# **Ynni Cymunedol Cymru – Community Energy Wales**’ (CEW) response to the **electricity distribution price control (ED3) framework consultation**

**About us**

**Ynni Cymunedol Cymru – Community Energy Wales** is a membership organisation which supports the interests of community energy groups throughout Wales.

We connect, inspire and support our members – a network of grassroots practitioners delivering energy generation, energy efficiency, low-carbon community heating, community transport, and education and outreach projects – to lead a just transition towards a zero-carbon society.

Community Energy Wales is the voice of the community energy sector in Wales. Our work includes influencing decision makers, promoting the work of our members and researching the sector to continue improving community energy.

As such, Community Energy Wales is uniquely positioned to submit evidence on our members’ behalf, as we maintain our finger on the pulse of their changing needs.

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| **Drivers for change** Q1. Do you agree with our characterisation of the wider context for ED3? Are there any other areas of context that you consider material for ED3? In general, **Ynni Cymunedol Cymru – Community Energy Wales** (CEW) agrees with the characterisation of the wider context for ED3.  In particular, CEW agrees that the grid is likely to see a significant increase in demand for electrification over the coming years which will **stress the distribution system**. As both heating and transport gradually move away from fossil fuel burning to power them, we are looking to the electricity network to provide all our future needs – and it is essential we **broaden our thinking towards a new network of separate yet interconnected community-level schemes**, supported by large-scale, developer-led generation delivered through the transmission network.  As the government’s LPP “aims to invest £1bn annually in **local energy**, **encourage smart demand management** and **accelerate local renewable power projects** in areas with supply/demand imbalances”, CEW proposes an even greater decentralisation of the energy system for generation, storage heating and transport than that proposed. One proven way of doing this is via schemes such as the one operated currently by [Energy Local](https://energylocal.org.uk/) to create a ‘whole energy system’. Energy Local is a not-for-profit organisation that has pioneered local energy markets using ‘complex sites’ across the UK.  **Local Energy Markets**  The **potential for local and distributed generation**, coupled with a **local trading and whole energy system approach** downstream of each substation, has been under-explored and work should be done to **properly maximise this opportunity** during the current price control period and informing business plans presented for ED3.  A local energy market is an arrangement that allows for trading between local generators and local people. It provides a mechanism for them to agree a price for locally generated power. Households and local businesses can benefit from cheaper power, which helps tackle fuel poverty and contributes to local economies. They can also be incentivised by different tariffs to shift demand away from peak times, helping the network run more efficiently and manage capacity through local ‘balancing’ of demand and generation.  It also provides generators with a subsidy-free viable market, potentially improving the financial case for small-scale community renewables.  Energy Local has implemented this concept by enabling a local group of households and businesses to form themselves into a new type of organisation – an Energy Local Club (ELC) – with the **consumers and the generators as members to enable local balancing**. Everyone in the Club must switch to the same supplier, which provides all the billing and licensing responsibilities. All members have half-hourly metering through smart meters. Each half hour, local generation is shared out to the members using power. By agreeing an **internal price for power used locally**, the **generator can earn a higher amount** and **demand customers receive cheaper power**.  However, it should not be left to community projects and homeowners to do all the work in incentivising consumer demand flexibility at the scale needed to meet the UK’s targets; Ofgem, the Government, energy suppliers and utilities companies will all need to ‘do their part’ to make consumer behavioural change successful. |
| **ED3 objective and consumer outcomes** Q2. What are your views on our overarching objective and proposed consumer outcomes? **Overarching objective**  Community Energy Wales (CEW) broadly supports the overarching objective, especially the sections highlighted in bold: “*the price control should ensure that* ***current and future consumers’ interests*** *are met by electricity distribution networks providing the* ***necessary network capacity*** *to enable decarbonisation goals, at least cost, based on* ***whole system value***”.  As stated in our response to Q1, providing network capacity is more than just building additional capacity – and must including making better use of existing capacity and promoting new or novel (but not new) ideas such as local energy trading/markets. Growth for the sake of growth in building the grid is neither desirable nor achievable, and would not work towards decarbonisation goals.  **Proposed consumer outcomes**  As for the consumer outcomes, the **smarter networks** outcome is by far the most urgent in CEW’s opinion. Local energy markets/trading uses leveraged data, digitalisation and innovative solutions to optimise networks and their role in the overall system. Additionally, this would increase the transparency and value of network data to both stakeholders **and consumers**, who would be able to have access to and make immediate use of their consumption data to reduce bills, save money, reduce stress on the grid and even balance the grid when under strain. |
| **Networks for net zero** Q14. What do you see as the role of distributed flexibility, both in the short and longer term, to manage distribution network constraints?Q15. How do we ensure that network flexibility is used only when it is in consumers’ long-term interests in ED3? Overall, it seems that Ofgem are convinced of the value of distribution-level flex, not as a way to defer network investment (which is sometimes used as justification for local trading/markets), but rather see the two as complementary. Ultimately, we will likely need a combination of both to ensure sufficient flexibility.  Incentivising flexibility among consumers (encouraging them to play an active role in their energy use to help balance the grid, but by framing the narrative as positive change rather than something to be ‘compensated’) and wider local trading/markets/community schemes have been shown to promote greater participation among consumers[[1]](#footnote-2) than simple price/system response signals.  One of the simplest ways to achieve this is to give them insight into their own use/consumption, so that they can see in real-time how much of a difference they can be making. [Energy Local](https://energylocal.org.uk/guide1)’s guide to this provides a great initial overview of helping people understand their home’s electricity usage. |
| **Resilient and sustainable networks**  More local, more distributed assets should be deployed to secure better resilience. The current direction of travel towards larger and more centralised assets should be mitigated by maximising the development of local assets and the flexibility of the network to keep smaller and more local parts of the network functioning in the face of climate hazards.  **Supply chain and workforce resilience**  Q63. What specific issues are supply chains facing and what measures should we take through the regulatory framework to mitigate these issues?  Supply chains are facing global pressure, both in terms of availability and competition for materials and parts, and for skills and labour. This could become a bottleneck and a risk. Local energy trading can help to address this by reducing / attenuating the investment curve: community-led whole energy systems facilitated by local trading can make a substantial contribution to easing pressure on the grid while scaling up the community energy sector and supporting a just transition. Localisation of generation and heat network assets also has potential to increase the reach for new skills and labour force development, building a positive narrative of opportunity and long-term circular economic benefits.  Public opposition, logistical barriers and costs mean that we cannot rely entirely on large scale generation and new transmission lines. Community owned, small-scale generation is popular and can be optimised through local energy markets.  Local energy markets mean cheaper bills for energy users and better rates for energy generators. It would lead to a profound change to people living in fuel poverty.  Local energy markets allow small scale generators to have a viable business model, meaning communities can develop and own their own energy projects.  Finally, many older energy projects that are reliant on the feed-in-tariff or ROCs will need repowering soon in a completely different energy landscape to the one that they were developed in originally. Grid capacity and infrastructure are at danger of being wasted if we do not repower these projects. A local energy market would provide a viable business model for repowering. |

1. For more information, please see the following report: [Powering participation: exploring how creative engagement can unlock domestic Demand Side Response](https://www.churchillfellowship.org/ideas-experts/ideas-library/powering-participation-exploring-how-creative-engagement-can-unlock-domestic-demand-side-response/) [↑](#footnote-ref-2)