Written Evidence submitted by Bath and West Community Energy (COM0093)

Bath & West Community Energy (BWCE) is a not for profit Community Benefit Society. We are working to put people at the heart of the energy transition, placing ownership and control of energy in local hands via clean energy projects that actively involve and benefit communities in Bath and the surrounding area.

BWCE has so far installed over 14 MW of community owned renewable energy, and has re- distributed to date £430,000 of surplus revenue back into our local community. To date, we have raised over £22.5million through community shares and bonds to develop our renewable energy projects. We have recently established a Home Energy Service which works with a range of partners to support local residents in creating warm, affordable and low carbon homes. We are also researching the potential for community owned electric vehicle charging networks, community renewable heating projects and testing community approaches to minimising peak electricity demand and local energy supply.

We welcome the discussion on stimulating growth and development within the community energy sector, and set out our responses to the consultation questions below.

1. How could the Local Power Plan to be produced by Great British Energy build upon existing community energy support schemes, such as the Community Energy Fund?

Funding
The community energy sector has established knowledge and expertise on the development of local energy projects, and a strong track record of successful renewables projects. In order for the GBE Local Power Plan to build upon the success of existing community energy schemes, it is fundamentally important that there is no hiatus after this phase of the Community Energy Fund (CEF) ends. BWCE recommends that the CEF fund is extended, and short-term funding provided to the sector, until the Local Power Plan is rolled out. Additional funds at the feasibility stage to help communities identify suitable projects would increase the number of high-quality proposals and support an improved success rate for secure CEF stage 1 applications.

Eligibility
Eligibility for LPP funding for community energy should be clearly defined, including legal form (e.g. Community Benefit Society, bona fide Cooperative Society, not for profit Community Interest Company) in order to avoid gaming of the system bringing community energy funding into disrepute.

Partnerships and collaboration
BWCE believes that strong partnerships between Local Authorities and community energy groups is critical to the success of the new Local Power Plan. We suggest that this synergy underpins the Local Power Plan to establish a system of co-delivery and collaboration between the two parties. However, this should not restrict projects from receiving funding where local authority partnerships do not exist.

Where strong partnerships exist grant funding can be allocated through LAs and then distributed to community energy groups in the area.

Acknowledging that there are parts of the UK where there are no community energy groups or limited partnerships between local authorities and the sector, we do not recommend that all grant funding is directed via local authorities. Rather, we suggest that each geographical area is able to determine whether the partnership approach is suitable for that region, and that there is scope to apply independently to the national funding pot, and that application criteria promote partnerships but do not require them.

GBE needs to prioritise the LPP alongside its other priorities and not regard the LPP of secondary importance. In this regard GBE must task senior staff with KPIs related to LPP delivery and generating community benefit as well as getting funding out the door. GBE should report to government against KPIs

related to the LPP in a similar vein. GBE also needs to ensure sufficient knowledge and experitise of the community energy and local authority sectors is integrated at board and director level in order to embed community DNA into the way that GBE is set up and operates. In particular funding needs to be assessed on the level of community benefit it generates as well as financial and technical viability, with an expectation that capital grant funding projects generate a far higher return back into the community than projects that have to service the cost of capital finance.

In order to successfully refinance capital loans provided through the LPP, it will be important to ensure that longer term debt finance is available via, for example, the National Wealth Fund at rates similar to that provided to Local Authorities, alongside tax relief for investment in community energy schemes to drive the expansion in capital raising required to support sector expansion. Tax relief was removed from renewable energy in large part because of the security offered by the feed in tariff, with the closure of the FIT, reinstating tax relief in a limited way for only community energy investment could help underpin the successful scaling of the sector through the LPP.

2. How should the energy market and licensing regulations be reformed to enable community energy projects to sell the electricity that they generate to local customers, without the current barriers, and be properly remunerated for doing so? What lessons can be learnt from other jurisdictions?

BWCE welcomes the suggestion of system reforms that would enable community energy projects to sell their electricity locally. We note that this could play a significant role in reducing capacity pressure on the grid and simultaneously encourage more development of renewable energy projects, making a significant contribution to net zero goals.

DESNZ and Ofgem policies should be developed with this in mind, and offer financial incentives to encourage local energy markets which reflect the role that they can play in reduced grid pressure and the need for costly upgrades to transmission and distribution networks.

Current Ofgem policies do not go far enough in supporting new market innovations that would encourage the growth in renewables and achieving net zero. We suggest that in order to fulfil their remit to act in the best interests of the customer, they are regularly evaluated on how they are supporting these goals, and encouraged to adapt to new market frameworks such as community ownership and local supply, that could make valuable contributions towards progress.

BWCE's recent Fairy Hill project provides a practical example of this. The proposal initially included grid connection at 1.6MVa but the statement of works process imposed an arbitrary cut off 950kVa forcing us to reduce the HV capacity to 949kVa to allow a short connection date instead of waiting for 2037. We then took the opportunity explore using a low voltage connection limited to NGEDs maximum low voltage meter configuration of 650kVa. This new configuration trebled the grid cost but allows for a local supply scheme at low voltage and an HV supply could be sold to a separate off-taker. This is not an efficient use of community development time but did uncover some valuable lessons for the sector. Ideally Fairy Hill would like to have a single 11kV HV supply at 1.6MVa and be able to sell the power as a local supply scheme at 11kV and at an affordable price and less complex grid design scheme.

Regulations need to be updated to allow community energy organisations to supply energy directly to local domestic and commercial consumers from their renewables projects. Legislation must allow for power generated within the same primary substation area to be sold locally using tariffs set at the time by the generators, rather than having tariffs set by the supplier as is currently the case. This would improve balancing of power at a local level and pave the way for a material reduction in the cost of energy for local consumers.

3. How could existing government support mechanisms, such as the Smart Export Guarantee, provide community energy projects with more financial certainty?

Given the relatively small scale of community energy organisations in comparison to large scale developers, it can be challenging for them to engage in the national CFD auction scheme in a competitive manner, since to do so can be a costly and bureaucratic exercise and is only available for projects over 5MW. As a result, the Smart Export Guarantee is the only option for smaller community scale projects and is currently not fit for purpose for the community sector.,

The challenges for community energy groups are exacerbated by the fact that the Smart Export Guarantee provides no financial security. BWCE suggests that this could be addressed by the development of a market based floor price: this could be applied to all renewable energy projects, or just to community energy as an added financial support, as well as providing longer term contracts to help underpin the ability to draw in longer term debt at reasonable rates for larger projects.

The lack of long-term financial stability under the current system inhibits the growth of community energy: our projects require senior debt which can be difficult to obtain because of the lack of long-term PPAs or security. This could be addressed via policy changes which allow for virtual or synthetic long term PPAs to underpin borrowing for new renewables projects. Government-led standardization of the systems and processes for this would be really helpful; for example through the development of template documents and PPAs specifically designed for the Community Energy sector.

4. What are the regulatory solutions needed to minimise the high costs and long delays incurred in securing a grid connection for community energy projects?

BWCE's core recommendation here is to increase the limit for new projects from 1MW to 10MW. This would instantly increase the number of financially viable community-owned renewable projects and enable them to move from pipeline to install. The increase to 10MW would be marginal in comparison to the GW of capacity that are blocking the grid queue at the moment.

As it stands, the restrictions and delays on grid connection for new renewables projects have a significant negative impact on the community energy sector, meaning that otherwise viable projects are stalled or shelved altogether whist waiting to secure grid access.

In order to overcome this, we also propose that community-owned projects are offered a proportion of new capacity as it comes on stream, with a timescale in which it needs to be taken up before the offer lapses. Given the government commitment to deliver 8GW of capacity through the LPP, providing availability to community energy projects in this way would be a recognition of 'need' for these distribution level projects as part of NESO's CP2030 plan. This would in turn help to maintain local support for community renewables and thus financial and environmental benefit to the local area, whilst supporting the drive for net zero.

Other regulatory solutions include better management of the current grid connection queuing system, so that rules around removing unviable projects are enforced, reducing the wait time and costs for those projects that are ready for development. Developing an evidence-based system on whether a project is likely to go ahead after being approved from grid connection would also help to manage the queue and minimise the occurrence of speculative but unlikely projects dominating the allocations, as is currently the case.

5. Should the local benefits of community energy projects be formally recognised as a material consideration in planning decisions?

The community energy sector is uniquely placed to help communities meet their energy needs in a greener and more affordable way. As such we firmly believe that the local benefits of such projects should be formally recognized during the planning application process.

Community energy is able to work with local people, organisations, and businesses to overcome some of the barriers to renewable energy growth. By focusing on the specific needs of the areas in which they work, community energy groups can maximise benefits such as offering targeting funding schemes such as those tackling fuel poverty, or implementing biodiversity projects that match local needs. This in turn can support the nationwide energy transition, as people are engaged and empowered to participate in the shift to net zero. This type of collaboration between community energy groups and their local area mean that benefit to individuals and decarbonization goals is maximized in a way that large scale commercial developers are not able to achieve. As such this contribution should be formally recognized within planning policies as a means to support the expansion of community energy and the local benefits it can provide.

6. What should be the role of Neighbourhood Plans and Local Area Energy Plans in building local support for community energy projects?

Local authorities can play an important role in, and benefit from, the expansion of the community energy sector. BWCE has developed a strong and mutually beneficial partnership with its own local authority, B&NES, formulating a model that has resulted in significant growth in renewable energy projects in the area.

We believe that sufficient funding should be provided to Local Authorities under the LAEPs to allow them to develop partnerships with community energy groups in their area; this would facilitate the development of local renewable assets and reduce risks through joint venture models.

It is important that formal recognition is given to the expertise of community energy groups, and that they are fully engaged in the development of new Neighbourhood and Local Area Energy Plans. Community energy organisations have an excellent track record of engaging and working with local communities and galvanizing support for new renewable energy projects.

7. What is the potential for community energy to incentivise consumer demand flexibility at the scale needed to achieve the UK's net zero targets?

Allowing community energy groups to supply electricity directly to consumers (as set out in point 2 above) would simultaneously allow them to play in influential role in improving consumer demand flexibility. The sector has a huge potential to drive consumer demand flexibility, allowing for more efficient use of the network and balancing generation locally.

We know that installing solar on householder roofs has a significant impact on householder energy behaviour as they seek to maximise self consumption of the solar generation. Community energy seeks to extend this relationship to the community renewables projects nearby to local consumers. As a result this can help drive demand shifting away from peak times as people look to maximise community consumption from the local renewable generation.

We also know from our own projects and through feedback from partners that during community consultations on new renewable energy projects, local residents consistently express a desire for power to be sold directly to those living near the sites. The ability to do this would precipitate greater support for new renewables projects, weaving the principles of community ownership and community benefit that are pivotal to the success of the community energy sector and their ability to make a meaningful contribution to the journey to net zero.

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