

Community and Local Energy

Annual Report





CONTENTS

1 Welcome	4
2 What is community and local energy?	6
3 Our role in community and local energy	7
4 Progress report	8
5 Our strategy	15
6 Future challenges	18
7 Contact	19

1. WELCOME

Welcome to our first community and local energy annual report which sets out our progress since we launched our strategy in June 2018.

Our community and local energy strategy was developed following a stakeholder engagement process which we have continued throughout the last year to make sure we maintain and develop our understanding of stakeholder issues.

In our strategy document we discuss what community and local energy means to you, what we have heard from our customers during our engagement process and how you want us to address the issues that have been raised. This document reports on the progress we have made and provides an update of our understanding on the issues affecting the sector.

Taking action on climate change is increasingly under the spotlight as more and more city-regions, businesses and local authorities are making commitments to rapid emissions reduction. The community energy sector is well placed to help deliver these aspirations; however, it is still facing difficult times with the end of feed-in tariffs and, as yet, no announced replacement.

Our recently published state of the sector report highlights the challenges faced by the sector to resource and finance the development of projects and to scale-up with largely volunteer-led support. In March 2019, Electricity North West published its “leading the North West to zero carbon” plan which sets out our commitment to decarbonisation and supporting our customers in meeting carbon reduction targets. We believe community engagement will play a key role in this transition.

We will continue to support the community and local energy sector to make sure we understand our customers’ requirements and to support its development wherever possible.

I hope you find this document accessible and informative and I encourage you to share any feedback you have with us so that we can ensure our strategy and future activities remain relevant, focused and helpful to all our stakeholders.



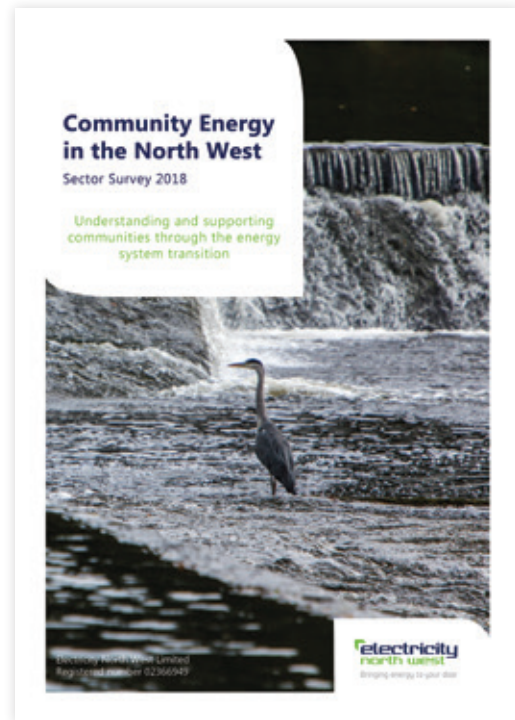
Steve Cox
Engineering and technical director

2. WHAT IS COMMUNITY AND LOCAL ENERGY

There are many ways to define community and local energy and we recognise that it means different things to different people. We developed a broad definition which stakeholders agreed was meaningful to them and has helped us to set the context for this strategy.

To us community energy means community-led projects or initiatives to reduce, manage, generate or purchase energy. Community energy projects focus on engagement and benefits to their local area and communities.

Local energy encompasses community energy projects and also includes activities by a wider set of local partners such as local authorities, housing associations, intermediary or advisory organisations and local businesses. Local energy projects may have a commercial aspect to their delivery but are also likely to benefit their local area and community.



When we produced the strategy we noted a number of driving forces behind the commitment to community and local energy, including the desire to tackle climate change. This leads to the desire to generate local economic benefit through ownership and control of energy generation assets and other parts of the supply chain.

These desires are still strong in community energy. Our state of the sector report asked groups about their motivations and the answers confirmed that tackling climate change via carbon reduction and low carbon living was the most important, with income generation coming second.

3. OUR ROLE IN COMMUNITY AND LOCAL ENERGY

As the electricity distribution network operator (DNO) for the North West of England, we do not generate or supply electricity. We own and operate a regional network to transport electricity from generators to customers. In simple terms, our network is made up of overhead lines, underground cables and items of plant, such as switchgear and transformers, which are used to distribute electricity to customers' premises. This network is paid for by customers through their electricity supply bills.

Through this network we deliver over 25 terawatt hours of electricity each year to around 2.4 million customer premises across an area of 12,500 square kilometres. We are responsible for the maintenance and upkeep of the network and ensuring it is able to accommodate future changes.

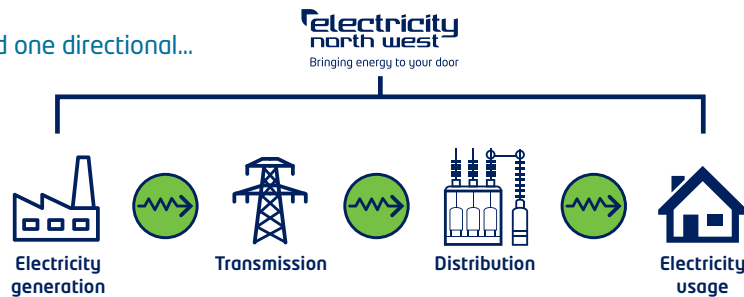
Electricity North West has a number of roles in the development of community and local energy projects including new connections, accommodating new generation and innovating for the changes that are taking place. To ensure we are delivering the correct service to our customers, our first task is to understand their requirements. Our ongoing activities include a stakeholder engagement programme to maintain and develop our understanding of stakeholder issues.

At the heart of our strategy is a stakeholder engagement plan which sets out how we want to work with stakeholders and what we hope to achieve.

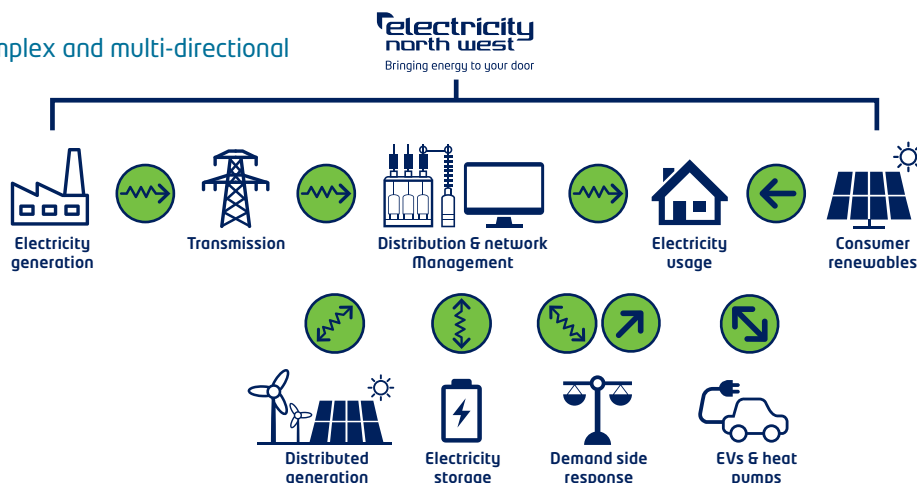
We want to:

- **Reach** new stakeholders and raise the profile of community and local energy activities;
- **Inform** stakeholders about our activities and deliver regular communications to maintain and enhance our relationships with them;
- **Listen** to stakeholders and provide opportunities for feedback;
- **Engage** groups and individuals in an interactive and collaborative way to ensure we build effective working relationships;
- **Collaborate** on projects or programmes to deliver mutual benefit to stakeholders, the network and Electricity North West.

What was once simple and one directional...



... is now more complex and multi-directional



4. PROGRESS REPORT

To produce our strategy we asked stakeholders “what are the main challenges that are facing the community and local energy sector” and “where do you feel Electricity North West should take action?”

We feel these issues are still the most relevant for stakeholders and will remain as priorities in the delivery of our strategy. However, during the last year we have developed and enhanced our understanding of these issues and we feel that “help to develop viable business models” and as part of that “inability to locate suitable supply customers” are emerging as the main themes from many of our conversations with stakeholders.

The top three issues prioritised by stakeholders are:

01

Access to Electricity North West

- Early engagement
- More face-to-face time
- Collaboration
- Dedicated point of contact
- Help with understanding where connections could be easier



02

Finance

- Financial support
- Help to develop viable business models



03

Regulation

- Regulatory regime does not suit community and local energy
- Current solutions such as virtual private wires are a “work-around” and not a long-term solution



KEY HIGHLIGHTS

12 presentations at external events

Launch of our community and local energy strategy

Sponsorship and participation in Community Energy England annual conference

Four Community Connects workshops

Guides to community energy and electricity grid

Four community and local energy newsletters

Providing support to partners on ten externally funding projects

Shortlisted for a Network Award for stakeholder engagement

13 community energy groups supported with ongoing relationships

Six Powering our Communities Fund awards

“Electricity North West has been integral in bringing together groups from across the North West to explore opportunities for increasing the community value of the energy transition and sharing learning arising from community-led energy projects. The funding provided through their Powering our Communities Fund is incredibly valuable in enabling communities to test new approaches to developing energy projects that address people’s needs and to increase their social impact.”

Community Energy England



Issue 1: Access to Electricity North West

Our stakeholders have asked for early engagement, more face-to-face time and opportunities to discuss their projects and future plans. This is to help with projects at an early stage; to help community and local energy groups understand the technical issues and process for getting a grid connection; and to help understand grid issues and where best to connect. Stakeholders have also asked for more contact time to develop collaborative relationships such as on innovation projects.

Progress 2018-19

Our dedicated community energy manager has been in post since 2017 providing a single point of contact for enquiries and resources to develop and deliver our strategy. At the heart of our strategy is an engagement plan which aims to maintain communications with our existing stakeholders, reach new stakeholders and enhance our understanding of our stakeholders' issues. We feel we have made significant progress in improving access to Electricity North West and as part of this in the last year we have delivered:

- Four Community Connects engagement and knowledge sharing workshops;
- Four community and local energy newsletters to inform stakeholders of our activities and news from across the sector;
- Two guides: a guide to community energy and an introduction to the electricity grid;
- One DG:LV connections engagement event and regular connections surgery sessions;
- Developed and enhanced the community and local energy section of our website.

We aim to continually develop and improve the way we can be contacted and welcome your views on this.

“Community Connects” workshops are designed to increase capacity and skills within the community and local energy sector, and provide an opportunity to engage meaningfully with stakeholders. We have collaborated with local organisations to deliver the workshops with the aim of bringing high quality workshops informed by firsthand experience. In 2018/19 we delivered:

- **How the grid works – delivered by Electricity North West;**
- **Project management without too many tears – delivered by Quantum Strategy;**
- **Whole place approach to low carbon development – delivered by Cumbria Action for Sustainability;**
- **Shining a spotlight on regulation and local supply – delivered by Electricity North West and Community Energy England.**

From the feedback we received following these events, we learned that the most important issues for future workshops are financing, new business models, breaking down barriers to developing partnerships and regulation. We will focus on some of these themes in 2019/20.



"The Community Connects series of events has helped share good practice and boost the sector and has enabled us to understand Electricity North West's priorities, constraints and has opened up new communications channels with grid connection engineers and contacts, so we can easily engage over the phone. This saves valuable time for us, and avoids us pursuing projects that are not affordable or viable."

Community Energy North



Issue 2: Finance

Requests for support here included direct financial support as well as help to make business models viable by working together on issues such as virtual private wires. Since the decline and now the stopping of feed-in tariffs, it has become increasingly difficult to build a business case for community and local energy generation projects where there is no co-located demand such as an energy user on the same site to guarantee an income through the sale of electricity at a sufficient rate.

Progress 2018-19

We launched our “Powering our Communities Fund” in autumn 2018 which created a £75,000 fund to support community and local energy groups. The funding is for projects that put community and local energy at the forefront and in particular can demonstrate how they can contribute to the delivery of one of the following priorities:

- Engaging communities in energy issues, particularly energy efficiency;
- Supporting vulnerable customers and/or reducing fuel poverty in our communities;
- Investigating or delivering new ways of working, fit for a smart, flexible low carbon grid.

Community energy groups, charities, schools or local authorities could apply for up to £15,000 per project to fund a range of activities including promotion of initiatives, staff time, technical expertise, equipment or research expertise. The criteria were not overly prescriptive because we did not want to limit imaginations.

We are delighted with our six winners who have all shown a commitment to developing innovation in community energy. Each has demonstrated how they will effectively engage with all corners of the community, particularly children and vulnerable customers, to raise awareness of the benefits of community energy.

Powering our Communities Fund winners

Project name	Applicant	Location	Summary	Amount
Energy Local Alston Moor	Alston Moor Community Energy	Cumbria	This project will investigate how to bring a hydro scheme into community ownership and use the Energy Local model for the first time in our region to develop the business case. It will also transfer skills from the Energy Local team to community energy groups in Cumbria.	£15,000
Eco Warriors	Burnley Boys and Girls Club	Lancashire	This project is led by the girls and boys and will give them the knowledge and skills to reduce their own carbon footprint and to become Eco Warriors in their community. The funding will also be used to reduce the carbon footprint of their facilities and is being co-funded by the sale of their mini-bus which the girls and boys decided to sell to reduce their carbon footprint.	£15,000
Energy Justice Salford – buying community-led local wealth	Carbon Coop	Greater Manchester	This project will develop a new user-led approach to deliver energy efficiency measures to households, particularly those in fuel poverty, in partnership with the local authority, the community and local suppliers.	£14,720
Fuel Katao, Paisay Bachao (Save fuel, save money)	Kashmir Youth Project	Lancashire	Bi-lingual energy efficiency advice and tools for the Kashmir community in Rochdale.	£8,280
Community-owned energy supply	Burnside Community Energy	Cumbria	Developing the business case for community-owned energy assets to supply a new housing development in Burnside, Cumbria for the benefit of the whole village.	£15,000
Provision of electronic displays for solar generation	Oldham Community Power	Greater Manchester	Electronic displays for four schools with community-owned solar panels to show the children how they work and engage them on energy issues.	£3,000

We feel that the Powering our Communities Fund will provide some much needed resources for the development of community energy projects across our region. It is hoped we will see increased awareness and understanding of the benefits and possibilities community energy brings. We will be launching the next competition later this year and will host an event in September to invite the winners to present the findings of their projects.

In our strategy, we state that we want to develop ways to collaborate on innovation. To further this, we have set out a number of ways to encourage the development of collaborative relationships.

We have worked with the other DNOs, the Electricity Network Association and Regen to deliver two community energy innovation engagement events which help stakeholders get up to speed and actively engage in the future of our energy system.

The events focused on innovation trials and projects already underway and provided plenty of opportunity to discuss ideas. This was the third year these events have been run; the resultant guides, which provide advice on how to develop relationships with DNOs on innovation, are available on our website.

We have responded to a number of requests this year to partner with external organisations who are delivering their own innovation projects which interact with our network. As a result of this, we are supporting nine external projects. This experience has also helped us to develop our understanding of how we would like to work with stakeholders. As part of this we want to be clear about what external partners can expect from us when they approach us with a request to collaborate. We have developed a framework for stakeholders to refer to which will hopefully help us develop our relationships.

Framework showing levels of support available for external partners

1 Letter of support	All requests from energy sector projects benefiting our licence area
2 Pre-funding connections checks and support with connections applications	We have allocated resources to community and local energy projects as part of our strategy to provide an enhanced customer service to all projects based in our licence area
3 Data sharing	Projects that deliver clusters of installations on our network will be monitored and an evaluation of their impacts will be shared
4 Strategic insights/participation in project board	Projects or project partners that align with Electricity North West priorities and where our involvement can add value to the project and the sector
5 Financial or in-kind contributions	Projects that will deliver an output of value to Electricity North West and therefore warrant investment
6 Collaborative project	Projects that are developed in partnership and deliver a mutually beneficial output to each partner and the sector

The majority of the projects we have supported this year have received support from levels one to four, as outlined in the diagram. Typically external organisations contact us for support for projects they have developed because it interacts with our network. As stated in our strategy, we would like to develop collaborative relationships with community and local energy stakeholders where projects deliver mutual benefits. We will continue to look for opportunities to work with community energy groups over the coming year.

The other activity we committed to in response to the finance issue is “investigate the viability of enabling community or local energy groups to develop projects on our land or assets” as well as “investigate the viability of purchasing from community and local energy groups”. If either of these options proves viable it would enable us to enter into a commercial arrangement and provide support to the sector in this way.



Issue 3: Regulation

There is a feeling among our stakeholders that the current regime does not suit community energy models. We have heard that regulatory issues are a barrier to developing community and local energy projects and understand that this influences the potential of project income and the ability to develop viable business models.

This is partly as a result of the community and local energy being at the forefront of developments in the energy sector. To do things differently, regulatory issues need to be explored, because a system that works for one model will not necessarily work for another.

Our understanding is that the main issue caused by the current regulatory regime is that it is difficult for generators to sell directly to customers. Only licensed supply businesses collectively known as “energy suppliers” can sell electricity to customers. The system is set up this way to protect consumers by ensuring customer choice. However, often the only choice for small generators such as community and local energy groups is to export the energy they generate to the grid which receives a much lower price than a customer would pay for it.

Progress 2018-19

At our Community Connects workshop in February we focused on regulation and local supply. The aim of the workshop was to help us increase our understanding of the issues and provide new mechanisms to engage with us.

The workshop was held in partnership with Community Energy England who introduced the event to help set the scene. Two representatives from community energy groups, Repowering London and Burnside Community Energy Group, shared their experiences and thoughts on the options for local supply. The industry perspective was provided by Electricity North West’s head of commercial innovation.

We produced a capture report as an output which summarises the event, what we heard and our response. This is a format we have started to use following all of our stakeholder engagement events. This allows us to communicate clearly with stakeholders and to disseminate information to a wider group than those attending the event. You can download the full capture report from our website or the summary is shown here. The main outcome from the event is that stakeholders would like to continue to engage with us on this issue and we will introduce a regulation and policy update section in our newsletter.

Shining a spotlight on regulation and local supply capture report

What we discussed	What we heard	What we will do
We discussed the charging review and its potential impact on community and local energy and as part of this, the concept of cost reflecting local characteristics of the network.	We heard that community energy stakeholders are already following the charging review although they welcome shared insights from us as the distribution network operator.	We will continue to engage stakeholders on regulatory issues via our newsletter and future engagement events. Ofgem also provides updates via its website.
We talked about the various options for local supply and we introduced the Elexon meter splitting proposal.	Private wire is best for new build – but it comes with risks; other viable options still need to be developed for existing projects. The Elexon proposal might help and stakeholders would like to know more.	Will share information about this Elexon championed modification via our newsletters and social media. For further information see www.elexon.co.uk .
We discussed the volume and complexity of the industry changes taking place.	It is difficult for community energy groups to keep abreast of all the changes taking place and they would like some support to identify which changes affect them and how.	We will add a regulation and policy update to our quarterly newsletter which will provide information for stakeholders on the latest relevant announcements.
We discussed Ofgem’s requirement to keep the cost down and treat all customers “fairly”.	It is felt that Ofgem is looking at it from the wrong perspective and should be using a climate change or decarbonisation lens. Fairness test is not “fair” and it doesn’t mean the same for all customers.	We will work with Community Energy England to gather an evidence base that the community energy sector can use in discussions with Ofgem.

5. OUR STRATEGY

Our strategy for working with community and local energy groups covers our approach, our strategic objectives and our actions.

Our approach

We want to work closely with community and local energy groups, organisations and developers to support the development of their projects. We understand that community and local energy projects can be volunteer-led and complex and therefore need more support to engage with our services. We would like to engage early with community and local energy groups to support them with the process of connecting to the network. We would like to develop our relationships with the communities we support and explore other ways to work together such as on innovation projects and the role they may play in the future.

Our strategy objectives:

1. We will be responsive to our customers' needs
2. We will create new mechanisms for community and local energy groups to engage with us
3. We will search for locations on our network where community and local energy can be deployed for multiple benefits.

We use our understanding of stakeholder issues, as set out in the previous section, to help provide a focus for the delivery of our objectives and actions. The top three focus areas identified through our original stakeholder engagement process were access to Electricity North West, finance and regulation. These are still the main focus areas, however, with our enhanced understanding we appreciate that the main priorities for community and local energy stakeholders are "help to develop viable business models" and as part of that "inability to locate suitable supply customers." This is set against the backdrop of the need and desire to scale-up and make a real difference in tackling climate change. We will use this learning to target the delivery of our actions this year while also maintaining and updating our understanding of the challenges facing the sector.

Our actions

This year we have made good progress delivering against the actions we committed to in June 2017.

We have completed all of our actions to meet our commitment to be responsive to customers' needs. These actions are on-going to ensure we stay up-to-date with stakeholder issues and how to respond to them.

We have made progress with creating new mechanisms for community and local energy groups to engage with us. We have delivered a "seed fund", the Powering our Communities Fund, which supported six projects, and we held a spotlight on regulation event to provide a forum to discuss this issue. However, we have made limited progress in achieving a positive outcome to "purchasing community energy" and "enabling community groups to develop on our land or assets." This is partly due to contractual reasons with our existing supplier but we hope to make more progress this year.

We have also made some progress searching for locations on our network where community and local energy groups could be deployed for the benefit of the network. With regards to resilience of the network, our approach is to develop flexible services in constrained areas of the network to help reduce the cost of asset replacement. We have issued a number of calls for expressions of interest in the last year and have made sure they are accessible by writing in plain English and holding webinars to explain how to apply.

We have made some progress on using community and local energy groups to tackle fuel poverty and support vulnerable customers. The Powering our Communities Fund supports projects that address this issue and we are developing our referral network to support customers in our region.

The table on the next page summarises our progress this year and our planned activities for next year.

Community and local energy strategy 2019-20

We will be responsive to customers' needs and deliver a stakeholder engagement plan that enables us to develop those relationships

Action	Progress update 2019	Actions 2019-20
We will appoint a community energy manager as a dedicated point of contact and develop a stakeholder engagement strategy.	Community energy manager appointed October 2017.	We will continue to deliver a stakeholder engagement strategy that enables Electricity North West to develop its understanding of customers' needs.
We will appoint a community energy manager as a dedicated point of contact and develop a stakeholder engagement strategy.	Community energy manager appointed October 2017.	We will continue to deliver a stakeholder engagement strategy that enables Electricity North West to develop its understanding of customers' needs.
We will launch community and local energy web pages to inform stakeholders and provide a way of getting in touch	Completed December 2017.	We will continue to update and enhance our web pages.
We will allocate dedicated engineer resources to provide support to community and local energy projects to identify the best option for point of connection.	Completed.	<p>We will continue to encourage early engagement and improve the routes into our business.</p> <p>We will continue to support external projects with the aim of developing collaborative partnerships.</p>
We will hold Community Connects workshops to inform and engage stakeholders.	Four Community Connects workshops completed to date. Delivered in partnership with Quantum Strategy and Technology, DLA Piper, Carbon Co-op, Cumbria Action for Sustainability and The Tyndall Centre. See website for details of past and future events.	We will continue to deliver our Community Connects workshops with a focus on the themes important to stakeholders: finance and regulation.

We will create new mechanisms for community and local energy groups to engage with us

Action	Progress update 2019	Actions 2019-20
We will encourage and develop collaborative relationships including launching a “call for innovation” which is open to community and local energy groups	Powering our Communities Fund launched autumn 2018; six projects supported.	We will launch another round of the Powering our Communities Fund in autumn 2019.
We will develop a collective response to the regulatory changes required to facilitate community and local energy.	Spotlight on regulation and local supply held February 2019; capture report on website.	We will continue to engage on this issue and provide a quarterly regulation and policy update.
We will investigate the viability of purchasing community and local energy.	We are in a contractual relationship for supply of our electricity until 2021 which limits who else we can purchase energy from.	We will review options for after 2021.
We will enable community or local energy groups to develop projects on our land or assets.	We are still investigating the viability of this option.	We are aiming to report back on the viability of this option this year.

We will search for locations on our network where community and local energy can be deployed for the benefit of the network

Action	Progress update 2019	Actions 2019-20
We will research the possibility of a network-led approach to support the development of community and local energy projects.	Resilience: we have promoted our calls for flexible services to community and local energy groups and wrote the calls in plain English to make them accessible to all.	We will continue to engage on flexible services as we develop our approach.
	Fuel poverty and sustainability: our Powering our Communities Fund is supporting projects that target vulnerable customers and community groups, investigating new business models for energy efficiency and low carbon technology deployment.	We will continue to support community and local energy groups with fuel poverty projects through our Powering our Communities Fund.
	Reliability: work is ongoing to look at the viability of using community and local energy to help with reliability.	We will continue to investigate the benefits of using community and local energy for the benefit of the network.

6. FUTURE CHALLENGES

One of our achievements this year was to publish the first state of the sector report for community energy in our licence area. Published in May 2019, this report shows that the community energy sector is delivering projects despite changes to feed-in-tariffs. It also shows that the sector is developing new business models and new ways of working and is optimistic for the future. However, the sector faces a number of challenges: it is still largely volunteer-led and finding capacity and resources to develop projects is still one of the biggest barriers to success.

The report has been a valuable source of information for developing our programme of work, and it has provided an excellent resource to promote successes in the region.

The evidence in the report supports the feedback received from our engagement with stakeholders – that the most important issues facing community and local energy groups are financing, new business models and breaking down barriers to partnerships and regulation.

We have delivered a programme of activities over the last year to ensure that we understand the issues faced by the sector and that we are able to support its development in our area. Our Powering our Communities Fund and Community Connects workshops have been designed to address capacity and resources issues, particularly at the early stages of project development.

We have also worked closely with a number of projects to help them to develop. We will continue to target our support to address the issues that stakeholders tell us are important to them and in ways they think we can best support their projects.

Priorities for the coming year will be to:

- Continue to engage early with projects and continually develop our connections service to meet customer needs and expectations;
- Address the stakeholder challenges of finance and capacity by delivering Community Connects workshops on these issues;
- Consider the viability of providing assets for use in community energy projects and update our stakeholders on our progress;
- Deliver another round of the Powering our Communities Fund;
- Continue to work closely with the sector;
- Support the new North West community energy hub initiative which is intended to provide capacity and a catalyst for the future development of the sector.

“Electricity North West has demonstrated considerable leadership through its programme of activities to engage community and local energy organisations. They have listened and made a plan that includes working in partnership with local intermediaries, funding grass roots activities and working to develop innovative projects collectively.”

Regen



7. CONTACT

Keep up-to-date

To sign up for our newsletter and view previous editions visit
www.enwl.co.uk/communityandlocalenergy.

Get in touch

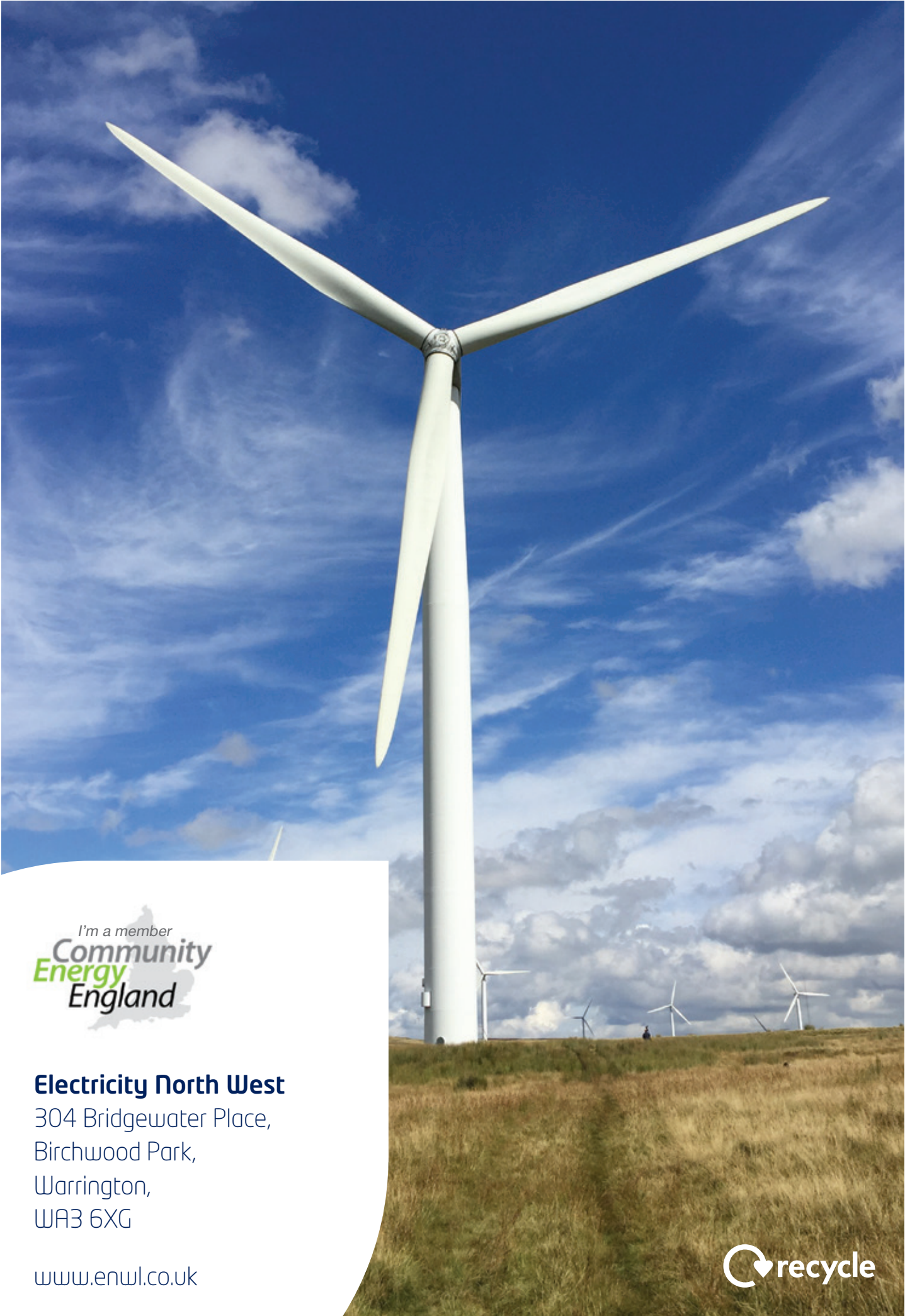
If you have any comments on this report or how we should develop our actions please get in touch.
If you are developing a community or local energy project please get in touch to discuss your plans.

Contact details

Helen Seagrave, community energy manager, Communityandlocalenergy@enwl.co.uk



COMMUNITY AND
LOCAL ENERGY



I'm a member
**Community
Energy
England**

Electricity North West

304 Bridgewater Place,
Birchwood Park,
Warrington,
WA3 6XG

www.enwl.co.uk

