

Energy Networks Association response to the Energy Security and Net Zero Select Committee inquiry into unlocking community energy at scale

13 January 2025

Introduction

Energy Networks Association (ENA) is the industry body representing the electricity networks in the UK. Our members directly employ 26,000 people in England, Scotland, Wales and Northern Ireland, including around 1,500 apprentices and trainees.

Our members are spending and investing £33bn with more than £22bn going into our electricity distribution networks between 2023 and 2028, and nearly £11bn in our electricity transmission networks between 2021 and 2026. ENA's members operate a network of around 500,000 miles of lines and cables which deliver electricity to around 29 million homes and businesses across the country. Around 60% of the network is underground.

Summary

Britain's energy networks form the backbone of our energy system, connecting the technologies that will deliver the clean power transition by 2030. These targets will need everyone to act and work collaboratively to play their part in facilitating the low carbon transition.

A decarbonised future is as much local as it is national, and the UK's energy networks are focused on working with local businesses and communities to ensure a lower cost, resilient, zero carbon energy system that leaves nobody behind.

Community energy groups and projects play a key role in the transition to a low-carbon, more decentralised energy network and meeting the Government's ambitious clean power target. Networks are committed to supporting these projects and conduct regular engagement with community groups to make them aware of the support on offer, help them secure any funding available and guide them through the process of connecting to their local network.

In the context of the current way projects connect to the grid, networks' licence conditions state that they have to connect everyone that asks and cannot be specific about what technology is able to connect, in what location and in what volume. However, there are significant opportunities for projects to get involved and contribute. For instance, when it comes to procuring local flexibility services designed to manage constraints, only around half of the tendered capacity for local services is currently contracted, presenting a great opportunity for community energy projects to fill this local need.

Britain's local flexibility markets are world leading, driven to date through our Open Networks programme. Through these markets networks have been tendering and contracting increasing flexibility year on year, rising to a record of almost 4GW contracted in 2023/24. Increased flexibility plays a key role in delivering a more efficient, cost-effective and decarbonised grid, particularly as renewables increasingly shape the UK's energy mix, as well as the widescale roll out of electric vehicles and heat pumps.

There are initiatives underway that might give networks more of a role in selecting technologies for connection based on a local need, such as the National Energy System Operator's (NESO) TMO4+ reforms (which ENA feeds into) that seek to align the needs of Clean Power by 2030 across the country, as well as the Local Power Plan announced by the Department for Energy Security and Net Zero. Should this become feasible, networks would strongly encourage the government to change primary legislation to support the efficient delivery of these schemes.

ENA would welcome the opportunity to give evidence to the Committee or support the Committee in sourcing further expertise from our membership. If you have any questions on the points set out in our response, please contact Daniel Clelland, Public Affairs Manager at ENA: Daniel.clelland@energynetworks.org / 07701040204.

Answers to specific questions

How could the Local Power Plan to be produced by Great British Energy build upon existing community energy support schemes, such as the Community Energy Fund?

1. Currently, energy networks are obliged to offer a connection to organisations looking to connect. This is regardless of the type, location or volumes, and thus networks don't have a view on incentives that support specific schemes.
2. Proposals such as TMO4+ from the National Energy System Operator (NESO), put forward that DNOs be allowed to take a more active role in decision making for what connects to the network. The Department for Energy Security and Net Zero is currently considering what legislative changes are needed to grant networks the ability to do this. We would strongly encourage the Government to seek to update the Electricity Act 1989 with primary legislation to avoid lengthy and costly legal challenges, specifically sections 16 and 17.
3. There is currently a lack of detail around some important elements of the Local Power Plan, such as the foundations and links with planning, the scope and the coordination with Distribution Network Operators (DNOs).
 - a. Specifically, our members would like clarifications on how the Local Power Plan will interact with the various national, regional and local planning functions, and if there will be an interface point between the LPP, Local Area Energy Plans (LEAP) and Regional Energy System Planners (RESP).
 - b. Aside from the 8GW target by 2030, the Government needs to set out the criteria for LPP project benefits, such as societal, return on investment, capability building and deliverability, and set out where the trade offs are between those benefits. For example, GB Energy could accept a lower return on investment or longer payback if societal benefits are higher and deliverability risk lower.
 - c. The Local Power Plan also needs to consider how it will avoid regional bias to ensure that all communities can benefit rather than just traditional urban areas, as well as ensuring that network capacity is considered in the design of a scheme, including the necessary enhancements and reinforcements to the grid to support the scale of LPP investments in community energy.

- d. Coordination with DNOs needs to be considered fully, in order for DNOs to help effectively de-risk LPP investments, reducing the risk of connections delays and improving delivery of schemes:
 - i. Through coordination with LAEP processes, DNO network data on capacity can support an appropriate technology mix and identification of early deployment of LPP projects.
 - ii. Data can inform prioritisation of constrained areas for LPP investment ensuring reinforcement/investment is considered by DNOs through price control.
 - iii. DNOs can work with Local Authorities to explore development of aggregated community energy projects (e.g. multiple solar, battery installations) that can take part in local flexibility markets can provide an additional revenue stream
 - iv. DNOs can help target LPP investment in areas of high potential for social impact and benefits.
- 4. ENA members are supportive of Regional Energy System Plans (RESPs) helping to inform when and where constraints may occur, through forecasts of customer needs. In this regard we believe the RESP can usefully inform, rather than directly identify network capacity needs. DNOs will account for customer diversity and network connectivity in translating RESP outputs to the network demands needed to assess the impact on networks and determine requirements for additional capacity.
- 5. Great Britain's DNOs have dedicated community energy engagement programmes in place to support these schemes at a local level. These programmes, which are specific to each network, are designed to make customers and community energy projects aware of the support on offer and guide them through the process of securing any network funding and connecting to their local networks.

How should the energy market and licensing regulations be reformed to enable community energy projects to sell the electricity that they generate to local customers, without the current barriers, and be properly remunerated for doing so? What lessons can be learnt from other jurisdictions?

- 6. This question is out of scope for Energy Networks Association

How could existing government support mechanisms, such as the Smart Export Guarantee, provide community energy projects with more financial certainty?

- 7. This question is out of scope for Energy Networks Association.

What are the regulatory solutions needed to minimise the high costs and long delays incurred in securing a grid connection for community energy projects?

- 8. As referenced in our response to the first question, Britain's electricity networks aren't allowed to discriminate based on technology or type of generation, which extends to community energy projects.

9. Under the current system set out in the Electricity Act 1989 and subsequent Ofgem codes and licences, requests to connect to the networks are currently handled on a first come, first served basis:
 - a. Section 16 of the Electricity Act 1989 gives networks the specific duty to connect schemes that apply for a grid connection¹.
 - b. Condition 4 of Ofgem's Standard conditions of the Electricity Distribution Licence explicitly states that network operators must run the network in a *"way that is calculated to ensure that it does not restrict, prevent, or distort competition in the supply of electricity or gas, the shipping of gas, the generation of electricity, or participation in the operation of an Interconnector"*².
10. Overall, the growth in the queue and the rate of new applications continue to be high, with 732GW currently in the queue; 43GW being demand and 688GW from export and storage. In September 16.63GW of new connections offers were accepted.
11. 9.8GW of connections have been accelerated by six years through actions set out in the Connections Action Plan. Through robust queue management, over 11GW of zombie projects have been removed from the queue through measures such as:
 - a. Offering flexible connections.
 - b. Updating modelling and assumptions for storage projects at both Transmission and Distribution to better align with storage patterns.
 - c. Improved construction planning assumptions to make timescales more realistic.
12. Further proposals to deliver fairer and faster grid connections, such as NESOs TMO4+, put forward that DNOs be given a role in decision-making around local projects that fit a local need in order to meet the needs of the government's Clean Power Action Plan. If networks were to be given a role in selecting which technologies are allowed to connect, we would strongly encourage the government to seek changes in primary legislation to the Electricity Act 1989 and associated network licenses, which contain many of the same provisions.
13. Although Section 17 of the Electricity Act 1989 contains exemptions to the policy and licence conditions that networks must follow, these exemptions are outdated and not strong enough to prevent litigation being brought against discriminatory decisions from networks. Both Section 16 and Section 17 of the Electricity Act 1989 should be amended in primary legislation so that the role of networks in the connections process is clear.

Should the local benefits of community energy projects be formally recognised as a material consideration in planning decisions?

14. Regional Energy Strategic Plans (RESPs) are a proposal to develop strategic plans that cover local areas and the distribution network. RESPs will play a crucial role in the planning and consenting of energy projects by providing a comprehensive, region-wide view of energy demand and infrastructure needs.

¹ [Electricity Act 1989](#)

² [Electricity Distribution Consolidated Standard Licence Conditions](#)

15. By coordinating with local authorities, network companies and other stakeholders, RESPs will ensure that energy projects align with both local and national net zero targets. This strategic approach will facilitate timely and cost-effective investments in energy infrastructure, supporting the transition to a sustainable, low-carbon energy system.
16. However, further clarity around the specific responsibilities and decision-making processes of RESPs is essential to ensure effective implementation and accountability.

What should be the role of Neighbourhood Plans and Local Area Energy Plans in building local support for community energy projects?

17. Energy Networks Association and our members don't have a view on how Neighbourhood Plans and Local Area Energy Plans can build support for community energy projects, however local energy plans fall under the remit of individual local authorities who seek input from Distribution Networks Operators (DNOs) during the planning and consulting phase.
18. ENA has previously played an active role in supporting and feeding into the Energy Systems Catapult work on Local Area Energy Planning which resulted in Guidance on creating a Local Area Energy Plan³. From 2019-2022, we ran community energy forums to allow community groups to speak directly to networks on the issues that are facing them.
19. In September 2023, we worked with energy consultancy Regen to run a series of interview and focus groups with local authorities to explore their relationships with energy networks. This project informed our 'Working together for local net zero planning and delivery'⁴ report, which sets out how local authorities and energy networks currently work together to facilitate net zero and potential next steps to foster further effective collaboration.

What is the potential for community energy to incentivise consumer demand flexibility at the scale needed to achieve the UK's net zero targets?

20. As stated in response to question one, as part of their licence condition, Britain's electricity networks have to connect all projects that request a connection and cannot be specific about what technology is able to connect, in what location and in what volume.
21. When it comes to distribution networks procuring flexibility services, Distribution System Operation (DSO) procured flexibility is highly geographical. Although networks aren't technology specific, these markets are an opportunity for community energy groups to help meet these needs, but they must be located in the right place and be available at the right time.
22. DSOs procure flexibility services in what is typically constraint managed zones (CMZs). Within these zones communities are able to come together and offer flexibility services to DNOs.

³ <https://es.catapult.org.uk/guide/guidance-on-creating-a-local-area-energy-plan/>

⁴ <https://www.energynetworks.org/industry/collaborating-for-local-net-zero>

23. Currently, only around half of the published need for local flexibility services is contracted by networks, meaning there are significant opportunities for community energy groups to fill these local needs. There have been big increases in the amounts tendered and contracted over the last few years, reaching a record in 2023/24 with almost 4GW contracted, driven to date by our Open Networks programme.
24. double that are contracted which means there is a lot of opportunities for new participants to join. The requirement has steadily increased over the years and will need to increase significant to meet the clean power by 2030 targets.
25. Some DNOs are procuring flex wherever available in order to encourage further participation. This works particularly well for community energy groups as any new group can pull together a portfolio and offer a service to these DSOs, even if there are no explicit requirements published in their region.