

Community Energy Policy Statement Response

Scene Consulting Ltd.

Vijay Bhopal

1. Introduction and Overview

a) Are the ambitions of the Scottish Government clearly set out in this section when viewed alongside the Scottish Government's existing Electricity Generation Policy Statement and our draft Heat Generation Policy Statement?

In the first two paragraphs of this Policy Statement the words community and communities are stated eight times. Thereafter the following is stated:

'Our main ambition is to see 500MW of renewables in community and local ownership by 2020.'

We urge the government to ensure that 'community energy' is not used as a hold all term for 'community and locally owned energy'. This is a highly misleading usage of terminology, as explained on page 13 where it is stated that only 15% of current progress towards the 500MW target is accounted for by community energy.

It is not clear whether the Scottish Government has ambitions of maintaining the current high levels of locally owned energy in its progress towards the targets. With the exception the first page, locally owned energy is not mentioned at all in this introduction and overview section, despite its accounting for over five sixths of current progress towards the 2020 target.

There is a disconnect between the stated main ambition of the government, and the content of the introduction and overview section of this Policy Statement. If the Government deems community and locally owned energy to be part of the same agenda then this section, for transparency, should state ambitions for locally owned energy alongside community energy, so that the balance and complementarity is understood. If the government deems community and locally owned energy to be parts of separate agendas then the 500 MW target should be decoupled with immediate effect, to the benefit of the community energy agenda.

The question that arises is 'what cost to community energy, to the gain of local energy, is acceptable to the government in reaching the 500MW 2020 target?'. Without a stated answer to this question, the Scottish Government's ambitions are unclear.

This major issue aside, the government's ambitions for community energy are clearly set out in this section.

b) Are the ambitions of the Scottish Government correct to focus on support at differing levels of risk/benefit to the community while encouraging transition to Local Energy Economies? (e.g. mitigating risks of local ownership and encouraging community benefits paid by operators)

(This question does not appear to be entirely consistent in that the local energy economy focus, that is stated in the Policy Statement, often includes a strong focus on local ownership, and does not encourage community benefit payments (i.e. X£/MW).)

The government are correct to encourage a range of participation options. This range is still very much open to Scottish communities, with a focus on linking local supply and demand a sensible step forward, mirroring the direction of travel seen in many of the private industrial sectors, both in Scotland and abroad.

Community energy has been proven time and time again^{1 2} to offer social and economic benefits. Project participation encourages wider learning on energy systems and low-carbon living. Focusing support so as to mitigate the risks of local ownership may offer the government a better return on their investment, but is likely only to financially empower communities, rather than both financially and socially.

Our preferred route forward is to continue to support and encourage communities in their efforts and to develop their own projects either as 100% community owned or joint ventures, where possible it makes sense to do this within a local energy economy approach. Joint venture projects, out with the local energy economy approach, still stand to offer a great and growing opportunity to Scottish communities.

¹A Report on Community Renewable Energy in Scotland. Scene Consulting (May 2012).

² Community Energy in Scotland: Social Factors for Success. Haggett et al. (October 2013).

c) Do you think that the Scottish Government's ambition for community energy can be achieved within the limits of our current powers?

This refers back to the answer to a) in that the government must clarify how its ambition for community energy and community and locally owned energy align.

If the government's ambition for community energy is that it remains as a minor contributor to combined community and locally energy, as long as the 500MW target is achieved, then this ambition is likely to be achieved.

The other stated ambitions of driving forward the local energy economies agenda and increasing emphasis on renewable heat and energy efficiency are less quantifiable, but the policy and supportive funds are largely in place. The successful delivery on these agendas would be helped by a decreasing reliance on volunteers. In order to achieve this, more emphasis should be placed on encouraging 'community-friendly' third-sector and private sector service organisations to develop the sector through outreach, marketing, hand-holding and provision of services. Rather than discouraging market-making, these organisations should be wholeheartedly encouraged.

d) If not what powers do you think the Scottish Government needs?

Some of the powers that the Scottish Government could use in furthering community energy, are unfortunately reserved for Westminster. These include:

- Provision of a community feed-in tariff.

We propose that rather than providing higher-tariff rates (we believe that the comparative costs difference between community and commercial projects can largely be negated), the community FiT would maintain longer periods between depression intervals and would not include emergency depression.

This community FiT could be set up in two ways. Firstly as a separate tariff system altogether, or as a 'carve out' within the capacity bands of the current system.

- Increased capacity scope of community feed-in-tariff

The proposed increase of the FiT capacity range up to 10MW would be a welcome addition as it would encourage developers who develop medium scale projects to offer community investment, as is being seen already. We believe that communities are more likely to take up positions in smaller

projects (as opposed to very large windfarms), and are unlikely to be interested in tackling the complexity and perceived risk of the upcoming Contracts for Difference Framework.

- Protection of EIS/SEIS for energy coops

Although coops aren't as prevalent in Scotland as they are in England and Wales, the EIS scheme has proven vital for projects in raising finance. The idea that coops are not eligible for EIS as they are not trading with their members is ludicrous, as in our experience the only reason they are not trading is that the barriers to the electricity sale market are too steep.

It appears that well-meaning energy coops are caught in a bureaucratic trap that needs to be sorted out by two government agencies, the FCA and OfGem.

e) Do you think the Scottish Government's ambition for community energy can be achieved within current regulatory and other systems?

No answer provided

f) If not, what changes do you think need to be made?

No answer provided

g) Do you believe that the current and proposed support mechanisms and programmes will have the required impact on community energy in Scotland?

The current support mechanisms have constantly adapted to fit a changing market, which is encouraging.

The answer to this question again refers to answer a) which questions the scale and motives of the government's ambitions.

h) If not, what changes do you think need to be made?

We propose the following further changes, which aim to level the playing field between community projects and locally owned projects:

- Project leaders and agents to have the opportunity to present their projects

at CARES panel meetings

- Ability for appointed and trusted project managers to liaise directly with CARES staff to push forward funding applications
- Change the ruling that shared-ownership projects which receive CARES loan funding must pay community benefit of £10k/MW on the whole installed capacity, rather than the proportion that was CARES funded

It was disappointing to see that the recent Challenge Fund round offered such short time periods for the application and the phase 1 delivery stage, playing into the hands of large organisations, rather than the smaller enterprises that are key operators in the field.

2. Direct community ownership

a) Is the support available for direct community ownership and the Scottish Government's aim for this clearly and fully explained?

As this form of support has been around for quite some time, the support available and government's aims are clear.

b) Do you agree with the Scottish Government's aims for community ownership?

It is hard to make sector-wide aims for community ownership, as some communities will always prefer this route over other options despite the increased risk.

We believe that a more innovative approach needs to be taken, which doesn't necessarily require the local community to lead a project. Several organisations, including our own, have pioneered projects that involve community groups seeking to develop in a different part of the country. This has led to confusion and animosity within the sector, but we see the bigger picture of Scottish communities benefitting, as being the overwhelmingly important factor.

The resistance to this approach begs the question of whether the government would prefer a project to be developed by a commercial developer, or not at all, over a community from an area distal from the development site.

c) Do you believe that the current and proposed support mechanisms and programmes will have the required impact on direct community ownership?

The current and proposed support mechanisms are helpful, but direct ownership projects are subject to all of the same project risks that commercial developers face (and arguably to a greater extent). We believe that in terms of risks and rewards, this type of development is still favourable and should be encouraged.

d) If not, what changes do you think need to be made?

We prefer to take a 'Team Scotland' approach, encouraging Scottish Communities to seek this opportunities even if they are not from close to the site. This ethos stems from the fact that the real competition to community energy comes from the commercial sector.

Active engagement with communities in areas of search (for wind) and high resource for other technologies would be beneficial to the sector. External support would probably be required by LES to enact this.

3. Shared ownership and investment

a) Is the support available and future ambitions for shared ownership and investment clearly and fully explained?

The ambitions are well explained and clear but we do not agree that 'Scotland is leading the way as a testing ground for the new relationship between developer and community'.

We believe that more could be made of the shared ownership opportunities that are apparent on the ground, should the government choose to engage more proactively with community energy practitioners, such as ourselves, who are actively making shared ownership projects a reality, often without the need for CARES support.

b) Do you agree with the Scottish Government's aims for Shared ownership and investment?

The aims are highly commendable.

c) Do you believe that the current and proposed support mechanisms and programmes will have the required impact on shared ownership and investment?

Not fully.

d) If not, what changes do you think need to be made?

We suggest the following in considered:

- The ruling that projects that use CARES to part-fund the development stage works, must pay community benefit of £10k/MW for the entire installed capacity acts as a disincentive to commercial developers to enter joint ownership arrangements.
- The main external resource that is required by communities in gaining stakes in this projects is project management. These projects are often extremely time consuming. Therefore, we suggest that the focus on service provision is on project management support, with a lesser focus on financial advice and legal support.

4. Community benefits

a) Does this section clearly and fully explain the current support available and the Scottish Government's aims for community benefits?

Yes.

b) Do you agree with the Scottish Government's aims for community benefits?

Yes.

c) Do you believe that the current and proposed support mechanisms and programmes will have the required impact on community benefits?

Yes.

d) If not, what changes do you think need to be made?

5. Local Energy Economies

a) Is the concept of Local Energy Economies and the Scottish Government's ambitions for them clearly and accurately described?

Yes it is, although it would help if the cited report was available.

b) Do you agree that Scottish Government's ambition to promote Local Energy Economies is the correct way to tackle the issues highlighted?

Yes it is an astute direction of travel. Having said that, it provides another option and not the only option. We fear that communities that have previously been involved with renewable energy will be the primary candidates for the local energy economy approach, potentially standing to benefit them disproportionately.

This issue needs to be addressed by increased levels of proactive engagement. A programme of events was recently initiated by Scene Consulting supported by 2020 Climate Group, LES and James Hutton Institute. We would like to see support for this programme, 'Is Community Energy Right for You', from the government, especially in light of the high-intensity local economies agenda.

c) Do you believe that the current and proposed support mechanisms and programmes will have the required impact on Local Energy Economies?

No

d) If not, what changes do you think need to be made?

We do not believe that the Challenge Fund is the right approach as it required proposals to be put together too rapidly, with anecdotal evidence suggesting that many proposals were cobbled together in a haphazard manner. Local energy economies require a highly engaged approach amongst a wide variety of stakeholders which takes a lot of time. The time between the Challenge Fund announcement and the application deadline was completely inadequate, apart from for those who knew it was coming.

The IIF, with regular panel meetings seems like a much more suitable way of delivering the required impact. Again, we believe that project leaders and agents should be able to present at these panel meetings.

6. The Future of community energy

a) Is the Scottish Government's vision for the future of community energy clearly described?

Yes.

b) Do you agree with the aims of the Scottish Government's ambition for the future of community energy?

Yes.

c) Do you believe that the current and proposed support mechanisms and programmes will have the required impact on the future of community energy?

Largely, yes.

d) If not, what changes do you think need to be made?

The government's staff must ensure that they hold a wide perspective of the ongoing activities in the wider low-carbon sector and must encourage other stakeholders to drive forward ideas and innovations. For example, the idea of a partnership portal is being heralded as 'ground-breaking', whereas a similar portal was attempted on the Scene Connect platform in 2012. At this time support from the government was not forthcoming, despite requests. Additionally, a similar portal already exists on the Community Energy England web-map.

A wider collaborative view would also be useful strategically when designing future funds and programmes. Many of the stated ambitions for the future of community energy are also the stated ambitions of the ERDF Smart Accelerator programme which is being delivered by the Edinburgh Centre for Carbon Innovation. A collaborative approach early on could have provided neat tie-ins and avoided projects applying for both funds, which resulted in an uneven playing field for new applicants to the Challenge Fund.