

Briefing: Energy Bill Committee Stage Community Energy Enabling Clauses 272 and 273

In the midst of an energy price crisis when cheap, clean, home-produced energy has never been more vital, there is huge potential nationwide for growth in small-scale renewable energy generation – especially by community groups that can provide cheaper, greener power and reinvest profits from selling it locally.

To help unlock this potential, a cross-party group of Peers worked together to add clauses 272 and 273. Now, the Government are proposing to remove them. Ministers have proposed no alternative, despite repeatedly claiming they want more community energy. Furthermore, over half the House of Commons have backed similar proposals in this Parliament as a result of a popular nationwide campaign.

Community energy schemes currently generate a mere 0.5% of the UK's electricity. This could grow twentyfold in ten years, according to studies by the Environmental Audit Committee and others. This would power 2.2 million homes, save 2.5 million tonnes of CO₂ emissions a year, create over 30,000 jobs, reduce dependence on energy imports, boost local infrastructure investment, reduce people's bills, reduce electricity system wastage and drive the public's appetite for the transition to a sustainable economy.

The Government's Untenable Position

Ministers have said repeatedly, over several years, that they want growth in community energy generation. You can read their words here <https://powerforpeople.org.uk/ministers-statements-on-community-energy>. But the Government oppose these clauses, yet have proposed no alternatives.

At Second Reading, Minister Bowie, said, "Many Members raised community energy schemes, which I strongly agree have a role to play in tackling climate change. While it would not be appropriate to mandate suppliers to offer local tariffs, and this should not be a commercial decision for suppliers, I reassure the House that my officials are actively looking into what further support we can offer the sector."

We agree that community energy should stand up on its own in the market, without the need for subsidies. That is why clauses 272 and 273 set up a market-based solution to enable local selling. Current regulations make this impossible: not one existing community energy scheme sells directly to local customers.

The clauses do not fix a price – clause 272 says it would be for Ministers to determine with OFGEM advice – but do establish monitoring to allow adjustments in the set price over time, which could be increases or reductions, depending on growth levels. Experts have suggested a rate of around 5-10p per unit.

When we turn on the kettle at home, we pay about 30p a unit. Under the Government's Contracts for Difference schemes, which sets a fixed price for larger low carbon generation, prices for onshore wind are guaranteed at around 4p a unit, whilst we are seeing a guaranteed 4.6p a unit for commercial solar and 17.8p for tidal. The Hinkley Point nuclear power station is guaranteed 11.7p a unit. The guaranteed price for community energy that these clauses would set will be comparable or lower than these other sources.

Imagine we applied the same terms to the corner shops which operate alongside supermarkets. Local shops have an important role in our towns and cities. But if someone wanting to open a new local shop had to go through the usual planning application plus everything required of Tesco when opening a new supermarket, e.g. traffic surveys, Section 106 grants etc., that would be totally unreasonable. The result would be no small shops. But we do not require this. We simply want the same for small energy generators.

In pressing for this basic principle to be applied, we and supportive MPs have been very flexible. Peter Aldous MP, in his original version of the Local Electricity Bill, tried to make the legal costs of selling energy proportionate to the size of the generator, but Ministers rebuffed this on the grounds that the licensing and standards were too complex. So now David Johnston MP has piggy-backed the process onto existing larger licensed energy suppliers with his improved wording, which is directly reflected in clauses 272 and 273.

This approach does mean fixing a price. This is no different in principle to the Government's Contracts for

Difference scheme that so much of our new generating capacity is built under. Ministers also often claim that new nuclear power is not subsidised but, rather, has been guaranteed a price for the energy produced.

The campaign and MPs supporting it have simply been trying to find a way to deliver what Ministers have been promising to do for years. Ten years ago Conservative Energy Minister, Greg Barker, wrote “move over Big Six, we need the Big 60,000”. But at every stage Ministers reject proposals yet fail to provide their own.

The logic is this: Ministers now have a choice. Either stop claiming community energy is a good thing we should have more of and be honest by telling people they do not value it sufficiently to bring mechanisms forward that will grow it. Or put forward new mechanisms that reverse the stagnation. Currently they claim they want more while doing nothing – and now actively obstructing – measures to increase its provision.

We and supportive MPs from all parties have been clear that if Ministers have a better way to deliver, we are fully open to it. But it has now been three years since Ministers in this Government first promised more community energy and next to nothing has happened. And nothing in this debate so far suggests that if Ministers are not pressed further on this issue, we will see the promised but never delivered growth.

We ask Committee Members to support these clauses and to ask the Minister at the debate that, if he does move for the removal of them, given the huge levels of Commons and public support, what does the Government propose in their place?

Blockages

Community energy schemes have seen almost no growth for six years, despite renewable technologies being cheaper than ever. Energy market regulations create prohibitive costs in accessing local markets. Not one single community energy scheme sells their power directly to local customers. The “License Lite” route to market and “Smart Export Guarantee” Government interventions have failed to create growth.

Solution

Small-scale renewable energy generators need to receive a guaranteed, fair price for the electricity that they contribute to an energy system in desperate need of homegrown energy. Community energy schemes should be enabled to sell their power to local households and businesses.

This solution is contained in the Local Electricity Bill, supported by 128 Conservatives MPs and 323 MPs overall, over 110 principal councils, over 90 national organisations including the National Trust, the Church of England, CPRE, the Energy Saving Trust, RSPB, WWF, Greenpeace and Friends of the Earth, four of the Distribution Network Operators and Rt Hon Chris Skidmore’s recent Net Zero Review.

Clause 272 would provide a guaranteed income for the electricity from small-scale renewable energy generators (capacity below 5 megawatts). This would mean communities are properly remunerated for their contribution to the energy system and thus could raise funds to expand existing projects or establish new ones. The guaranteed price would be set annually by OFGEM, with a 5 year initial contract guaranteed. Community energy sites will be separately registered and progress monitored, with annual reporting, to ensure the mechanism is delivering on the huge potential there is for such schemes.

Clause 273 would enable community schemes registered under the clause 272 guarantee to sell the electricity they generate locally. There is no obligation – some schemes may raise sufficient investment due to the clause 272 guarantee. However, a community energy group could sell the electricity it generates directly to the local community – perhaps because it believes it can offer a lower tariff. This would allow it to offer an agreed community energy tariff to local customers. The existing licenced supplier would manage customer metering and billing and would charge the community energy scheme a reasonable fee for these services. Any profit from the sale of the electricity would be returned to the community energy group.

OFGEM would monitor and report annually on the success of these two mechanisms and how they might be improved to encourage community generation.

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