



Response to ETQ8 – Community Benefit Funding pass-through mechanism

Purpose: To provide TOs with funding to enact the government's Community Benefit Funding policy.

Benefits: Improved community buy-in to the construction of new ET infrastructure, reducing ET build times.

Summary

- The current Guidance from DESNZ and within the Draft Determination lacks detail on what is meant in certain key areas which is likely to lead to TOs taking a conservative interpretation of these terms.
- This approach is likely to harm the achievement of the benefits set out above.
- Clarifications suggested below would have material benefits to the community, the TO and the national just transition to net zero.

Background

This response is from the wider community of the Glenkens in Dumfries and Galloway and is based in our lived experience of utilising community benefit monies for nearly a decade. The area currently receives community benefit monies from two windfarms and will receive monies from a further wind farm starting next year. In addition, SPEN are currently proposing to build a new transmission line through our area which will provide transmission capacity to many more wind farms, some of which are already consented.

We are a well-organised, high-capacity community with a strong track record of delivering our communities' priorities through effective administration of wind farm monies based on clear strategies and an action-oriented delivery model.

Planning for success

If community groups are to be able to take forward projects to utilise community benefit monies to maximise the outputs achieved in their communities, then they need to have the capacity and resources to enable such projects to be developed, analysed and planned.

This pre-work is a necessary foundation for the delivery and completion of successful projects.

Local organisations developing these projects are usually charities or third sector organisations where the trustees by law must do the work pro bono. Allowing them funds to access 'paid for' development support is the only credible route to allow them to convert the ideas and needs of their communities into tangible, high-quality deliverables.

Areas of concern

In the DESNZ Guidance and in this draft Determination there are a number of terms and concepts used that are at a very high level and are therefore capable of being interpreted in various different ways. This may well erode the achievement of the benefits of this funding as highlighted above, because as regulated entities, the TOs are likely to take a conservative interpretation in order to safeguard their ability to pass through costs.

We therefore believe that more guidance is needed on what is meant by and what is covered within the '10% delivery costs'.

We do welcome the proposal that the 10% is calculated on a portfolio rather than project level.

However, it is not possible for us to comment on whether the 10% cap is appropriate without more clarity both on what is included within those delivery costs and on when community benefit monies can start to be paid.

The Guidance from DESNZ states:

... we expect all of the funding to be delivered by developers within 15 years from the start of a project's construction. We anticipate that the majority, if not all, of the funding will be spent during the construction period but want to provide some degree of flexibility.

We are already seeing that what is meant by 'construction period' is open to interpretation. Does it start when the main contracts are let or when the first 'spade is in the ground' for formal construction of the line itself? We have been told the latter.

This means that, for example, for the KTR transmission line first mooted a number of years ago and granted s37 consent in February 2025, the impacted community is being told that we will not have access to any community benefits until formal construction begins - currently planned for 2027 - with an expectation that the monies will be spent by 2031 (the end of the construction period).

However, significant tenders are already being let for this project, such as for the geotechnical pre-works.

Communities as strategic partners

As set out above, first-class delivery of good projects needs effective pre-planning - community engagement, due diligence, options analysis and consents - and this all takes time, resources and money. This work is of course best delivered by people based in the community with detailed knowledge of what is needed and existing relationships.

Each community will be different and therefore their needs will be different. Some may have well established Development Trusts or other organisations who have the capability to do this work if given the resources/money to do so, while others may need to be given more support to build this capability.

Some communities may also have robust Community Action Plans setting out what the community wants but need funding to turn these ideas into deliverable projects. They will need less support on project animation and more support on resources for project management.

It is currently unclear whether Ofgem and DESNZ see these types of support being covered from the 10% 'cost of delivery' pot or from the community benefit monies themselves.

This lack of clarity, together with the later date of commencement of payment of the community benefit funds as currently interpreted, makes it very difficult for the TO and the community to work collegiately to build long term benefit. The TO wants, understandably, to ensure that it can achieve cost recovery of any monies paid out, while the community wants to get on with project delivery in response to their community need. Early project delivery also facilitates the Just Transition, by ensuring that residents can make a timely link between national infrastructure upgrades and positive change within their own communities.

These desires can easily get in conflict with each other and undermine the achievement of the objectives which benefits no-one.

Solutions

This is a new construct for all involved and we understand the desire to ensure that delivery costs are economic and efficient, but no one currently can be confident on the quantum needed. The TO will want to ensure that it does not run the risk of breaching the 10% limit if that is followed through in the Final Determination and will therefore be very careful in the early days about committing expenditure from this pot until it is more confident about how these new arrangements will work.

We believe that this potential conflict could be mitigated by **enabling community organisations to get access to the larger pot of community benefit monies at an earlier date in the project delivery to enable projects to be planned and developed.** We do not believe these types of costs are within the definition of delivery costs – we believe them to be project costs - but would welcome this clarification, as would the TOs we imagine.

The TO will have made major financial commitments and spend long before formal construction starts (e.g. geotechnical surveys, access road construction) so it feels unnecessary to prevent community groups accessing community benefit money until formal construction starts.

If this is not the intent of the current guidance, then this needs to be explicitly clarified, as at present TOs are (understandably) taking the most conservative interpretation.

Earlier access, say at the time the major construction contracts are let, would enable good planning that would enable 'shovel ready' projects to commence on formal construction starting. On this basis, the impacted community would see visible delivery of community projects in parallel with construction, which surely has material benefits for both the community, the TO and the national just transition to net zero.

Case study

Housing is a key issue in rural areas but there are a number of steps to go through from recognising this need to having houses occupied. For example:

1. If public funding is to be sought, then there needs to be a robust Housing Needs and Demand Assessment commissioned and completed.
2. Once a site is found, then a Design Team needs to be appointed to achieve planning permission. This needs to involve effective community engagement as well as architects and (often) lengthy liaison with Local Authorities.
3. Once Planning Permission is achieved, then tender documents need to be prepared and an effective tender process run to ensure that the project costs are fully understood.
4. The output from this is needed to ensure that a full funding package (probably from a range of funders) can be put in place.
5. Once funding is in place, a contract can be let and construction can commence.
6. Only then, and after much time, project management resources and commissioned studies, will the much-needed new homes be completed and occupied.

Looking at the two funds under discussion, it feels that item 1 (the HDNA) could sit within 'Delivery costs' but that items 2-5 could and should be funded from the Community Benefit Monies. The costs in items 2-5 can be treated as capital spend on completion of the project.

We have recent experience of community house-building in the Glenkens and, for a modest development, the costs of items 2 and 3 alone are likely to be in excess of £60,000 and the process will take over a year.

These early development costs are also the most difficult for community groups to get funded as they are, by their very nature, riskier. However, if this work is done well then it materially assists the achievement of capital funding where there are more funders available. In this way, if these early costs can be funded by the transmission 'community benefits' fund, it can facilitate the leveraging-in of additional monies to the community. This is a win for all involved.

Delaying the access to community benefit monies until construction starts will delay projects being delivered and potentially lead to their final delivery being well after the end of the construction period, due to the time delays as set out above in the case study.

Conclusion

If the benefits from community benefits are to be achieved, we would suggest the following:

- that more clarity is given on what is covered by 'delivery costs' (10% cap). Clarity will facilitate better engagement between TOs and communities and better joint understanding of the requirements.
- that there is recognition that these are early days where we are all working through new arrangements, and therefore that flexibility is needed while ensuring costs are efficiently and economically incurred
- that community benefits are made available, with appropriate safeguards, in parallel with the *overall* programme of work to deliver the new transmission asset and are not delayed until the start of formal on-site construction.

These clarifications and adjustments would ensure that the impacted communities will see **visible** delivery of community projects in parallel with construction, which has material benefits for the community, the TO and the national just transition to net zero.

Thank you for your consideration of these matters and for taking into account our on-the-ground experience of how community benefit administration directly impacts our communities.

You can see our work on behalf of the Glenkens communities here:

[Glenkens Hub - Community Action Plan \(CAP\) Steering Group](#)

[Glenkens Hub - Glenkens Hub - Glenkens & District Community Action Plan Steering Group Annual Report 2024](#)

If you have any questions or would like to discuss this further, do contact glenkens.capsq@outlook.com.

With best regards

Robert McTurk

Chair

Glenkens & District Community Action Plan Steering Group.