

IET response to the Energy Security and Net Zero Committee - unlocking community energy at scale consultation.

1. How could the Local Power Plan to be produced by Great British Energy build upon existing community energy support schemes, such as the Community Energy Fund?

Firstly, to further aid community energy projects a clear definition of community energy needs to be adopted. Inconsistencies in previous support schemes have led community energy projects to be delayed or abandoned entirely. A definition needs to reflect different types of generation and outline that community energy projects are;

- Non-Profit (but aim to make a surplus)
- Funded by the community (local or wider) via shares and loan capital
- Owned and run by the community (via shareholder appointed board of directors)
- Volunteer led (some rely on sub-contracting difficult maintenance)
- Reinvest financial surplus into community projects / educational activities
- Inclusive programmes accessible to all in a community.

By providing a clear definition of community energy within the Local Power Plan (LPP), not only will community energy schemes find it easier to discover government support, but the wider community of volunteers and the general public will be better educated and informed on regional and local energy production.

An outline of the differences between existing community energy support schemes and the new LPP will be vital if communities access the maximum available support. There is currently little detail on what the LPP will encompass and the Government should be aware of the potential for confusion with Regional Energy Strategic Plans (RESP) and Strategic Spatial Energy Plans (SSEP). There has not been a national strategy for community energy for many years, this has led to support for community energy projects varying between devolved nations. Building a national community energy strategy into the LPP would help ease these differences, magnifying support for community energy projects more so than previous/existing support schemes. A new national strategy provides the opportunity to deliver the clear definition of community energy schemes. The LPP should address realistic production potential in kWh, GW, and MW to deliver realistic expectations. Measuring output in kWh is appropriate for a fairly small community project expecting modest revenues. GW or MW is a measurement better aligned with Government deployment targets and is more representative of the perspective of the electricity networks who consider kW / MW / GW capacity when looking to connect generation. The Government must take a holistic approach ensuring that both perspectives are covered. As part of a structured

and comprehensive development framework this strategy and the LPP could provide clarity for communities on how they can engage with a project and what to expect from that engagement.

Furthermore, to support existing and future community energy projects the LPP should aim to have a UK wide community energy delivery and support mechanism, and enable better information sharing across schemes. Without the ability to learn from previous projects, new schemes risk making repeated mistakes and potential failure. Government should support a space where community energy projects can learn from each other and provide valuable information and certainty to each other.

2. How should the energy market and licensing regulations be reformed to enable community energy projects to sell the electricity that they generate to local customers, without the current barriers, and be properly remunerated for doing so? What lessons can be learnt from other jurisdictions?

If the deployment of community energy is to be achieved at scale, then reform to energy sales and market arrangements is necessary. Community energy should be treated as an integrated part of a whole-system approach to the energy transition. Future market and settlement design should seek to enable automation through smart metering. However, the complexities of balancing small scale supply risk management, with whole energy system risk management, is a complex task that the Government must recognise. Tariff structures need to consider how community energy is charged for use of system (especially transmission charges) when that energy is used locally - for example solar across a number of community sites or a local wind farm supplying a separate community site in the same area.

3. How could existing government support mechanisms, such as the Smart Export Guarantee, provide community energy projects with more financial certainty?

Low levels of Smart Export Guarantee (SEG) payments are acting as a barrier to community energy schemes. SEG payment rates vary significantly between SEG providers and can be from as little as 0.1p/kWh to 20p/kWh. This introduces a degree of risk in long term business case development and short-term forecasting for community energy schemes, especially for capital intensive higher power schemes such as hydro and wind. Feed-in-Tariffs (FiT) reduced this degree of risk, however, they stopped taking new recipients in 2019. Many existing schemes will hit financial barriers when their FiT payment ends as many schemes' business plans were predicated on the FiT payment being the core source of income. Without the FiT payments the cost of entry is too high for many community energy projects and therefore they are unable to participate in the system. Whilst mitigation techniques such as the installation of direct cable feeds are being explored, these tend to be costly and time consuming due to the level of planning permissions needed to be granted, further increasing the barriers of entry. A clear and detailed definition of community energy projects that considers various energy generation techniques would help ease this issue

4. What are the regulatory solutions needed to minimise the high costs and long delays incurred in securing a grid connection for community energy projects?

Community energy projects connect to the distribution networks (DNO), both at the lowest system voltages and at higher levels, and therefore are faced with multitudes of grid connectivity issues. Improvements to DNO processes and policies could minimise costs and delays. New Technologies including smart grids and flex services should be implemented along with the frameworks and incentives incorporated by Ofgem in the next price control frameworks (ED3). At present community heat schemes can be inhibited by regulation, planning or connection issues due to issues around separation of network, generation and retail. Ofgem's role in providing solutions for community energy grid connectivity issues cannot be understated. However, the latest ED3 consultation lacks engagement with community energy schemes. We would recommend that the Government directs Ofgem to integrate community energy into its regulatory frameworks and explore where it can be most valuable.

5. Should the local benefits of community energy projects be formally recognised as a material consideration in planning decisions?

It is appropriate that community benefits are considered in planning decisions. However, it is important to consider how to define and recognise the benefits that community energy schemes have without adding any further unnecessary complications to an already complicated planning system. If abstract benefits start needing to be measured this can dissuade and further set back community energy scheme applicants. Therefore, a balancing act is needed to establish that whilst community energy schemes provide local benefits, and this fact should be formally recognised as a material consideration in planning decisions, this needs to be done in a way that does not add further semantic complications and time to planning applications. Furthermore, community energy schemes are run by volunteers who have both the time and experience to dedicate to the project. Often including retired engineers. The Committee should explore how community energy schemes can be accessible to areas that do not have these skills clusters, potentially through our earlier recommendation for a national delivery and support mechanism.

6. What should be the role of Neighbourhood Plans and Local Area Energy Plans in building local support for community energy projects?

Local support is an important consideration, not only for taking forward community energy projects, but also in the wider context of the Net Zero energy transition. Community Energy initiatives can establish greater energy engagement and understanding with people at a personal level across a community.

Neighbourhood Plans, Local Area Energy Plans, Regional Energy Strategic Plans (RESP), and Strategic Spatial Energy Plans (SSEP) need to be harmonised if they

are to deliver value and do it at pace (as called for by government's Mission Control). Scale and pace require an integrated approach to community energy in the clean energy transition. However, this is absent at present and needs to be addressed while there is a window to shape government and regulatory policy frameworks.

The Select Committee could explore where community energy initiatives are not currently being considered as an integrated part of the energy transition, and to encourage government to bring forward policy developments and an improved understanding of the community energy sector and local engagement to address this gap.

7. What is the potential for community energy to incentivise consumer demand flexibility at the scale needed to achieve the UK's net zero targets?

Community energy storage will be key to incentivising consumer demand flexibility. To meet net zero targets, peak energy demands need to be met sustainably, and community energy and storage can contribute to that. Some renewable schemes peak at times that are not best suited for this and therefore will need to store the energy they have generated during to peak hours to meet peak demand. However, energy storage solutions are very costly, and the payback times make it non optimal. Government can optimise this via an approach to community energy that allows schemes to become more joined up and cost effective. A clear community energy strategy and framework would help communities identify viable and economic opportunities to utilise local energy resources

Further reading

Braunholtz-Speight Tim *et al.* (2020) 'Business models and financial characteristics of community energy in the UK', *Nature Energy*, 5(2), pp. 169–177. Available via: <https://tyndall.ac.uk/projects/financing-community-energy-project/>

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