, Helen, about the support that GB Energy will offer. What Melanie alluded to there was that communities run out of steam. They are voluntary.



HOUSE OF COMMONS

They are not experts, professionals, lawyers or logisticians. When we had Jürgen Maier in quite a while ago, I remember him saying that he wanted GB Energy to have community energy in a box, so that each individual community does not have to learn, make the same mistakes or reinvent the wheel each time they do it. Is that the level of support that GB Energy will give? Will it give professional support to communities to get them to the start gate and on the grid?

Helen Seagrave: We will be talking a bit more about our plans in the upcoming local power plan. In terms of the types of support we want to deliver to communities, it will fall under that capability and capacity banner, for which we are trying to develop support that will be targeted at communities that want to do their own energy projects, to learn and develop the skills and capacity to do their projects themselves, and to develop their own organisations, but also have an offer for communities that may want to pick something off the shelf and not develop those skills and capacities themselves. Yes, we want to target all communities with a range of different support.

Q345 **Torcuil Crichton:** Some communities have vast expertise in this area and you could just plug it into another community if you wanted.

Helen Seagrave: Yes, and one of the keys to being able to scale community energy is to develop repeatable models that are easy for other people to pick up and use if they want to.

Q346 **Torcuil Crichton:** Marzia, getting on to the grid is a nightmare for everyone. One big thing we have heard about is this siloed thinking there is about transmission and generation, which I know works within grid providers and within Ofgem as well. Is this siloed thinking a hurdle to change? We hear examples. Like I said before, everyone thinks community energy is great. You ask, if you gave communities priority, at whose expense that would be. We hear from energy companies themselves that they are quite willing to give up a couple of megawatts to the community, but they could not give it to the community because it would go to the next person in the queue. Why is there a blindness and a siloed thinking to community access to a grid?

Marzia Zafar: If I understand the question right, it is whether we are operating in a siloed fashion. I do not think so. In the three and a half years that I have been with Ofgem, there have been quite a number of cross-functioning boards and sub-committees. I do not think that we would drop the ball on a specific issue.

Ofgem, as an economic regulator, is there to protect the interests of consumers today and in the future. Maybe it is because our remit is to make sure that anything that we do benefits all consumers. That is the broad overview, but, overall, if we are looking at transmission or network distribution upgrades, I do not think that we do that in a siloed fashion. This is a long process. It goes through the consultation public process.



HOUSE OF COMMONS

Within Ofgem itself, as I mentioned, there are a lot of cross-functioning boards that allow us to have a finger in every aspect of this.

Q347 Torcuil Crichton: Okay. Victoria, I want to talk a little bit about local supply as well, so people producing local power for local supply. It is seen as where we want to be, but there is so much regulation in the way of that, is there not? How do we knock these walls down?

Victoria Moxham: You are right. There are really complex rules. Something that we can do in our role is to increase clarity over those rules. It is timely that you bring that up, because there is a rule change that has been worked on for a long time now and is going to come into play soon. That is going to directly impact the ease with which this type of scheme can get up and running off the ground.

It is going to introduce netting, so that supply and generation consumption can be netted off each other. It is also going to create a set of rules that are fit for the future and allow for technologies that we have not even envisaged yet.

We can create really understandable, clear rules and guidelines, so that anybody who wants to be involved has a very clear idea of the rules that they need to abide by and stick to, so regulatory certainty. That will be good for community energy schemes, but also helpful for suppliers. There is a real limit at the moment in terms of suppliers being perhaps less keen to become involved with this type of scheme because they face a degree of regulatory uncertainty. That is something that is nearing conclusion and we should see coming into force in the summer, and something that I know that, in previous sessions, has been named as a potential watershed moment in terms of making this type of scheme more viable.

Chair: We are joined today by Angus MacDonald from the Scottish Affairs Committee. Angus, you are very welcome.

Q348 Mr MacDonald: Marzia, you said something about benefiting all consumers equally. On behalf of Torcuil and I, who represent the highlands, we have a big issue in that rural areas are paying 26p for their homegrown renewable energy, whereas people in urban areas are paying 6p for their imported mains gas. This enormous disparity is really harming the people who are generating the renewables and the community benefit for their areas. I do not think that that is being recognised by DESNZ or this new Government.

Marzia Zafar: Are you saying that maybe it was the overall thought that we should make the supply licence a bit easier so that community energy is able to participate?

Q349 Mr MacDonald: It obviously impacts people who are benefiting from community energy, but it is the extraordinary disparity of energy costs in Britain between people who are on electricity and people who are on mains gas. I cannot overstate how that fuel poverty is really hurting



HOUSE OF COMMONS

people.

Chair: What do you think is the answer to it, Marzia?

Marzia Zafar: One answer for us is that we are conducting an end-to-end review of this work. We are looking at working with community energy groups to better understand where their difficulties are. We are working with suppliers to figure out what costs they are bearing that are a barrier to bringing that supply of community energy forward. Ultimately, the solution lies in incentivising suppliers to provide suitable services to community energy schemes to provide local community tariffs. In the past, FIT was quite attractive for community energy groups, but Government revised that and replaced it with the SEG, I think.

Chair: Polly Billington, you have some questions on a similar topic, so I will pass over to you.

Q350 **Ms Billington:** On that last point, giving people preferential tariffs is one thing. Valuing the fact that a community energy project contributes to better balancing of the grid should mean that you can create a formula that we can just plug in, rather than making something up especially for communities, so saying, "This is a local project. It contributes to grid balancing. The value of that grid balancing is X and that money, therefore, can be allocated to the community energy project to recognise what it contributes to the balancing of the grid," yes?

Marzia Zafar: I think so. DESNZ, as part of the clean power action plan, is asked to look at this, figure out what the barriers to this are and come up with a solution sometime this year.

Q351 **Ms Billington:** I have a couple of other questions. Helen, it seems quite odd that you have a target of 1,000 projects when the Clean Power 2030 target is 8 GW. There is a target of 1,000 community projects in London alone. You could have 1,000 very small projects. It feels to me like it is the wrong metric.

Helen Seagrave: We have set that as a company.

Q352 **Ms Billington:** Why?

Helen Seagrave: The one thing to say about it is that it is a company KPI, so it is a baseline for ambition. We want to deliver more than that. Not only do we want to offer direct support to at least that many communities; we also want to work to create the conditions for other projects to be delivered beyond those that we will directly support. By helping communities to overcome some of the barriers, creating some repeatable models and delivering some capability and capacity support, we hope that people will be able to pick up those tools and resources, and deliver projects beyond those that we can support. In addition to the 1,000 communities, at least, that we will support, there will be others delivered as well.



HOUSE OF COMMONS

Q353 **Ms Billington:** I can make an argument for why you have 1,000 projects as your KPI, as distinct from 8 GW. That is not the argument that you made. There is one, which is that you think that it is more important to have more people involved than to achieve the 8 GW. If you had only the 8 GW target, you could manage to get all your local energy with a small number of organisations. Because you are ownership-blind and local energy is not the same as community energy, you could get your 8 GW by asking a few big developers to do some comparatively small projects. You are choosing not to do that and therefore your target is 1,000.

Helen Seagrave: That is one of the reasons as well. We did not want to be driven by megawatts. We wanted to help as many people as possible.

Q354 **Ms Billington:** My concern is that, if you have only 1,000 and they are all very little, you do not get anywhere near your big target.

Helen Seagrave: I appreciate that. We did not want to chase a megawatt target. We wanted to recognise that community energy delivers more than just megawatts. A small project to one community could be just as valuable for the impact it delivers as a large project to another community.

Q355 **Ms Billington:** But not on grid balancing, for example, is it?

Helen Seagrave: No, but I was thinking about the social and economic benefits of that project to a community. We intend to support a range of different types of projects within that target, and not just small ones, not just large ones, but a nice mixture.

Q356 **Ms Billington:** What are the things that need to change, in both financial and regulatory terms, in order to be able to unleash these 1,000 projects as part of your KPI?

Helen Seagrave: There are a number of different barriers that affect community energy at various stages of developing a project. If you take, for example, trying to set up a project, communities quite often have difficulty getting access to funding at that stage. That is potentially when they need real help with their capability and capacity. Grants are potentially a good way of supporting projects at that stage.

If you look at communities that have developed a project all the way through to being delivered—it has a grid connection and planning—quite often at that stage they can still have problems with the business model and the business plan. Therefore, for example, community energy projects can have higher cost of capital and higher cost of delivery in the supply chain. They do not necessarily have a route to market if they are a small project and cannot go for a CfD. Therefore, barriers at that stage are different and potentially require a different solution and different finance solution.

Q357 **Ms Billington:** Can I suggest that what you are outlining is a way of making sure that community energy projects have to deal with the



HOUSE OF COMMONS

energy system as it is, rather than the energy system adapting or changing to meet the ambitions of community energy? In talking about capacity and capability to wrangle with the extraordinarily complicated energy system that is entirely designed for big, huge developers, that is basically saying to people who really believe in this, "You need to be more like us", rather than thinking, "This is an amazing and extraordinary opportunity to decentralise our grid. People really want to be able to do stuff. Why don't we make it easier for them?" Instead, we are saying, "You have to be more like us". Is there not something that GB Energy should be doing to advise and take the insights from community energy projects and to inform the energy system regulators that we need to change the rules so that we can get more community energy on the system?

Helen Seagrave: We have been set up as a renewable energy company. As a publicly owned renewable energy company, we will have a number of different roles. One is to be able to support communities and projects to develop within the existing system, but then, as you say, take that stakeholder and market insight, feed that back into our shareholder, who is the Government, and share that market intelligence, ideally as a trusted adviser, to Government in order to inform policy.

Marzia Zafar: The regulation is tough. I agree that there is a mismatch between how small they are and the various rules that are there. At the end of the day, energy is a basic necessity. It is an essential service and we have to put those regulations in place to protect consumers.

Over the years, we have bolstered the financial resilience aspect of it. We have moved to more customer protection. If we undo those things and create a different class for them, we are creating a risk for those customers. We could say, "Local supply can just go and you do not need a licence". There is a licence exemption already in place that they could use. There are individually licensed modifications that they could use, but there has to be a certain level of consumer protection. There has to be a certain level of financial stability before we let them loose in the community, because that is an essential service at the end of the day.

Q358 **Ms Billington:** Forgive me. I am not talking about taking the rules away; I am talking about changing them. I am talking about simplifying them to acknowledge the contribution that they make to the system.

Marzia Zafar: We are simplifying a lot. For instance, look at flexibility. Flexibility used to be provided to the system. We are moving away from having flexibility being provided by a handful of companies to having every household provide flexibility. That is a huge change to the system. We have introduced the regional energy strategic plans, where we get the local area energy plans to feed into RESP to feed into the national plan. The rules are being reformed and changed as we speak.



HOUSE OF COMMONS

Are we doing it as quickly as possible? We are trying, but every time we change the rules it takes quite a bit of time and consideration. We have to have a layer of consumer protection.

Chair: We have moved seamlessly on to the next set of questions.

Q359 **Wera Hobhouse:** We are edging towards the next question and that is about simplifying the supply framework. I also think that, following the discussion, we are still in this space where we have not been quite clear about the difference between community energy and local supply. That is what we are trying to get our head round too.

There are a range of barriers to community energy, especially the regulatory route to market for those who wish to sell directly to local consumers, be that because there is a licence request or because there is a requirement to balance the network and respond to demand and supply flexibility. We have heard from stakeholders that reforming market rules is crucial to enable local supply. How should regulation change in order to make that happen? Marzia, you have already said, "We could do this and we could do that", but I would like to involve everybody on the panel. What are your ideas? What should the regulatory changes be in order to enable local supply?

Victoria Moxham: I would refer again back to the long-awaited rule change that I referenced earlier. In the context of what we are talking about today, it is recognising this concept of non-standard complex sites. Hopefully that will be a real catch-all in terms of community-owned generators and making sure that we are reducing the barriers to that type of type of generator supplying local communities. It is a really complex set of arrangements and that is why it has taken years and hours of working with industry to make these rules clearer, more understandable and fit for the future as well.

We are just one element. We need to work hand in hand with Ofgem, for example, to bring more of that type of regulatory change to the fore, so that we can change the rulebook, which will make life easier for anybody who wants to partake in this type of complex site scheme.

Q360 **Wera Hobhouse:** Could you give us an insight into what these discussions that have taken years are about and where you have got to so far?

Victoria Moxham: We have been working really closely with industry. We have been consulting with industry, and by industry I mean largely signatories to the balancing and settlement code, so suppliers and generators. We have been working with Ofgem very closely because the rule changes that we have been looking at have a real knock-on effect on other codes and other areas of the energy market, on pricing and that kind of thing. There was some fairly detailed wrangling that Ofgem was heavily involved in to make sure that the changes were legally robust.

Q361 **Wera Hobhouse:** We are talking about P441.



HOUSE OF COMMONS

Victoria Moxham: Yes.

Q362 **Wera Hobhouse:** How do they currently work? What is it that should change?

Chair: Do you want to tell us what P441 is first?

Victoria Moxham: Yes, so P441 is a change to the rules that sit within the balancing and settlement code. The balancing and settlement code is the rulebook that, as Elexon, we oversee. It is a really complicated set of rules that suppliers and generators have to comply with to take part in energy balancing and settlement. What P441 does is, really for the first time, recognise this concept of complex sites. It formalises a set of arrangements.

The key here is netting so that supply and consumption can be netted off one another. As an example, if you have 100 households and one big wind turbine, the generation from that wind turbine and the consumption of those households can be netted off. P441 makes that netting much more straightforward and much simpler, so that, as I said, the rules are clear and barriers to people wanting to take part in that type of scheme are reduced, hopefully.

Q363 **Wera Hobhouse:** It is basically making sure that, if you do not have enough supply for 100 households on a particular day, you know how to top that up.

Victoria Moxham: Yes, how to net off and how the charging rules that sit beneath that will all apply.

Q364 **Wera Hobhouse:** Are there any other insights?

Marzia Zafar: Currently, there are three ways community energy can enter the supply market. One is that they can come to Ofgem and ask for an individually modified licence. They can become a licence-exempt supplier if it is up to 5 MW, so that is solution number two.

Solution number three—and we think probably the third solution is the most viable—is to work with a licensed supplier and what we call a sleeving or white label option. Today, we mandate that suppliers with over 150,000 customers must offer this tariff to community energy. Those solutions are here today. Does that go far enough for community energy? From what we hear from them, it does not go far enough. On P441, I would caution that, although it is great, and once industry makes a decision it comes to Ofgem and then Ofgem will make that assessment and move forward, we do not yet have that decision on P441.

Q365 **Wera Hobhouse:** You said that you think that it does not go far enough.

Marzia Zafar: I said that community energy groups believe that it does not go far enough, but today there are three routes to market for them.

Q366 **Wera Hobhouse:** Okay, but you do not agree that it does not go far



HOUSE OF COMMONS

enough.

Marzia Zafar: I do not know whether it does. If community energy groups do not feel that it goes far enough, we need to figure out what else is needed for them that will make them feel like it goes far enough. I think that it has to do with capacity building and financing that GB Energy could help with.

Helen Seagrave: From the community energy groups and projects that we are talking to, we are understanding and hearing that, for certain sizes of projects, it is still quite difficult to develop a financially viable business model because there is not a sustainable route to market for the export and a guaranteed price over a long period of time. We need to develop our expertise in this area to understand in a bit more detail whether the route to markets that Marzia described would help to solve that problem.

At the moment these projects need to get a power purchase agreement, which is a short-term contract. There might be other options for them, but we are understanding from our engagement that they need a stable long-term price to help them develop their business models. That is quite challenging to achieve within the current market situation.

Q367 **Chair:** Victoria, going back to you, to what extent do you think local balancing can help reduce pressure on the grid?

Victoria Moxham: That is difficult to answer. Very deliberately, P441 has a bit of a lessons learned exercise built into it, where we are asking suppliers to gather data so that we can do a retrospective and use that type of data to answer exactly that type of question.

Chair: Perhaps we can keep the dialogue going. When you have more to tell us, we would like to hear it, please.

Q368 **Claire Young:** Continuing on this P441 theme, you said that it provides a catch-all and simplifies things. Also, we were hearing earlier about definitions and the importance of definitions if you are going to prioritise something or give beneficial treatment to something. Is there a conflict there?

Victoria Moxham: In the context of P441 and specifically this new class that P441 creates for non-standard community or local arrangements, we care about them being local and clean as well. You cannot get me, with a dirty generator in my back garden, supplying my brother who lives 80 miles away, for example. Definition is important but, for the purposes of the rules that we are talking about, our definitions focus on local and clean, and the definition of community energy—

Q369 **Claire Young:** It is irrelevant.

Victoria Moxham: Yes.

Q370 **Claire Young:** That is helpful. You suggested that you are not sure how



HOUSE OF COMMONS

it will contribute to greater balancing flexibility in the grid more widely, in answer to the Chair's question. You do not think that it will necessarily reduce grid pressure and the need for network investments if P441 comes in. That is not your expectation.

Victoria Moxham: It is a side benefit to P441 potentially, but not the main driver. Post implementation, we will need to have a look at that. Once we have done a bit of assessment of the data that we are asking suppliers to gather and provide, we will be in a position to answer that much more clearly.

Q371 **Claire Young:** Marzia, do you have any comments about how it might contribute to reducing grid pressure and network investments?

Marzia Zafar: As part of the clean roadmap, DESNZ has a priority action to look into this and tell us what the policy and regulatory changes that we should make are. We are talking about 411 MW today, so it is a relatively small amount of energy. If we are talking about gigawatts, of course it is going to help. It just depends on the size and the growth of community energy.

Q372 **Claire Young:** Stepping back from P441 for a moment, but staying with you, Marzia, we have heard previously on the issue of consumer-led flexibility that it would reduce bills overall. All of our constituents, whatever they think about any of the rest of this stuff to do with energy, want to see their bills cut. Do you think that local supply and local flexibility from community energy will lead to lower bills overall by reducing pressure on the grid and the need for investing in the network, or do you think the benefit will only be seen within the community that has the community energy?

Marzia Zafar: It should benefit the whole system as it grows. If it grows, it should definitely benefit local constraints, which will then benefit system constraints. Absolutely, any small generation will help constraints in specific areas. Then it balloons and benefits the system as well.

Q373 **Claire Young:** What more do you think can be done to roll out that community-led local balancing and local flexibility more widely? You have just said that you will only really see the benefit when you have a significant amount on the system

Marzia Zafar: As I said earlier—and I hate that this sounds like I am punting it to DESNZ—we are waiting for DESNZ to look into this in order to see how local markets should help us and what specific regulatory changes we need to make. I do not want to step in front of that.

Q374 **Claire Young:** Helen, do you have anything to add on this?

Helen Seagrave: Only that, as part of our support for communities developing projects, we will need to be able to help them navigate the existing energy system and understand the opportunities that are there for them to take part in flexibility markets.



Q375 **Claire Young:** I have one overall question now. There is this 8 GW target. That is for community and local energy and we have heard how they are different. Is it more about getting the locally-led and trying to get the benefits that that brings, potentially, to reduce costs in transmission and investments? Is it about getting the community benefit, which includes the social and economic benefits that come with it being community-led? Do you have a sense of what is more important or are you just happy that how it rolls out is how it rolls out, as long as we end up with 8 GW?

Marzia Zafar: From a regulator's perspective, this is more about the fact that we firmly believe that we need to decentralise the system. We need to enable smaller generators to come into the system, so we are constantly reforming the rules to make sure that smaller generators, which community energy is a part of, can enter the system.

Short of that, we all support community energy, but when it comes to where it is on the priority list, that is the level of clarity that we all need and want to have in order to move this forward. We need a roadmap to say, "Here are the things that you should focus on", whether it is to GB Energy or to Ofgem.

Claire Young: You are saying that it is all back on DESNZ.

Q376 **Torcuil Crichton:** Before we end, who do you need to tell you that community should have priority?

Marzia Zafar: The local power plan should give us the level of clarity that should move this forward, so Government, yes.

Torcuil Crichton: Ministers.

Chair: That is a very good place to finish for a number of reasons, with the answer and with the bell. Thank you very much for your evidence this afternoon. That is the end of this session.

Examination of witnesses

Witnesses: Michael Shanks and Emma Floyd.

Q377 **Chair:** Welcome back to this afternoon's Energy Security and Net Zero Select Committee hearing on unlocking community energy at scale, where we are delighted to be joined by the Minister and his colleague from DESNZ. Emma, would you introduce yourself and give your brief and role before we start the questions, please?

Emma Floyd: I am Emma Floyd. I am a director in DESNZ. I am responsible for Great British Energy and local and community energy.

Q378 **Chair:** Minister, before we come to the questions, can you outline your departmental responsibilities?

Michael Shanks: I am the Minister for Energy, which covers most of the energy system, so from transmission and network to renewables, to oil



and gas in our transition in the North sea, to Great British Energy, as well as looking at the cross-cutting issues of energy security and resilience.

Q379 **Chair:** Thank you, both of you, for joining us this afternoon. Thank you for outlining your responsibilities, Minister. I am very pleased to see that, among your responsibilities, the Port of Liverpool with its rooftop solar system has now gone live. It was due to be waiting for a connection until 2028, along with most of the rest of the country, and that has been brought forward two years, so I guess that that is an example of success in sorting out the grid queue.

I am taking advantage of my Chair's prerogative in going somewhat away from our questions this afternoon. There are people who say that we still have problems with the grid queue connections in spite of the sorting out. What is your response to those concerns?

Michael Shanks: They are right. We have not solved the problem entirely, but we have made huge progress. There are two aspects to this that are really important. The first is that the queue itself had become an absurd thing. We had more than 750 GW in a queue that was never going to be realised and was not being dealt with. There were some practical steps, in that, if you were not actually ready to connect, you should not be in the queue at all.

There was then a more fundamental shift we decided to make as a Government, which was to say that strategically we should choose the projects that we want to get built, aligned to what our wider strategy is, particularly at the moment around our Clean Power 2030 mission, so that those generation projects that we actually need as a country get to the front of the queue. That was a really significant piece of reform and it has taken time for that to come into effect. That does not entirely deal with the queue, so we will have to have a further window to look at more of that. The Planning and Infrastructure Bill gave us the power to designate other strategic documents in the future to direct that queue.

The second part is a broader issue, which is that, as a country, we have underinvested in the grid for decades. Much of it was built in the 1950s to meet the power demands of the time, which have changed really hugely since then. We have not strategically aligned the projects that we have built as a country to the grid that we have. I will give the previous Government much more credit for this than they are willing to give themselves at the moment. They built a huge number of renewables projects, but with no overall strategy for how those are connected up, which means we are now having to go back and build the grid to reduce the constraints.

There is a wider issue we are wrestling with around how we improve the network but make sure it is also fit for the future. The final thing I would say on this is that whether or not a Government was minded to deliver clean power is irrelevant to the fact that the grid is currently holding up the economic growth demand projects that we also need to connect to



HOUSE OF COMMONS

the grid that will deliver the economic growth in the future. Until we fix that, we are going to be held back as a country.

Q380 **Chair:** Industry is saying that going for a private alternative is its only way of cutting bills and securing its supply in the way it needs. It cites these problems of grid connections that you have outlined, to be fair to it. Do you think that this is a sensible way forward, to go for private wire connections?

Michael Shanks: We certainly want to explore it. We want to be much more innovative than we have been in the past about thinking about how the grid work, but it is not without risks. If individual projects can be absolutely certain that their private wire will meet all the demand that they might ever need, that is one thing. Where we have a fall-back from that, still requiring the grid to step in at times where whatever generation those projects have does not meet their demand, we have an issue across the rest of the grid.

For example, we are having a number of conversations in the AI Energy Council with developers of AI and data centres, who have some quite forward-leaning ideas around self-build. We want to be open to those discussions without saying yea or nay right now, but saying that, as a country, we should be much more open to those ideas.

Q381 **Chair:** Back to connection and offers, will all the gate 2 offers be made by the end of this month, which is a few days away?

Michael Shanks: I am not close enough to the individual offers. NESO is running that side of the process. The timeline has taken longer than any of us would have liked. Partly that is to do with the complexity of the individual offers. NESO has now completed its steps and it is with the transmission owners and, in turn, the DNOs to make those exact offers. It is worth saying that these are not templates that can be issued to every single person who has a new offer. They are individual contracts that have to be looked at. There is some complexity with those, but the aim is to get them done as quickly as possible.

Q382 **Chair:** Thank you for that. You had a very encouraging set of announcements from the National Wealth Fund. I saw the press release this morning. There was a reception in Parliament. When will we see the very large number of jobs that were on the press release?

Michael Shanks: There are jobs already being created right now from projects the National Wealth Fund has funded. Today's new strategy for the NWF was about doubling down on what its commitment is. I am really delighted that right at the heart of that is clean power projects across the country, and with a commitment to looking at the clean energy sector across the whole country, so with a real lens on the nations and regions to make sure that investment is getting to those communities who need it the most, and with projects that we know, in the supply chain in particular, that we need for our mission as an Energy Department that also create the jobs in factories across the country. There are jobs being



HOUSE OF COMMONS

created now and there will be many more jobs from the NWF's investment.

Q383 **Chair:** Give us a sense. How many jobs by the end of this year? How many jobs by the end of next year?

Michael Shanks: It is for the NWF to speak about individual projects. Until those investment decisions are made, I am not going to put a figure on jobs, but they are in the tens of thousands. We have said that, for the amount of money—£100 billion—that the NWF is seeking to bring in through the private capital allied to the public capital, that is how we generate jobs, and not just short-term jobs, but sustainable industrial jobs across the country.

Q384 **Chair:** Another piece of big news this week was the North sea summit. We were in Holland on a visit and we heard that there were significant concerns among investors about how viable what was agreed in the North sea is. Were there investors part of that summit who were supportive?

Michael Shanks: Yes, investors were a part of the summit and they are part of the discussions that I have had, for example, at the North Sea Energy Forum. I was in Belgium recently meeting European Ministers and industry.

The truth is that the summit represents our ambition as Europe to work together to tackle, in an uncertain world, the energy security problems that are facing all of us and to recognise the North sea as an enormous asset. If we do not co-ordinate that work across all the North sea countries, we risk losing out, whether that is looking at hybrid assets through interconnectors that we all benefit from, which gives us energy security, or taking the ambition the UK has in offshore wind and making sure that that is shared across Europe.

I will give you one example. European Ministers often look at the contracts for difference as exactly the model that gives the certainty to investors to build those projects. They are looking at that model right across Europe at the moment. We want to share that and work with our neighbours to make sure that we are collaborating and delivering what is in Britain's interest, but actually what we share across the whole of Europe.

Q385 **Chair:** The National Wealth Fund, North sea summit and auction round 7 are all big announcements. Are they linked to a rebuilding of UK manufacturing and domestic supply chain resilience, as well as the jobs that I have already asked you about?

Michael Shanks: The thread that runs through everything we are seeking to do as the Department for Energy Security and Net Zero is making sure we are also an industrial policy Department. Our energy policy does not exist in a vacuum. We are determined to rebuild the industrial heritage this country has. For too long, the previous



HOUSE OF COMMONS

Government were agnostic about the question of where things were built. We are resolutely opposed to that way of thinking.

We need to bring the jobs and the supply chains here for two reasons. First, this is the economic opportunity of the century if we get it right. Secondly, we are in a race against the rest of Europe in the supply chains in any event, and so we are going to come up against a real problem if we do not build these supply chains here in the UK. Those two things make it imperative.

If I give you one example, to use the opportunity I have, Chair, since you mentioned AR7, that is a hugely monumental moment for offshore wind. It is 8.4 GW. Alongside that, we announced the clean industry bonus, which took £200 million of public capital and brought in £3 billion of private capital to deliver the supply chains that go along with that 8.4 GW.

That is, in a nutshell, what we are trying to achieve here: catalytic investment by a Government not standing on the sidelines, but actively phoning developers, as I did that morning, and saying, "Congratulations, you have won a place in that auction. Now we want you to build your project in Britain." That did not come as a surprise to any of them, because that is exactly what other European capitals have been doing for decades. We are playing catch-up, but we are back in the game now.

Q386 Chair: Today the Prime Minister is in China. There are people saying that the proposed Ming Yang project causes great concern about whether it will lead to support for our supply chain. What is your answer to that?

Michael Shanks: A number of investors want to come and build and invest in the UK. Every single one of those is subject to a national security assessment and the proposal from Ming Yang is being actively considered on that basis. I cannot be drawn on the decision on that, which has not been made.

Q387 Chair: I am glad you mentioned national security, but the question was actually about supply chains.

Michael Shanks: The balance is that we have to weigh the role that it might play in our supply chain against any national security risks, and national security always comes first. That assessment is critical and then we assess the role that it might play in the supply chain.

Q388 Chair: I am tempted to say—well, I will say—that if we have a UK supply chain, that helps with national security. Is that not the answer?

Michael Shanks: I do not think that that is unqualified, though, Chair. Yes, we want to see a supply chain in the UK. We want to see factories built and we have investment from countries around the world in building that supply chain here in the UK. That is good, but our national security comes first. That trumps any other consideration that we have and always has.



Q389 Lizzi Collinge: Throughout the previous evidence session and conversations we have had, I feel like, when we are talking about community energy specifically, there is a bit of a tension between our different ambitions. I wanted to explore that a bit, particularly in terms of grid priority for community projects. Ofgem told us earlier that we need to be bringing in smaller generation. We have this ambition—are we calling it?—of 8 GW of community energy by 2030. GBE has said it wants to support 1,000 projects of community energy.

The changes to grid prioritisation we have made are, I have been told, in essence to get rid of the zombie projects, which is great, and to get the projects online that will help us meet our 2030 target. To me, that sounds like we are going to push towards bigger projects that will help meet that ambition. Is there therefore a tension between supporting small community generation projects with their grid connection or another means and our approach to grid connections there? If so, has that been thought about, and have you thought about how you are going to address that tension?

Michael Shanks: It is a really fair question. There is a tension there. The clean power action plan did not designate individual projects or scale of projects. It designated the targets we want for each type of technology. It is then left to the individual projects that come forward, because Government do not direct the projects. It is entirely possible within our target for onshore wind, for example, that a number of those projects will be community-owned. The prioritisation of the grid queue had to be done with some objective measure, and that was taken as the objective measure to make sure we did not end up with a huge number of batteries that we did not need in all the wrong places. That is partly the first part of your question.

The second part is a broader question about whether we should be prioritising community projects over other projects. I have listened to a number of Members on this point and I entirely understand the argument. The challenge we have is that, if we start going into that process, we start getting less objective about how we are measuring the projects that we want in the queue overall and risk jeopardising other projects that can help us deliver on a bigger scale. That is not to say that we discount those smaller projects, but we are not necessarily in a place where we can prioritise one over the other.

Q390 Lizzi Collinge: I am not sure that we should be prioritising community. I have not made my mind up on that. The argument for getting in with big amounts of megawatts to meet that target makes sense. On the other hand, we have communities that are trying to make their energy cheaper and to also contribute to flexibility in the grid system. I suppose I am trying to understand your thinking of how you balance all that.

Michael Shanks: Let me say first that smaller-scale projects have been taken out of the queue altogether. I should say that this is not in Scotland. For different reasons in Scotland and the islands it is much



HOUSE OF COMMONS

lower. In the rest of the UK, raising it to 5 MW takes out a large number of those community energy projects from that queue altogether. It is not all of them, and I recognise that. That allows a lot of these smaller-scale local projects to connect without that process.

The second thing is to say that we also want to see more innovative approaches that involve that energy being connected locally without having to connect into the grid. I have seen some examples of smart local systems that we want to have much more often as a flexible system.

The third thing is that the reforms to the grid are not just about those projects currently in the queue that benefit. The whole process benefits. By clearing out all the projects that are unnecessary, yes, that helps the ones that are the front of the queue, but it also frees up capacity right across the grid. We should not think of this as a whole GB-wide grid queue. Yes, it is in terms of the capacities we have set, but, by freeing up some of these projects, we will have even more capacity in certain parts of the country that can allow projects to join much more quickly.

Q391 Chair: We have moved on to community energy, which is the topic of the discussion. Thank you for indulging me in asking all the other questions. I noted that you put forward a very good case for the various things that the Government are doing, so thank you for doing that. We heard in the first session a degree of uncertainty around where we are with community energy. I would characterise it in those terms. Tell us who is responsible for the local power plan.

Michael Shanks: I am responsible and the Secretary of State is responsible, but it is a shared endeavour between Government, Great British Energy and communities. I want to emphasise that. When we publish the local power plan, yes, it details what Government will do and the offer from Great British Energy, but it is designed and framed to be very much driven by communities with the support of Government and Great British Energy. It is a partnership.

Q392 Chair: Who is responsible for hitting 8 GW of community and local energy?

Michael Shanks: We committed to that target and it was in the clean power action plan. It is an ambition that we have. The local power plan will not break down exactly that 8 GW target, because we do not want to focus purely on gigawatts. We want to focus on the individual projects.

Our ambition is that we will meet that through a combination of local and community projects, but also shared ownership, which is where we can really ratchet up the quantity that we have on the system. We want to make sure that these are genuine community projects that are supported. To Lizzi's question earlier, we want to avoid the idea that we should focus all our energy on huge projects in order to hit a gigawatt target and miss the genuine capacity building that we can do in



communities. That is not to say that our ambition has changed at all. We remain hugely ambitious.

Q393 **Chair:** Why have the 8 GW figure if it is not really about gigawatts?

Michael Shanks: We said in our manifesto when we were elected as a Government that we wanted to significantly change the ownership of energy in this country. That remains absolutely our ambition. It has not changed. This plan is around how we take the initial steps to get to these projects going from, at the moment, a very low starting base—although really important projects, in megawatt terms they are relatively small—to get the process moving so we can get to that target. We are not going to get there overnight and I do not think that anyone in the industry or in community energy groups would expect us to.

I come back to this point about what the local power plan is designed to do. It is to answer the question about funding for these projects, but, much more than that, to take communities where they are and offer them the support that they need to drive these projects forward. That, for us, is the really critical aspect of this. If we hit 8 GW, that is still our ambition, but getting some really good projects over the line is our absolute priority in the short term.

Q394 **Chair:** It is an ambition rather than a target.

Michael Shanks: Ambition or target—I do not know. You can call me back if I am fortunate enough to be here in 2030 and ask me that question again.

Chair: As well as an ambition and target, it is an aspiration, goal and objective as well.

Michael Shanks: It is an aspiration and a goal.

Q395 **Chair:** I think that my colleagues may have further questions on those remarks shortly. Are we making enough of the benefits of community energy to address concerns about the energy transition?

Michael Shanks: This is absolutely fundamental, Chair, to what we need to do going forward. The local power plan will be published soon, in weeks rather than months. At the heart of it, it makes that argument, which is that, as a Government, we care about the question of ownership for much more than just the megawatts going on the system, but for what it says about the role communities play in the energy transition and, even broader than that, about the social and economic advantage we want communities to get. It is about community wealth building and putting communities in the driving seat of this, not having things done to them but with them, and then being able to profit from that. It is genuinely a historic shift in how Government think about the question of ownership.

I hope that we will match that ambition with the practical steps that we have outlined that we will take, but it is not going to be easy. In 17



HOUSE OF COMMONS

months in this job, I have seen communities that are doing absolutely remarkable things against a system that is not doing everything it can to help them. If that is possible at the moment, with the system working in tandem with them to try to make these things happen, and with the financial backing that has not been there before, we can really change the way that energy is owned in this country.

Q396 **Chair:** Give us a couple of examples of what you have just described there.

Michael Shanks: I cannot give you examples of what is in a plan that has not been published yet.

Q397 **Chair:** No, of projects that you have seen that demonstrate this.

Michael Shanks: There are two examples that stick in my mind. One of my first visits was to the Isle of Eigg, which is a remarkable example because it is not connected to the grid at all. As a community, they have been able to have hydro, wind, solar and batteries working together to power the whole island, not just helping the households on the island have clean power rather than diesel generators, which is what they had before, but actually opening a visitor centre and a tourism economy on the basis of the electricity they are generating. The islanders themselves are running the energy company that powers that.

I visited another wind farm recently, which had a really great combination of biodiversity of farming alongside the wind turbines and the solar panels that were on the site. All the profits were going back into the community to do things that they want to do in their community, not things that have been dictated by community benefit funds. There are many more examples across the country, but not enough. If we look at our European neighbours, they have far more examples of this because they have been doing it for decades. Those are the examples we want to follow.

Chair: I am sure that the Isle of Eigg tourist board will be very grateful for the plug and will be taking bookings shortly.

Michael Shanks: It was a wonderful trip.

Q398 **Ms Billington:** Ofgem gave us evidence earlier saying that it thinks that community energy projects and local energy projects will contribute to more flexibility on the grid and therefore help reduce bills. I am interested in understanding how that might be factored into prioritising those kinds of projects to reduce the expected high increase in network costs. How do you factor that in? At the moment, we do not seem to have a formula to recognise that.

Michael Shanks: It is a really good question. It will play a part in helping the system overall and helping deal with constraints as well. Quantifying that is difficult, because the scale we have at the moment is so low that, over the whole system, it has very little overall impact.



There are two things we are determined to do as a country on the route to Clean Power 2030, underneath the big ambitions for decarbonising the power system. At the heart of it is flexibility. We have not taken the real advantage of flexibility in the system for too long, so we have published a flexibility roadmap. We have just appointed a flexibility commissioner, who sits on the Clean Power Commission, whose job day after day will be to drive this.

That is where we start to bring that into how we actually balance the system. At the moment, we have a lot of assets that we could be using more efficiently as part of that flexible approach, and we are probably not fully. In truth, until we get to a real sense of scale with this, we are probably not going to see overall the system-wide benefits that we can quantify in terms of money coming off bills, but it will start to have an impact.

Q399 Ms Billington: We have a local energy team in GB Energy whose KPI is 1,000 projects. Community Energy London has an ambition of 1,000 projects, so that seems to be quite a small number. It does not have full responsibility for the 8 GW target. In fact, nobody claims responsibility for the 8 GW target. You have become more comfortable with the word "aspiration" than "target", which I think is also significant.

How do you move from numbers of small generators, i.e. hundreds of megawatts, which is where we are at the moment, to 8 GW of both scale and number, bearing in mind you are also trying to change an ownership model proportionately? That is a lot of things for one thing to do. What are you going to do? If you only have numbers of community projects as the target for the local energy team in GB Energy, you are not necessarily going to get the scale that you need. If you prioritise ownership, you are going to have to change the rules. I am pleased to hear that you said that you would like to change the rules, because we did not get that from the previous evidence session quite as clearly. We have a target, but at the moment there does not seem to be a clear pathway to how that is to be achieved. I understand that the local power plan is not yet published, but I would like at least to understand the principles that will underpin it.

Michael Shanks: Emma might want to come in on some of those points, but let me take it head on. I am accountable for this to Parliament. On the question of who is responsible for it, we have set up Great British Energy as a publicly owned energy company to be our energy champion and for the public to own a share in it. It will drive forward a lot of this work, but ultimately I am accountable to you and to Parliament for these matters. It is a target, but it is an aspirational target that, unfortunately, we have set very high. It is a target.

If I am being honest, my Department cannot be accused of not driving forward on the ambitions we have had in the past 18 months in Government. We have delivered on the things we said we would deliver on more quickly than many thought was possible. We absolutely firmly



HOUSE OF COMMONS

intend to do that with the local power plan as well. Your question is right about how we prioritise the projects that might help us get there more quickly, but still keep that question of ownership.

This comes back to, first, having trust in the fact that communities are capable of doing enormous things if they have some help. There is someone sitting next to you who has told me many times about examples of where there is real ambition in communities. I think you had evidence from Calum MacDonald, in fact, about how much that is not a small scale project. It is quite significant and there are others out there. We should not think that community energy is just about small.

The second thing is that I do not want us to lose sight of the fact that shared ownership, we think, is a really important part of this mix as well—so, giving communities far more of the capability and opportunity to take a share in these much bigger projects. That is also where this reaches every part of the country. I represent an urban constituency. I am surrounded by the biggest wind farms in the country, but they are not in my constituency. We are not going to be able to build those projects directly, but I want my constituents to have a share in it as well. Taking shared ownership is how we up the numbers quite quickly and change the question of ownership. That is what has worked very well in Denmark and other countries, and we can learn a lot from that.

Emma Floyd: I will just add a couple of points. Today, there are 614 community energy organisations across the UK with only 411 MW of capacity. You are absolutely right: that is a small place to start and scaling that up is quite a challenge. We have both visited lots of the projects out there and it is fantastic hearing the people who are trying to make this happen. Great British Energy has this ambition about how it can really help things move forward at scale. It is looking at what its offer can be to help those communities get those projects up and running as quickly as possible. There is a range of things. Obviously there is funding, but there is also capability and how there can be help with business cases, templates and things like that.

There is also this point about what kinds of projects we are talking about in terms of the targets. Great British Energy has other targets as well around 15 GW and private investment. The company will need to make sure it balances across and delivers across the place. It is certainly not our intention that that 1,000 projects target can be met by doing all big things, for example.

Q400 Ms Billington: If community energy is so important, why has GB Energy got only 5 million quid allocated to it while the schools and hospitals solar project has £200 million? That seems to be a bit skew-whiff.

Michael Shanks: The schools and hospitals solar project is a combination of funding. Great British Energy invested into it, but so did the Department of Health and the Department for Education. Going forward, those projects will remain important because it is one of the



fastest things we can deploy and we want to see more on rooftops across the country. That was an interim scheme, if you like, to start investing in communities as quickly as possible while we were developing the wider strategy. That will still play a part and we want to expand that to other things, such as leisure centres and community centres, so that communities really benefit. We do not want that to be the totality of what the local power plan delivers.

Q401 Ms Billington: I was going to say that the risk is that people just go, "Oh no, don't worry; we'll get the money from DFE for our solar panels," and anchor institutions such as hospitals and schools do not become part of a wider community energy project, which is actually what we could do at scale.

Michael Shanks: That is the vision we really have. Solar panels on the rooftop of the school are great. I have visited a number of them. They reduce the bills of the school. The money goes straight back into schools and they spend it on all the things we want schools spending money on, but you can see a school as a real hub for community energy much more broadly than that. If we combine technologies and we have real access for the community to that, we can have really innovative schemes. There are many of those across the country already, but not at scale.

Something Emma said is really important. One key thing Great British Energy will take forward is trying to standardise some of this really difficult work that community groups have waded through with great difficulty. Actually, even if the project is slightly different, a lot of the development work is the same. Can we simplify all that and give templates and standardised ways of doing things to really simplify all those processes?

Q402 Ms Billington: I have one last question. You will have obviously done what any sensible Department does, which is ask the question about how other places do this that have similar kinds of geographies, typologies of houses and so forth. What have you learned from other countries that could work to increase the scale and number of our community energy projects in this country?

Michael Shanks: Inevitably, it is largely from our European neighbours, which have been doing this for a very long time. I had a fantastic visit to Denmark to visit, I think, one of the first community-owned offshore wind farms, Middelgrunden, which was excellent. We learned from that that ambition should not be micro-scale generation. That community was able to build quite a significant offshore wind farm that is owned co-operatively by the citizens of that city.

Also, in smart local energy systems, I had a great visit in the Netherlands recently to a community who are behind a really significant constraint in Amsterdam and decided to take matters into their own hands. They now have solar panels connected to batteries right across a community of 300



HOUSE OF COMMONS

or 400 houses. They are all collectively benefiting from the savings and reducing the constraint to the city at the same time.

There are huge examples. My learning from all this and, in fact, frankly from quite a lot of what I am doing in this job is that Government's ambition has been far too low for far too long. Communities are capable of enormous things. They need Government to help and sometimes they need Government to get out of the way and make it easier for them to do what is right in their area. We are not going to be able to do all of that overnight, but I firmly believe that the local power plan will be a step change in the direction of this country.

Q403 **Chair:** You said that the £200 million was made up of contributions from the Department of Health, the Department for Education and GB Energy. How much of the £200 million was from GB Energy?

Michael Shanks: I do not have the figures to hand. We can write to you on the questions.

Emma Floyd: I want to say that it was £100 million or £150 million, but I cannot remember the exact figure.

Q404 **Chair:** So it is still the lion's share of it.

Emma Floyd: Yes.

Chair: That makes Polly's point anyway.

Q405 **Torcuil Crichton:** Thank you, Minister, and thank you, Emma, for coming in. Thank you, too, for your warm words of support on community energy. I do not remain to be convinced on the benefits of community ownership of energy. You have to go beyond warm words, because cleaning out the grid queue sounds great, but it did not help one community energy project in Scotland get further up that queue. In fact, Community Energy Scotland warned that all the community energy projects in Scotland will not be completed this decade. I have one in my own constituency. It is 45 MW. It is at gate 2 and has been given these horrible words, "active network management". It can get on when the big guys are not on.

Should community energy projects be given a special status? Is there anything that you can do to get them up the queue and get them connected more quickly?

Michael Shanks: I have wrestled with this; we have wrestled with this. In theory, I could say yes, because it seems like absolutely the right thing to achieve the outcome that we want. When we get into the reality of how we then do that with a queue that is already complex, the competing priorities—of course, this is really important to us, but so is moving us off gas more quickly than we have ever been able to do before to bring down everyone's bills—inevitably result in us having to have some trade-offs.



HOUSE OF COMMONS

We have been looking at how we exempt some of these projects from having to go into that queue in the first place, so raising the thresholds. There is work to do on that in Scotland, and the islands in particular, in terms of the thresholds there, which are much lower, but that is partly to do with the transmission infrastructure in Scotland. I know that transmission owners in Scotland are looking at that.

It is also about how we simplify the rest of the process as much as possible, so that we are not just obsessing about the queue, but looking at how projects can take advantage of capacity in the grid that already exists. The queue is really important, but we have maybe become slightly obsessed with just the queue and thinking that that is the only answer to the transmission problem.

It is also about building new infrastructure. Every time we do that, it helps us connect the big projects, but it also creates capacity across the grid for distribution networks to link in. My sense is that we have landed in a place where there is still more that we could do, but it is the right balance to be struck.

Q406 Torcuil Crichton: Everybody—Ofgem, which was in earlier, as well as SSE, grid operators, GB Energy and NESO—loves community energy. They all want to do more. They say they cannot do more. They are agnostic about the difference between commercial and community, because they need direction from you. Will you give them that direction?

Michael Shanks: They have had some direction. They will get more direction on the principles, and the local power plan will outline more of what we want to do. I say genuinely that Ofgem has a very difficult balancing act. Although I and other Ministers will challenge it on many things, of all the regulators, it is aware of the fact that it is trying to balance the need on behalf of consumers to bring down bills, and the need for us to build an electricity system that is fit for the future. Those two things do tend to go head to head, because we do need to build grid, which costs money, but we also want to make energy more affordable. I do not, for a second, pretend that that is an easy balancing act.

We will say much more in the local power plan around how we want to work with the regulator. Work is already going on. I know that you have been talking before about some of the code modifications to make the process more straightforward for local electricity markets. That work is progressing as well.

Q407 Torcuil Crichton: I have just one other question, on shared ownership, and I hear what you said. I like the hints that you are giving on shared ownership and allowing municipalities such as your own to buy into wind farms that are next to them. The 2015 Infrastructure Act gives the Secretary of State that power for urban and for rural communities to buy into onshore and, crucially, offshore wind farms. Is that what we will see in a few weeks' time?



Michael Shanks: We consulted on how we would use that power. It is a very helpful power that the previous Government legislated for. I am not quite sure that they knew what they were doing when they did that. It is a really important power, but it has not been used, and so we have consulted on how we would enact that power.

At the heart of it, first of all, we absolutely, clearly want to see more shared ownership of energy. The question is whether it is mandatory that a share be offered, and we are weighing up all the evidence that we got from that. There were a lot of consultation responses. We have seen very little shared ownership in England. We have seen examples in Scotland, but what we have learned from those examples in Scotland is that it is not easy for communities, even if they are offered a share in something, to just say, "Yes, we will take a share in that". There have to be the mechanisms behind it, and that is partly what we will be looking at in terms of the funding to allow communities to take up that opportunity, because just mandating it does not fix the ability of communities to do it.

Q408 **Torcuil Crichton:** You can incentivise it as well as making it mandatory.

Michael Shanks: There are many options that we consulted on, and we will give a response to that consultation in due course, but the ambition has been very clear from us that shared ownership is a really good opportunity to get big-scale involvement of communities in the ownership of energy.

Q409 **Melanie Onn:** Is your 8 GW or 1,000 projects target, ambition or aspiration going to be formed of local and community energy?

Michael Shanks: Yes.

Q410 **Melanie Onn:** Have you thought about the split that you envisage happening?

Michael Shanks: First of all, on the 1,000 projects, I would emphasise that it says "at least 1,000 projects". I say that genuinely because that is not a ceiling on our ambition. What we want to see within that is a real mix of projects. We know that there are some really good local energy projects. We have tried to fund, for example, community energy projects in Scotland, Wales and Northern Ireland, but also local energy projects through the combined mayoralities in England that have taken that forward. That is a really important part of it.

I am not for a second suggesting that it is the easier part, but we do not want that to be the thing that consumes all of it. We also want to do what are sometimes the more difficult community-led projects that will take a bit of time but can deliver real outcomes for communities. It will be a mix of scale of projects, absolutely a mix of geographies—and we are determined that Great British Energy represents the whole of the United Kingdom—and a mix of local and community-owned projects.

Q411 **Melanie Onn:** So you are not prescribing anything. You are not going to



HOUSE OF COMMONS

say, "It is a 70:30 split. We think local is going to deliver much higher capacity than community, so we will put the bulk of our support or expectation behind that".

Michael Shanks: No, we are not prescribing and not setting a target, but I have been very clear that that does not mean that we do the projects that might be more straightforward to get over the line at the cost of others. There has to be a balance, and the local power plan really outlines the fact that there has to be both of those elements as part of it.

Q412 **Melanie Onn:** Are you going to be explicit about that in the local power plan and in relation to the information that was provided to the Committee earlier in relation to the responsibility and accountability for the 8 GW target?

Michael Shanks: I cannot say what is specifically in the local power plan, but it definitely will be a balance of local and community energy. We have been clear on that. We will set out the fact that this is a Government commitment, but it is a shared enterprise between Great British Energy, Government and communities.

Q413 **Melanie Onn:** I worry a little bit—and I do not know whether you share this worry—that, as soon as you move into a shared endeavour without the right levels of support or necessarily the right pressure coming from the driver, you will not reach the targets or ambitions that you have set yourselves.

Michael Shanks: Let me just say right now, knowing that it is on the record, that I am accountable for this. Ed Miliband, as the Secretary of State, has taken it incredibly seriously. We, as Ministers, are responsible.

Q414 **Melanie Onn:** It is very easy, though, isn't it, to say, "It's a local community project"? It just hasn't happened, and not without all of our best endeavours.

Michael Shanks: I accept that point to a degree, but in fairness this is not a Department that has set ambitions and then not followed them. We have set incredibly ambitious targets for 2030, and we have gone at it relentlessly. We are now going to set ambitious targets—the biggest commitment to community energy that this country has ever had. We will follow that through, and I will be accountable for it. All I am saying in terms of where this rests is that it is not that we are publishing a plan and then handing it over to communities and saying, "Just get on with it, now that Government have published a plan".

That has been what Government have done for too long—a strategy equals an outcome. It does not. It needs constant focus. That is why Great British Energy is not just setting up the funding schemes and the support that communities need, but will be driving it forward as well. It is also fair to say that we want communities to be in the driving seat of this. They are the people who will hold us accountable as well. When we say that we are going to help communities to do this, we want them to then



benefit from it, and the outcome that we will ultimately be judged on is whether we have changed the nature of ownership in this country.

Q415 Melanie Onn: Some of the ways that you could help some of the barriers to developing and delivering community energy have been related to tax, levies, subsidies and policies. Do you have any priorities in any of those areas that you will be focusing on to try to reduce the barriers that communities face? If so, can you list them from one to six, or however many there are?

Michael Shanks: I will answer it in a second. Emma was just going to come in on the last question, if that is okay.

Emma Floyd: I was just going to say, to your point about the balance across and, basically, how we make sure that we deliver, one of the things that we are talking about a lot with Great British Energy is, "We have those overall targets, but what are our indicators of success? What is the management information that we are going to monitor together on a very regular basis to make sure that we are on track and can see that we are getting that right mix of projects coming through and, if we are not, can take action early?" We are taking that really seriously together, and we will absolutely hold each other to account for making sure that that does happen.

Michael Shanks: In terms of the ingredients, if you like, for what is going to make this plan work, without revealing anything that is in the plan, because these things are all what came out of the consultation and what you will have heard in evidence from everyone, it is a combination. First, the regulatory system needs to make it much more straightforward for community energy groups to get up and operate, but then also to benefit from being able to sell their electricity locally and all of these things.

Second is the financial capacity to do these things, whether that is a mix of grants, loans or equity, or whatever it might be. Great British Energy will design many of these things, but how do we provide the financial support to communities?

Q416 Melanie Onn: You are committing to a flexible range of financial support, or that is your intention.

Michael Shanks: We will say more on the plan, but we are not fixing a scheme.

Melanie Onn: You are not committing, but intending, perhaps.

Michael Shanks: The third part is a reflection on the state of the country after a decade or more of austerity. The capacity in local councils, for example, which often drove some of these innovative projects, has been hollowed out, and so we are having to rebuild some of that capacity. We want to give communities a sounding board and an expertise that they may not otherwise have, but also to simplify all the processes, so that, if



HOUSE OF COMMONS

you have a commitment from a community and they are able to pull together the people who will deliver it, we are going to try to help them do that and to make it as straightforward as possible.

Q417 **Melanie Onn:** So your priorities are going to be regulatory first, funding second, and personnel third.

Michael Shanks: I have not prioritised them. They are all important, and they are all critical. If we fix the regulation, but we do not sort out the financial aspects or the capacity, there still are not going to be the projects coming forward. They all play a part, and we need them all to work in tandem. They are all the responsibility of slightly different people, which is why I come back to the point that Government will be driving this forward, and the various strands of it are already being worked on and will continue to be.

Q418 **Melanie Onn:** I do not think that you can have three things working in tandem.

Michael Shanks: I have slightly more than three things working in tandem at the moment, but I will leave that there.

Q419 **Chair:** “Tandem” is two, is it not? You have said that you are accountable for everything. How can you be close enough to it, given the complexity that you have just been describing?

Michael Shanks: The way that we have sought to deliver the clean power mission is partly how my Department is driving everything, which is to say that, in the past, Government have set out an objective, then gone away and let others just deliver it in the background, and hoped that the outcome would be achieved at some point. The clean power unit is a totally different way of doing that—I know that you had evidence from Chris Stark recently—which is about going through every single part of what is necessary to get us to the outcome, down to every single project and every single milestone in it, working across Government and industry to make it happen, driving it all forward, and then achieving outcomes.

AR7 did not happen by accident. It happened because of a whole series of conscious decisions that this Government made to build up to an auction that was hugely successful and that kept down prices. That is how we drive the clean power mission, and it is exactly the same model for this.

Q420 **Chair:** The point is that we have DESNZ. We have Ministers in the Department. We have NESO. We have Ofgem. We have the grid companies, and the public and private sector. We have Government and arm’s length bodies. It is the complexity. How do you manage that effectively? You acknowledged earlier that it was difficult for you to be completely across the complexity of the grid connections. Is that not the point? It is very difficult for you, because you cannot have that day-to-day understanding. How can you truly be held accountable for it, Minister?



Michael Shanks: I would challenge that. I see my job as a Minister not to just sit behind a desk and say yes or no to things, but to drive forward the outcomes of what we have said. Before I was an MP and before I was a teacher, I worked in an organisation that was all about outcomes, not about activity. It was about saying, "You can do all the things that you say you are going to do, but, if it has not moved the dial on something, then you are not doing the right things". Government have not always been good at doing that.

This is about thinking very differently about it, and I do take a really active interest in the day-to-day delivery of all the things that are in my brief, not just because there is a moment in Parliament, as important as those moments are, including appearances before Committees, but because I want to turn around at the end of this and say that we have achieved something. That is exactly the Secretary of State's ambition for this. The clean power mission is really ambitious. The only way that we are going to do it is if we change the way Government do things, and that is what we have sought to do.

Q421 **Chair:** No one is doubting your diligence, your effort, your commitment, your ability or your contribution in sitting here today. The point is just how vast it is. It just appears to us from the evidence that we have had that being able to be accountable for it is just impossible for anybody.

Michael Shanks: I will say a few things, and then Emma might want to come in on the KPIs point. The local power plan sets out the narrative on why we are doing this and the case for it. It will also have a whole series of actions that have very clear outcomes to them. We will then be judged on how we have achieved those outcomes. They are not all the responsibility of Government, but the whole machine has to work together, and that is what we have sought to do in lots of other things.

It is not just the overall ambition. There will be individual actions that we will have to get across the line and, ultimately, it will be judged by the number of projects that come forward as a result of it. That is a target that will be very public and people will be able to see. Underneath all the high-level stuff will be a whole series of check-in points with Great British Energy, with regulators, with NESO, and with everyone who has an interest in this, to make sure that it happens.

Emma Floyd: What you are talking about here is systems leadership, is it not? There is a complex system here with multiple actors, so there is something about making sure that we are sending the right incentives down the system, so that people know what is expected of them and that we understand what is happening. It is also so that we are getting the right information back to understand whether things are on track, whether it is working and where we are hitting those issues, and having the behaviours so that people can have honest conversations with us.

When I talk about the KPIs with Great British Energy and others, that is part of what we need to build to make sure that we know whether we are



HOUSE OF COMMONS

on track or whether we are having challenges. I can absolutely assure you that Michael is a Minister who holds his officials strongly to account when they see him on a very regular basis.

Michael Shanks: I do not know quite how to take that.

Chair: Of course, appearing here is part of that process.

Q422 **Claire Young:** I understand what you are saying, Emma, about tracking and taking action if it is not being met, but what is worrying me goes back to this issue of the mix. It was quite clear from the previous panel that GB Energy and Ofgem were both looking to the Government to give some steer on what was expected in terms of that mix between community and local energy. It is not really fair, is it, to not set a thing upfront but then, further down the line, say, "You are not meeting what we are expecting", when you have not told them what it is that you are expecting?

Michael Shanks: I did not see all of the previous panel, but if I understand the point, it comes down to defining community energy, which is something that we will do. That is not quite the same, and so we do need to come up with a definition of community energy. Many people think, "Why is that complex?" The reason it is complex is that we wanted to be inclusive of those projects that are genuinely community, but exclusive of those that might seek to use that to avoid costs or other means. There will be people who seek to do that, so it has to be quite a tight definition.

On the question of targets, it is not the role of Ofgem to drive a target for what we want to see. The role of Ofgem is to be a regulator, and that is the thing that it will focus on. Government will set the ambition for the number of projects. Ofgem will work on the regulatory framework, but the ambition of what we want to see coming out of that is for Government to drive and for Great British Energy to help us deliver.

Q423 **Claire Young:** Great British Energy said that it was looking to you to set that, and yet you are saying that you are not going to comment on the mix between community and local. You have your 8 GW ambition, or whatever it is, which is for community and local energy. Technically, you could deliver it all through local if you wanted to. That is what we were trying to get at in the previous session. Where is the mix? We were told that it was for Government to set.

Michael Shanks: What I said previously is that we are not going to fix a number on it, but there has to be a mix. The reason that I am saying that is that I want to avoid putting a number on it and that then being seen as a ceiling on our ambition on either local or on community. I do not make any judgment about one being better than the other. I just really want to see both.

There are some inherent benefits in having municipally, locally owned energy schemes, and there are some real benefits in having community-



HOUSE OF COMMONS

driven, community-owned schemes. They are both important in different ways. Many of the actions that we need to take forward will benefit both of them. I do not want to set an artificial division between them, but nor do I want to say, "If one part of this is easier to deliver, we should focus it all on that and ignore the other part". There has to be a mix.

Chair: Polly Billington might be about to talk about the definition of community energy.

Q424 **Ms Billington:** There is a definition of community energy in the national planning framework: "Community-led development. A development taken forward by, or with, a not-for-profit organisation, that is primarily for the purpose of meeting the needs of its members or the wider local community, rather than being a primarily commercial enterprise. The organisation should be created, managed and democratically controlled by its members, and membership of the organisation should be open to all beneficiaries and prospective beneficiaries of that organisation". That can be put on the record, and I am sure that you and your officials will have that.

We have had an excruciating amount of time asking people about the definition of community energy, and everybody shrugs their shoulders and says, "We need one". I know that community energy has been in existence for almost all of my life. There seems to be one in the national planning framework. Can we adopt that and move forward?

Michael Shanks: We will put a definition on a statutory footing, so that it is very clear to everyone what the Government define community energy as. That is a very good definition, but community-owned energy will be slightly narrower than some of those points. It picks up on the key elements that it is about the ownership structure, first of all, but also what it is aiming to do and what the purpose of it as a vehicle is. We will build on that definition. I cannot commit to what that definition is at the moment, but I agree with the pain that you reference, which is that this seems like one of these things that should just be solved, and then we can get on with delivering it.

Q425 **Ms Billington:** We have had a lot of buck passing around the energy system and the industry.

Michael Shanks: Just to give you an example, a few months ago, I was at a conference in Glasgow, where Community Energy Scotland was referencing some of the data in Scotland where community energy is not defined in a clear enough way. The number of projects that are, in fact, owned by landowners, not by communities, is really quite significant, and that is the sort of thing that we want to avoid.

Q426 **Ms Billington:** Can I follow up on that? I was delighted that we finally had a reference to local authorities and councils, although it was nearly two hours into our session, when you talked about the capacity in local councils that has been hollowed out. Would you define local council or local authority-led projects as being community energy or local energy?



Michael Shanks: They are local energy projects.

Q427 **Ms Billington:** Not community-led?

Michael Shanks: I do not want to parse my words in terms of what the project might look like, but if a local council was to support a community to deliver a project, but it was owned by the community, I would call that a community-owned project. If we are talking about a local council putting solar panels on leisure centres and connecting them to other things in the community, I would call that a local energy project.

Q428 **Wera Hobhouse:** One thing that all community energy projects that I know of and have advocated for is that they want to supply locally. The benefits are not only that it is owned locally but that it can also be supplied locally. Therefore, there are two types of beneficiaries. There are the people who run the whole thing, but then there is the community that also benefits from that supply. The problem continues to be the regulatory barriers to local supply.

In response to a colleague in Parliament in July, you said, "He is right to make the point about delivering clean power that benefits local communities, so that they can buy it locally and really see the benefit of hosting it". It is the two sides of it: you can host it, and it is a local thing, but you can also sell it to a wider group of people who benefit from the fact that, because it does not go further than the local distribution network, it will be cheaper, and so on and so forth. Could you please make a comment on how you have progressed these two things that sit, basically, next to each other in a quite complex way?

Michael Shanks: That is great, whoever said that in Parliament. It is brilliant.

Wera Hobhouse: You did.

Michael Shanks: Is it me? I agree with that. I agree with myself. There are multiple ways of looking at this. There is a straightforward way of communities benefiting directly, and you heard earlier on about the reforms that will allow communities to net off supply versus demand so that they do benefit from that. There are also ways—and we want to explore this further—around how we can support local energy networks so that there are communities directly benefiting from genuinely selling the electricity locally. That is more complex, because you then need to consider the back-up that is available, should the local generation not fully meet the demand. We are open to all of these ideas.

I know that you will have heard much about code modifications, but P441 and P442, which are progressing and are going to reach a conclusion soon, are really important starting points to that around how we make that landscape much more straightforward.

Q429 **Ms Billington:** Can I ask a follow-up to one of your earlier questions on the private wire? You said that you have had conversations with the AI



Energy Council, and you described it as forward leaning on self-build. Would the adoption of gas-fired power stations be forward leaning?

Michael Shanks: Our clean power action plan is to decarbonise the power system, so it is not going to be our position that, post 2030, we should see unabated gas. That is very clear from us, but there is a need for us to provide capacity for the data centres that we want to bring to this country, for hugely important economic growth reasons, and so we will be open to suggestions about how a self-build model might work.

Q430 **Ms Billington:** So they can have gas.

Michael Shanks: We have not given a view, because there have not been any proposals brought forward. By 2030, we are trying to phase out the role of unabated gas in our power system.

Q431 **Ms Billington:** What would be your advice to AI data centres that were thinking of using private wire to connect themselves to a gas-fired power station?

Michael Shanks: I am not going to give advice to them. What we have said is that we want to strategically plan where our AI growth zones are, so that we are making use of constraints, wherever possible, and benefiting from things that we are currently spending money on. Secondly, we want to try to connect as many demand projects to the normal grid as possible. That is why the clear-out of the queue and the transmission build are important. Failing all of that, if there is a need to move more quickly, self-build is a model that works in other countries. We are open to the idea of it, but we are certainly not at the stage of saying yea or nay to individual technologies.

Q432 **Ms Billington:** Unabated gas is not part of your vision for the energy system in this country, is it?

Michael Shanks: It certainly is not. We want to phase out the use of gas. Gas will continue to play a strategic role in the capacity market, where we absolutely need it, but it will be less than 5% of our need.

Q433 **Ms Billington:** Not on private wire.

Michael Shanks: I have not seen any proposals for individual projects, but we have been very clear that, post 2030, this country should have decarbonised its power system, and we are doing everything to make that happen.

Ms Billington: That probably counts as advice.

Q434 **Lizzi Collinge:** I want to talk about planning because it is very exciting. First of all, when it comes to community energy projects, we have been told that they often face barriers at planning at the local level. Who is responsible for planning when it comes to community energy projects? Is it your Department or MHCLG?



HOUSE OF COMMONS

Michael Shanks: In terms of decisions, I would imagine that the overwhelming majority will not come to Government at all. They will be decided through the Town and Country Planning Act by local councils. In terms of policy frameworks, it is a shared role. DESNZ feeds into the national policy statements, but they are held by MHCLG.

Q435 **Lizzi Collinge:** If we wanted to see changes to the planning system to enable community energy, we need to get MHCLG.

Michael Shanks: It is a combination. If we look at the Planning and Infrastructure Bill, for example, I was there alongside Matthew Pennycook on that Bill because there were a number of changes that were needed to planning specifically for the energy system. We work in tandem. The DESNZ planning department works really closely with MHCLG.

There is a need for us to look at planning across the board in terms of capacity in local planning departments. That is why the Government have invested in more planners in terms of building up knowledge in these projects so that planning decisions are based on knowledge of what we are trying to achieve. We generally think that the planning framework at the moment should allow for these projects to come forward.

Q436 **Lizzi Collinge:** We have been told that, under the national planning policy framework, we have a definition of community-led energy, but it is not currently able to be considered as a material consideration in a planning decision. The benefits of reducing grid pressure, network investments and consumer flexibility cannot be considered as a material consideration under planning regulations. Should they be?

Michael Shanks: I would need to check on the specifics, but many of the things that you have mentioned are considered in a broader sense in the planning application. By necessity, a planning application has to be based on the impact of that individual application on a local area.

Q437 **Lizzi Collinge:** Except it seems to always be very specific to that site and the land base. Broader considerations, such as benefits to the community of cheaper energy or whatever it is, do not seem to be given an awful lot of weight in the planning system. If you made it a material consideration, the argument is that it would be easier to take on board those benefits.

Michael Shanks: I am happy to take away the point and consider it. I understand the rationale for raising it. It is a fair consideration. Even for nationally significant infrastructure projects that make it to my Department for decision, although we have an overall national goal of meeting certain targets, those individual applications are still dealt with on the merits of the local impact of those individual projects.

There is always a balance to be struck there. It is really important that the projects are seen to be dealt with on a local level based on the factors that are picked up locally on that application. I am not instinctively for or against it. I just want to be careful because we do not



HOUSE OF COMMONS

want to create a planning system that does not deal with projects objectively on the basis of the actual application and starts being about, "Well, do we favour this group over this group?"

Q438 Lizzi Collinge: Moving on to other regulations, I have heard from local organisations, including local government-led clean energy projects, that there are barriers that are regulatory, not technical. The example that was given to me was that they have a renewable energy project that, by regulation, can only benefit the people on one substation, which I believe is a low-voltage substation. I am happy to follow up with the details of that because I will not pretend that I have remembered them all. The broader question is how you are capturing the barriers that community energy projects and local energy projects are facing and looking to fix them. What is your system for doing that?

Michael Shanks: I am not sure I fully understood the issue. I suspect it is partly that there is capacity on one part of a substation, which has allowed a project to connect.

Q439 Lizzi Collinge: I will happily follow this up in writing to give you the proper overview, but in the example that was given to me, this local government officer was very clear that there was no technical barrier to this scheme being used more widely. It was a regulatory barrier. I will follow up with details, but that is not really the point. The example is not the point. The point is how you as a Department are capturing the barriers to community energy and then fixing them.

Michael Shanks: That is a fair question. I will follow up on the individual example.

We did a widespread piece of consultation, indeed called Barriers to Community Energy Projects. We had a significant number of contributions to that and we also did workshops across the country to really get into detail on some of those issues. It is partly where I came to on Melanie's question in terms of the different pillars of what we need to do here. Regulation is clearly one of them, but what also comes out of it is financing and capacity at the same time. The regulation undoubtedly is a key contributor to why we are not seeing more projects coming forward.

We will continue to monitor where there are barriers beyond the things that we think we need to fix. This is not a one-time plan that is never going to adjust. As we identify more challenges, we will add to that and continue to tackle them.

Q440 Lizzi Collinge: Finally, Chair, if I may, one of my many councils, given my constituency, under a rainbow of different administrations, has been very forward-thinking in decarbonisation and taking its commitment to net zero very seriously. In the past, there have been funding streams for local government to decarbonise, and a lot of that has been looking at local and community energy projects. What are the Department's plans to support local government to continue to decarbonise?



HOUSE OF COMMONS

Michael Shanks: We will look at the funding schemes that we put in place for local energy, which will include an element of support for local councils. That will not be on an “every council has an allocation” basis but by allocating to projects that we think are valuable to take forward.

In truth, there have been some fantastic examples in local councils that we would like to support more of. We also want to make sure we are focusing the offer on where it can have the greatest impact and not just funding programmes that do not have the outcomes that we want to see at the end of it. There will not be an England-wide local government offer, but there will be funding that local councils will be able to access to deliver these projects.

Q441 **Torcuil Crichton:** I have a quick question. In my focus on community ownership and local ownership, I forgot to ask about community benefit. It is currently set or recommended at £5,000 per installed megawatt, which everybody recognises as crumbs off the table. Will the local power plan address this? Do you think £5,000 is too low?

Michael Shanks: The local power plan will not cover this, but we have a separate consultation that we will respond to soon on the question of mandatory community benefits. We will set out in that what our response is both to the levels and to whether it should be mandatory or voluntary.

We think there should be more ambition in this space, on not just the level but the types of funds and how those are distributed. There is a balance to be struck. I want to just be really honest about this. We also are driving forward every single penny that goes on to a bill. Of course, the community benefits are not paid out of good will. They generally are added on to the CfD that is bid for.

Therefore, there is a balance here. Yes, the communities that host that infrastructure should benefit, but not at the cost of putting up everyone's bills significantly. There is a tension, but our view is that there should be proper community benefits for those communities that are hosting this infrastructure.

Q442 **Mr MacDonald:** It will not surprise you that I am going to continue on Torcuil's line here. We are all talking about community benefits. Scotland as a whole got less than £30 million. The highlands had less than £10 million last year. It is an absolutely minuscule fraction of the renewable energy industry. There is war in the highlands about the industrialisation of the hills. There really is.

I am a big fan of renewable energy and I am defending it to the hilt, but, at the moment, people there just see the downside. The Scottish Government had a figure of £5,000 in 2014. If it had kept in touch with the price of electricity, it would now be £12,500. Your consultation, which closed in July, used that figure of £5,000, which is 2% of revenue. It also said that, if it was legislated, it would kick in in 2029. I can tell you that the highlands and probably Scotland will already have been built out by



HOUSE OF COMMONS

then. There is no point in continuing with the result of your consultation, if that is really when it is going to start.

Lastly, at the moment, the guidance from the Scottish Government is just for onshore wind. It is really important that it has pumped storage, which is 5 GW; it has offshore; it has everything. We are losing the audience in rural Scotland and you will do in England unless this is resolved. I would really hope that we can have some reassurance, Minister, that there is light at the end of the tunnel and we can stop worrying about this as rural Members of Parliament.

Michael Shanks: There is quite a lot in that question that is really important. First of all, on the technology point, we consulted on broadening that away from just being onshore wind to other technologies. That does not mean that we would take the same view for every technology. If you look at nuclear, for example, it is not part of a community benefit scheme, but it delivers really significant benefits to its community on an individualised basis. There will be different things for different communities.

For offshore wind, it is complex to try to identify which community would be related to an offshore wind farm miles off the coast of the country. There are complexities there. We have said, for example, that we will introduce bill discounts for transmission infrastructure, which has always been the part that has been missing. I would disagree with that really significantly: £250 off a bill means a lot.

Q443 **Mr MacDonald:** Nationally, the bill is £1,750. In the highlands, it is almost certainly £4,000. What appears to be generous nationally is minuscule for rural people.

Michael Shanks: Respectfully, I disagree. I think £250 off a bill will have a massive impact on communities. The point of it is to give a recognition that, if you are hosting infrastructure, you should benefit from it directly. That is our commitment on transmission infrastructure. We will say more about the wider community benefits, but I take the point.

There is a wider point about how we bring communities with us on this. There was a question at the beginning around this. Part of why we are publishing the local power plan is because we do not just see community benefits as being the answer. Communities owning that infrastructure are far more likely to take a favoured view of it because they have driven it forward.

We want this to be a partnership with communities. There is no getting away from the fact that this Government are committed to building things in this country again. Those things have to go somewhere, so we cannot always just say no to things. Most communities are not in the frame of mind of just saying no to things, but they do want them to be strategically planned.



HOUSE OF COMMONS

That is also why things that some people might find boring I think are absolutely fascinating, such as the strategic spatial energy plan. It is something we should have been doing 10, 20 or 30 years ago before we built the thousands of generators that replaced the dozens of generators that we once had. We did not strategically plan them and that has led to some communities feeling like there is a pressure of multiple projects happening and the transmission that goes with it.

We want to fix that. We cannot turn back time. We have to start from where we are at. We want to make it as fair for communities as possible and for communities to own as much as possible, but fundamentally we think everyone will benefit from lower bills and security, if we hit clean power by 2030.

Q444 **Chair:** I was just looking at the price cap. In October 2020 it was £1,042. It is now £1,758. That is over £700 difference. Is £250 really meaningful?

Michael Shanks: First of all, you should not compare different periods of the price cap.

Chair: People do, Minister.

Michael Shanks: Seasons make a difference in the price cap. If you take—

Q445 **Chair:** I do not disagree with you, but out there people have a very different view.

Michael Shanks: I understand that, but, if you take an average of the past two years, energy bills are lower in real terms than they were the year before. There is more to do. That is why £150 is coming off the cost of bills in April to make a real commitment to people. The job is not done.

The cost of living is our absolute north star as a Government. We have to tackle it, but, first of all, the price cap does not affect absolutely everybody. Based on people's individual bills, £250 can go a long way. That is combined with £150 off everyone's bills and £150 from the warm homes discount targeted to the most in need. In some of Angus's communities who do not have access to gas, they will benefit from additional funding. If they have storage heaters, for example, they can get up to £500 or £600 off bills quite quickly. There is also £15 billion that we have just announced to invest in making homes much more energy-efficient. Of course, the cheapest energy you use is the energy you do not use.

A combination of these things will tackle the affordability crisis. It is not one thing. We cannot flick a switch and change overnight, but we are doing everything we can.

Q446 **Chair:** How much do bills have to come down for people to consider that the Government have made a material difference to the cost of living?



HOUSE OF COMMONS

Michael Shanks: We recognise that the cost of living is affecting people across the country. The £150 in April is a serious commitment from this Government that people will feel in their bills. It will make a meaningful difference to people, but that is not the end of our ambition.

Everything else that we are doing is, first of all, about bringing down all the costs that are on bills at the moment. My colleague Martin McCluskey, every single day, is focused on squeezing every penny off that bill. For example, the decision that we just made today to move the measure of inflation on the renewables obligation is about bringing down bills. In themselves, these are maybe small amounts on the bill, but they contribute to the total in the bill.

The second thing, as a Government, is moving more quickly towards the clean power that will push off gas as the thing that is still setting the price of electricity in this country far too often. Only when we achieve that will we have protected bills in the long run and brought down costs as much as possible in the short term.

Q447 **Chair:** I have heard you rehearse all of those very fluently very many times. I do not disagree with you, but still the question is what it will take for people to say, "Yes, this Government have shifted the dial sufficiently for me to give them credit for doing so".

Michael Shanks: There are two separate things to that. You and I will both have constituents who come to our surgeries every week who talk about their pay packet not reaching to the end of the month. When people feel a little less pressure on that and do not fear a letter coming through the door because it might be a bill that they cannot afford, that is when we will know we have succeeded. That is broader than just energy, but energy is a significant factor. That is the thing that every Minister should be focused on every day of the week.

The second thing about whether they credit the Government with that is of less importance, but, equally, the alternative at the moment would put up everyone's bills. We do have a political argument to land here. Everything that we are doing should be to bring down the cost of living, but it should also be to win the argument that this is the only way that we will protect bills in the long run. Gambling with a different plan, which might bring down bills for a few months but would definitely rocket them back up at some point, is a cost that nobody in this country can afford.

Q448 **Chair:** Bringing down the cost of electricity is repeated to us again and again and again at this Committee in every single session and in every single inquiry. Does the Department have sufficient focus on delivering to that question?

Michael Shanks: Yes, and not just the Department. Right across Government, the absolute priority from the Prime Minister to everyone is what we are doing to address the cost of living and particularly electricity prices. That is important for individual consumers, but it is also important



HOUSE OF COMMONS

for business and industry that we tackle that. This is not just individual decisions that we are making; it is a collective effort across Government to make sure that every single penny that is on a bill is scrutinised and decisions are made to try to reduce those costs as much as possible.

We are genuinely aware, not least because we see it in our constituencies, of the impact this has. That does not mean there is some shortcut and, as some would say, you can just rip up contracts and suddenly your bill is half the price. There is not. We have to be honest with people that £150 is coming off your bill because of a conscious decision that this Government made to tackle the cost of living crisis right now, but the long term does need to be done as well. We need to invest in the grid. We need to invest in all these things or the bill is just going to keep going up.

Chair: I am sure we are going to come back to it, but Melanie Onn has been sitting here waiting to ask a question for some time.

Q449 Melanie Onn: It really does not fit with what we have just been talking about, so I am sorry. I am going to take you back to the definition of community projects. I am wondering how clarity will be served on what the whole of Government agree is community energy, if there end up being two definitions, one in the national planning framework and one in the local power plan.

Michael Shanks: I do not think there will be. They are serving different purposes. For the definition that we will put in legislation, it will be for the regulator to assess and to make decisions on the basis of what we have legislated for. That will flow into decisions that it will make around the market and other things. It serves a slightly different purpose.

We will look at the other definitions that are already there. We have not come up with what that definition is. There will be a process to do that and then we will legislate for what that is so that it is in statute.

Q450 Ms Billington: I want to go back to the cost thing, I am afraid. Thank you, Melanie, for following up on the definition thing. People have been saying that they want electricity to become cheaper. It is very clear that the Government's driving focus on reducing costs of electricity is weaning the country off volatile gas prices. However, network costs are going up and will continue to do so, and therefore they are becoming a bigger part of the electricity bill.

This is a kind of provocation, really. Is there not really a driving necessity to fully assess the potential of local and community energy to deliver the flexibility, demand management and balancing capacity at local level that could reduce the network costs and therefore become a driver of lower bills, and hence might in fact justify some of the community benefit that some of my colleagues have been proposing? You could get quite a lot of bang for your buck by giving people some community benefit because you get much better balancing and therefore reduced network costs.



Michael Shanks: There is a lot of truth in that. We will look at the methodologies behind how we get those numbers so we can make that case. The flexibility roadmap is all about how consumers can benefit, but it is critical for the system. We cannot operate without flexibility. We need to have a system that can work with that. That demand management point is really important. Flexibility is not the Government saying that people should do this or this; it is the Government saying, "You will benefit if you are flexible in the way you use electricity". That is really important.

That is balanced, though, against the fact that the capital costs of building community energy projects are often higher than other projects. There is a balancing act there about what the net of those costs is. The reason that we believe it is still worth doing is that you do get those flexibilities and you get projects that will connect more quickly not least because of everything we talked about with the grid.

There is also—this comes back to my point at the very beginning—a wider social impact here. We should not just see electricity or energy policy as a one-bit-of-Government policy. It should benefit local communities. There is a social and economic benefit that I have seen every time I visit a community energy project that goes way beyond just the megawatts that it is generating. Community wealth building is something that a Labour Government should absolutely care about. As a Labour and a Co-op Member, it is critical that we change the nature of ownership. We should not be agnostic about who owns things.

There is a fundamental philosophical argument behind this that has real-world positive impacts and all those system benefits that go along with it. We need to figure out, exactly to your question, how we demonstrate that in facts and figures so we can make that case.

Q451 **Ms Billington:** Is someone in your team responsible for doing that?

Michael Shanks: Yes.

Ms Billington: I might have just commissioned a project.

Michael Shanks: It is really important.

Q452 **Ms Billington:** There are a lot of people in this room who have been thinking about this for a long time. Everyone has asserted the things that you have been saying. To pass the smell test of Her Majesty's Treasury's bean counters, we rarely get an assessment that qualifies. I would be interested to see what work goes on in the Department to justify what that social and economic benefit is that might pass the smell test not only for the Treasury but for colleagues here, who are looking to see how communities benefit from making this kind of investment of time and money.

Emma Floyd: In all seriousness, we are doing some work on that. It is one of our challenges at the moment. We cannot monetise quite a lot of



those benefits. We have a piece of work to try to build the evidence base so that we can put a pounds figure on those benefits for exactly the reasons you are outlining in terms of making the case.

Ms Billington: The Department of Health has done that kind of thing quite a lot before. There are other people in Government who can help.

Q453 **Claire Young:** I am going to be jumping back and forth at this point because we have covered half the questions. Just going briefly back to planning, we have heard that the socioeconomic benefits of community energy projects are proportionally higher than for commercial developers. How can that be recognised in the regulatory and planning processes?

Michael Shanks: I partly want to be slightly careful. I am not an expert in planning and my Department is not shaping this policy in that space through the local power plans. I want to be slightly careful about that.

The balance that I tried to get across earlier is that projects should be judged on their merits based on the impact they have locally. A whole range of factors are taken into account when those decisions are made. I would imagine that the vast majority of community energy projects will never get to the NSIP threshold, although some might, in which case they will be decided by local councils, which have to balance a range of factors in making that decision.

I hear the argument that is made around, "Well, can you bring in the wider social and economic benefits of that project to the planning decision?" I will take the point away, but there is a complex balancing of those factors that already goes on. I do not want to stray too much into that territory when I am not responsible for it.

Q454 **Claire Young:** I have a different question now. We have increasingly anti-net zero voices, which are feeding into potential resistance to large-scale renewable infrastructure. We know there are examples of community projects contributing to tackling fuel poverty and improving social cohesion at a very local level. Should the Government learn from those initiatives and the place-based work that goes into those to broaden the discussion that is going on publicly about net zero and climate change? It could be a positive argument to be making at a very local level.

Michael Shanks: You are absolutely right. That is the way forward. The consensus on climate action—I will say that rather than "net zero"—is fractured but not broken. It is exaggerated by Westminster politics. In the country there is a lot more consensus on this issue than you would believe by listening to some of the debates that we have in this place. That is borne out by most opinion polls, which show that people want the Government to do even more to tackle the climate.

There is no doubt that that does not always follow through into support for the infrastructure that helps us get there. We have to bridge that gap. Most people are fair-minded about the need for the country to build



HOUSE OF COMMONS

infrastructure for the future, but they are concerned about what that means for their local community. Those are perfectly legitimate concerns. We have to make the case for why it is important nationally.

The benefits locally are absolutely critical. It is the way things are done as much as the actual infrastructure. Do people feel part of the conversation? Have they helped drive it forward? If so, they are far more likely to be in favour of it. Do they feel some genuine benefit from it in their community as well as the national impacts that we want to see? That is the first thing.

The other thing is that, when we talk about the hundreds of thousands of jobs that will come from the transition to clean power, it is important for us as a Government to say that we have thought through how we will fill those jobs, but it is fairly meaningless for individual communities. What matters is the three or four apprenticeships that have been created by a project down the road, so that it has real, tangible local benefits. We need to think of the economic impact of these projects in terms of not just the ultimate generation that comes out of the wind turbines, the solar panels or whatever but the jobs and opportunities that come out of it.

There are some really good examples of that where communities, because they have a 20 or 25-year confidence in the income coming from something, been able to employ people to do jobs in the community that they would not otherwise be able to do or to open community shops or community activities. We can learn a lot from these projects. That is why the local power plan will be framed as, "This is a government ambition, but because this is what communities are telling us they want". We want to be right squarely behind them, helping them to achieve it.

Chair: Lizzi Collinge has the final set of questions. We have gone somewhat over.

Q455 **Lizzi Collinge:** I will try to be quick then, Chair. I want to talk about the UK's international climate policy and links with community energy. Has your engagement with community energy stakeholders on this very ambitious target of 8 GW informed the approach to our international climate policy in any way? Is there any interaction between the two?

Michael Shanks: That is a really good question. I do not directly have as much to do with the international climate work, but I know that a lot of the conversations are shifting from the macro questions about our energy mix to the questions about how the transition affects communities.

I was at the G20 in South Africa, and one of the conversations at the heart of that led by the South African Energy Minister was around their transition from coal to other energy sources and how they recognised that they got part of that really wrong by not managing the transition. They very openly and honestly reflected on that. It was a conversation between countries that were all at different starting points but were all on



a transition. This is a global transition, despite what we might hear in the headlines. There are lessons to learn from that.

One of the interesting things that came out of almost everyone's contribution was the need to focus on local jobs, local opportunities and local ownership of things. That is shared in terms of our European neighbours, who have a longer history of community energy projects, but there is a lot we can learn.

Q456 Lizzi Collinge: That takes me on to my next question. You have talked about the lessons we have learned from our European counterparts, but the International Development Committee has recommended that there is a two-way learning mechanism between us and low and middle-income countries on community energy. I would be interested in any thoughts about that from what we have learned from other countries and what you would say to other countries about your learning.

Related to that, given that we have quite a long-established national grid and other countries do not, in the same way that other countries have skipped entirely over broadband and gone straight to mobile Wi-Fi, are there any examples where countries are not having to worry about the national grid or maybe not worrying about certain aspects of the national grid and are essentially skipping that infrastructure and doing purely locally based community energy projects?

Michael Shanks: There is a lot that we can learn from all of that. Sometimes by necessity countries have skipped to a much more flexible, localised approach. We are seeing a lot of development of solar around the world, for example, in communities that have not had electricity on that scale at all and are building up from that. There are some good examples.

On local energy in particular, there is engagement between local and community energy groups. I have joined the Community Energy Contact Group a number of times, which brings a lot of stakeholders together. They have engagement with international parties, but it is a really useful suggestion for me at a ministerial level and for Government to engage as well.

We want to learn from others and we share our learning as well. NESO, for example, does a lot of work in reaching out to other countries that are looking at how they manage the control centre. I was in Lithuania with some work that the Department has been doing on security in the Baltic states, sharing our learning and supporting the grid there. There are mutual exchanges of information. There is a lot that we can learn from countries that have got further ahead of us.

I would make one last point on this. I was meeting the Ukrainian Energy Minister recently. There is a real series of examples of learning from how Ukraine is dealing at the moment with the catastrophic impact of Russian attacks on energy infrastructure. Part out of necessity, because it is much



HOUSE OF COMMONS

harder to target hundreds of solar panels and wind turbines than a gas plant, they are moving really quickly towards this. The innovation that they have been unlocking as part of that is remarkable. They are doing that under circumstances no one would wish on anyone, but there is a huge amount that we can learn from their experience as well.

Chair: Thank you very much indeed. That brings us to the end of the session. Thank you, Minister, and thank you, Emma, for your evidence and the extended session. That is the end of it. Just to the Committee, we will have a short private meeting to discuss the heads of terms of the report on this subject.