

Call for Evidence RESPONSE

# Barriers to community energy

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Response from Regen

28 June 2024

## About Regen

Regen is a membership organisation with over 150 members who share our mission, including clean energy developers, businesses, local authorities, community energy groups and research organisations across the energy sector. We manage the Electricity Storage Network (ESN) – the industry group and voice of the grid-scale electricity storage industry in GB.

**Regen provides independent, evidence-led insight and advice in support of our mission to transform the UK’s energy system for a net zero future.** We focus on analysing the systemic challenges of decarbonising power, heat and transport. We know that a transformation of this scale will require engaging the whole of society in a just transition.

### The evidence for this response

Regen hosted an engagement event on the barriers to community energy consultation, which was attended by 86 energy industry delegates. The feedback received at this event as well as engagement with members and our wider network of stakeholders in community energy, has fed into this response.

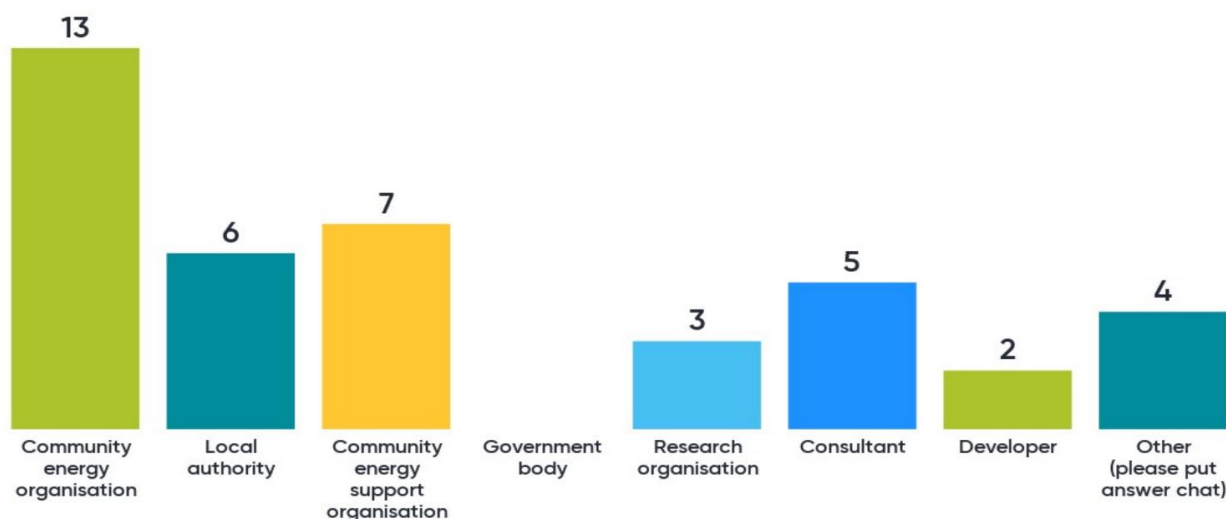


Figure 1: Response from attendees to the question "What type of organisation are you from?"

Our response below is also based on our work in the community energy sector over the past 10 years, including stakeholder engagement through Regen’s multiple forums and projects that we deliver, including our community energy engagement programmes with National Grid and Northern Powergrid.

### Continued engagement

Regen is keen to collaborate with the Government, OFGEM, network companies, community organisations and all other parties to develop a thriving community energy sector.

# Executive summary

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## **Community energy has a critical role in the energy transition.**

The community energy sector – where communities and local organisations develop, and own, renewable energy, as well as engage people in actions to support the energy transition – is an essential component for a fair and just transition to a zero-carbon future.

In an energy sector that often lacks trust, community energy organisations play a key role in bringing the benefits of the transition to a local level, engaging and empowering the people that the transition impacts the most, and fundamentally democratising our energy system.

Many of the changes for a net zero future, such as switching the way we heat our homes and changing our habits of energy consumption, require a strong, trusting relationship between individuals, communities, government and the energy sector – a role local and community energy organisations are also perfectly placed to fill.

## **The focus of our consultation response is on community generation projects.**

A typical model for successful community energy organisations has been to:

1. Have a stake in the energy transition by developing profitable renewable energy projects, providing a strong motivation to be part of and help drive forwards the energy transition
2. Use income from these generation investments to professionalise the organisation, provide local jobs, etc.
3. Use the income and resource to develop and support projects of social, economic and environmental value to local communities, including programmes supporting the most vulnerable in society.

This has been exemplified by the Lawrence Weston wind turbine in Bristol, which will see profits from a wind farm going towards tackling fuel poverty.<sup>1</sup>

There are also other successful models of community energy, such as projects that support energy efficiency advice and retrofit services to both vulnerable communities and able-to-pay customers. Examples include People Powered Retrofit and Exeter Community Energy's Healthy Homes for Wellbeing programme.

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<sup>1</sup> [Lawrence Weston to tackle fuel poverty with wind turbines](#). BBC News, October 2020

Whilst this response touches on the barriers to energy efficiency and retrofit side of the community energy sector, its main focus is on generation. The barriers around energy efficiency and retrofit require wider system changes that are not specific to community energy.

### **England needs a clear strategy and policy focus on community energy.**

Since the publication of the Community Energy Strategy in 2014, and its update in 2015, community energy hasn't been given mainstream focus in key energy policies in England, and general government support has diminished.<sup>2</sup> Regen urges the government to produce a policy framework that re-focuses on community energy in England – to provide clarity, direction and stability to the sector. The approach should build on the lessons from Scotland and Wales.

### **The lack of economic viability of community-scale renewable generation projects represents the greatest barrier to the further development of the sector.**

Despite the many examples of successful community energy projects and organisations, the sector has not been progressing at the pace it could, due not only to the broader difficulties facing the energy sector in the net zero transition, but also the unique challenges and barriers facing community and local projects.

Since the closure of the feed-in-tariff, the biggest barrier for community energy generation projects has been **the economic viability of investments in small to medium-scale renewable generation**. This barrier can be broken down into a number of factors:

- The cost and complexity of planning and connecting projects, including:
  - The effective ban on onshore wind in England
  - A planning system that is inconsistent and underfunded and doesn't prioritise community ownership
  - The cost and timescale of network connections.
- A lack of access to finance and expertise, including:
  - A lack of resource and technical expertise
  - Difficulty accessing early-stage, risk or feasibility funding
  - Access to low-cost funding for project development and delivery.
- A lack of simple price support mechanisms, including:
  - Community energy organisations being unable to access long-term price support
  - PPAs being complex to negotiate.

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<sup>2</sup> [Community Energy: Environment Committee](#), London Assembly, January 2024

**Our response identifies three key areas of action to support the growth of the community energy sector.**

To overcome these barriers and make community projects economically viable, the sector needs more supportive regulation and policy co-designed with the sector, as well as further resource and capacity for community organisations working on net zero.

Key actions include:

1. **Lowering the cost and complexity of planning and connecting projects:** for example, giving weight to community ownership through national planning policy and prioritising community projects in the grid connection queue.
2. **Greater, and more consistent, access to funding** for feasibility and core resource as well as low-cost finance for developments.
3. **A simple price support mechanism** that can provide long-term contracts at a level and that recognises the wider social and economic benefit of community and local schemes.

Regen is keen to work with government to develop and support an ambitious vision for the role that community energy can play in the energy transition in England. We would be happy to discuss this response in more detail and to support government in working with the community energy sector.

# Regen's responses

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## 1. Which type of stakeholder is responding?

f. Other: Independent centre of energy systems expertise

## 2. Where are you, or your organisation responding from within the UK?

Regen is a national organisation working with community energy organisations throughout Great Britain.

## 3. What are the barriers, financial and non-financial, preventing the establishment, development, and scaling of community energy projects? Please include any relevant quantitative and qualitative evidence.

### **Key barrier: England lacks a clear strategy and policy focus on community energy**

Since the publication of the Community Energy Strategy in 2014, and its update in 2015, community energy hasn't been given mainstream focus in key energy policies in England, and general government support has diminished.<sup>3</sup> The 2021 Net Zero Strategy mentions community energy 17 times, but no subsequent energy policy document, including the energy security strategy, has referenced the sector, despite community energy having important implications for energy security and community resilience.

This has led to a general lack of awareness of the importance of community energy, both within government and in the general public; only 26% of British adults have heard of community energy, and just 1% feel well informed on the topic.<sup>4</sup>

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<sup>3</sup> [Community Energy: Environment Committee](#), London Assembly, January 2024

<sup>4</sup> [Community Energy: A climate solution that's potentially right at the doorstep](#), Ipsos and Bristol Energy Cooperative, November 2023

The opportunities presented by more focused support are clear. Community Energy England's '2030 Vision' document<sup>5</sup> states that **the community energy sector could become 12-20 times larger by 2030, contributing over 5 MW, adding £1.8bn to the economy each year and supporting 8,700 jobs.**

Regen urges the government to produce a policy framework that re-focuses on community energy in England – to provide clarity, direction and stability to the sector. The approach should build on the lessons from Scotland and Wales.

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<sup>5</sup> [Community Energy 2030 Vision](#), Community Energy England,

## Key barrier: Economic viability of investments in small- to medium-scale renewable generation

Generation assets developed under the Feed-in-Tariff have proved critical to many community energy organisations, providing an ongoing source of income that can be used to fund other activities and employ members of staff. Many new community organisations are looking to emulate this model but struggle to replicate it in the current market. New community organisations, in the first instance, often look to develop small to medium-sized renewable energy projects, which are more feasible in terms of level of risk and funding – but unfortunately are not at a scale that is currently economically viable.

For example, in 2022, Regen undertook a project in partnership with Devon Energy Collective, funded by Devon County Council, called [Power Allotments, Devon](#). This project engaged communities and individuals across Devon to identify suitable sites for community-owned generation. To try to circumnavigate constraints on the network in Devon that have impacted the cost of larger generation connections, the project focussed on solar projects ~1 MW in scale.

A total of 73 suitable sites were submitted for consideration. However, the project was unable to pursue any of these potential high-quality development sites due to issues emerging around the economic viability of the 1MW scale. The proposed 1 MW scale meant that the project installation and finance costs were much higher than projected long-term income from selling the electricity generated. The project revealed this to be a circular problem:

- New generation projects struggle to proceed due to constraints on the transmission system and reinforcement costs. While these issues previously only impacted larger developments, projects as small as 500 kW became liable for transmission system delays from 2022.
- Reducing the planned project size to avoid these grid constraints caused economic challenges due to a lack of economies of scale. The project installation and finance costs are proportionately higher for small sites, but these are not met with a higher price of power.

In essence, larger community generation projects struggle with the cost and delays around connecting to the network – as well as other issues around resourcing and financing large scale projects. However, in order to be small enough to be avoid these issues, community generation projects then struggle to be financially viable due to proportionately higher costs.



The exception to this currently is where community projects can supply power directly to an onsite or near-site energy user. While these direct wire projects can be viable, they are often difficult to negotiate (see section 3.1) and there are limited numbers of suitable direct wire sites.

The following barriers relating to the economic viability of community generation projects are explored in more detail:

1. Cost and complexity of planning and connecting projects
2. Access to finance and expertise
3. Simple price support mechanisms

## 1. Cost and complexity of planning and connecting projects

### 1.1 The effective ban on onshore wind in England

With community and local groups struggling to find economically viable renewable investments, the cheapest and potentially most viable option, onshore wind, has stalled in England due to the effective ban in planning put in place in 2015 through the National Planning Policy Framework (NPPF).<sup>6</sup> In the years since, only one community-owned wind project has been built in in England, out of only 12 planning applications that were granted planning permission for onshore wind between 2016-2022.<sup>7</sup>

The opportunity cost of this ban will have been significant across England, resulting in missed opportunities: for new community wind developments and organisations; for shared ownership opportunities between communities and commercial developers; and for benefit funds from new commercial developments.

Although changes were made in 2023 to the NPPF, a survey undertaken with community energy organisations in England has shown that communities are still unlikely to bring forward new onshore wind farm projects under the newly updated policy.<sup>8</sup>

**Recommendation: Remove footnote 58 of the National Planning Policy Framework, so that onshore wind is treated in the same way as other renewable infrastructure.**

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<sup>6</sup> [Local Planning for Renewables](#), Regen, May 2024

<sup>7</sup> [The Impact of the 2015 Onshore Wind Policy Change for Local Planning Authorities in England](#), Windemer, 2023.

<sup>8</sup> [Wind-powered heat](#), Possible, February 2024

## 1.2 A planning system that is inconsistent and underfunded

Our recent report, [Local Planning for Renewables](#), examined five issues that project developers and planners have told us are the key challenges for the planning system for renewables and storage in England. Two of these are particularly relevant when considering barriers to the establishment, development, and scaling of community energy projects:

- Developing renewable energy to support net zero is not prioritised within the National Planning Policy Framework (NPPF), and local authority policies on renewable energy can vary significantly. This lack of policy clarity creates an uncertain context for community energy organisations submitting applications. Community energy organisations can lack expertise in planning and the under-resourcing of local planning authorities means they may struggle to get the support they may need to navigate the planning process, for example to help resolve small queries on applications.<sup>9</sup>
- Paragraph 161 of the NPPF sets out that local planning authorities should support community-led initiatives – but it does not set out what this support should involve. One area that support can be given to community groups by local authorities is by including a local policy that gives weight to community owned renewables. A number of local authorities already have a Local Plan that includes this type of policy, such as Cornwall Council. However, the complexities and lengthy timescales of producing Local Plans mean that this is not a viable approach for many local authorities and a more national approach would provide a consistent approach across the country. The NPPF should include a clear national policy that requires local authorities to give additional weight to community-owned renewable projects.

**Recommendations:** Update paragraph 161 of the NPPF to state that community owned renewable energy applications should be given weight in planning. Additionally, a consistent, free, pre-application advice service should be offered to any community energy project.

## 1.3 The cost and timescale of network connections

Grid connections, their cost and timescales, have been cited as the biggest challenge for new generation projects by many of Regen’s renewable energy development members.<sup>10</sup> However, community energy organisations have a particularly challenging time connecting their projects to the network. They are often less agile and are less well-resourced than their commercial counterparts.

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<sup>9</sup> [Local Planning for Renewables](#). Regen, May 2024

<sup>10</sup> [Reforming grid connections: Preparing Britain’s electricity network for net zero](#), Regen, November 2023

They are also confined to a particular locality (i.e. community) and so are unable to move to take opportunity of cheaper or earlier connections elsewhere. This can create inequality of opportunity for local areas and communities benefitting from the energy transition.

**Recommendation:** Provide community ownership / social value preference in the grid connection queue

## 2. Access to finance and expertise

### 2.1 A lack of resource and technical expertise

The community energy sector is volunteer-led, with approximately 70% of the workforce being volunteers.<sup>11</sup> While these volunteers are dedicated, enthusiastic and knowledgeable, they typically work in other jobs alongside their community energy commitments.

With the lack of a simple, accessible business model (see 3.1) for community generation projects, community energy organisations now need to develop understanding of technical aspects of the energy system, such as energy markets, flexibility tenders and power purchase agreements in order to develop viable projects. As a result, some organisations, particularly new ones, are struggling to overcome the technical barriers to entry in understanding the energy system.

To have significant impact at scale, community energy organisations need core funding, professional staff and access to external expertise and guidance. Organisations such as Plymouth Energy Community, Exeter Community Energy and Bath and West Community Energy demonstrate what professionalised community energy organisations can achieve.

**Recommendation:** Provide consistent resource and technical expertise through a support scheme from local authorities or via Local Net Zero Hubs

### 2.2 Difficulty accessing early-stage, risk or feasibility funding

While commercial developers tend to have significant resource dedicated to project identification and development, community energy organisations struggle to find or justify ‘at risk’ or ‘early-stage’ project development resource. During Regen’s engagement event, stakeholders identified feasibility assessments as the number one area they need funded time and capacity for.

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<sup>11</sup> [State of the Sector 2022](#), Community Energy England, 2022

The new Community Energy Fund grants provided by the Net Zero Hubs will make an important contribution to this need. However, it is important that funds continue on a **regular basis** and that the funds are **accessible** for communities, including new groups. One of our members also raised the need **for larger individual payments** to be able to increase the impact of the funding.

Regen’s experience from running Northern Powergrid’s Net Zero Community Energy Fund shows that accessing finance for resource and technical expertise is especially difficult for newer community energy organisations. Grant funding is competitive, with organisations that have experience in bid writing, and previous successful projects, often able to win more bids.

In our experience, the losing bids are not necessarily without merit, but there is simply not enough funding and resource to a) provide funding to all those who meet the grant’s criteria and b) provide the support needed to enable organisations to better meet the funding criteria.

**Recommendation:** Commit to continue, expand and ease access to the Community Energy Fund as a way of providing pre-project funding.

### 2.3 Access to low-cost funding for project development and delivery

While community investors tend to require a lower rate of return than commercial investors, there are still few avenues for community energy to access very low or no-cost loans to reduce the cost of financing projects.

**Recommendation:** Support community organisations to access low-or no interest loans

## 3. Simple price support mechanisms

### 3.1 Community energy organisations are not able to access long-term price support and PPAs are too complex

The price support schemes currently offered do not meet the needs of many community energy organisations. Due to their complexity, the scale of projects required and competitive nature, CfDs are essentially inaccessible to small and medium sized projects, and at the other end of the scale the Smart Export Guarantee (SEG) only provides short term prices that are not sufficient to develop an investment case.

The alternative is Power Purchase Agreements (PPAs), which are a well-established tool allowing generators to sell power to an offtaker, whether that be a supplier or, via a sleeved PPA, a third-party. Many community energy organisation use direct PPAs to supply offtakers. However, while sleeved PPAs have been in operation for some time, these are complex to negotiate for community energy groups. Less well-resourced organisations can struggle to

negotiate long-term agreements and can lack sufficient information about the energy markets, including how network charges or prices may change over time.

The South West Net Zero Hub, which supports public sector and not-for-profit organisations to complete green energy projects, reported to us that almost 65% of the projects they support have business models that rely on trading power, either via a PPA or a private wire. However, if projects are not able to procure an offtaker for these deals, this impacts an organisation’s ability to invest in future projects.

**Recommendation:** Establish a financial mechanism that provides a fixed price to community generators over a long period of time (>15 years).

## **5. Are there any regional issues impeding community energy projects? Please include any relevant quantitative and qualitative evidence.**

There are a number of issues that impact communities differently across England. Significantly, opportunities for the development of renewable generation vary by geography, as do the associated planning policies in local authorities. Rural areas may have greater opportunities for project development, but may face more restrictions in terms of national landscape designations.

### **Network cost and availability varies across the UK**

Organisations located in constrained parts of the electricity network are unable to connect their projects to the network. This results in a disparity between communities who can access the grid at a reasonable cost and benefit from the opportunities of community energy, versus those who do not have this opportunity.

For example, the [network capacity map](#) for National Electricity Distribution’s region shows that the South West region has less than 5% capacity at the majority of Bulk Supply Points and less than 10% capacity at primary substations. This results in costly export limitations and long delays to be able to connect to the network. In our [Power Allotments project](#), the challenge of grid constraints in Devon increased the difficulty of developing a viable community energy project.

### **Local authority support is patchy and voluntary**

Community energy organisations often look to work with local authorities to support their activities and net zero goals. However, there is both significant disparity in councils’ capacity

to apply to grants that might support the sector, as well as disparity in their interest in community energy as a sector. For example, in 2021, more than half of local authority development funding was given out by local authorities in the south west of England<sup>12</sup>.

Examples of local authority support in the south west include [Low Carbon Dorset](#) where Shared Prosperity Funding has been used to provide some grants for communities. Devon County Council has also worked proactively to support community energy for over a decade, working with Regen to support, fund and resource the establishment of the Devon Community Energy Network, and providing grants to community energy organisations.

### **Net Zero Hubs have different approaches to grants**

The Community Energy Fund is being administered by the Net Zero Hubs. However, each hub has developed [different processes for providing the funding](#), some with closing dates and others have a rolling fund. A more flexible system would be more appropriate for early stage organisations who may need help and experience in developing grant applications.

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<sup>12</sup> [State of the Sector 2022](#), Community Energy England, 2022

**6. Where you have identified possible or actual barriers, do you have any proposals for how these might be reduced or removed, and why do you think the actions you propose would be effective and appropriate? Please include any relevant quantitative and qualitative evidence.**

**Scottish and Welsh policy approaches exemplify how to develop a supportive national level environment for community energy**

There are excellent examples of how to provide effective support to community energy from Scotland and Wales. Both these devolved nations have more supportive policy approaches to community energy than England. For example:

- In Scotland, the Local Energy Policy Statement in 2021<sup>13</sup> noted community organisations as a priority within the local energy landscape. The Community and Renewable Energy Scheme (CARES) scheme has **helped develop close to 1 GW of community-owned renewable energy in the country**,<sup>14</sup> and the Draft Energy Strategy and Just Transition Plan<sup>15</sup> points to community energy as playing a key role in maximising the benefits of the transition on a local level.
- In Wales, **a target of 1 GW of locally owned renewable energy** and heat by 2030 has helped set clear benchmarks for the energy sector. Accompanying guidance and best practice has been laid out to accompany Wales’s targets. The Welsh Government Energy Service provides support to the public sector and community enterprises on low-carbon transport, generation projects and energy efficiency work;<sup>16</sup> 97% of this target capacity has already been achieved, 40 MW of which is community owned<sup>17</sup>.

Regen urges the government to produce a policy framework that re-focuses on community energy in England – to provide clarity, direction and stability to the sector. The approach should build on the lessons from Scotland and Wales.

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<sup>13</sup> [Local Energy Policy Statement](#), Local Energy Scotland, January 2021

<sup>14</sup> [Community and locally owned energy in Scotland: 2022 report](#), Energy Saving Trust, March 2023

<sup>15</sup> [Draft Energy Strategy and Just Transition Plan](#), Scottish Government, January 2023

<sup>16</sup> [Local and shared ownership of energy projects in Wales](#), Welsh Government, January 2024

<sup>17</sup> [Energy Generation in Wales](#), Welsh Government, October 2023

**The biggest barrier for the community energy sector is the economic viability of small to medium-scale renewable generation projects.**

There are three elements that could remove or reduce this barrier for community energy projects:

1. **Lowering the cost and complexity of planning and connecting projects.** For example, developing national policy that gives weight to community ownership and prioritising community projects in offering grid connections.
2. **Easier and more consistent access to funding** for feasibility and core resource, as well as low cost finance for developments.
3. **A simple price support mechanism** that can provide long-term contracts at a level that recognises the wider social and economic benefit of community and local schemes.

There are also potential opportunities to support community energy through supporting shared ownership models between communities and commercial developers and through unlocking the potential for local energy markets.

At Regen’s engagement event, the attendees were asked where they felt the most support was needed, between reducing project costs and or providing community energy organisations with a higher price for electricity. The majority of respondents tended to feel reducing costs was a better focus than offering community projects specific higher tariffs – as shown in Figure 3.

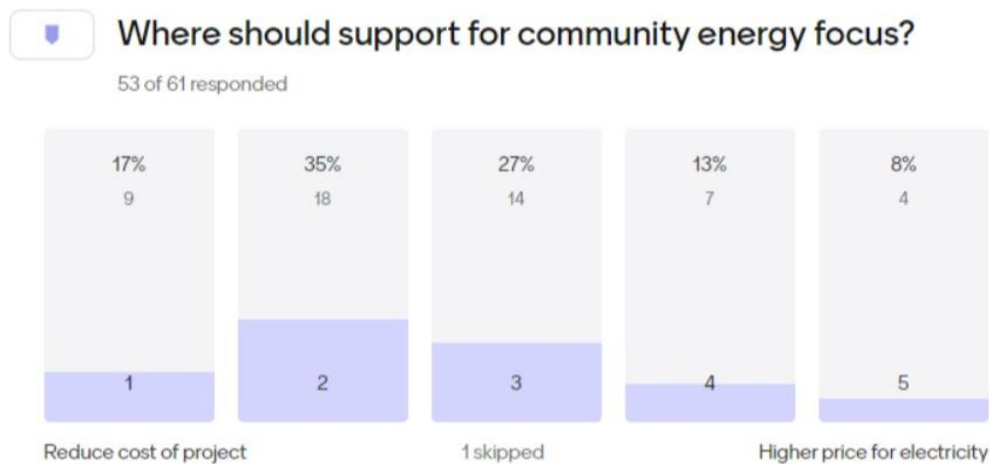


Figure 2: Results from question in Regen's engagement event asking where support for community energy should be focused. The scale extends from 1 to 5 (left to right) with 3 being the equidistant position between the two statements.



## 1. Lowering the cost and complexity of planning and connecting projects.

Improving the speed and certainty of both the planning and grid connection process for community owned projects would lower the cost and complexity of project development, making community projects more economically viable.

### 1.1 Further unlock planning permissions for onshore wind

**Footnote 58 in the National Planning Policy Framework needs to be removed.** This is currently preventing the development of onshore wind in England. Removing this planning restriction could help unlock the potential of community-owned wind in England. As of 2023, there are 17 community-owned onshore wind farms in England, providing significant benefits back to the local area.

For example, the Gorran Highlanes wind farm, owned by Community Power Cornwall, funds other low carbon activities and needed community improvements including insulation for the village hall, LED lighting for community buildings and a community woodland scheme. In the [Wind-powered Heat report](#), we summarise all of the benefits from the 17 community-owned sites in a table. There are many other community organisations that are keen to develop similar projects if this restriction is removed. Some of these organisations are located in areas of high wind and high deprivation, which could lead to supporting those most vulnerable (see Figure 4).

### 1.2 Amend the NPPF to give community ownership additional weight in planning and offer community groups additional support in accessing planning advice

**Community ownership could be given additional weight in planning by the NPPF.** The context of whether or how much the community owns a renewable energy project needs to be considered as part of the decision making process within the planning system.

To support community energy organisations navigate the planning system, **a consistent, free pre-application advice service should be offered** to any community energy project by local authorities.

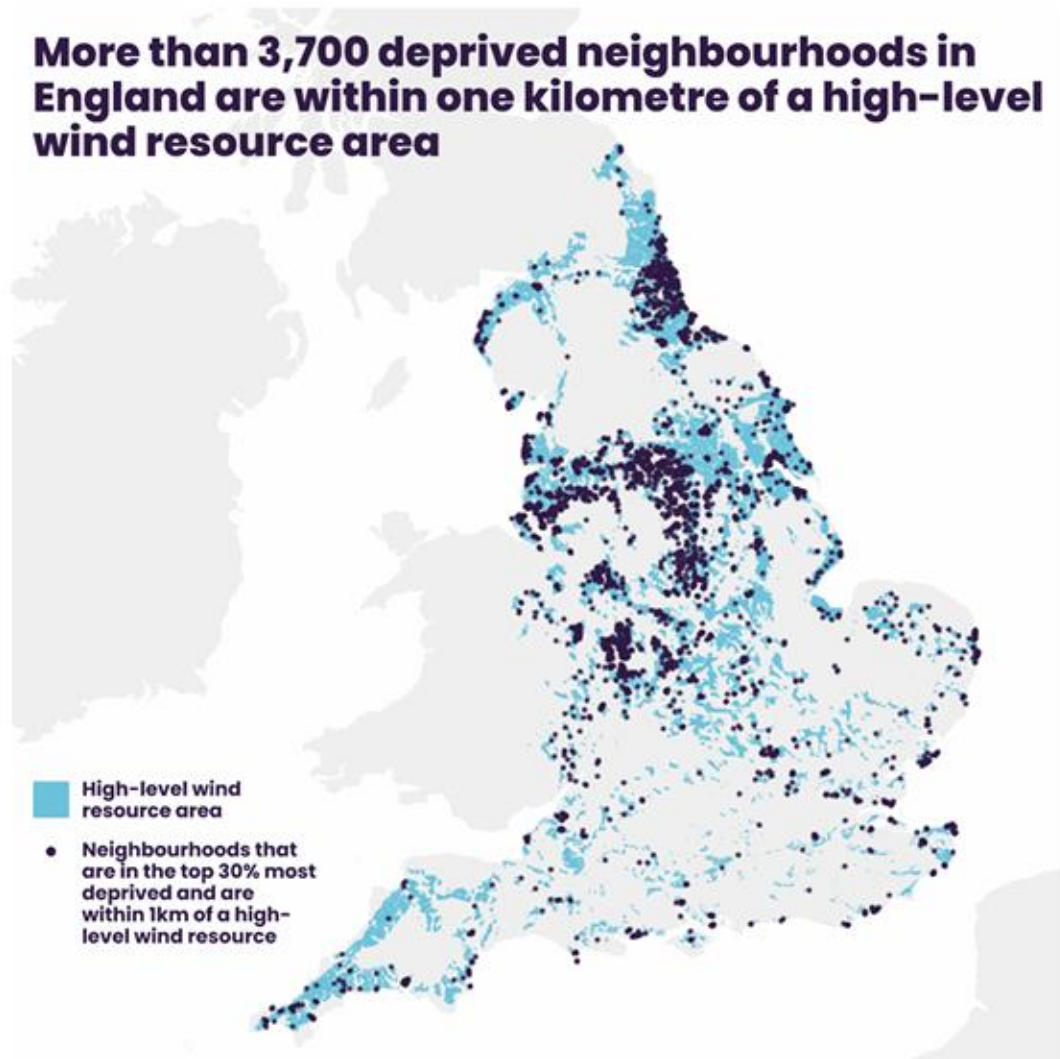


Figure 3: This map illustrates the potential developable onshore wind areas and proximity of vulnerable customers.

### 1.3 Provide community ownership / social value preference in the grid connection queue

To specifically value community energy’s contribution to the energy system, **social value, including community ownership should be considered, and prioritised in the controlled access queue** system that is being developed. This would be effective in ensuring that the added benefit community ownership provides would be acknowledged within the connection system. It could also encourage commercial developers to offer shared ownership options to communities.

## 2. Easier and consistent access to finance and expertise

### 2.1 Provide consistent resource and technical expertise through a support scheme from local authorities or via Local Net Zero Hubs

The Scottish Government's CARES, a resource services for community energy, has been running consistently for over ten years now and has provided toolkits, models and development officers. It has been praised by a range of community stakeholders.<sup>18</sup>

During our event on 5 June, we asked our 86 attendees from local authorities, community energy organisations, consultants, developers, support organisations, utility companies and others to suggest what they would need any funded time and capacity for. They suggested the following:

- Accessing legal knowledge and developing legal frameworks
- Building effective community governance and ownership structures - including developing partnerships
- Conducting community consultations to research what is suitable and acceptable to their community
- Working with local authorities - contacting decision makers at local authorities or having local authority officers with availability to support projects
- Developing financial models or negotiating community ownership with commercial developers
- Co-ordinating and driving a project within a community energy organisation
- Supporting areas that don't have many volunteers and where people are unable to give their time for free

We advocate for **implementing a support scheme** that provides access to expertise to support community energy organisations on some or all of the above points. Alongside this, **direct funding to resource community energy organisations** needs to be provided. This could be integrated with the community energy fund below.

### 2.2. Commit to continue, expand and ease access to early stage and pre-project funding

Access to funding is essential to the sustained growth of the community energy sector, particularly for less established or new groups that don't have an income stream of existing projects. Grant funding and citizen finance can provide support currently, but there are limitations to both - for example, regarding organisations' capacity to successfully apply for competitive grants or their ability to raise citizen finance in lower income areas.

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<sup>18</sup> CARES: Progress and Impact, Local Energy Scotland, 2016

**There is a need for a commitment to continue and ease access to the Community Energy Fund as a way of providing pre-project funding.** It is especially important that this funding is accessible to new entrants into the sector to upskill, identify projects and conduct feasibility studies.

### 2.3 Support access to low or no-cost loans

Access to **low-or no interest loans** is important to enable community energy organisations to finance projects. Having an established system to enable local authorities, cooperative banks and large community organisations to provide guarantees for newer groups could also help accelerate the establishment of new community energy organisations.<sup>19</sup>

Facilitating the growth of expert organisations that support the development of community energy projects, such as Communities for Renewables, is crucial to helping early stage organisations to establish effective business models and to secure finance.<sup>20</sup>

## 3. A simple price support mechanism

A **financial mechanism that provides a fixed price** to community generators over a long period of time (>15 years) is key to improving the profitability of community investments. Providing a higher level of support for community generators would be appropriate to recognise the added benefits of these projects to supporting the energy system (i.e. through potentially reducing network constraints) and the added socio-economic benefits inherent in a non-profit community energy model.

One attendee at Regen’s forum stated *“It is the long term price guarantee minimum rather than the price itself only that is so critical – providing certainty for borrowers.”*

Research has showed that while FiT payments for domestic wind and solar tend to benefit more affluent socioeconomic groups, community energy projects more consistently benefit areas of higher deprivation<sup>21</sup>.

Options for a community price support mechanism could include:

- Expanding the Contracts for Difference (CfD) scheme to include smaller-scale generation, with a separate pot for community-owned generation. The example of Ireland is outline below.

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<sup>19</sup> [Financing community energy: a short guide for banks](#), REScoop.eu, Ecopower, January 2023

<sup>20</sup> [Financing community energy in a brave new world](#), UKERC, June 2020

<sup>21</sup> [All for sun, sun for all: Can community energy help to overcome socioeconomic inequalities in low-carbon technology subsidies?](#), Stewart, 2021

- Further support for PPAs, including underwriting, could be a way to support community energy organisations to participate more effectively in the PPA market.

Community tariffs or support mechanisms could distort the market, with potential wider unintended consequences. Lessons need to be brought from previous schemes, such as on the definition of community ownership from the ‘split FiT’ policy (see section 7).

**Example: Renewable energy support in Ireland (RESS)**

- Based on Contract for Difference (CfD) structure
- Second auction round included a separate ‘**community preference category**’ with a minimum offer quantity of 0.5MW and a maximum of 5 MW.
- Projects needed to demonstrate they were 100% community-owned
- **Nine community energy projects were successful in the first two rounds of the auction**
- They have discontinued the ‘community preference category’ for the third round transferring to the non-competitive Small-Scale Generation Scheme (SSGS).

**Other opportunities to reduce barriers to community energy could include:**

**Developing local energy markets and enabling local supply models**

Regen have called for **regulatory change** to incentivise local projects to locally balance demand and renewable generation through local energy markets.

Enabling and encouraging local energy markets could not only help unlock more economically viable projects for some communities, but also provide valuable system benefits to the network operators. Local energy markets can help networks avoid reinforcement costs by reducing peak loads and access value for this service through providing Distribution System Operator local flexibility markets.

Regen’s paper on local supply models set out current options for generators to sell their energy locally. Regen has also worked with Bristol City Council to carry out an assessment of the feasibility of a local ‘sleeving pool’ matching council demand to local generation.

However, market reform, as proposed by the Local Electricity Bill, is needed to further unlock widespread local supply options.

## Shared ownership

Shared ownership, where energy developers **offer part ownership** options to local community groups, could be an effective way to achieve the benefits of community energy approaches in the current system. Shared ownership was explored in a taskforce that Regen participated in that reported in 2015. The government took powers in the form of a ‘Community Electricity Right’ in the 2014/15 Infrastructure Act; however, these plans were not taken forward by the current government.

Solutions to ease planning barriers and facilitate grid connections could be limited to projects offering a proportion of community ownership, effectively offering incentives for commercial developers to work in partnership with communities on projects. In addition, the government could:

- Voice support for shared ownership as a way for communities to benefit from the transition and encourage developers to consider this approach. (The onshore wind sector deal in Scotland now commits the industry to offer shared ownership on all new onshore wind projects in Scotland.)
- Create support and guidance for developers and communities similar to that provided in Wales and Scotland.

Attendees at Regen’s Call for Evidence event expressed support for the idea:

*“Shared ownership should be a win-win for commercial and community organisations. Communities get access to the financial and technical clout of commercial developers and many times more revenue than they would typically get ... while the commercial developer benefits from community insight and support for its project”*

However, shared ownership is an addition, rather than replaced to full community ownership, as one participant noted:

*“Even if shared ownership will remain the bulk of hope for communities, there should still be support for ‘real’ community owned projects.”*

## **7. Which existing or past government support mechanisms and policies have been most helpful in implementing community energy projects and why? Please include any relevant quantitative and qualitative evidence.**

### **Lessons from the Feed-in Tariff**

The Feed-in-Tariff (FiT) was the most impactful Government scheme in relation to community energy. It enabled a wide range of community energy organisations to be able to access secure, long-term finance that made small-scale solar and wind viable.

The FiT was successful due to the generous level that it was set at, the length of time it was provided for, and the relative ease of the process for community organisations to understand, apply for and receive payments via the supplier.

The SEG, although replicating this process, is not set at a level for a long enough period to raise finance or provide certainty of income.

Another element of the FiT that was beneficial was the “split FiT policy”, which enabled two projects up to 5MW each sharing a site and a grid connection to both access the FiT, if at least one project was community owned. This incentivised commercial developers to develop 10 MW projects, selling half of the capacity to community organisations. Although there were issues with the definition of community ownership that resulted in some misuse of the policy, it was also a major factor in increasing the amount of community owned solar across the UK. For example, for Communities for Renewables, 49MW out of their 50MW portfolio was acquired into community ownership from commercial developers pre or post construction. Lessons from this policy could be applied to the development of new shared ownership incentives.

### **Learning from support provided in Scotland and Wales**

The policy environment and support offered in Scotland and Wales present excellent examples of good practice. Officials should learn lessons from the devolved administrations’ experiences in developing a strategy, policy framework and hands-on support for community energy in England.

## 8. Could you share any evidence, either quantitative or qualitative, demonstrating how community energy projects are supporting the delivery of the UK’s national net zero targets and providing additional benefits (e.g. reducing fuel poverty and improving community wellbeing).

In the most direct sense, community energy contributes directly to the government’s **goal of a net zero energy system** by 2035. In their most recent State of the Sector report, Community Energy England identified a total of 331 MW of community-owned renewable generation across the UK. This scale of development has been achieved against a backdrop of government policy that favours commercial developers.

The potential contribution should community energy be effectively supported could be significantly higher. For example, WPI Economics estimate that by 2030, community energy organisations could contribute over 5 GW of capacity<sup>22</sup>. This would fundamentally reduce the UK’s dependence on imported energy sources and contribute to strengthening our energy security.

Successful community energy generation projects also enable **surplus revenue to be retained and recycled locally**. Surplus is often used to create community benefit funds and to directly support the elements of community organisations’ wider work that are harder to finance, such as energy outreach work, retrofit assessments or low carbon heat investments.

**Community benefit funds** tend to take the form of grants or loans to the local community, funding things like energy efficiency work, local community buildings, local upskilling resources or direct financial support in the form of fuel vouchers for those in fuel poverty. Surplus revenue from large-scale investable projects is often recycled into harder to finance low carbon measures and supporting local energy enterprises which have the local knowledge, trust and engagement needed to deliver them. A considerable proportion of the expenditure of community energy organisations is also local; in 2021, £15m was spent by community energy organisations in the local economy. This leads to increased income for local businesses, strengthening local supply chains.<sup>23</sup>

Community benefit funds are so impactful partly because they are more agile and flexible than other forms of funding. They aren’t trapped in the same time cycles that central governmental

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<sup>22</sup> [The future of community energy](#). WPI Economics, February 2020

<sup>23</sup> [State of the Sector 2022](#), Community Energy England, 2022



funds are, and they tend to be much more embedded in the needs of their locality. For example, during the initial Covid-19 lockdown, Communities for Renewables collective of local energy enterprises rapidly mobilised £100,000 of crisis funding to support those facing hardship in their communities.

Community energy also plays an important role in increasing **social acceptance of renewable energy** and the need to move to net zero. Community energy enables people to learn from their neighbours and the people they trust. It also enables people to have direct experience with and benefit from the energy system, increasing their understanding and often increasing their support for the renewable energy transition.

Support for the sector's growth could also provide a significant local boost in terms of **local employment and investment**. If the sector were to grow in size to ten times its current size by 2030 (300 MW to 3 GW) there could be almost 30,000 new jobs created.<sup>24</sup>

With these far reaching social and economic benefits, community energy organisations and projects can be seen to have a much bigger and wider impact on the local community than decarbonisation alone. The two examples below were shortlisted for Regen's Green Energy Awards this year:

#### 1) **Bristol Energy Co-operative**

Bristol Energy Cooperative (BEC) has been installing generation and raising community benefit funds in the city for over a decade, and has over 1,500 members. They have 15 rooftop installations, and two ground-mounted solar farms amounting to a total of 12 MW. They also have two micro-grid schemes, and two stand-alone battery schemes. Their recent project helped to fund the installation of a 127kW solar array on top of the Bristol Beacon music centre, offering a prime case study of the financial and climate benefits community energy can bring. As well as contributing to the Bristol Beacon's goal of becoming the UK's first carbon neutral music venue by 2030:

- BEC will sell the generated electricity to the music trust that owns the Beacon at a discounted rate. The profits from this electricity will then be returned to community shareholders and funnelled into community benefit project such as supporting Bristol's only community-run pool to stay open.
- The project will result in nearly 23 tonnes of CO<sub>2</sub>e savings.
- The partnership between BEC and the building refurbishment contractor provides a useful reference for maximising the deployment of generation, with BEC's community funded approach quadrupling the size of the array.

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<sup>24</sup> The Call for a Level Playing Field: A Right to Local Supply for UK's Community Energy Schemes, The Poverty and Environment Trust, December 2021

## 2) Exeter Community Energy

Exeter Community Energy (ECoE) is the largest Community Energy Organisation in Devon and provides its services across Exeter, East Devon, Mid Devon, Teignbridge and Torbay. Their “Healthy Homes for Wellbeing” programme is a free service for residents on a low income and living in cold homes with the aims of tackling fuel poverty, cutting carbon emissions and contributing to Devon’s Net Zero targets. They also help residents transition to greener and smart technologies.

Over the course of 2023, Health Homes for Wellbeing has:

- Reached close to 20,000 households with advice through over 500 events.
- Over 6,000 households were helped to save £1.65m, with each £1 of funding turned into £5 of first year savings for residents.
- It is estimated that, following a home visit from ECoE, residents save approximately £1000 on energy bills or debts in their first year.

The programme also provides a sustainable way for low-income residents to have more money to spend on other essential items and keep their homes warm and healthy - preventing illness, reducing GP appointments and premature winter deaths.

The investment for community energy efficiency work comes from both funding sources and from surplus from community energy generation projects.

## 9. Could you share any evidence, either quantitative or qualitative, of the wider system impacts (positive and negative) of community energy schemes and how any negative impacts can be mitigated.

As highlighted throughout this consultation response, community energy has a central role to play in ensuring that communities are at the centre of our future energy system. Many of the changes required in order to meet our net zero targets, such as switching the way we heat our homes and changing our habits of energy consumption, require a strong, trusting relationship between individuals, communities, government and the energy sector – a role local and community energy organisations are perfectly placed to fill. The wider system benefits of community energy, touched upon in previous questions span:

- **Supporting a just transition** – Community energy has been shown to contribute strongly to the goal of a just transition; this includes the stronger inclusion of citizens in energy decision making and energy projects reflective of local need; new job opportunities, upskilling and maximising local supply chains; benefits for typically excluded communities; a local, tailored approach to decarbonisation and locally-tailored solutions. <sup>25</sup>
- **Ownership, optimism and engagement** – greater levels of community ownership not only more fairly distribute the benefits of the transition, but community owned projects can also help instil a sense of pride - in a way that community benefit funds provided by commercial developers struggle to. Within communities with a degree of ownership in renewable generation, greater levels of acceptance, more just and inclusive development processes and more fairly distributed benefits have all been seen. <sup>26</sup>

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<sup>25</sup> [Leveraging local and community energy for a just transition in Scotland](#), Climatexchange, December 2023

<sup>26</sup> [What makes local energy projects acceptable? Probing the connection between ownership structures and community acceptance](#), J. Hogan, C, Warren, M.Simpson et al., December 2022