COMMUNITY ENERGY

Crossroads for the UK's community energy sector

After enjoying a decade of policy support, community energy developers in the UK are having to re-imagine business models and revenue streams for themselves. *Jennifer Johnson* looks at what it will take to keep the sector on course.

s of 1 April, the UK government's Feed-in Tariff (FiT) scheme is permanently closed to new applicants. The end of the programme spells trouble for the country's community energy initiatives, which have largely been supported by revenues from the FiTs in recent years.

Meanwhile, householders appear increasingly dissatisfied with the 'big six' energy providers. Figures released by Ofgem late last year revealed that 25% of UK consumers are now with small or mediumsized energy providers – up from 19% of gas customers and 18% of electricity customers in 2017.

On the one hand, the financial future for community energy has never seemed more uncertain. At the same time, the public's willingness to engage with alternative energy providers is growing. As the community energy sector grapples with the fall in policy support, it may find that new technologies and support from local people can drive it forward.

Scope of the sector

According to *The Evolution of Community Energy in the UK*, a working paper published last September by the UK Energy Research Centre (UKERC), the sector is arguably stronger now than before the FiT scheme was introduced. This is because the number of community energy projects and groups has grown, and the revenues of established schemes are generally secure.

However, the report notes that community energy is still a tiny part of the energy mix, with the best current estimates finding that community generators account for roughly 1% of UK electricity generation. Data on community energy schemes is fairly limited – and gathering it is complicated by the somewhat slippery definition of a true 'community' scheme.



The Newton Downs Solar Farm in Devon was developed by Good Energy with the understanding that it would be offered to local group Yealm Community Energy (YCE). Photo: YCE Community Energy England, a non-profit representing the sector, says the phrase 'community energy' refers to the delivery of communityled renewable energy, energy demand reduction and energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.

UKERC's report states that the majority of community renewables installed in England, Wales and Northern Ireland since 2010 have been solar PV projects, whereas Scotland is dominated by windgenerated electricity. Without the FiT scheme, it's unclear how – or when – future schemes will make financial sense again.

'In the last decade, community renewables have thrived off of not just the actual level of price support, but the security and predictability of a long-term guaranteed price, which the FiT offered,' says Tim Braunholtz-Speight, the lead author of the UKERC paper and a Post-Doctoral Research Associate at the Tyndall Centre for Climate Change Research, University of Manchester. 'At the moment it looks like there isn't anything to replace that security.'

'However, if you can sign a long-term deal with a building

owner or occupant, and they're going to use a lot of solar power, it might be possible for some organisations to carry on doing rooftop solar schemes,' added Braunholtz-Speight.

Future funding

In the absence of government support, communities interested in setting up local clean energy generation schemes must find new business models to make them sustainable. In its *State of the Sector 2018* report, Community Energy England found that nearly 30% of the 228 organisations it surveyed had a stalled or failed project due to issues such as poor project margins resulting from reduced or removed subsidies and early stage support.

Community Energy England also found that there was a 75% drop in investment in community energy between 2016 and 2017 – the last year for which data is fully available. While the picture is not likely to have improved since then, Braunholtz-Speight, believes that enthusiastic local people will have to re-imagine what a community scheme can offer, especially as new technologies emerge.

'We've been running workshops around the UK talking about the long-term future for community energy and getting activists and funders together, and they increasingly see the local management of smart grids as being something they might get into,' he says. 'There may be a role for a local aggregator who helps individuals and households deal with the complexities of relating to demand-side response and energy storage.'

Independent funding bodies could be an important initial source of funding for community energy schemes in the years to come, especially if policymakers fail to replace the FiT scheme. For instance, the Next Generation fund offers grants of up to £100,000 to groups looking to work on new business models for community energy in their area.

Power to Change, the body behind the initiative, has also partnered with social investment group Big Society Capital to provide capital to fund the purchase of existing solar farms currently in private ownership. The partners, known as Community Owned Renewable Energy (CORE) will then hold the solar farms in trust while the local community develops the capacity to buy them back.

Some of the UK's largest community energy projects of the past few years have been funded in this way. Among them is the 5 MW Newton Downs Solar Farm in Devon, which was developed by Good Energy with the understanding that it would be offered to local group Yealm Community Energy (YCE). In January 2018, CORE acquired the project on YCE's behalf, and with the support of local people – via shares in the project – the group hopes to own the solar farm within three years.

Policy crossroads

While schemes like YCE's further the community energy goal of democratising the ownership of energy systems, Braunholtz-Speight warns that they won't produce As energy storage and demandmanagement technologies *mature*, *helpful* new business models may become obvious. However, policy still has a role to play in ensuring that progress in the community energy sector isn't stifled or slowed.

new revenue streams or new green generating capacity. As energy storage and demand-management technologies mature, helpful new business models may become obvious. However, policy still has a role to play in ensuring that progress in the community energy sector isn't stifled or slowed.

'There are technological, data and precise financial flows to be worked out, and no one is quite sure how these are going to work,' Braunholtz-Speight admits. 'But the government's duty now is to consider the UK having a much more diverse, open and decentralised energy market and to hold the door open for these new actors who could benefit the energy system.'

Ultimately, the FiT scheme allowed communities to experiment with locally-owned energy generation for a decade – but without an adequate successor scheme the future looks less bright. Earlier this year, the Department for Business, Energy and Industrial Strategy (BEIS) unveiled the Smart Export Guarantee (SEG), a 'market mechanism' designed to encourage renewable energy generators under 5 MW to engage in developing a smart energy system.

The scheme would aim to do this by requiring energy suppliers to buy energy exported from generators connected to the grid. Export would be metered on a half hourly basis and it could be possible for suppliers to offer 'dynamic pricing,' which features wide variations in price across the day. However, as proposed, there would be no minimum price other than zero – meaning suppliers would not be required to pay generators to take their power – and no minimum power purchase contract period.

'The proposed SEG does nothing to encourage the development of renewable energy as it does not ensure a minimum level of compensation for exporting to the grid or a minimum timeframe for contracts with suppliers, making it difficult for communities to develop viable business models and ensure community value for energy projects,' says Emma Bridge, Chief **Executive of Community Energy** England. 'If we are to transition to a truly fair, sustainable, low-carbon energy system the broader social and environmental impacts of energy projects must be considered and encouraged.'

For now, would-be community energy developers may wish to wait for technology and policy to shift in their favour – or forge their own path through financial uncertainty. ●

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