How can Wales grow local ownership of renewable energy

1. The seismic technological shifts transforming energy offer an opportunity to rethink the energy system from the bottom up. Decentralised generation, storage and flexibility and digital technology enable supply and generation of electricity to be balanced locally, reducing demands on higher voltage energy networks.

2. The transition to a bottom up energy system is an opportunity to give greater control of power generation and use to local and community based organisations, therefore, retaining the economic value locally.

- **Local energy markets**

3. Enabling matching supply and demand at a local level and allowing flexible distributed energy resources to provide services to the energy system requires local energy markets and platforms on which buyers and sellers can transact. These are at an early stage of development, for example the Energy Local trial at Bethesda; the Centrica local energy market trial in Cornwall and the Open Utility local energy platform development funded by BEIS.

4. There is a risk that the markets and platforms that emerge are not designed for community level solutions and are too complex for local players to engage with.

5. Key opportunities/challenges for Wales on local and community energy are:
    a. Supporting local and community generators to understand the shifting market and new opportunities so that they can participate
    b. Independent and technical support for the development of local energy market trials that enable community and local players to offer services such as storage and demand side response
    c. The development by Ofgem of a supportive regulatory framework for local supply and peer to peer energy trading
    d. Ensuring that the shift of distribution network operators (DNOs) to distribution system operators (DSOs) includes engagement with local and community generators
    e. Engage in the Ofgem Charging Futures Forum to press for network charging arrangements that recognises where electricity is generated and used locally.

- **Grid access**

6. Grid access is key for renewable generation. The lack of grid infrastructure in Mid-Wales in particular, is a barrier for renewables. There are significant local constraints

to further renewable development across Wales. DNOs are offering a range of 'smart' solutions to enable generation to continue to connect but there will be a need for some reinforcement to enable more renewable generation.

7. Key opportunities are:
   a. Work with National Infrastructure Commission to identify the need for investment in energy networks. Grid needs to be tackled as part of a package of development in Mid-Wales
   b. Ofgem Charging Futures Forum includes an 'Access Taskforce'. This could be used to press for a first right of access for local communities.

- **Planning**

8. There has been limited use of the planning system so far to promote local ownership of renewable energy. Some local authorities such as Cornwall have included positive words on community and local ownership within local planning frameworks.

9. Key opportunities/challenges
   a. The Welsh Government's commitment to local ownership could be transferred into a planning requirement. This needs to be translated into local plans.

   b. More certainty for renewable energy projects entering the local planning system. Welsh minister have written to local authorities urging them to set areas for "local authority scale" renewable energy projects based on "Planning for renewable and low carbon energy – a toolkit for planners". Regen worked with Merthyr Tydfil on developing the evidence base required to allocate areas. Our experience is that there needs to be further support beyond commissioning the evidence base to support officers to develop appropriately worded policy, to gain councillor and local support for a policy, and to encourage councillors to put these policies into the local plan.

- **Project economics**

10. In the budget the chancellor announced there will be no further subsidies for renewables with the Feed in Tariff ending in April 2019. This means renewables will become about the only generation technology that doesn't receive any price support.

11. Onshore wind and solar are now amongst the cheapest new forms of electricity generation. However, it is difficult to make a project investable if it is reliant on the wholesale price of power for income and, therefore, subject to power price risk.

12. There has been discussion of a 'subsidy-free' Contract for Difference (CfD) for on-shore wind and solar set at the current wholesale price that guarantees a set level of income to attract investors.

13. Key opportunities/challenges

   a. Press onshore wind and solar to be able to compete for CfDs.

- **Access to finance**

14. With access to low cost finance there is an opportunity for existing renewable energy assets to be taken into community ownership. New 'subsidy free' schemes could also become viable.

15. Community energy is specifically excluded from accessing Social Investment Tax Relief. The EIS tax incentive scheme was critical in attracting local finance to community energy schemes. Given that community energy generation projects will shortly not be eligible for subsidies, there seems no reason for excluding the sector from the tax relief available to other forms of social investment.

16. Key opportunities/challenges
    a. Press the Treasury to remove the ban on community energy projects accessing Social Investment Tax Relief.
    b. Consider working with social investment providers to enable access to low cost finance both to buy out existing assets and develop new projects.

- **Access to technical support**

17. Community and local energy schemes need consistent support with support for core costs, key partnerships, access to independent expertise and project development. For example, Regen currently works with three community energy groups on providing detailed technical support on new business models including around storage and microgrids.

18. This support should be joined up with support for LAs and businesses so collaboration is encouraged

19. Key opportunities/challenges
    a. Continue and extend support for community and local energy projects – including with expertise in emerging new 'smart energy' business models
    b. Support communities in negotiations around buying out existing assets.

- **Access to sites**

20. There is an opportunity for large public landowners such as NRW and Welsh Water to work with local communities to develop projects on their land – potentially with private wire connections.

21. In our experience many landowners look at their own opportunities but aren't aware of the potential benefits of a partnership with a local community on project development.

22. Key opportunities/challenges

a. Work with major landowners in Wales to encourage partnerships with community and local energy projects.

Merlin Hyman, Chief Executive, Regen
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