

Transposed from Email

Ofgem consultation: Non-traditional business models-supporting transformative change in the energy market

I am responding to the above consultation. A separate response will be submitted by Highlands and Island Enterprise (HIE). We support fully their detailed submission and the supporting evidence of specific examples of projects in Scotland. The Scottish Government works very closely with HIE in helping communities and other organisations to get involved in renewables be that as generators, suppliers or acting in an intermediary role. It is not the intention to repeat what HIE has submitted but instead will give a general overview of the situation in Scotland and the future policy direction.

Over the last 10 years, the Scottish Government has been leading the way across the UK in how we support community energy. Our support for community projects reflects the importance in empowering communities to take control of their own destiny and make the most of their own local resources. We have set a target of 500MW of renewables in community and local ownership by 2020. The target is unique in the UK, recognising the huge economic return to Scottish communities who come together to make use of the green energy resource around them. The value of the target has been independently estimated at up to £2.2 billion over the operational lifetime of those projects. We are making good progress with around 360 MW operational as at June 2015.

As outlined in our draft [Community Policy Statement](#), the Scottish Government is encouraging Scotland's communities to grasp the opportunities of a whole system approach to community energy. By moving towards a more decentralised energy system, with local system of energy production, distribution and use, Scottish communities have opportunities to attract new investment, reduce their carbon impact and take ownership and control of new assets with revenue streams. This type of approach does mean that the traditional model for supply and demand of energy does not work and new models are necessary to meet this emerging approach of capturing and retaining more value at a local level.

In order to provide early impetus, the Scottish Government introduced as new funding programme - Local Energy Challenge fund to invite demonstrator projects for new community low carbon energy systems, encouraging innovation in community projects in Scotland. Six projects were successful in the first round of the fund. In discussions with Scottish government, Ofgem agreed to review our shortlisted Local Energy Challenge Fund projects on an informal basis and to help to monitor the programme. This would not however remove the obligation on individual applicants to consult with Ofgem formally on regulatory structures where required. See attached email send on 8 April. We have not yet received a reply.

In Scotland we are also seeing new public sector entrants into the energy supply market. The main driver for this is remote and rural communities often have fewer choices when it comes to their energy suppliers, so the formation of Local Authority Energy Supply Companies may be an opportunity to improve competition and offer a wider range of tariffs.

The Scottish Government is providing funding to a partnership of 7 Registered social landlords, working with the Renewable Power Exchange and others, to test the potential of establishing a vertically integrated Energy Services and supply company to generate renewable energy and target supply to low income households.

Another driver for new entrants into the energy supply market is lack of access to the grid. In many parts of the Scotland this is a particular problem which is holding back development. Many

communities who are seeking to develop renewable projects in these areas are now looking as innovative solution to “sell” their electricity. Some examples are via a private wire or some ESCO type agreement. I would refer you our response to you Quicker and more Efficient Distribution connections- attached for ease of reference.

In summary there is an appetite in Scotland for communities to take more control of their local energy systems. The Scottish Government wants to encourage this shift, putting communities at the heart of decisions about their local energy system, and empowering them to take an economic stake in new developments. This is the chance to transform energy ownership in Scotland and move it into the hands of the Scottish people. The business models will need to adjust/reform to ensure a more inclusive approach to support more bespoke arrangements at a local level. I hope this is helpful and would happy to be involved as the work progresses.

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