

May 2023

Community Energy England response to Ofgem consultation on Future of local energy institutions and governance

Introduction to Community Energy England

1. This is a response by Community Energy England (CEE), which represents 270+ community energy and associated organisations across England involved in the delivery of community-based energy projects that range from the generation of renewable electricity and heat, to the energy efficiency retrofit of buildings, to helping households combat fuel poverty.
2. Our vision is of strong, well informed and capable communities, able to take advantage of their renewable energy resources and address their energy issues in a way that builds a more localised, democratic and sustainable energy system.
3. Community energy refers to the delivery of community led renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.
4. The overwhelming motivation of people and groups involved in community energy is to make a contribution to averting climate catastrophe, followed by a desire to bring community and social benefit.
5. We believe that these motivations should be shared by all working in the energy sector and on energy system transformation.

General comments:

6. We agree that “Without reform, the electricity system, markets and grid become an obstacle, not an enabler, to net zero. It is imperative and urgent that generation and network capacity are closely planned and coordinated to deliver the investment needed.” We agree that planning to date via DNO DFES process has been inadequate and that the ED2 business plan process is not ambitious enough (not helped by standardising to the System Transformation FES scenario after the event) to achieve net zero.
7. We welcome the understanding that changes are happening on a “street-by-street, town-by-town basis” and therefore “The changes needed to the energy system will need to take account of place-based understanding.” This should more prominently acknowledge people and communities, who are barely mentioned in the document, as valuable actors rather than merely consumers. There is a fatal lack of detail about how the diverse, granular ‘local’ will feed into Regional System Planning which is liable to fail to be able to plan for this local distinctiveness.

8. Since this consultation is focusing on the Future of Local Energy, this seems a serious omission, when it is people, living locally, in communities who will be making the energy decisions that ultimately dictate whether we will have a successful transition or not. If we do not use the opportunity of this transformation to put people and communities at the heart of the energy system, improve energy and social justice and the social benefit that good access to energy can deliver, we will have wasted a big part of the point of working to have a future. Ofgem needs to routinely include people and communities as ‘actors’ and ‘beneficiaries’ in its thinking.
9. People and communities must be at the heart of the energy system, built into Local Area Energy Planning from the beginning - not just ‘consulted’ down the line. They have an intrinsic interest in the success of this project, have local knowledge and connections held nowhere else, can invent locally appropriate solutions, and advocate for and carry them out with an inventor’s passion.
10. On the demand side, local actors have a huge amount to contribute. This is a vital dimension without which we will fail to meet net zero. Community energy organisations, trusted and ‘not for profit’, are 4-5 times better at engaging people in energy efficiency than corporates¹, or even local government. They know local conditions and housing stock and can support, and often deliver, energy saving interventions.
11. You state “Needs are different for different regions, with recognition and facilitation needed of locally tailored opportunities/approaches.” (Again the confounding of regional and local.) Community energy knows the needs and opportunities of their local area better than almost anyone and eagerly awaits the opportunity of Local Area Energy Planning work with DNO/DSOs and other key energy stakeholders to bring this knowledge to bear to speed up transformation and help solve local system constraints. We agree with the “Need for the ability to democratise the development of the energy system, ensure greater community buy in” but see no detail on the ‘how’ in the consultation.
12. People can amplify change through their communities. People getting together ‘in community’ can achieve things previously impossible. They become more than the sum of their parts. They can realise opportunities that are of no interest to commercial players and mobilise resources that otherwise would remain latent or dormant.
13. Community energy organisations are key to driving change in communities, supporting early adopters, harnessing the passion, expertise and financial capital of the community to do visible, beneficial projects that people can get involved in, that bend the curve and speed up change. Without the initiative and drive of the community organisation, most of these projects simply would not happen. Therefore, opportunities are realised and synergies are created through community energy that are not within the scope of any other organisation.

¹ Government commissioned research:

<https://www.dropbox.com/s/u2wzf9ouw11wn1v/DECC%20community%20groups%20and%20energy%20efficiency%20report%20FINAL%20DRAFT%20as%20sent.docx?dl=0>

14. Community energy organisations can also be better than other local institutions at managing local systems long term, because they have a responsibility to local investors - who can also pitch in - and the revenue streams can help seed new community projects to snow-ball the benefit.

Questions

Q1. Do you agree with our proposal to introduce Regional System Planners as described, who would be accountable for regional energy system planning activities? If not, why not?

15. Yes, with some strong reservations. In order to “empower communities to realise their decarbonisation ambitions and achieve a fair and inclusive transition to net zero” as described, local context should be the starting point for system planning. It should begin first with coordinated Local Area Energy Planning that then goes on to build up a strategy for each region. (see 20 below)
16. As mentioned, “local net zero ambitions, geography or demographic specifics will impact how and where low carbon technologies are rolled out”, therefore the knowledge that local actors, such as community energy organisations, must be properly acknowledged and enabled to participate in plans as a priority.

Q2. What are your views on the detailed design choice considerations described?

17. There are very few detailed design choices to comment on. We agree it should be independent, regulated, probably national with local branches to coordinate the work nationally. This must not “diminish the importance of other local actors to the process.” People and communities are as usual not mentioned. We see no detail as to how the local which varies street by street, place by place, substation by substation, as you seem to acknowledge, will be fed up to Regional Planning.
18. In Wales the Welsh Government has adopted Local Area Energy Planning (LAEP) for all its 20 local authorities, coordinated by funded roles at regional level. The intention is that the outputs from LAEPs will be aggregated up to inform the national energy system planning. Whilst we understand that not all the LAEPs are perfect with serious omissions - with no onshore wind or distributed energy at all in the Pembrokeshire plan - this can be more easily interrogated and corrected by local stakeholders (as we believe may have happen in this instance) than a Regional Plan. This bottom up way of evolving a regional plan is the right way to proceed to avoid ‘macro-level’ planning that doesn’t enable local specificity.
19. The Westminster Government has not prioritised or funded Local Area Energy Planning. This is a fatal omission to the strategic, holistic development of the energy system. Additionally, the government should undertake to support and fund the strategic, prioritised projects that LAEPs identify. Ofgem should lobby the government in England to do this.
20. Since the energy system is divided up in regions with various monopolies controlling distribution in those areas it makes sense to aggregate the local plans at some regional level.

We agree that it must be independent but with the relevant expertise, engagement and convening power to bring all stakeholders to the table. We see no alternative to the FSO holding this role.

21. You assert that “variability will be enabled by data standards and advanced digitalisation - different users should be able to access their own location-specific perspectives from common planning data.” We hope that whatever organisation oversees the RSPs would be able to provide this. But much local substation data is yet to be digitised and made transparently available to local stakeholders, let alone accessible to regional planning. This must be a first priority that DNOs must carry out urgently to facilitate Local Area Energy Planning.

Q3. Do you have views on the appropriate regional boundaries for the RSPs?

22. Given that the quickest route to national decarbonisation is through electrification the strategic build-out of the electricity distribution and transmission network is absolutely key. Already connection issues, blocking the installation of new generation and demand side LCTs until 2037 in some cases, are threatening the realisation of legal decarbonisation targets. Without wishing to enhance the advantage that these profitable monopolies already enjoy, Regional System Planning should favour the development of electricity assets. We already see gas network lobbying for ‘hydrogen ready boilers’ introducing uncertainty in the decarbonisation of heat which is delaying focussed investment in existing technologies that we know will deliver decarbonisation.
23. We agree, if such existed in England. These sub-regions should not just be identified as convenient ‘branches’ of the energy system. There may be demographic, housing stock, opportunities for renewables and other factors to consider.

Q4. Do you agree that the FSO has the characteristics to deliver the RSPs role? If not, what alternative entities would be suitable?

24. The FSO does not exist yet. Its planned remit could encompass the RSP’s role and indeed it should be a key remit and the organisation should be designed around it. It must recruit people who know the energy system intimately but are not bound by the risk aversion, and regulatory mind set we see at Ofgem and the network infrastructure focus of the DNOs. There must be people who are prepared to lead visionary processes, think outside of the supply-side box, embrace and include the intensely local variability of solutions and synergies that local community energy is innovating all the time, including engaging with people and communities on demand-side solutions.
25. The consultation states “Regional coordination must ensure a place-based understanding of how the regional energy system is planned”. But it gives no indication of a definition of place-based and how village or ‘street-by-street’ scale planning will be factored into regional energy system planning. It must ensure that “those with a democratic mandate have agency to reflect their regional context meaningfully within the process.” It is very exceptional that

elected representatives or their delegated officials have sufficient energy expertise to input usefully, (unless as in Wales they are mandated and funded to be specially recruited).

26. Community energy organisations, which use 100% of their profits to deliver benefit to their communities, very often have the independent energy expertise that democratic representatives lack. Critically, and specifically, they must be included in the Energy Planning process. They are continually looking at how they can maximise decarbonisation and community benefit in a strategic way. This is mostly done at an intensely local level. Even engaging with many local authorities is made too difficult by bureaucracy, despite the benefits it should yield. To get community organisations to engage the process will have to deliver something that is useful to their local work. Most simply will not have the resources to engage in discussions at a regional level, a large percentage of which will be irrelevant to them in their mission of realising as many local decarbonisation opportunities as possible. This is another reason why Local Area Energy Plans, with community energy at their heart, which are then aggregated up into a regional plan, is the key way forward. Doing LAEPs will also show the multi-dimensions of the local that will be missed if regional planning is done at too 'macro' a level.
27. Community energy organisations, with their strong engagement with their local place, trusted status and ability to harness expertise, passion and local money are potential key delivery partners for strategic projects. They are also great at combining solutions in a specifically locally appropriate way. Many energy sector innovations start here and can then be replicated elsewhere. Where community energy organisations have gathered this local power and potential together it should be harnessed in planning the localisation of energy by facilitating LAEPs in those areas which then feed into and provide real on the ground data to sense check the wider.
28. The consultation says that DNO's network planning activities "would need to align to the regional energy system plan (ie by using the same key planning assumptions)". We question how the various actors would be mandated to carry out the plan, which in many cases will run counter to their commercial vested interests. Additionally, how will any critical path be managed to ensure that priority actions are managed so that dependent ones can be planned for in a timely fashion, across multiple actors, vectors and regions? How will the plan be managed to flex in the event of slippage or other factors that may affect the execution on the ground?
29. The FSO will "Coordinate, facilitate and ensure effective participation between local actors". This is a huge task especially in the absence of any pre-engagement on the issue locally via LAEPs. It must encompass not only community energy organisations but engage with communities that have no community energy organisation, multiple levels of local authority, diversity of policy across devolved government, and all the energy system actors. It must do this better than most processes currently existing in the energy sector and include people and organisations that cannot afford professional staff to engage in such exercises.

Q5.Do you agree with our proposal for a single, neutral expert entity to take on a market facilitation role? If not, why not?

- 30. We share your vision that “demand side and local generation flexibility are imperative to meet the scale of the decarbonisation challenge” and agree with your diagnosis that the flexibility market is not progressing fast enough. A regulated market facilitation expert with access to all levels and participants would probably be an improvement.
- 31. Community energy’s experience of flexibility markets is that the opportunities tendered for are often not in their patch and the money on offer is not enough to make a business case for building flexibility assets. If the value of avoided carbon could be added to the value of avoided reinforcement in the value calculation this might change. Efficiency of enabling local supply to meet local demand should also be part of the calculation.
- 32. The result has been that big companies like Centrica have been monopolising the market on a ‘loss leader’ approach which means that it will effectively have cornered the market when it has matured and become profitable. This is not a good outcome and prevents your ambition that “Smaller scale assets must also be able to participate on a level playing field with larger assets.”
- 33. Additionally, very key problems for community energy organisations that have engaged in flexibility have been interoperability of products, access to data, including smart meter data. This will require a nationally (and internationally) joined up approach which a single entity with strong links to government is better placed to deliver.
- 34. To achieve effective decarbonisation we need to treat the energy sector holistically. As we electrify cross vector coordination of flexibility may become less important but coordinating flexibility across use classes of electricity, particularly heat and transport, more important to avoid making demand peaks worse. This involved engaging different industries which produce or install these technologies to ensure that they have flexibility built in.

Q6.Do you agree with the allocation of roles and responsibilities set out in Table 2? If not, why not?

- 35. Yes.

Q7.Are there other activities that are not listed in Table 2 that should be allocated to the market facilitator or other actors?

- 36. Facilitating local flexibility especially when connected to local generation. This is dependent on transparent data at substation level which is still lacking in many areas. This must be prioritised or we have no visibility of the problem we are trying to address.

Q8. What are your views on our options for allocating the market facilitator role?

- 37. We agree it should be an independent role. It should certainly be removed from the ENA (though they should probably be partners) and the DNOs to ensure it is “unbiased by the

commercial interests of the buyer(s)". It should also be independent to design the market and platforms to be a level playing field and not favour any seller (see 38 above).

38. We agree with your stipulation at 4.22: "It must conduct open, participatory processes with wide stakeholder representation." This requires specialist skills that are not widely available or practiced in the mainstream energy industry.
39. If the FSO takes on the role, it should design itself around the function, appointing the right independent and skilled people and ensuring it has traction where necessary with government, industry, and the right engagement with ALL potential suppliers of flexibility, large and especially, small. It should set up virtual barriers between the flexibility procurement function and the market facilitation function which should be independently audited.

Q9. Are there other options for allocating the market facilitator role you think we should consider? If so, what advantages do they offer relative the options presented?

40.

Q10. Do you agree that DNOs should retain responsibility for real time operations? If not, why not?

41. Yes, with conditions:
42. The DNO business plan is based on building distribution assets. We hope that the successful development of 'dynamic markets' will inform but also reduce the amount of network reinforcement necessary. DNOs must be mandated to enable projects that will reduce the need for reinforcement and active real time operations.
43. [Energy Local](#) is supplying cheap local electricity to communities under the Complex Site derogation. In Bethesda it is doing local balancing, flexibility alongside local low carbon power. In Blaenau Ffestiniog it is using local low carbon electricity to power a local heat network which can deliver flexibility at scale. It is reducing power system volatility, smoothing peaks, managing intermittent renewable resources as well as connecting this local system with the customer and managing their (unwitting) participation in all those markets. This sort of project can provide "ex post" data now and should be enabled far and wide to pioneer how local real-time operations can be created linking DER creatively with DSM and thereby reducing the need to actively manage extremes of supply and demand. This sort of joined up operation has the ability to *alleviate rather than cause network constraints*. Similarly creative management of behind the meter assets can contribute to the management of the system if the dynamic markets enable it to alleviate constraints.
44. We agree that "operational decisions need to be more transparent and that significant improvements in operational coordination are needed." and that "effective coordination with other key actors in the sub-national and national system." including community energy organisations, is needed.

45. As mentioned above the obligation to speed up transparency and digitisation of data is paramount.

Q11. What is your view on our proposed approach to the undertaking of an impact assessment as outlined in Appendix 1?

46. We agree that the 'interacting organisations' framework is a good place to start. A plan to engage with local communities including community energy organisations must feature.

47. We DO NOT consider 'timely implementation' to be the end of the decade or the next charging period. If the FSO is due to be set up by or in 2024, it needs to hit the ground running with this at the front of its work plan.

Q12. What is your view on the most appropriate measure of benefits against the counterfactual?

48. To your list of benefits you should add

- a. the multiple social and system benefits of more active participation of residents in the energy system (see Energy Local at 49 above and multiple other community energy projects.)
- b. The multiple [benefits of enabling more community energy](#). Fuel poverty work delivers at least 9:1 social return on investment. Scottish community wind delivers on average 34 times more benefit than commercial project.

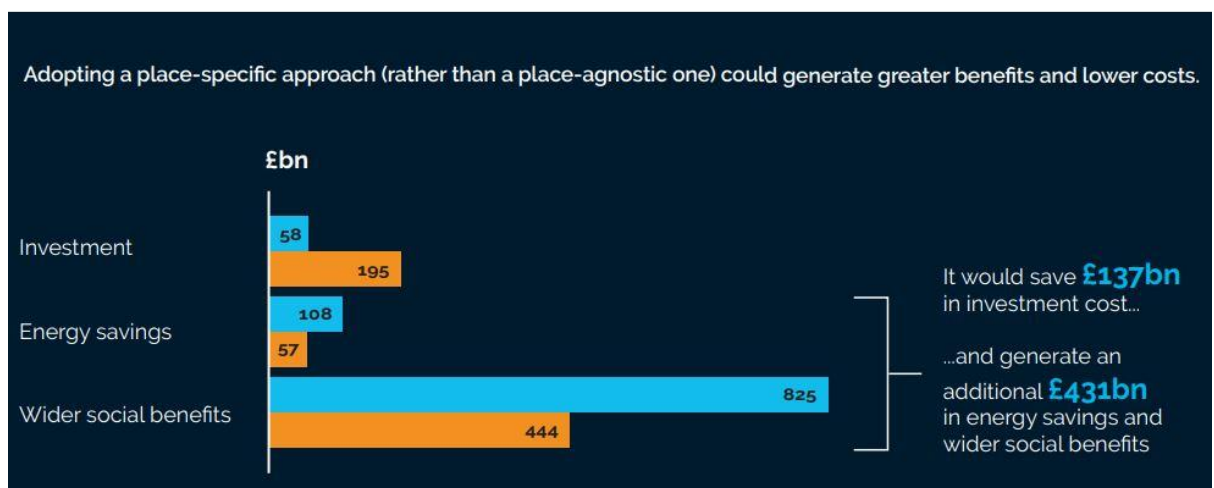
49. We urge you to take account of the benefits of place-specific interventions as report here.
<https://www.ukri.org/blog/accelerating-net-zero-the-right-actions-in-the-right-places/>

Maximising the benefits of Net Zero requires a place-specific approach

There are different ways for the UK to transition to Net Zero

Place-specific assumes city regions select the most socially cost-effective combination of low carbon measures.

Place-agnostic assumes proportionately uniform adoption of low carbon measures across city regions.



Q13. How should we attribute these benefits between the governance changes in the proposed option, and other changes required to achieve the benefits? We particularly welcome analysis from bodies that have undertaken an assessment of benefits, specifically how those benefits might be attributed to different policy reforms that are required to achieve those benefits.

50.

Q14. What additional costs might arise from our governance proposals? We welcome views both on the activities that may arise and cause additional costs to be incurred, as well as the best way to estimate the size of the costs associated with those activities.

51. You need to include support for better facilitation than is currently done by the industry especially to engage non-specialists in local communities and government.

Q15. What additional costs may arise from sharing functions with several interacting organisations? We welcome views on set up cost, lost synergies, and implementation barriers.

52. Community energy is well equipped to facilitate and convene and should be supported to do this where it has capacity. Local Area Energy Planning should be funded, certainly in places which are keen to do it, but ideally across the whole of England, to feed into, and provide evidence for the wider regional system planning.

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Further Information:

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals over 270 organisations. Many of the member organisations are community energy groups, but membership extends across a wide range of organisations that work with and support the community energy sector.

www.communityenergyengland.org