

Note of Community Energy Contact Group, 11 September 2014

CECG members: Peter Lipman (Chair), Pete Capener (dial in), Becky Willis, Dan McCallum (dial in), Agamemnon Otero, Nigel Farren, Nicholas Gubbins, Barbara Hammond,

DECC: Philip Douglas, Fiona Booth, Will Walker, Afsheen Rashid, Fionan O'Muircheartaigh, Gary Shanahan, Rita Wadey, Faye Williams

HMT: Anna Longman, Sarah Hird, Marc Connolly

Apologies: Stephen Frankel, Simon Sjenitzer, Garry Charnock,

Community Energy Strategy Implementation Update

Fiona Booth updated the group on the work of the new Community Energy Unit (CEU) since April, including the establishment of a DECC Community Energy Programme Board that met for the first time in May and a cross-Whitehall Community Energy Committee that will meet for the first time end of November. These new governance arrangements were at the specific request of the Secretary of State.

An update on the implementation of the Community Energy Strategy (CES) was provided:

£15m Rural Community Energy Fund (RCEF) was launched in June 2013 has to date received 70 applications with 40 of these having received funding (1/3 of these are heat projects). Over £600,000 has been distributed so far with the potential generating capacity estimated at 30MW.

£10m Urban Community Energy Fund (UCEF) is projected to launch December 2014. The Centre for Sustainable Energy and Pure Leapfrog have been appointed as fund administrators. The UCEF evaluation tender is open until 30 September.

CES Working Group reports on Planning, Grid Connections and Hydro have all been submitted to DECC and will be made public on the community energy pages of gov.uk in October. The Government response to the Working Group reports will be prepared for the end of the year with action plans in place by March 2015. It was agreed that the CECG would be given an opportunity to comment on a draft response when ready.

£100,000 Community Energy Saving Competition is still under development and there was nothing new to report.

Community Energy Peer Mentoring Programme has distributed £500,000 of Government grants to 12 community energy groups to support and mentor emerging community groups. The CECG highlighted that any future extension of the programme should be open to groups across all strands of the CES (generation, reduction, management and purchasing) and it would be helpful if grants could be used to pay for volunteer time.

One Stop Shop information resource is currently being scoped with the help of Community Energy England (CEE). Working with SE2 Ltd., CEE are mapping current resources and identifying the gaps in provision and benefits a new information resource could deliver. An online survey was run until 22 September, with a report to DECC due end of September and a provider to be tendered for and appointed by the end of the year.

Direct/Local Supply roundtable was held in May with the Secretary of State and stakeholders. A working group has been established and has already met once with the aim to better define the issues faced by community local suppliers and then develop practical solutions. A second meeting is planned for the end of September.

Fiona also spoke about opportunities for Local Enterprise Partnerships (LEPs) to include funding for community energy in their plans and agreed to share the team's thinking on how to influence these as it developed.

CECG members highlighted the importance of the Government response to the Working Groups reports alongside other key issues including FITs degression rates, FCA changes to Co-ops and tax relief for community energy that will need to be addressed if the ambition of the CES is to be realised. Members also highlighted that the other strands of the CES – demand reduction, management, purchasing – need more attention.

CECG members requested a CES progress update with the Secretary of State in Oct/Nov, as was suggested when they met with him before the launch in January. There was also a request for an opportunity to meet with Amber Rudd, MP, in January.

Action Points:

- **Share Big Lottery Power to Change contacts (Peter L)**
- **Request CECG meeting with the Secretary of State and Amber Rudd (Will)**
- **Share draft of the response to the Working Group reports when ready (Fiona/Will)**

Financial Conduct Authority (FCA) changes to Co-ops

Discussion focussed on:

- Changes that have been brought in by the FCA following the introduction of the 'Co-operative and Community Benefit Society Act 2014'.
- The FCA's view that the 'Co-op model' does not sit well with renewable energy projects because of the lack of member participation in core business activity or trade of the co-operative. The FCA are also concerned that that the co-ops were being used solely as an investment vehicle.
- DECC acknowledges concern this has raised but cautiously welcomes the changes as they should help ensure the right balance is struck between greater level of consumer/investor protection and realising the enormous potential of the sector.
- CECG members commented the FCA have a very narrow understanding of renewable energy co-operatives, which are an established model and have enabled the deployment the majority of community owned energy generation projects across the country. They also commented that due to the regulatory regime not allowing communities to sell/supply the power they generate directly, Co-ops were being unfairly penalised as this was the most obvious route to 'member participation'.
- CECG members agreed clarification was needed from the FCA on the different models open to community groups, including Community Interest Companies (CICs). The work of the Community Shares Unit was highlighted as an important area for this debate, as a lot of clarity was emerging from this.
- A meeting with the FCA and community sector stakeholders is being planned for early October with the objectives: discussing and agreeing the level of member participation that is adequate under the current landscape; the level of share interest payment that is acceptable to raise the finances, and; to better understand the impact of asset locks for Community Benefit societies to raise funding from the financial sector.

Action Points:

- Agree CECG members to attend meeting with the FCA and other community energy stakeholders (Afsheen)
- Update on DECC's decision on Community Shares Unit funding proposal (Fiona)

Energy Company Obligation (ECO) post-2017

Discussion focussed on:

- Early engagement/dialogue welcomed.
- ECO needed to be recalibrated to work harder for the fuel poor.
- Opportunities for community enterprises to get returns/engagement through ECO, through e.g. referrals, carbon uplifts for community action, pilot funding for different models.

Action points:

- Invite ECO team to the next CECG meeting (Will)

Electricity Demand Reduction (EDR) Pilot

Discussion focussed on:

- Summary of the EDR Pilot from Gary Shanahan
- The EDR pilot will provide organisations, including community enterprises, with financial support to install more efficient electrical equipment that reduces peak electricity demand via a competitive auction. Full details available [here](#)
- The first EDR Pilot auction is for a total of £10 million and is being held in January 2015. Expressions of interest were sought by 30 September, with an application deadline of 31 October 2014. Subject to the outcome a further auction may follow. The total budget for the EDR Pilot is at least £20 million.
- The first auction has a minimum threshold of 100kW savings, which will put it beyond many community groups working on their own. There may be an opportunity to adjust the threshold and make other changes if a second auction takes place to better incentivise community-led approaches.

Fuel Poverty Strategy Update

Discussion focussed on:

- Overview of the ongoing work on the Fuel Poverty Strategy from Rita Wadey
- Government has laid draft Regulations before Parliament to put in place a new long term fuel poverty target. The Regulations will create in law a new fuel poverty target of ensuring that as many fuel poor homes as is reasonably practicable achieve a minimum energy efficiency standard of Band C by 2030.
- Government has published Cutting the cost of keeping warm – a consultation that will help to prepare for a new fuel poverty strategy. The consultation includes questions related to community energy and promoting and supporting partnerships at local level including with community groups. The consultation closes on 7th October 2014.
<https://www.gov.uk/government/consultations/cutting-the-cost-of-keeping-warm-a-new-fuel-poverty-strategy-for-england>

Action points:

- Email the CECG the Fuel Poverty Strategy presentation (Rita)

Community energy tax relief

Discussion focused on:

- HM Treasury consultations on Tax-advantaged Venture Capital Schemes and Social Investment Tax Relief, with regards to community energy projects

- HM Treasury explained the overarching objective of the consultations is to reach a targeted and effective position on the exclusion of tax relief investment into low risk subsidised activities. Questions were put to the CECG members on the risks/costs of community energy projects, typical investment amounts, and what impact would removal of tax relief have on the community energy sector.
- CECG members highlighted unique characteristics/models of community energy projects that mean the risks and rewards of investing are not as attractive as they are for commercial projects. These included longer development times, lack of liquidity of shares, and additional organisational risk inherent in community enterprises.

Action points:

- **CECG to submit a paper to HM Treasury in response to their questions (Pete C)**