

Summary Briefing: Energy Bill Committee Stage Amendments 237 & 238 Community Electricity Export Guarantee and Community Electricity Supplier Services Scheme

In the midst of an energy price crisis when cheap, clean, home-produced energy has never been more vital, the UK finds itself far behind other countries in the amount of small-scale renewable energy we generate - especially by community groups who come together to provide cheaper, greener power and distribute the benefits locally.

The explosion of community schemes - community-owned and run renewable energy generation projects - driven by the Feed-in Tariff scheme has dwindled to a trickle. This is despite renewable technologies being cheaper than ever and is largely the result of the prohibitive costs small-scale generators face in accessing markets to sell the electricity they produce.

The problem is well recognised, with 311 MPs of all major parties backing the **Local Electricity Bill**, aimed at helping community groups sell the electricity they generate to local customers, in the last session. The Bill is also supported by 100 principal councils and over 80 national organisations, including the National Trust, WWF, Greenpeace, Friends of the Earth and CPRE. This Energy Bill now offers a chance to take the ideas of that Bill forward by adding two new clauses to set up a **Community Electricity Export Guarantee** and a **Community Electricity Supplier Services Scheme**.

These amendments (No. 237 and 238) have been tabled by Baroness Bennett of Manor Castle (Green), alongside Baroness Boycott (Crossbench), Lord Teverson (Liberal Democrat), and Baroness Young of Old Scone (Labour).

We urge all peers to vote in favour of these amendments. A short briefing on them is below – and we would be happy to provide more detailed information if required.

The Potential of Community Energy ... and the blockages

The community energy sector could grow by 12-20 times by 2030, powering 2.2 million homes and saving 2.5 million tonnes of CO₂ emissions every year.¹ If achieved, this would take community-owned and run renewable energy generation to 10% of UK electricity generation (around 6,000 megawatts).

However, community energy has seen minimal growth in recent years, accounting for less than 0.5% of total UK electricity generation capacity (standing at 331 megawatts in 2021). The reason is not the price of generating technology, which has fallen rapidly in this period, but is largely due to current energy market and licensing rules. Community energy schemes face insurmountable costs when it comes to selling the electricity they generate, with estimates of financial, technical, and operational requirements involved in becoming a licensed energy supplier putting initial costs in excess of £1 million.² At the scale of most community energy projects, this is unviable.

To make matters worse, community energy schemes receive no guaranteed price certainty for the electricity they generate. Previous schemes could plan knowing the income they would receive from Ofgem's Feed-in Tariffs, but when that scheme closed to new applicants in April 2019, many planned community energy generation projects were scrapped, and there has since been a collapse in new proposals.

Other Government interventions have been attempted but have failed to reverse the slump in new projects. Not a single community scheme has used the "License Lite" route to market due to a failure to place

¹ Environmental Audit Committee Call for Evidence 2021 – Technological Innovations and Climate Change: Community Energy - <https://committees.parliament.uk/call-for-evidence/406/>

² Institute for Public Policy Research – Community and Local Energy: Challenges and Opportunities; June 2016 - https://www.ippr.org/files/publications/pdf/community-energy_June2016.pdf

reasonable limits on its costs and fully licensed energy utilities being under no obligation to partner with community groups wishing to become License Lite suppliers. The more recent “Smart Export Guarantee”, which places a requirement on larger existing electricity suppliers to purchase power from small schemes, has no guaranteed purchase price or length of contract, making community investment almost impossible.

The 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 in particular should also be enabled to sell their power to local households and businesses to ensure they can realise their huge growth potential and unleash considerable community benefits.

Power for People, together with leading industry experts, have developed two proposals to achieve this:

- a) A **Community Electricity Export Guarantee**: a right for sites that generate low carbon electricity with a capacity below 5 megawatts to export their electricity to an existing electricity supplier on fair terms (Amendment Number 237).
- b) A **Community Electricity Supplier Services Scheme**: a requirement on existing larger suppliers to work with community schemes to sell the power they generate to local customers. Existing suppliers can charge a fee for doing this, but that fee must be reasonable (Amendment Number 238).

Amendment 237: Community Electricity Export Guarantee

This clause 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 would thus be enabled to raise funds to expand existing projects or establish new ones. The guaranteed price would be set annually by OFGEM, and the initial contract guaranteed for at least 5 years.

All small-scale generation sites, whether community owned or built by a small business or landowner, would get this guaranteed price. With dramatically rising energy prices and an energy system so heavily reliant on fossil fuel imports, all new local, secure, low carbon generation is highly desirable.

Community energy sites will be separately registered, and progress monitored by OFGEM to ensure this clause is delivering on the huge potential there is for such schemes.

Amendment 238: Electricity Suppliers Services Scheme

Community schemes registered under the first clause may also use the Electricity Supplier Services Scheme to sell the electricity they generate locally. There is no requirement to do this - they may simply operate using the proceeds of the Export Guarantee set up in the first clause. For some, such returns may be sufficient to encourage local people to invest in a new scheme, much as was the case with community schemes set up when the Feed-in Tariff scheme was operational.

However, if a community energy group wants to sell the electricity it generates directly to the local community —perhaps as an additional incentive to local people to invest in further capacity or because it believes it can offer a lower tariff to help the less well off in the community - this clause allows it to do so in conjunction with an existing licenced supplier that is buying electricity from the site. An agreed ‘community energy tariff’ can then be offered to consumers local to the site.

The licensed supplier would manage consumer metering and billing and would be able to 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. The total amount of electricity sold would be equivalent to the amount generated by the site.

As with the first clause, OFGEM will monitor and report on the success of this scheme and how it might be improved to encourage community generation.

Benefits of Community Energy

Fuel poverty and cold homes: In 2021, community energy groups spent £510,160 on energy efficiency upgrades, helping 20,843 people reduce their energy bills and stay warm. An additional 57,600 individuals and communities were engaged in energy efficiency initiatives. The combined efforts of community energy groups saved £3.35 million on consumer energy bills in 2021.³ At a tenfold increase in community energy, up to £90 million could be saved on consumer bills due to the resulting additional expansion of energy efficiency initiatives,⁴ resulting in 830,000 people being helped.

Climate change: If community energy generation was enabled to grow to 3,000 MW – a tenfold increase – around 1.5 million tonnes of greenhouse gas emissions could be saved each year. This is equivalent to the emissions of *all* UK domestic flights.⁵

Job creation: In 2021 community energy groups across the UK had 3,325 volunteers and 644 full time staff, with approximately only 30% of groups employing any paid staff.⁶ This equates to roughly five volunteers for every paid staff member. At a ten-fold increase, and with the professionalisation of the sector that the Electricity Suppliers Services Scheme aims to create, more than 33,000 jobs could be created.⁷

Energy security: A mechanism to enable the supply of locally-generated electricity would reduce dependence on imported energy, increasing the resilience of domestic energy supply.

Community benefit: Community energy is a vital foundation stone of the sustainable economy we are striving to create and can drive public acceptance and an appetite for change. Community energy enables people to see immediate, tangible benefits from the energy transition in their local area: A friend is employed by the local community energy company, the local sports centre has been refurbished from the community energy fund – these can create profound perception benefits.

About Power for People

This briefing was prepared by Power for People, an organisation that aims to accelerate the UK's transition to renewable energy and ensure that local communities benefit from it. It is leading the campaign to enable the growth of community energy. It is also the secretariat of the All-Party Parliamentary Group for Community Energy.

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³ Community Energy England's Community Energy State of the Sector Report 2022

⁴ WPI Economics report for SP Energy Networks | The Future of Community Energy; January 2020;

<http://wpieconomics.com/site/wp-content/uploads/2020/01/Future-of-Community-Energy-20200129-Web-Spreads.pdf>

⁵ Ibid

⁶ Community Energy England's Community Energy State of the Sector Report 2022

⁷ The Poverty and Environment Trust, 'The Call for A Level Playing Field'; December 2021