Community Energy Contact Group (CECG) – 6 March 2013, 9 Millbank

Attendees

Peter Lipman – CECG Chair	Katherine MacNeill – DECC
Peter Capener – CECG	Melissa Smith – DECC
Dan McCallum – CECG	Ian King – DECC
Becky Willis – CECG	Will Walker – DECC
Agamemnon Otero – CECG	Katie Carleton – DECC
Ravi Gurumurthy – DECC	Lara Phillips – DECC

Note

1)Update from DECC strategy projects team

Katherine MacNeill (KM) updated the CECG on timelines and ongoing work for the Strategy. The intention is for a Call for Evidence to be launched in May, with a two month period for responses. The Strategy document will be written over the summer, cleared around Whitehall in early Autumn and published later in the Autumn.

Current work of the projects team is focused on looking across DECC at all the policy areas to identify the potential for more community energy involvement in these areas. Alongside this is a research programme. Lara Phillips explained that an independent contractor, Databuild, has been appointed and they are currently refining their methodology following a meeting of the research steering group – which includes Peter Capener – on 21 February. The timescale for this is that the interim report will be published alongside the Call for Evidence, and the final report alongside the Strategy document. There are two work programmes, one looking at factors contributing to the successes of Community Energy (CE) projects and the barriers they face, and a second mapping – both geographically and by a typology the project is developing – CE and scenario modelling the potential contribution to 2020.

Becky Willis asked about the relative timescales of the Strategy and consideration of FiTs for community projects within the Energy Bill. KM noted that the two teams are discussing the overlap, but that the Bill timetable won't be delayed by work on the Strategy.

Ravi Gurumurthy explained that he is keen to avoid a protracted drafting process, and as such has directed the project team to focus on analysis and thinking, and condense the writing time.

2) Presentations from the CECG – summary notes

a) Dan McCallum – AwelAmanTawe

- Planning permission recently granted for an onshore wind project in South Wales, with 2 turbines (100m tall, 4 MW). The project is awaiting Welsh Government common land consent.
- The project will cost ca. £7m and has received 80% finance from Co-op bank
- Turnover is expected to be £1m p.a. and profits will be spent on local low-Carbon regeneration; the project is located in a rural area near 13 villages in a former mining area.
- The co-op bank took money invested by the project in planning and environmental impact assessment into account in providing project finance. The project has remained wholly owned by the charity.
- Using ROCs not FiTs as ROCs are compatible with Low Carbon Communities Challenge (LCCC) grant funding, of which the project received ca. £300k.
- Dan explained that for other projects there are lots of options for joint ventures working with developers e.g. with different % share ownership by community organisations. He cited the example of an 8 MW wind farm in Wales with a 15% stake owned by the parish council. Scotland has examples of many different ownership structures.
- Dan felt that commercial developers are becoming more interested in partnership working e.g. Tegni has recently done a project with a community group in South Wales.
- There are lots of hydro schemes in mid-Wales, mostly between 50 and 100 kW in scale. Dan noted that the National Trust has a really helpful blog on this. The schemes are mostly ‘high head’, although several Archimedes screw projects are also in development, including one in Newtown.

b) Agamemnon Otero – Brixton Energy

- “Repowering South London”, now just “Repowering” to reflect wider geographical scope has a co-operative model.
- Solar PV installations of between 37 and 52 kW on the roofs of flats in Brixton e.g. in the socially deprived Loughborough Estate. These can provide more energy than the flats themselves use on a sunny day.
- Councils and pension funds interested in share issues, particularly on a larger scale (>£1m).
- Estimate that community-owned renewables could generate 3.65 GW.
- Brixton Energy is looking at CHP, although this is more bureaucratically complex than solar PV.
- The investor demographic is that 92% live within 2 miles of the project.

- Re-investing the profits made from FiTs gives a community energy efficiency fund. This helps create jobs and training opportunities for local people.
- Repowering is looking beyond the end of FiTs to identify a longer-term revenue stream by applying for a supply licence. They are also looking at the effect on local electricity infrastructure.
- Agamemnon felt that a major benefit of his projects was community involvement and cohesion.

c) Peter Capener – Bristol and West Community Energy

- Project grew out of Transition Town Bath in 2009
- They felt energy was invisible to most people, and they had no relationship with it. They set out to make energy personal, with tangible local projects.
- Early wins had been important – getting a visible installation so people can see progress. They have installed 612kW of PV, with 250kW of this on a business park.
- Now the part of their website showing how much energy their solar PV panels are producing at any given time is the most visited.
- CE projects offer investment opportunities – they have been aiming to give a 7% return on investment using a community benefit society model, and have raised £400k through a local share offer on this basis.
- On financing, Peter had found it easier to get funding for larger scale projects – there is a gap for medium-scale projects (£10k-£1m). For larger projects, banks are prepared to do due diligence and they have been able to satisfy the bank's information needs, however they'd felt that commercial lenders were very risk-averse.
- They received funding from Scottish & Southern (SSE) of £1m on commercial terms.
- To be financially sustainable, Bristol & West Community Energythink they need to raise £10m – this will enable infrastructure to deliver a steady income stream to fund future projects.
- The next share offer will be later this year. They are looking to have 1MW of ground-mounted solar PV, and 300kW of hydro in the Avon river. There are also wind projects at various stages of development. The target is 6MW over the next few years.
- They are considering joint approaches with developers.
- CE shouldn't be viewed as limited to small, volunteer-run philanthropically funded projects.
- They have a positive relationship with their local authority and this has been helpful e.g. the LA contacted schools on their behalf, which gives them credibility.
- They have good links with the district network operator.
- Renewable heat is of interest, but carries higher risks than generation.

- Energy efficiency lacks a good business model to generate an income stream; at the moment it is funded by grants from the community fund accumulated from generation income.

3) Discussion about CE

- Becky Willis (BW) noted that through the Community Energy Coalition, 16m individuals are represented, as this includes large membership organisations such as the WI and NT.

- BW cited a co-op poll of over-65s which had found that acceptability of offshore wind increased from 1/3 in favour to 2/3 in favour if there was part ownership by the community. This led to a discussion around a 'spectrum' from developer-ownership to community-ownership with a variety of models in between. The CECG thought that DECC should focus on this area in Strategy development as we have a relationship with the larger energy providers. BW noted that she had been working with the NI government on a typology and would send something on this to the strategy team.

- A question about motivation was asked – is this primarily cause-based or financial. The answer was that philanthropically based voluntary projects can fit more with the first, but that investing in CE, particularly as a pension, is plausible, however people will accept a smaller return for CE than for traditional investments.

- Co-operative models and local ownership were discussed, with some models ensuring a certain % local ownership rather than with distant investors. Compared to SMEs, CE organisations have greater local control and return benefits locally. They also have lower overheads due to the reliance on volunteer time and are hence able to give a higher return. It was noted that the structures give an asset lock to prevent sale to an organisation with different objectives.

- On energy saving, it was noted that 'breaking into the Green Deal' was proving challenging, although it is not long after the launch.

- The CECG didn't like the language of 'subsidy' around FiTs, and thought that it was more a problem that the existing energy policy in the UK didn't fit a community model. In other countries e.g. Denmark, mid-scale social enterprises are more easily fitted into the policy framework.

- Professionalisation was discussed, noting that for projects to grow in scale, this is necessary. Replication and capacity-building are necessary. Peter L thought that a peer-to-peer mentoring arrangement should be supported by DECC. It was noted that many current projects are driven by 'maverick individuals' who are persistent in tackling barriers, but that these prevent more widespread involvement in CE.

- The CECG were keen that the strategy should be UK-wide.

- Revenue streams for energy efficiency were discussed; it was noted that ECO brokerage may offer an option for CE – a pilot approach would be welcome. Dan's CE project had been involved in training people to do EPC previously, with income from referral fees, but this had been a challenge as they'd not been able to compete with larger players for business.

- It was noted that schools can't take on loans, but alternative models of deferred payment have been arrived at following legal advice. This can give CE projects a return over time.

- CESP provided a route to fund renewable generation (after installation of energy efficiency measures), however ECO does not do this.
- LEAF was popular, and the lack of a follow-up was creating uncertainty. The CECG thought that a follow-up grant scheme needed to happen soon to build on LEAF.
- Ravi proposed a hypothesis that CE is small on the scale of energy generation, and has a higher unit cost due partially to a focus on particular technologies. He proposed that DECC has a larger problem in delivering on energy efficiency and heat, and that this is where community buy-in could have more of a gain.
- Peter L suggested that a lesson from eg RHPP2 Communities is that DECC needs to listen more; Ravi suggested that focus groups could be held with the RHI and ECO brokerage teams.
- CECG thought the strategy team should talk to the FSA.
- The CECG thought that CfDs would present a challenge to the CE sector.
- Local Authorities are variable in their attitude to CE; the CECG thought that a clear steer from DECC would be helpful in facilitating working with LAs.
- Big Society capital have provided some loans to CE projects

4) Next meeting

Will be on 19 March. The CECG want to see a draft CfE; Ravi suggested that the strategy team could present on their findings to date and discuss particular areas in more detail.