Date: 25/08/22

Dear Sir/ Madam,

**RE: ‘Scottish Power Energy Networks 2023-2028 Business Plan – Bespoke UM Proposals”**

Community Energy Scotland (CES), Community Energy England (CEE) and Community Energy Wales (CEW) welcomes the opportunity to comment on the ‘SP Energy Networks RIIO-ED2 Business Plan’, specifically with reference to their proposed £30m Net Zero Distribution Fund.

It should be noted that SP Energy Networks engaged extensively with us, as representative bodies of the community energy sector, as well as directly with individual stakeholder organisations, to develop their proposed Community Energy Strategy and Net Zero Distribution Fund – a proposal that we strongly support along with 97% of their stakeholders. We are particularly pleased that SP Energy Networks has committed to ring-fence 25% of the fund (£7.5 million) specifically for low carbon community projects as part of their wider community energy strategy.

Community energy has proven credentials in driving behaviour change, and during the RIIO-ED2 period community support for demand reduction and flexibility activities in particular will be crucial to improving resilience and supporting domestic households’ participation in DSO. Community groups are uniquely placed to act as sources of network generation, demand and flexibility and by strategically funding these types of activity, SP Energy Networks and its customers can benefit from a stronger, more balanced network, avoiding or deferring expensive network upgrade costs. Thus, in addition to the £14.4m net benefit that SP Energy Networks estimate will arise from the funds’ support of communities and vulnerable consumers, we believe there is potential for significant and enduring additional added value to the distribution grid and energy consumers, through increased take up and emergence of new DSO services. Finally, this funding will aid the provision of more real-world data on the essential role of community energy and local energy economies on the networks, and better inform the formulation and targeting of further funding in future business plans.

In our most recent Community Energy State of the Sector report, we found that 81 community energy organisations across the UK reported involvement in one or more stalled projects – 65% more than in 2020 and 32% more than in 2021. The majority of these were electricity generation projects as well as significant numbers of stalled demand side management projects. Organisational capacity and a lack of early stage funding to support this were reported to be key barriers to the progression of stalled projects demonstrating a clear need for financial support mechanisms such as the Net Zero Fund.

SP Energy Network’s Green Economy Fund demonstrated significant local impact across their transmission area in Scotland providing much need financial support to a wide range of energy-focused projects, and the proposed distribution Net Zero Fund has the potential to bring similar benefits to communities in England and Wales.

We believe that Ofgem should not only support SP Energy Networks proposed Net Zero fund but should require all DNOs to offer a similar level of financial support across the UK.

We hope the comments provided will be fully considered and would welcome the opportunity to discuss any aspect of our response further.

**Contacts**

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