

## Contracts for Difference (CfD): proposed amendments to the scheme 2020 – Energy Saving Trust response

### Energy Saving Trust

Energy Saving Trust is the leading, impartial sustainable energy organisation, focused on improving the way people use energy in homes, communities and transport. Of particular relevance to this consultation, Energy Saving Trust plays a principal role in two of the UK's leading programmes supporting community energy:

- We lead the Local Energy Scotland consortium that delivers the Scottish Government's Community and Renewable Energy Scheme (CARES).
- We deliver the community element of the Welsh Government's Energy Service

Alongside our delivery work, we seek to influence UK and devolved nation governments to develop a positive and effective policy framework for sustainable energy, informed by our contact with households, businesses and administrations, and from our cross-UK and international insight.

### **1. How can the government better ensure that the local impacts and benefits of renewable energy developments are taken into account across the whole of Great Britain?**

We believe that the government can better ensure that the local impact and benefits of renewable energy developments are taken into account across the whole of Great Britain by:

- Aligning good practice principles and guidance across GB.
- introducing an requirement for a Community Involvement Plan as part of the CfD application to drive best practice and maximise opportunities for communities to benefit.
- Change the planning regime to

We believe that it would be wise to draw best-practice lessons from pre-existing schemes already operational in the devolved nations as well as from our regional partners. Energy Saving Trust has a wealth of knowledge in this area, administering successful local energy schemes in both Wales and Scotland. Much work has already been undertaken in Wales and Scotland to promote constructive relationships between local communities and energy developers so that local renewable energy developments better reflect the given environmental, economic, and social context. In Ireland, the Government are developing an approach which takes account of local benefits in their version of a CfD auction – the Renewable Electricity Support Scheme (RESS)<sup>1</sup>. The scheme will require all projects to meet

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<sup>1</sup> <https://www.dccae.gov.ie/en-ie/energy/topics/Renewable-Energy/electricity/renewable-electricity-supports/ress/Pages/default.aspx>

pre-qualification criteria, which include offering local communities the opportunity to invest in and take ownership of a portion of renewable projects. The RESS will also see a national register of community benefit payments be established.

### **Devolved Nation Policy and Best Practice**

There are lessons to be learnt from other nations that can be used by UK Government to create the best possible outcome for GB as a whole. The Welsh Government have recently published their 'Local Ownership of Energy Generation' (LOEG) policy statement<sup>2</sup> and the Welsh Government Energy Service have convened a Working Group which has developed, and is now due to publish, detailed guidance for developers, stakeholders and planners on meeting these policy objectives. If this document is available within the timeframe of the CfD consultation we recommend that it is consulted, and that its recommendations are taken into account so as to help better align guidance for developers and community groups in different countries and also avoid inadvertent conflict of policies.

Welsh Government has an expectation that all future energy projects should include an element of community ownership and has a target for 1GW of renewable electricity and heat to be in local ownership by 2030. Similarly, ambitious targets are in place in Scotland, with the Government targeting 1 GW of community and locally-owned energy by 2020, and 2 GW by 2030. By 2020, the Scottish Government expects to see at least half of newly consented renewable energy projects having an element of shared ownership. Scottish Government also has an ambition for community benefit to be equivalent to £5k/MW<sup>3</sup>. These policy ambitions send out clear signals to developers and communities alike that the local impacts and benefits of energy developments will be taken into account by Government and local authorities when considering planning applications and funding support. The Welsh Government states that: '*National Planning Policy requires planning authorities to plan positively for the use of locally generated electricity and heat to help meet the national target of one Gigawatt by 2030... The social, environmental and economic benefits associated with any development should be fully factored into, and given weight in, the decision making process*<sup>4</sup>.

In Scotland, under Section 35A of the Town & Country Planning (Scotland) Act 1997, pre-application consultation which includes the local community is required for all major projects over 20MW in capacity and at least one public event must be held. In Section 36 of the Electricity Act 1989 there are also clear expectations for consultation, including a public exhibition, for >50MW projects. The Scottish Government encourages good quality pre-application consultation to create better outcomes in the planning process. Community benefit and shared ownership support is guided by the Scottish Government's good

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<sup>2</sup> <https://gov.wales/sites/default/files/publications/2020-02/policy-statement-local-ownership-of-energy-generation-in-wales.pdf>

<sup>3</sup> <https://www.gov.scot/publications/scottish-energy-strategy-future-energy-scotland-9781788515276/>

<sup>4</sup> <https://gov.wales/sites/default/files/publications/2020-02/policy-statement-local-ownership-of-energy-generation-in-wales.pdf>, pg. 8.

practice principles advice and guidance documents, which were introduced in 2015 and revised in 2019<sup>5</sup>.

### **RESS and a Community Involvement Plan for the CfD Process**

Both Welsh and Scottish approaches seek to bolster community involvement and ownership through setting clear policy and guidance, applied through a voluntary approach with developers. It is our understanding, following the Pot 1 consultation event held on 30<sup>th</sup> of April, that this is the approach looking to be pursued through this consultation rather than local impacts and benefits being a material consideration in the CfD process, whether in Annual Round 4 (AR4) or subsequent rounds. We believe this represents a significant missed opportunity to apply learning from other nations to improve the policy environment GB-wide as it provides little incentive for large projects to fully engage with communities, and in some cases may disadvantage a project application if by engaging with communities the business case appears to be harmed. Also, worryingly, Scottish and Welsh projects which comply with devolved government ambitions and good practice could be disadvantaged against English projects bidding in AR4 who have minimal community engagement and no shared ownership expectations to meet. The current CfD policy could have a detrimental impact on the Scottish Government's ambitions for community benefit equivalent to £5k/MW and offers of community shared ownership from developers as they may decide to forego these commitments if they perceive themselves to be disadvantaged through the CfD scheme. Similar issues could arise in regards to developers wishing to operate in Wales, where the devolved government has set out its policy on the local ownership of energy generation.

The approach being proposed by UK Government does not reflect the pre-existing ambitions of the devolved administrations in this policy area and introduces a long term barrier to local impacts and benefits of renewable energy developments being taken into account across the whole of Great Britain. The CfD process will drive developers' financial strategies and therefore AR4 could have the unintended consequence of providing less benefit to Scottish and Welsh communities than their respective governments intend. This could also have the detrimental effect of leaving some of the most productive sites for low carbon generation under-utilised – something which could be avoided if a more level playing field could be established across GB. A more considered approach which takes account of community benefit and shared ownership impact in the CfD auction process could draw learning from Ireland's Renewable Electricity Support Scheme (RESS)<sup>6</sup>. In Ireland they have linked community participation to the new RESS as a prerequisite, stating: *'all projects looking for support under the new RESS will need to meet pre-qualification criteria including offering the community an opportunity to invest in and take ownership of a*

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<sup>5</sup> <https://www.gov.scot/publications/scottish-government-good-practice-principles-community-benefits-onshore-renewable-energy-developments/>

<sup>6</sup> <https://www.dccae.gov.ie/en-ie/energy/topics/Renewable-Energy/electricity/renewable-electricity-supports/ress/Pages/default.aspx>

*portion of renewable projects in their local area. A national register of community benefit payments will also be established.* It is worth noting that in the RESS, shared ownership for larger projects is predominantly targeted at individual investors. As there is a more developed community sector in GB local impact is more likely to involve a whole or partial community element. This would have benefits over the Irish norm as community groups could invest surplus dividends to create local impact, for example helping run community projects that help meet net zero targets.

Linking community involvement to the CfD auction through a Community Involvement Plan, or similar, and drawing from best practice across the devolved nations and our Irish neighbours, would allow all developers to exemplify best practice. The Community Involvement Plan could perhaps be modelled on the existing Supply Chain Plan (SCP) which sees successful applicants have their SCPs published and monitored by BEIS, with developers expected to abide by their plan and account for any shortcomings - with these being taken into account in future auctions. A Community Involvement Plan could see projects awarded a premium for good practice in community engagement, offering community benefit, and facilitating investible shared ownership options. This would help the government to ensure that the local impacts and benefits of renewable energy developments are taken into account equally and fairly across GB. Introducing a Community Involvement Plan component into the CfD process could be achieved relatively quickly, unlike changes in planning law which take time to implement and disseminate, with a considerable lag time before their impacts are felt, not to mention the issue of having separate planning regimes across the nations of GB to contend with.

As well as these suggested improvements to the CfD scheme, there are lessons to be learned from the Welsh and Scottish policy environment that could be applied in the English context.

### **Improvements to English Planning Policy**

Whilst the progress made in The Planning Act (2008) and the DECC's Community Benefits from Onshore Wind Developments (2014) Best Practice Guidance for England were welcome at the time, and have no doubt improved dialogue between communities and onshore wind developers, a number of changes could be made to improve this policy area. In the first instance, the provision for community consultation should be broadened to include all generation technologies and, if possible, energy storage and renewable heat initiatives, bringing English policy in-line with Welsh and Scottish ambitions. This will help to address inequities in the current system and allow communities to better assess the options for renewable technology allocation in their area. Secondly, rules around the degree and nature of consultation should be tightened so that developers truly engage with communities and take account of their feedback rather than merely 'having regard to the advice given by the local planning authority'. Thirdly, shared ownership of renewable assets should become the priority rather than an optional add-on to a community benefit

fund or benefit in-kind arrangement. This would help to belatedly achieve the Government's stated aim that "from 2015 it should be the norm for communities to be offered the opportunity of some level of ownership of new commercial onshore renewable energy developments."<sup>7</sup> The work of the Shared Ownership Task Force in 2015 illustrates that there have previously been more ambitious aspirations in the area of shared ownership.

The Welsh Government's new local ownership policy addresses these potential improvements to the system and elements of its approach should be considered when designing English policy. The Welsh Government has an expectation that all new projects should have an element of community ownership. The current disparity in England between different technologies could be addressed and provision broadened to include innovative new ventures in generation, storage, and heating. The work underway within the WGES Working Group is exploring how the economic, environmental and social benefits of projects can be detailed in one document, with the aim being to give them equal weight and due consideration in the planning process. This work will be detailed in the forthcoming guidance document which will also offer best practice guidance on developing shared ownership.

The current legislation in England only considers community benefit funds and benefits in kind and does not in any meaningful way consider material or socio-economic benefit, or the benefits of shared ownership. Shared ownership projects provide some of the best examples of community-developer relationships and this approach should be the preference, as it is now in Wales. By promoting community benefit funds or benefits in-kind with no community ownership or control it can be perceived by both communities and developers alike that this is the 'cost of doing business', rather than a sincere effort to take account of communities' concerns and offer direct benefit in a specific context.

Feedback from the UK Government's 2018 consultation<sup>8</sup> regarding remote island wind found that by stipulating set universal community benefits ahead of time it became difficult for projects to meet the specific needs of individual communities. Subsequently, the UK Government stated that they were of the view that this applied to all technologies. We would agree. This top-down approach can prove restrictive and reductive, with a locally led approach being preferable. The Welsh Government's local ownership policy facilitates this. The policy aims to offer a benchmark of good practice, stimulating competition, rewarding developers who best engage with communities and offer ownership, and makes clear at the outset what each stakeholder group can realistically expect from one another.

While there are improvements that could be made to the English planning process to improve community involvement, engagement, and benefits from the siting of renewable

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<sup>7</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/275169/20140126Community\\_Energy\\_Strategy.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/275169/20140126Community_Energy_Strategy.pdf)

<sup>8</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/714067/contracts-for-difference-renewable-energy-consultation-response-part-a.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/714067/contracts-for-difference-renewable-energy-consultation-response-part-a.pdf)

assets nearby, our view is that alone these are not adequate to achieve the government's stated aims. A number of lessons can be drawn from the ambitious planning policies in Scotland and Wales but without changes to the CfD process for larger projects (many of which may be located in Scotland or Wales) the UK government may inadvertently undermine these programmes. There are several options to consider when reforming the CfD. We have highlighted the Irish RESS above and their prerequisite for community benefit and shared ownership and have proposed introducing a Community Involvement Plan. This could operate similarly to the existing supply chain process where the Supply Chain Plan (SCP) forms part of the CfD submission.

## **2. What exemplifies 'best practice' when it comes to engaging with and supporting local communities on renewable energy developments? Examples of specific projects and/or developers would be welcomed.**

Best practice is demonstrated in projects that adhere to the Scottish Government's Good Practice Principles<sup>9</sup>, Welsh Government's Local Ownership Policy Statement<sup>2</sup>, and Best Practice Guidance in England. It is exemplified by early, meaningful local community engagement, practical support for communities, and ongoing commitment.

As part of the Scottish Government's ongoing work in this area they have published good practice guidance<sup>10</sup>.

Examples of 'best practice' in shared ownership:

- Clash Gour Wind Farm (EDF)<sup>11</sup> – early, meaningful community engagement and practical support pre-consent.
- Clashindarroch 2 Wind Farm (Vattenfall)<sup>12</sup> – early, meaningful community engagement and practical support pre-consent.
- Beinn an Tuirc 3 Wind Farm (SPR)<sup>13</sup> – early, meaningful community engagement, practical support and commitment post-consent.
- Crossdykes Wind Farm (Muirhall)<sup>14</sup> – early, meaningful community engagement, practical support and commitment post-consent.

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<sup>9</sup> <https://www.gov.scot/publications/scottish-government-good-practice-principles-community-benefits-onshore-renewable-energy-developments/>

<sup>10</sup> [www.localenergyscotland.org/goodpractice](http://www.localenergyscotland.org/goodpractice)

<sup>11</sup> <https://www.edf-re.uk/our-sites/clash-gour>

<sup>12</sup> <https://group.vattenfall.com/uk/what-we-do/our-projects/clashindarroch11>

<sup>13</sup> [https://www.scottishpowerrenewables.com/pages/beinn\\_an\\_tuirc\\_phase\\_3.aspx](https://www.scottishpowerrenewables.com/pages/beinn_an_tuirc_phase_3.aspx)

<sup>14</sup> <https://muirhallenergy.co.uk/portfolio-items/crossdykes/>

Examples of 'best practice' in community involvement include:

- Garn Fach Windfarm (EDF)<sup>15</sup> – early, meaningful public information events, engagement with community groups, freely available documents online, welcoming feedback.
- Alwen Forest (Innogy)<sup>16</sup> – early, meaningful public information events, engagement with community groups, freely available documents online, welcoming feedback.

### **3. How should the government update the existing “Community benefits from onshore wind developments: best practice guidance for England” publication to reflect developments in best practice for engagement between developers and local communities?**

As stated in detail above, the guidance should:

- Ideally be broadened to include all technologies, as well as energy storage and renewable heating initiatives.
- Make clear the expectation of developers to engage with communities in a more robust manner to assuage concerns that the current requirements are merely a 'box-ticking' exercise. The Welsh Government's 'Local Ownership of Energy Generation' policy paper and Scottish Government Best Practice Guidance should be used as a benchmark for how to improve on these elements of the English guidance.
- Prioritise shared ownership of renewable assets as a key feature of a community-first approach to future projects by creating separate shared ownership guidance for England.
- Government can play a role in setting out its expectations for developers, fostering collaboration, and identifying a wide range of potential benefits, as is

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<sup>15</sup> <https://www.edf-re.uk/our-sites/garn-fach>

<sup>16</sup> <https://iam.innogy.com/en/ueber-innogy/innogy-innovation-technik/erneuerbare-energien/onshore/innogy-onshore-bauprojekte/alwen-forest-wind-farm>

the case in Scotland and Wales. By developing updated community engagement and shared ownership guidance developers and stakeholders can have a roadmap to help deliver the best possible projects.

#### **4. Should the Government consider creating a register of renewable energy developments in England that lists available projects and associated community benefits?**

Yes, for both community benefit funds and shared ownership opportunities, for openness and transparency, and to help ensure delivery across GB. It should be noted that a similar approach has been attempted before but was not deemed to be successful due primarily to a lack of administrative resourcing and minimal developer input. The creation of a centrally-administered register is theoretically positive and requires considerable time and resources to achieve its aims. Previous attempts have faced challenges in securing developer participation, with not all providing adequate responses.

There exist across GB a number of registers of, predominantly community energy renewable developments, curated by different organisations. In Scotland, Local Energy Scotland has produced a Community Benefit Register<sup>17</sup> and an associated map. The map shows projects recorded in the community and locally owned renewable energy database, which is owned by the Scottish Government and maintained by Energy Saving Trust. The map provides a register of community benefit from renewable energy projects, showing estimated community benefit per year and the average benefit per MW from recent projects. This appears to be the approach BEIS would like to implement UK wide and the Department could learn much from Local Energy Scotland's approach. A similar project is underway in Wales through the Welsh Government Energy Service (WGES) and is one of a suite of tools developed by WGES to assist in the dissemination of learning and promotion of local energy projects. It must be noted that these maps and registers do not populate themselves, with Local Energy Scotland employing effort and resources to effectively engage with developers and verify the data provided.

A similar approach in England, centrally administered by BEIS would be welcomed by stakeholder groups and would offer enhanced opportunities for data collection and analysis. This will require adequate investment in time and resources and considerable engagement with developers to ensure success. In producing this register the government should consult with organisations already undertaking certain aspects of this work (e.g. Local Energy Scotland, Welsh Government Energy Service etc.) and those stakeholder groups with vested interests in this area (e.g. DSOs) to increase efficiency. Likewise, it would

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<sup>17</sup> <https://www.localenergy.scot/register>



be advisable to consider the approach the Irish government is planning to take in creating the register that accompanies the Renewable Electricity Support Scheme.

## **6. The government welcomes views on whether the proposed options are an effective means of bringing forward a greater diversity of low carbon electricity generation**

In addition to the points made above, it is important to note that facilitating greater community involvement through the CfD process is not necessarily the most effective means of achieving the Government's stated aims around community benefit and local ownership. With that said, building strong requirements for community involvement and elements of shared ownership, which complement efforts being made in devolved nations, into both the CfD and planning processes will send clear signals to developers and the public that these are key priorities for Government.

We feel it is important to stress that the changes we are proposing to the CfD and planning processes will benefit not only community groups and individuals but also developers themselves. If the right policy framework and government support is enacted there should be minimal risk of these measures hampering project development. On the contrary, by enabling local people, and the public at-large, to have a greater stake in proximate projects and the energy transition more widely, there is likely to be a greater degree of public acceptance of new technologies and approaches. The scale of change required to meet our climate targets and safeguard our future necessitates strong public buy-in. This will not be achieved without their consent and involvement. By considering and adopting measures which involve communities to a greater degree, the process of transition could be made considerably easier.

A diverse and decentralised energy system should be welcomed as it can provide flexibility and grid balancing benefits to the system, and security to the UK's energy supply. New markets for innovative approaches should be considered. For example, local energy trading i.e. Clwb Bethesda Club<sup>18</sup>, should be facilitated and scaled up, with communities and DSOs alike able to benefit from infrastructure cost savings. These projects can have profound impacts on consumer engagement, acceptance of the renewable energy transition, local economies, and fuel poverty. They represent a potentially substantial new sector that is stifled under the current regulatory and infrastructural system. Opening these, and other, innovative markets could offer an opportunity for greater diversification in the energy system.

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<sup>18</sup> <http://www.energylocal.co.uk/cyd-ynni/>

