Community Benefits for Electricity Transmission Network Infrastructure

Consultation

Closing date: 15 June 2023

March 2023

Any enquiries regarding this publication should be sent to us at: cbnetworks@beis.gov.uk

Executive Summary

We are publishing this consultation alongside our plans for Powering Up Britain, which set out how we are taking bold action to achieve our energy security and net zero objectives.

Following Putin's illegal invasion of Ukraine, the British Energy Security Strategy[1] and Powering Up Britain - Energy Security set out bold plans to speed up our deployment of low-carbon and renewable electricity generation technologies to address the global energy crisis with an approach that is pro-growth, pro-business and pro the investment we need for energy security. Moving away from dependency on the global energy market, the government has committed to a fully decarbonised electricity system by 2035, subject to security of supply considerations, and net zero by 2050. In the nearer term, the government has an ambition for up to 50GW of offshore wind and to progress up to eight new nuclear reactors by 2030, and an expectation for a fivefold increase in solar deployment, up to 70GW, by 2035.

Electricity networks play a critical role in connecting cheap, green energy which is generated where it is best located, and transporting it across the country to where it is needed. The roll out of the onshore network infrastructure to meet net zero is also an opportunity to deliver investment and growth within Great Britain, with government analysis suggesting that investment could support 50,000–130,000 full time equivalent (FTE) jobs and contribute an estimated £4-11bn[2] of GVA to the economy in 2050[3].

As supply and demand increase, we need more electricity network infrastructure, both offshore and onshore, requiring a transformation of the electricity network at unprecedented scale and pace. Communities that host this network infrastructure therefore play a vital role in supporting the delivery of cheaper, secure and low-carbon energy and it is only right that they can benefit from developments in their area. If the rollout of electricity network infrastructure is to be successful it must be developed in a way that is truly sustainable – not only economically and environmentally[4], but also socially.

Whilst benefits to communities are already offered by industry, given the scale and rate of change required for the transformation of the electricity network, now is the right time to review how community benefits are delivered. We want to introduce the necessary measures to ensure communities feel they are positively benefitting from hosting electricity transmission network infrastructure that is supporting the delivery of national objectives.

[1] UK government, *British Energy Security Strategy* (2022) https://www.gov.uk/government/publications/british-energy-security-strategy/british-energy-security-strategy
[2] Gross value added (GVA), undiscounted, 2020 prices. Estimated by applying a value (£) per job as set out in: BEIS (2019), Energy Innovation Needs Assessments, https://www.gov.uk/government/publications/energy-innovation-needs-assessments
[3] Department for Business, Energy and Industrial Strategy, *Electricity Networks Strategic Framework* (2022) https://www.gov.uk/government/publications/electricity-networks-strategic-framework
[4] For example, projects can bring opportunities for environmental enhancement in a local area.

This consultation sets out potential ways in which community benefits could be delivered. It focuses on what network infrastructure should be in scope for community benefits, the type of benefits that could be delivered, for example direct or wider community benefits, and also the level of funding for such benefits.

This consultation sets out the government's preference for a voluntary approach to community benefits underpinned by government guidance. This will retain the flexibility necessary to ensure benefit packages best reflect local preferences, while guidance will set expectations for both industry and communities to take a fair and consistent approach to the development of community benefits for eligible communities. The guidance could set out key principles that industry and communities are encouraged to follow, roles and responsibilities, minimum recommended benchmarks that all benefit schemes should meet and highlight best practice that should be aspired to. We expect guidance to cover eligibility, consultation and engagement, governance and delivery and a recommended level or range of funding. Following feedback from this consultation, we propose to engage with industry and community representatives and Ofgem to develop the guidance, which will be published in 2023.

The proposals in this consultation would affect the Electricity Transmission Operators of Great Britain and developers of offshore wind and interconnectors who will be responsible for working in close consultation with communities that host network infrastructure to deliver community benefits. We are seeking to ensure communities that host network infrastructure feel that they positively benefit from hosting network infrastructure, and we welcome their views on the proposals in this consultation. Finally, these proposals will also affect electricity bill payers who will ultimately fund community benefits, but who will also benefit from overall reductions in electricity consumer costs if the proposals help to avoid delays to the development of electricity transmission network infrastructure.

The responses to this consultation will inform the development of the proposed guidance on community benefits. We therefore welcome views that will assist in understanding the perspectives of different stakeholders involved in developing and delivering communities benefits, those who may benefit and those who will fund community benefits. We would also welcome views on the practicalities of implementing the proposals.

Contents

General information

Why we are consulting

The Department for Energy Security and Net Zero are consulting on a recommended approach to community benefits for electricity transmission network infrastructure. This is to ensure that communities that host electricity transmission network infrastructure feel that they positively benefit from hosting it. Through this consultation we are seeking to gain the perspectives and views of different stakeholders to establish an approach that is both fair and effective. This includes stakeholders involved in developing and delivering communities benefits, those who may benefit and those who will fund community benefits.

Consultation details

Issued: 30 March 2023

Respond by: 23:45 on 15 June 2023

(Stakeholders have requested more time to respond to this consultation, so we have extended the deadline from 25 May to 15 June)

We are consulting for eight weeks as we believe this time to be proportionate to provide responses to the proposals outlined within this consultation. This consultation is the first opportunity for input and feedback, and we will seek further views during the development of the proposed guidance. This includes working in close consultation with industry and community representatives on developing the guidance, and conducting social research in order to gain more detailed views from communities on community benefits. We will also undertake stakeholder engagement during the consultation period in order to gather wide ranging views from industry and other interested parties.

Enquiries to:

Electricity Transmission Network Acceleration Team
Department for Energy Security and Net Zero
1 Victoria Street
London
SW1H 0ET

Email: cbnetworks@beis.gov.uk

Consultation reference: Community Benefits for Electricity Transmission Network Infrastructure

Audiences:

For this consultation, we are seeking views from a wide range of stakeholders in order to help inform the development of our guidance for community benefits for communities hosting electricity transmission network infrastructure. We would welcome feedback from community groups, interested individuals, Electricity Transmission Operators and developers of offshore wind and interconnectors. Additionally, we would also welcome input from local authorities, organisations currently involved in the development and administration of community benefits and other interested parties.

Territorial extent:

We will work closely with the Devolved Administrations with the intention of applying guidance for community benefits across Great Britain.

How to respond

Respond online at: https://beisgovuk.citizenspace.com/energy-security/benefits-for-electricity-transmission-network

or

Email to: cbnetworks@beis.gov.uk

Write to:

Electricity Transmission Network Acceleration Team
Department for Energy Security and Net Zero

1 Victoria Street

London

SW1H 0ET

A response form is available on the GOV.UK consultation page: https://www.gov.uk/government/consultations/community-benefits-for-electricity-transmission-network-infrastructure

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our privacy policy.

We will summarise all responses and publish this summary on GOV.UK. The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's consultation principles.

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Introduction

Background

The energy system is undergoing profound and fundamental changes. Now more than ever, we must focus on securing home-grown energy supplies.

In 2019, the UK was the first major economy in the world to set a binding target to reach net zero emissions by 2050. In June 2021, the government passed the Sixth Carbon Budget into law, with the aim to reduce emissions by 78% by 2035 compared to 1990 levels. Due to the dramatic rise in energy prices as the global economy reopened in the aftermath of the COVID-19 pandemic and Russia's invasion of Ukraine, the British Energy Security Strategy set out a package of measures to speed up our deployment of all low carbon and renewable technologies to deliver a more independent, cheaper and more secure energy system. More low-cost low-carbon and renewable electricity generated in Great Britain will help lower the cost of household electricity bills by reducing our reliance on expensive fossil fuels and insulating Britain from fluctuations in volatile global gas prices. We have therefore committed to fully decarbonising the electricity supply by 2035.

As we increase the development of low-carbon and renewable electricity generation within the UK, we will also need to increase the scale of the electricity transmission network. The electricity transmission network is required to move electricity from where it is generated to where it is needed, and it will not be possible to deliver a secure energy supply that is vital to growth and prosperity without developing the electricity transmission network to support it. The British Energy Security Strategy recognises this and includes actions to accelerate electricity network build, dramatically reducing timelines for delivering strategic onshore electricity transmission network infrastructure by around three years and aspiring to halve the end-to-end process by the mid-2020s.

The government and Ofgem published in August 2022 the Electricity Networks Strategic Framework[5], which outlines actions the government and Ofgem are taking to ensure the electricity network can act as an enabler to meet our net zero target and support domestic energy security. This publication sets out a shared vision for the transformation of the electricity network, which will ensure it can support a low-carbon, secure and low-cost energy system, including measures to keep future network requirements to a minimum. For example, the Department for Energy Security and Net Zero and Ofgem are committed to delivering a smart and flexible energy system that is essential for helping manage network capacity as an alternative to building more physical infrastructure. Strategic network planning at pre-planning stage, undertaken through the Offshore Transmission Network Review,[6] Holistic Network

[5] Department for Business, Energy and Industrial Strategy, *Electricity Networks Strategic Framework* (2022) https://www.gov.uk/government/publications/electricity-networks-strategic-framework
[6] Department for Business, Energy and Industrial Strategy, *Offshore Transmission Network Review* https://www.gov.uk/government/groups/offshore-transmission-network-review

Design[7] and to be taken forward in future through network-wide Centralised Strategic Network Planning[8], includes early consideration of environmental and community impacts. By considering these impacts up front and at a strategic level, the network blueprints can also reduce the overall need for electricity transmission network infrastructure via coordination and identify locations for infrastructure with lower overall impact than would be the case with a piecemeal project-by-project approach.

Despite these measures to keep future network requirements to a minimum, due to the transition to net zero, we will still require a major increase in electricity transmission network across Great Britain, both onshore and offshore. This is due to the changing nature of demand and generation, which will place new pressures on the electricity network. Given the move to significantly more offshore wind and renewable and low-carbon generation, often located in remote areas, larger shares of generation will be situated further away from centres of demand (i.e. large cities). The electricity network is already experiencing increasing congestion due to significant wind generation in Scotland. The Electricity System Operator has acknowledged that whilst adopting an integrated approach across onshore and offshore networks can minimise the overall increase, the increased levels of offshore wind mean that there will be an increase of onshore infrastructure[9].

Overall demand for electricity is also expected to increase significantly over the coming years due to a range of factors, including electrification of transport, increased use of low carbon electricity replacing fossil fuels for heating, electrification of industry and hydrogen production. By 2035, we expect electricity demand to increase by 40-50% on 2020 levels and double by 2050[10].

Where infrastructure needs to be built, impacts will be reduced and mitigated through strategic network planning and the planning system. Communities are able to give their views in the design and development of a project, and whether a project should proceed, within the planning system.

For the purposes of community benefits for network infrastructure, we view community benefits as an additional tool, separate from the planning process, to ensure that where infrastructure is necessary, communities can directly benefit from hosting this infrastructure. There are a wide variety of community benefits that can be delivered, but broadly they can cover finance for local projects, outreach initiatives or direct payments to individuals in a local area. Community benefits can enhance the economy, society and/or environment[11] in a local area. Community

[7] National Grid Electricity System Operator, *Holistic Network Design* (2022) https://www.nationalgrideso.com/future-energy/the-pathway-2030-holistic-network-design
[8] Ofgem, *Consultation on the initial findings of our Electricity Transmission Network Planning Review* (2021) https://www.ofgem.gov.uk/publications/consultation-initial-findings-our-electricity-transmission-network-planning-review
[9] National Grid Electricity System Operator, *Offshore Coordination Phase 1 Final Report* (2020) https://www.nationalgrideso.com/document/183031/download
[10] Department for Business, Energy and Industrial Strategy, Electricity Networks Strategic Framework (2022) https://www.gov.uk/government/publications/electricity-networks-strategic-framework
[11] In addition to other environmental requirements, including Biodiversity Net Gain.

benefits can also be used to deliver investment and growth in the local area, especially when used to invest in local infrastructure, supply chain and skills.

Alongside this review, government is also developing onshore wind partnerships in England that will enable supportive communities hosting new onshore wind infrastructure to enjoy the benefits of doing so, through developers supporting local energy discounts, new community infrastructure projects and the like, and will consult in due course. Government recognises the need to deliver an aligned and fair approach to community benefits while taking account of the different impacts that different types of infrastructure can have.

Purpose

Communities that host electricity transmission network infrastructure – along with other energy infrastructure – are supporting households and businesses across the country in achieving cheaper, more secure and low carbon energy generation.

While government surveys indicate strong support for the transition to net zero[12], government recognises that there are also concerns about the impact of developments in local communities. Within England, Wales and Scotland[13], there are planning systems that set legal and robust processes for identifying, avoiding and mitigating impacts from electricity transmission network infrastructure build. However, we recognise that it is not possible to address all impacts in their entirety, and that impacts will be felt differently by different communities. The government therefore believes that it is only right that communities should benefit from hosting network infrastructure that meets a national need. By bringing communities with us in the transition to net zero, this could avoid delays to the delivery of electricity transmission network infrastructure. Avoiding delays could reduce costs for electricity bill payers by enabling the connection of cheaper low carbon and renewable generation and reducing constraint costs[14].

Electricity networks have some distinct features in comparison to other energy infrastructure. Electricity transmission infrastructure is linear and can span distances of hundreds of miles, and the majority of this infrastructure is delivered by transmission network operators (TOs), which are regional monopolies subject to regulation by Ofgem through the price control process. Currently, TOs and developers voluntarily provide benefits to communities close to electricity transmission network infrastructure. However, initial feedback highlights the different approaches taken by different industry stakeholders, creating some inconsistency and

[12] Department for Business, Energy and Industrial Strategy, Climate Change and Net Zero: Public Awareness and Perceptions (2021) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/996575/Climate_change_and_net_zero_public_awareness_and_perceptions_summary_report.pdf

[13] This guidance will apply in England, Wales and Scotland only.

[14] Network constraints occur when the electricity transmission system is unable to transmit power to electricity users because the maximum capacity of the circuit is reached. National Grid Electricity System Operator manage constraints by paying generators to switch-off (turn-down) in locations where the network is congested and paying generators to switch-on (turn-up) in locations closer to electricity users. Managing constraints is ultimately paid for by electricity consumers.

perceived unfairness between projects. Given the scale and rate of deployment necessary to deliver a fully decarbonised electricity sector by 2035, now is the right time to review how community benefits are delivered.

Government Aims & Principles

Government recognises that we need to bring communities with us in order to achieve net zero targets, including a net zero grid by 2035. Recognising the vital role of communities that host network infrastructure in supporting national objectives, our objective is to ensure communities feel that they are positively benefitting from hosting electricity transmission network infrastructure, increasing acceptability for local projects. As part of a fair and just transition to net zero, communities hosting infrastructure should benefit for supporting nationwide objectives. In addition, community benefits could help avoid delays to the delivery of electricity transmission network infrastructure that could otherwise act as a barrier to our energy security and net zero objectives.

We will avoid introducing measures that could themselves cause delays to the rollout of electricity transmission network infrastructure by limiting the additional burdens that may be placed on TOs and developers in scope.

Given the diversity of views on community benefits, it is important that communities who will receive any community benefit, now and in the future, are empowered to have a voice in what an effective community benefit scheme could look like, and that it delivers the types of benefits that local communities truly want. This review will ensure that communities have a say in how community benefit schemes should evolve and how communities are adequately supported in developing community benefits that reflect local preferences. In addition to this consultation, we are planning to conduct research with communities across the country to gain further insight on community perspectives towards network infrastructure and community benefit options.

Whilst communities should benefit from their role in hosting projects of national importance, we want to establish a scheme that is fair and just both for communities hosting the infrastructure, and for those who fund it.

It is critical that the planning process remains a robust system through which communities retain their voice. The community benefit scheme considered within this consultation is and will remain separate to the planning process. It will not be a material consideration in planning decisions, and not secured through those decisions.

1. **What are your views on how community support for electricity transmission network can be improved? This includes any electricity transmission network infrastructure developed by Transmission Operators and developers within scope of these proposals. We would welcome supporting evidence if available.**

Scope

Within this section, we have set out the type of network infrastructure we believe should be within scope of these proposals. This is based on a need to focus on ensuring electricity network infrastructure that is significant for achieving low carbon generation and net zero targets.

Electricity Transmission Network Infrastructure

Government's view is that community benefits for network infrastructure should focus on the electricity transmission network. This is because it is the largest scale of network infrastructure which will have most impact in supporting the delivery of low-carbon generation targets and reducing electricity consumer costs and therefore where benefits can be most clearly justified. Electricity transmission network infrastructure is used for the bulk transport of much of the low-carbon and renewable electricity from where it is generated to where it is needed. It is therefore critical in helping to achieve net zero and near-term ambitions and targets for low-carbon generation. The expansion of the electricity transmission network could also help to reduce electricity consumer bills by reducing electricity transmission network constraint costs[15].

Considering the above, we have defined the electricity transmission network eligible for community benefits as:

Onshore electricity transmission network infrastructure

This is broadly defined as the long-distance transfer of electricity at voltages above 132kV (usually 400kV and 275kV lines in England & Wales[16]), which can either be carried overhead on towers or undergrounded, as well as associated infrastructure, such as substations and converter stations. The electricity transmission network is owned and operated by three separate Transmission Operators (TOs), with National Grid Electricity Transmission covering England and Wales, and Scottish and Southern Electricity Networks Transmission and Scottish Power Energy Networks Transmission covering Scotland.

Onshore electricity transmission network infrastructure associated with offshore wind and interconnectors

Offshore network infrastructure ultimately needs to connect to the onshore electricity transmission network via an onshore substation. This brings offshore wind generation and

[15] Network constraints occur when the electricity transmission system is unable to transmit power to electricity users because the maximum capacity of the circuit is reached. National Grid Electricity System Operator manage constraints by paying generators to switch-off (turn-down) in locations where the network is congested and paying generators to switch-on (turn-up) in locations closer to electricity users. Managing constraints is ultimately paid for by electricity consumers.
[16] Generally, 132kV overhead lines in Scotland are classified as transmission networks, rather than distribution.

electricity transmitted by interconnectors onshore. Some offshore wind generation and interconnectors, that have a high voltage direct current (HVDC) cable connection, require an additional 'converter station' to connect to the national electricity transmission system (NETS). Onshore connections from the foreshore to the NETS are via underground cables.

Government's view is that any onshore infrastructure associated with offshore wind or interconnectors, including substations, converter stations and cabling from the foreshore should be within scope. This is because this network infrastructure is also critical to the delivery of GB's targets, including an ambition for up to 50GW of offshore wind by 2030, and communities hosting this network infrastructure should also benefit in the same way as other communities hosting onshore network infrastructure.

We are aware that the Scottish Government is reviewing its Good Practice Principles for Community Benefit from Offshore Renewable Energy Developments and intends to consult on new draft guidance in 2023. We will continue to work closely with the Scottish Government to consider the potential interactions and cross-impacts between the two guidance documents.

Other considerations

Ofgem's decision on asset classification for the Holistic Network Design[17] confirms that, in the case of offshore radial connections, the offshore wind developer will remain responsible for building network infrastructure associated with offshore wind and would therefore still be within scope to deliver community benefits.

Electricity transmission assets classified as "onshore" by Ofgem will likely be taken forward by TOs, and where these connect to shore will include electricity transmission assets (e.g. substations and converter stations) falling within the scope to receive community benefits. Electricity transmission assets classified as "offshore non-radial" are subject to Ofgem's final delivery model decision but are also likely to fall within the scope of these community benefits measures. We will work with Ofgem to ensure that we reflect their final decision on electricity transmission asset classification within the final guidance document.

Additionally, we will also need to consider other changes as to how the electricity transmission network is built and how its assets are defined as we develop and implement the proposed guidance for community benefits. This includes plans to introduce onshore network competition, enabling competitions to be run for the build, ownership and operation of onshore networks. As we introduce competition into onshore networks, we will work with Ofgem and industry to ensure community benefits form part of the framework, so all consumers get appropriate benefits from hosting network infrastructure, whether approved via the price control or competition.

[17] Ofgem, *Offshore Transmission Network Review: Decision on asset classification* (2022) https://www.ofgem.gov.uk/publications/offshore-transmission-network-review-decision-asset-classification

Our intention is for this guidance to apply across Great Britain. We plan to work closely with the Devolved Administrations to understand how this can be best applied.

Projects in scope to receive community benefits

As noted, we intend to publish guidance in 2023, which will include the level or range of funding as agreed with Ofgem, industry and community representatives. We understand that some projects will be in progress whilst the final guidance is being developed. We propose that once the guidance has been published, any projects that have not yet commenced construction should be within scope. We welcome views on the practical implications of applying guidance to projects in train.

2. **Do you agree with the proposed types of infrastructure and projects we would include in these proposals? Please explain why.**

Benefit Schemes

This section outlines government's proposal to deliver community benefits for electricity transmission network infrastructure through a voluntary approach underpinned by government guidance, and outlines further detail on what could be included within guidance.

Compensation

Landowners or occupiers hosting electricity network infrastructure on their land can receive a payment through either a wayleave or easement agreement[18]. Wayleaves are temporary, terminable agreements, tied to the landowner. Easements are permanent access rights, registered against the property through the Land Registry. Typically, they may be sought for high-value or strategic assets. The signing of a wayleave or easement agreement will involve compensatory payments, either one-off or annual, to the landowner. It is important to note that this entitlement to compensation is not considered part of community benefit packages.

Current benefits

It is common for TOs and developers to incorporate financial packages that make payments directly, or in kind, to local communities on a voluntary basis. These packages are separate and additional to any other direct economic benefits from construction and development, such as employment or associated upgrades to local infrastructure (like improvements to road networks, for example). They are often developed in consultation with local communities and local authorities, and comparable schemes are also delivered by TOs in Europe[19]. Feedback to date demonstrates that TOs and developers recognise the importance, and mutual benefit, for industry and the local community in working to deliver benefits that extend beyond any associated directly with the project.

Government's preferred approach is to continue a voluntary approach to community benefits and to introduce guidance setting out key principles and expectations for both industry and communities.

[18] National Grid, *Landowners, occupiers and grantors* https://www.nationalgrid.com/electricity-transmission/network-and-infrastructure/landowners-occupiers-and-grantors
[19] Renewables Grid Initiative, *Community Payments* https://renewables-grid.eu/publications/brochure-community-payments.html

Rationale for adopting a voluntary approach to community benefits

Existing evidence[20] from community benefits schemes across a range of infrastructure projects suggests that community benefits are most effective at improving community acceptability where they can be tailored to the local context and preferences, and where communities are empowered to input into their design and delivery. A voluntary approach to community benefits is in line with this, as it retains the flexibility for communities and industry to decide what form of benefit is appropriate, and flexibility in how this is governed and administered. At the same time, setting guidance offers transparency on how benefits can and should be delivered.

We want to enable communities to have an active role in the negotiation, management and delivery of community benefits. There are barriers to communities being able to do this, and guidance should help to provide clear instruction to communities as to how this process works, what to expect from developers, and what outcomes are possible.

With direction and expectation set through guidance, this option could unlock additional investment into local areas, for example, with opportunities for training, and supply chain growth aligned with the strategic objectives for the region. We want to avoid placing additional regulatory requirements on TOs and developers, and this option would also allow industry and communities to retain control for how benefits can and should most effectively be delivered.

Recognising the unprecedented pace and scale needed for delivery of new network infrastructure, we need to ensure quick implementation of community benefits to meet the timelines for projects in scope, and we believe this is best met through a voluntary approach supported by guidance. We will keep under review whether a voluntary approach delivers consistent, tangible and fair benefits in line with guidance, retaining the option to move to a mandatory approach if necessary. We believe that a mandatory approach would require amendments to licence conditions and a direction by the Secretary of State with expectations set through guidance.

[20] Boomsma et al., 2020, 'Community compensation in the context of Carbon Capture and Storage: Current debates and practices', https://doi.org/10.1016/j.ijggc.2020.103128
Rudolph, Haggett and Aitken, 2015, https://www.climatexchange.org.uk/research/projects/community-benefits-from-offshore-renewables-good-practice-review/
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Devine-Wright and Sherry Brennan, 2017, EirGrid Pilot Community Fund Evaluation Report,
https://www.eirgridgroup.com/site-files/library/EirGrid/EirGrid-Community-Fund-Evaluation-Report_July-11-2017.pdf

Government guidance

Government guidance could include key principles that industry and communities are encouraged to follow, roles and responsibilities, minimum recommended benchmarks that all benefit schemes should meet and highlight best practice that should be aspired to. We recognise there are already exemplary benefits delivered by TOs and developers but this guidance intends to set a clear level of expectation for both communities and industry.

The guidance will focus on the broad options of delivering benefits packages that offer direct community benefit (i.e. payments) and wider community benefits to local communities. In broad terms:

- Direct community benefit would allow eligible people (usually based on properties a certain distance from network infrastructure) to receive a direct payment, paid either as a lump-sum or on a regular (e.g. annual) basis for a period of time.
- Wider community benefits would provide finance for local projects or investment to enhance the economy, society and/or environment in a local area. Community benefit schemes can offer the opportunity for the local communities to access funding. Community benefits schemes can vary widely with different levels of funding, eligibility, types of benefit delivered and governance or administration mechanisms. For example, the administration of community benefits can be led directly by TOs and developers with input from communities, or grant management organisations or independent charities may administer community benefits on behalf of TOs and developers. It is common for advisory boards or panels to be established with community representatives making decisions and providing feedback on behalf of the local community.

The local community should have an active role in shaping the community benefit package for their area, and therefore we believe that a blended approach of both wider and direct benefits should be offered where there is preference for this approach. We intend for the guidance to limit additional delivery requirements on industry, and minimise the reliance on the capacity and capability of the local community to negotiate for their preferences by outlining clear expectations for both industry and communities on the process and outcomes. Through guidance we will seek to minimise complexity and ensure consistency by outlining principles for a blended approach.

We do not believe it would be feasible to introduce alternative options such as an electricity bill discount scheme or community ownership model (whereby communities can have a direct financial stake within the project) on similar timelines, due to the complexity of implementation and financing and likely need for changes to the regulatory framework.

We propose that guidance should include the following information:

Identifying the eligible community

Eligibility should be flexible and determined per project, to allow adaptability to the local context. We recognise flexibility as a key principle for effective benefit schemes and is

especially important given the density of the local population close to infrastructure will differ for each project. For wider community benefits, individuals and businesses within an area should be eligible to participate in the decision making to determine how funds should be spent to enhance the economy, society and/or environment. For direct benefits, we believe residential properties within an area will be eligible for a direct payment(s) although the full eligibility principles are still to be determined, for example, whether this will also apply to non-domestic properties.

Consultation and engagement

This section will cover key principles and the roles and expectations of the project developer and the local community, in engaging throughout the development and delivery of community benefits.

Governance and delivery of community benefits

We intend to provide guidance on governance and delivery where necessary to minimise complexity and manage expectations. For example, we may choose to outline principles for administration, decision-making and fund-management for wider community benefits. For direct benefits, it is likely that we will set out expectations for the application process and timelines and when those eligible should receive their payment(s).

Objectives

The rollout of network infrastructure to support the delivery of net zero presents a real opportunity for growth and community benefits can be used to leverage and maximise this opportunity. An option therefore is to set objectives for wider community benefits within the guidance, reflecting the natural alignment between economic growth and net zero delivery, and maximising the opportunity presented through community benefit investment (e.g. energy efficiency measures, electric vehicle charging infrastructure and low carbon energy generation). This would provide a clear strategic direction to communities and benefit administrators on how benefits could be utilised, however it will ultimately be for communities in consultation with benefit administrators to determine what is delivered.

Benefit scheme funding

The guidance would also detail funding arrangements for community benefits. This could include setting a proposed level or range of funding for a direct payment and benefits for the community and how this would be paid (for example a one-off lump sum or annual payments). We will work closely with Ofgem, TOs and developers to understand and address the implications of delivering direct payments. Further details on funding for community benefits have been provided in the ‘Funding’ section of this consultation.

Development of guidance

To ensure fairness and mutual benefit for communities and industry, we envisage a collective process to developing any guidance with the input of community and industry representatives.

Any guidance would need to be reviewed and updated as appropriate to reflect the dynamic and fast evolving development of network infrastructure, and breadth of projects within scope.

Additional considerations

For offshore wind developers who are seeking to apply for a Contract for Difference (CfD), we are reviewing whether community benefits guidance for network infrastructure should be referenced within Supply Chain Plans guidance, to encourage a consistent and streamlined approach.

3. **What are your views on government's preferred approach of a voluntary benefit scheme underpinned by government guidance (covering both wider and direct community benefits)? Please explain why and provide any supporting evidence if available.**

4. **What are your views on the information we have proposed to include within government guidance? This includes identifying eligible communities, consultation and engagement, governance and delivery and funding.**

5. **Do you agree with the government's proposals to focus on direct and wider community benefits, choosing not to pursue options such as community ownership and electricity bill discounts?**

6. **How do you think guidance could be developed most effectively? How should different stakeholders be involved?**

7. **How do you think the effectiveness of this approach should be evaluated? Please explain why and provide any supporting evidence.**

Funding

Overview

This part of the consultation presents options for how community benefits could be funded and seeks views from respondents, as well as a request for evidence, for an appropriate level or range of funding to be reflected in the future guidance.

Funding community benefits

Community benefits have previously been allocated on a voluntary basis by TOs and developers and as such, the level of funding and how it is allocated has varied. TO spending is regulated in Great Britain, as they are monopolies and are funded though electricity consumer bills. TO proposals for spend and delivery are agreed with Ofgem through business planning within the regulatory price control framework for networks, known as RIIO[21]. Currently Ofgem provides some allowance for community benefits schemes, but this is determined on a case by case basis with individual TOs. For example, the Transmission Net Zero Fund from Scottish Power Energy Networks is designed to help vulnerable communities develop their net zero plans by helping to fund the electrification of transport and decarbonise buildings[22].

We believe that electricity bill payers should continue to fund community benefits and that this is appropriate as this policy could result in savings for electricity consumers overall and emissions savings for society if it reduces network constraints and enables the timely connection of renewable and low-carbon generation by reducing delays to network build. This policy will ultimately result in a transfer of funds from electricity consumers to residential properties and/or communities who are eligible for the community benefits scheme. Please see the Analytical Annex for more detail on our assessment, including other potential costs and benefits.

As part of this review, we believe that there should be a proposed level, or range of funding, that is fair to both communities and electricity bill payers. The recommended level of funding should allow communities to feel that they are positively benefiting from hosting network infrastructure, whilst ensuring value for money for electricity bill payers. As a result, we believe the level of funding for schemes will increase from that seen in existing examples of community benefits for electricity transmission network infrastructure.

[21] Ofgem, Network price controls 2021-2028 (RIIO-2) https://www.ofgem.gov.uk/energy-policy-and-regulation/policy-and-regulatory-programmes/network-price-controls-2021-2028-riio-2

[22] Scottish Power Energy Networks, Transmission Net Zero Fund https://www.spenergynetworks.co.uk/pages/the_net_zero_fund_t2.aspx

How the costs of community benefits will be passed through to electricity bill payers will depend on who is delivering the community benefit.

As a regulated monopoly, TOs are funded through electricity consumer bills. Due to the regulatory price control framework, under which Ofgem determine allowable costs for electricity transmission operators, any level of funding for community benefits will need to be agreed with Ofgem, who have a duty to protect energy consumers' interests by ensuring they are treated fairly and benefit from a cleaner, greener environment.

We believe that developers building onshore transmission network infrastructure associated with offshore wind could reflect the costs of community benefits within CfD bids.

Finally, we believe that funding for developers building onshore transmission network infrastructure associated with interconnectors would be reflected as necessary through the interconnector cap and floor regime. Government will continue to work with Ofgem to develop how this would be reflected in the guidance document and we welcome any feedback from stakeholders.

Level of funding

At present, TOs (in agreement with Ofgem) and developers themselves determine the level of funding for community benefits when voluntarily delivering schemes. For other energy technologies and infrastructure where guidance exists for community benefits, it is common for a level of funding to be set. This is either mandatory or voluntary, but we believe that the latter would set expectations for the level of funding while remaining flexible to local considerations.

The proposed level or range of funding for community benefits will be included in the guidance document. At this stage, we propose to set a level or range of funding per project, rather than separate levels than for direct and wider community benefits respectively. As part of the consultation and engagement process, developers and communities will need to determine how this should then be allocated between direct and wider community benefits, and we plan to further engage with industry and wider stakeholders on how this can be reflected within the guidance.

There are a number of options for setting a level of funding community benefits that could be pursued:

Percentage of project cost

This option determines the level of funding based on a percentage of the overall project cost (for example, a percentage of capital expenditure).

The government recognises that different onshore and offshore electricity transmission network projects will have different levels of expenditure. This could mean that in some areas, communities could receive higher benefits purely because the technology in question has a higher overall capital expenditure (CAPEX), despite its impacts being similar to other forms of infrastructure.

Set level based on selected parameters for the infrastructure

This option would offer a pre-agreed, minimum recommended level of funding that is dependent on the specific parameters or type of the infrastructure being built, such as length (km) of the infrastructure, voltage and the type of the asset (such as a substation or converter station).

8. **Do you have a preferred approach to how the level of funding should be calculated? Why is this your preferred approach?**

9. **What level of funding do you believe is appropriate? Why do you believe this? Could you please provide any evidence or data as to how you have come to this calculation.**

Next steps

Once the consultation has closed, we will review the responses. Using the feedback from the consultation, we expect to develop the proposed guidance in close consultation and engagement with Ofgem, industry and community representatives, including to determine an appropriate level of funding. We will publish the guidance in 2023.

We will work closely with the Devolved Administrations with the intention of applying guidance for community benefits across Great Britain.

We also intend to conduct social research to understand in more detail community perspectives on electricity transmission network infrastructure, and how community benefits should be delivered in order to inform the guidance.

10. **Is there anything further we should consider as part of next steps?**

Analytical annex

This analytical annex sets out the potential impacts if the community benefits guidance is followed. Section 1 outlines the rationale for government intervention, section 2 sets out potential impacts, and section 3 includes questions to test the existing evidence and gather further evidence.

1 Rationale for intervention

The overarching rationale behind government action to decarbonise the power sector is to correct the negative externality of emissions. Government intervention is required to address the external cost of emissions from non-renewable energy sources. In the absence of government intervention, energy from non-renewable sources will be over-produced because the private cost of their provision is lower than the social cost, which includes emissions costs borne by wider society.

To meet net zero, the electricity sector must fully decarbonise by 2035 subject to security of supply.[23] The sector must also accommodate an expected doubling of electricity demand by 2050 as sectors such as transport and heat shift to electricity as a fuel source. The electricity network is fundamental to achieving this, yet significant electricity transmission network constraints are expected over the next decade.

Electricity transmission network constraints occur when the electricity transmission system is unable to transmit power to electricity users because the maximum capacity of the circuit is reached. Network constraints are expected to increase as renewables form a larger share of electricity generation due to the net zero transition. This is because, unlike non-renewables, renewables are typically located further from electricity users. This means the network must transmit power further, so larger parts of the network are facing congestion issues more frequently.

National Grid Electricity System Operator (ESO) manages constraints by paying generators to switch-off (turn-down) in locations where the network is congested and paying generators to switch-on (turn-up) in locations closer to electricity users. This is costly and has emissions implications because renewable generation is typically curtailed (switched off) whilst non-renewable generation is typically switched on to meet demand. In Network Options Assessment 7 (NOA 7), National Grid ESO estimate that annual constraint costs could rise from around £500m[24] per year in 2022 to a peak of £2-4bn[25] per year by 2030. Constraints

[23] BEIS, 2021, Net Zero Strategy: Build Back Greener, p. 19, https://www.gov.uk/government/publications/net-zero-strategy
[24] Undiscounted, 2021/22 prices.
[25] Undiscounted, 2021/22 prices.

could fall from around 2030 when new major transmission investments are assumed to come online but grow again in some scenarios as generation grows.[26]

One of the drivers of this problem is that renewables build is outpacing network build. As a result, network capacities are reached during periods of high renewable output, leading to curtailment. Rapid expansion of the electricity transmission network is required to solve this problem and ensure it can deliver cheaper, cleaner, secure energy.

Communities that host network infrastructure are therefore a critical support in delivering cheaper, cleaner, secure energy – there is a positive externality for wider society. In the absence of government intervention, these external benefits are unlikely to be considered, leading to under provision of network infrastructure. Government intervention is required to internalise this external benefit and ensure communities can gain from hosting network infrastructure that delivers a national need.

2 Potential impacts

This section outlines the potential impacts if the community benefits guidance is followed. The following points summarise the types of costs and benefits and, where available, indicative quantified estimates. Table 1 outlines which groups are impacted by these costs and benefits.

Costs:

- **Transfer from all electricity consumers:** Funding this policy via network charges or via contracts for difference payments will result in a transfer from all electricity consumers to residential properties or communities that host in scope electricity transmission network infrastructure and are eligible for the community benefits scheme. This is because network charges and contracts for difference subsidies are paid by electricity consumers via their electricity bills. This cost cannot be quantified with certainty at this stage because this depends significantly on how the guidance is used and guidance detail yet to be decided such as the distance between eligible residential properties or communities and the electricity transmission network infrastructure, the size of the benefit, the length of time over which the benefit is paid, and the infrastructure that is in scope. The policy will result in a net benefit to those who host transmission network infrastructure as they will receive community benefits. At this stage, it is unclear whether this policy will result in a net cost to consumers who do not host transmission network infrastructure as any cost will be offset by constraint cost savings if this policy reduces network constraints.
- **Familiarisation costs**: TOs and developers could incur time costs to familiarise themselves with the new guidance, including time taken to read the guidance and formulate a plan to respond to it. This cost has not been quantified.

[26] National Grid ESO, 2022, Modelled constraint costs, Figure 1, https://www.nationalgrideso.com/document/266576/download

- **Policy development and implementation costs**: Government and Ofgem are likely to incur costs to develop the guidance and to implement the scheme. This cost has not been quantified.
- **Administration costs**: Transmission owners and developers may incur costs to administer the benefits. This cost has not been quantified.
- **Earlier disruption and infrastructure costs**: If this policy reduces delays to network build, disruption and infrastructure costs may be higher due to discounting as they could occur sooner. This cost has not been quantified.

Benefits:

- **Transfer to residential properties and communities eligible for the community benefits scheme**: Residential properties and communities that host in scope transmission network infrastructure and are eligible for the community benefits scheme will receive benefits. This benefit cannot be quantified with certainty at this stage because this depends significantly on how the guidance is used and guidance detail yet to be decided such as the distance between eligible residential properties or communities and the transmission network infrastructure, the size of the benefit, the length of time over which the benefit is paid, and the infrastructure that is in scope.
- **Reduced network constraint costs**: Network constraint costs are the costs incurred to manage the electricity transmission network when it is at full capacity. These costs are initially incurred by National Grid ESO but are passed on to electricity consumers via balancing charges, which make up a portion of a household's electricity bill. If this policy reduces delays to network build, this will reduce congestion on the network and reduce constraint costs, resulting in savings for electricity consumers. This benefit has not been quantified. However, National Grid ESO recently estimated that delivering 10 strategic high value (>£100m) electricity transmission network projects 1 year earlier, in 2030 rather than 2031, could result in a constraint cost saving of £1.3 billion.[27] This figure is not consistent with the above analysis as it was calculated for a different purpose and includes fewer transmission network projects. It is also a single point estimate that does not include sensitivity analysis to show how it could vary under different assumptions. However, it gives some indication of the potential magnitude of this benefit if the guidance is followed and it reduces delays to network build by 1 year.
- **Emissions savings:** Network constraints increase emissions because National Grid ESO manage constraints by paying generators to turn-down in locations where the network is constrained, which are typically zero carbon wind generators, and paying generators to turn-up closer to demand, which are typically more carbon intensive thermal generators. Therefore, if this policy reduces delays to network build, there will be emissions savings. This benefit has not been quantified at this stage, but again the National Grid ESO estimate can give some indication of magnitude. Indicative analysis suggests a constraint cost saving of £1.3 billion could result in an emissions saving of

[27] Ofgem, 2022, Accelerating onshore electricity transmission investment, section 6, p. 38, https://www.ofgem.gov.uk/publications/consultation-accelerating-onshore-electricity-transmission-investment

around 1.2-1.8 MtCO2e, which amounts to an additional benefit of around £100-500 million[28] based on current carbon values.[29] As outlined above, the £1.3 billion constraint cost saving was calculated for a different purpose and includes fewer electricity transmission network projects. However, monetising emissions savings from a constraint cost saving of this size gives some indication of the magnitude of this benefit if the guidance is followed and it reduces delays to network build by 1 year.

- **Shorter network connection times for new low carbon generation:** Enabling works must be completed before a new generation asset can connect to the electricity network. If this policy reduces delays to network build including enabling works, this could allow new low carbon generation to connect to the network more quickly, supporting households and businesses across the country in achieving cheaper, more secure and low carbon energy generation. This benefit has not been quantified at this stage.
- **Spill-over benefits:** There may be spill-over benefits to third parties due to this policy. For example, third parties who are not eligible for the scheme may benefit from local investments funded by the scheme. This benefit has not been quantified.
- **Increased trust in TOs and developers:** Communities may have increased trust in TOs and developers due to this policy if they feel the process for deciding benefits is more transparent and consistent amongst eligible communities. This benefit has not been quantified.
- **Lower legal costs**: Host communities may have lower legal costs due to this policy if they feel they are benefitting adequately from hosting transmission network infrastructure and are not required to legally challenge the infrastructure as a result. This benefit has not been quantified.

Table 1: Groups impacted by these costs and benefits

Group	Costs	Benefits
Electricity consumers	Higher electricity bills in the short run – this policy will be funded through network charges or contracts for difference subsidies, which are paid via electricity consumer bills. At this stage, it is unclear whether this policy will result in a net cost to consumers	Electricity bill savings in the long run – if this policy reduces delays to network build, this will reduce congestion on the network and reduce constraint costs, resulting in savings for electricity consumers. Shorter network connection times for new low carbon generation – If this

[28] Discounted to 2022, 2021/22 prices. The estimate assumes the benefit occurs in 2030.
[29] National Grid ESO constraint cost estimates already include the private carbon price paid by generators. Therefore, this was deducted from the social carbon value to avoid double counting when calculating this additional benefit. **Social carbon value source:** BEIS, 2021, Valuation of greenhouse gas emissions: for policy appraisal and evaluation, Annex 1: Carbon values in £2020 prices per tonne of CO2, https://www.gov.uk/government/publications/valuing-greenhouse-gas-emissions-in-policy-appraisal. **Private carbon price source:** National Grid ESO, FES 2021 data workbook, tab CP2, https://www.nationalgrideso.com/future-energy/future-energy-scenarios/archive.

Group	Costs	Benefits
	who do not host transmission network infrastructure as any cost will be offset by constraint cost savings if this policy reduces network constraints.	policy reduces delays to network build including enabling works, this could allow new low carbon generation to connect to the network more quickly, supporting households and businesses across the country in achieving cheaper, more secure and low carbon energy generation.
Host communities	Earlier disruption and infrastructure costs – if this policy reduces delays to network build, disruption and infrastructure costs may be higher due to discounting as they occur sooner.	Benefits – electricity consumers that host in scope transmission network infrastructure and are eligible for the community benefits scheme will receive benefits as agreed with the transmission owner. Increased trust in TOs and developers – communities may have increased trust in TOs and developers due to this policy if they feel the process for deciding benefits is more transparent and consistent amongst eligible communities. Lower legal costs – host communities may have lower legal costs due to this policy if they feel they are benefitting adequately from hosting transmission network infrastructure and are not required to challenge the infrastructure as a result.
Transmission owners and developers	Familiarisation costs – TOs and developers could incur time costs to familiarise themselves with the guidance. Administration costs – TOs and developers may incur costs to administer the benefits.	Increased trust in TOs and developers – communities may have increased trust in TOs and developers due to this policy if they feel the process for deciding benefits is more transparent and consistent amongst eligible communities. Shorter network connection times for new low carbon generation – If this policy reduces delays to network

Group	Costs	Benefits
		build including enabling works, this could allow new low carbon generation to connect to the network more quickly, supporting households and businesses across the country in achieving cheaper, more secure and low carbon energy generation.
Government	Policy development and implementation costs – government is likely to incur costs to develop the guidance and implement the scheme.	N/A
Ofgem	Policy development and implementation costs – Ofgem is likely to incur costs to develop the guidance and implement the scheme.	N/A
Society	N/A	Emissions savings – if this policy reduces delays to network build, there will be emissions savings as less thermal generation will be required to meet electricity demand. Spill-over benefits - there may be spill-over benefits to third parties due to this policy. For example, third parties who are not eligible for the scheme may benefit from local investments funded by the scheme.

Distributional impacts and small and micro business impacts:

- **Distributional impacts:** This policy redistributes funds from all electricity consumers to residential properties or communities that host in scope transmission network infrastructure and are eligible for the community benefits scheme. Further work is required to understand the demographic of these groups.
- **Small and micro business impacts:** Transmission owners do not qualify as small and micro businesses. However, this policy could impact small and micro businesses if they are funding this policy via their electricity bills, if they receive community benefits, or if

the developers impacted are small businesses. Further work is required to understand the small and micro business impacts of this policy.

3 Analytical Annex Questions

11. **Do you agree with the rationale for intervention and the market failures we have identified? Are there any points we have missed?**

12. **Do you agree with the impacts that have been identified? If not, explain why with supporting evidence.**

13. **Do you think there are other impacts that have not been identified? If yes, what other impacts are there that have not been included? Please provide supporting evidence.**

14. **Please provide any data and evidence to support a detailed assessment of each of the impacts.**

15. **Please provide any data and evidence on whether this policy is likely to reduce delays to transmission network build and how long by.**

16. **Are there any groups you expect would be uniquely impacted by these proposals, such as small and micro businesses or people from protected characteristics? If yes, which groups do you expect would be uniquely impacted? Please provide supporting evidence.**

Consultation questions

1. **What are your views on how community support for electricity transmission network can be improved? This includes any electricity transmission network infrastructure developed by Transmission Operators and developers within scope of these proposals. We would welcome supporting evidence if available.**

2. **Do you agree with the proposed types of infrastructure and projects we would include in these proposals? Please explain why.**

3. **What are your views on government's preferred approach of a voluntary benefit scheme underpinned by government guidance (covering both wider and direct community benefits)? Please explain why and provide any supporting evidence if available.**

4. **What are your views on the information we have proposed to include within government guidance? This includes identifying eligible communities, consultation and engagement, governance and delivery and funding.**

5. **Do you agree with the government's proposals to focus on direct and wider community benefits, choosing not to pursue options such as community ownership and electricity bill discounts? Please explain why.**

6. **How do you think guidance could be developed most effectively? How should different stakeholders be involved?**

7. **How do you think the effectiveness of this approach should be evaluated? Please explain why and provide any supporting evidence.**

8. **Do you have a preferred approach to how the level of funding should be calculated? Why is this your preferred approach?**

9. **What level of funding do you believe is appropriate? Why do you believe this? Could you please provide any evidence or data as to how you have come to this calculation.**

10. **Is there anything further we should consider as part of next steps?**

Analytical Annex Questions

11. **Do you agree with the rationale for intervention and the market failures we have identified? Are there any points we have missed?**

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16. **Are there any groups you expect would be uniquely impacted by these proposals, such as small and micro businesses or people from protected characteristics? If yes, which groups do you expect would be uniquely impacted? Please provide supporting evidence.**

This consultation is available from: https://www.gov.uk/government/consultations/community-benefits-for-electricity-transmission-network-infrastructure

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