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31 January 2019

Dear Lorne

Consultation response on Good Practice Principles for Community Benefits from Onshore Renewable Energy Developments

Scottish Renewables is the voice of Scotland's renewable energy industry, working to grow the sector and sustain its position at the forefront of the global clean energy industry. We represent around 250 organisations working across the full range of renewable energy technologies in Scotland and around the world, from large suppliers, operators and manufacturers to small developers, installers and community groups, and companies right across the supply chain. The commercial health of Scotland's renewables sector is fundamental to meeting Scotland's 2030 50% renewable energy target and 2032 carbon reduction targets.

Summary of key points:

- We support the review of the guidance in light of the changing investment environment.
- Giving developers flexibility will be key given the current policy and commercial climate.
- The guidance should support a level playing field for all technologies across the energy sector.
- Revenue from shared ownership opportunities, particularly those offered at advantageous rates to communities, should be included in the flexible package of community benefits.

Scottish Renewables believes the Good Practice Principles (GPPs) for Community Benefits have been largely successful, creating a level playing field and industry standard which delivers over £16 million to communities annually.¹

However, the success of community benefit schemes depends heavily on how the community is organised, and the experience of some of our members has been that these schemes can both unite and cause friction within communities. It therefore remains crucial to connect with local communities

¹ <https://www.localenergy.scot/projects-and-case-studies/searchable-register-of-community-benefits/>

in ways beyond the £5k/MW protocol, particularly as this may not be economically viable for many renewable energy developers in an increasingly challenging policy landscape and competitive commercial environment.

We understand that the Scottish Government would like to see community benefits promoted across all onshore renewable technologies, and that the GPPs apply to onshore renewables across all technologies and scale. While the industry is committed to continuing to provide community benefit and recognises the Scottish Government will continue to encourage developments to offer community benefit packages, it is important to recognise their impact on the viability of projects given the increasing pressure to reduce the cost of energy to compete in either subsidy auctions (should these become available again for onshore wind, solar PV) or to attract direct investment through “merchant” models.

We understand that the development of the GPPs derives largely from the experience of onshore wind, but as the guidance applies to all onshore renewable generation irrespective of technology and scale, we would advise that the guidance be mindful of supporting a level playing field across the energy sector.

Continued benefits to communities could be delivered in a variety of ways, and we welcome the Scottish Government’s recognition that some renewable energy businesses will seek to offer communities a more flexible package of benefits, as well as that flexibility in the design of these packages can ensure that they are better able to reflect community needs.

If you have any questions on the comments set out in this response, please do not hesitate to get in touch.

Yours sincerely,

Stephanie Conesa
Policy Manager – Planning, Development & Heat

Consultation Questions

Question 1: Do you consider that the revised Good Practice Principles (GPPs) will ensure that communities continue to benefit from renewable projects in a manner that is appropriate for the current and future context in which projects are developed?

Overall the revised GPPs provide positive, clear and strategic guidance with good emphasis on transparency and community involvement.

However, the industry's ability to provide funding at the rate of £5k/MW will not be sustained with the continued negative regulatory changes the industry is experiencing, including the closure of the Renewable Obligation (RO), the upcoming closure of the Feed in Tariff (FiT) in April 2019 and the effective ban on revenue support for "established technologies" (onshore wind, solar PV) under the Contracts for Difference (CfD) scheme. In future, successful projects will be those with the lowest cost of energy, competing in either subsidy/ contract auctions (should these become available again for "established technologies") or wholly privately financed through "merchant" models of project deployment.

The competitiveness of projects has been further eroded by increasing costs resulting from other regulatory changes, including increased business rates— which provide a significant economic benefit to local communities— and planning fees for some renewable energy technologies.² Recent changes proposed by Ofgem regarding networks charges are also increasing regulatory uncertainty for projects. would be useful if the GPPs provided this context.

We welcome the Scottish Government's acknowledgement that some community benefit packages may not be possible at this level, however the guidance also needs to be very clear that any amount of community benefit offered is voluntary and philanthropic. We are concerned that, by continuing to support the rate of £5k/MW, this guidance will unrealistically raise community expectations about the level of funding that will be available from renewable energy projects in the future, particularly in the current industry context.

The majority of renewable energy developers consider the £5k/MW protocol to be financially unsustainable for many projects given market conditions and future projections. Continuing to promote this unrealistic figure could be detrimental to creating positive relationships between renewable energy companies and communities. We therefore suggest that reference to this figure is removed from the guidance. It will also be vital that the meaning of "flexibility" is clearly and widely disseminated to both industry and relevant communities.

Question 2: The revised GPPs promote a more flexible and evidence-based approach to discussions about community benefit, with the focus on creating a lasting legacy. Do you agree with this approach?

Scottish Renewables welcomes the GPPs' encouragement to both communities and renewable energy businesses to "consider all community benefit options openly and fully, including whether a 'fund' is the most appropriate or suitable mechanism." We agree that direct monetary payments are not always the best way to provide lasting benefits to the community.

² <https://www.gov.scot/publications/fees-charged-applications-under-electricity-act-1989-scottish-government-response/>

We support Scottish Government's expectation to "see a change in emphasis from the way community benefits packages were offered in the past—purely monetary payments—towards a more holistic approach of supporting a community's needs and aspirations."

This guidance is positive in that it allows and encourages the community to build positive relationships with renewable energy companies and emphasises the creation of a needs-based community action plan that is strategic and forward thinking with a focus on outcomes.

Question 3: The revised GPPs will continue to promote community benefit of the value equivalent to £5,000 per MW, however at the same time recognising that some renewable energy businesses will seek to offer flexible packages of benefits for new developments. Do you agree with this approach? If so, can you provide further details of what these flexible packages of benefit might look like?

We welcome the focus on a flexible package approach and that the guidance recognises that the renewables sector is making investment decisions in much more challenging market conditions than previously, and therefore the current £5k/MW may not be economically viable for many developments. As above, we suggest that reference to this figure be removed from the guidance. The guidance recognises that some developers may only be able to offer a flexible benefit package. However, it should be noted that flexible benefits packages also have cost implications to the viability of a project. It should also be clear that any community benefit offering is voluntary and not a planning requirement.

As the document is for use by communities as well as the renewables industry, it could do more to manage community expectations in an environment where development of "merchant" projects (ie. those not in receipt of Government support) will require developers to challenge all aspects of project costs. Communities would benefit from more clarity in the document about why the industry is in a transition period (as outlined above). We would like to see the GPPs provide more explanation about the increasingly challenging economic climate in which projects are being developed and therefore why developers are challenging costs.

Inclusion of shared ownership

The examples of flexible benefits should be widened to include shared ownership, in particular where advantageous terms have been offered to local communities that are not granted to other types of investor. We would like to see the guidance developed such that community benefit and shared ownership can be offered as one voluntary package. There is a cost to delivering both models of benefits package and being flexible in offering a combination would be welcome.

Question 4: The revised GPPs now include guidance on developing a community action plan. Are there any additional details that you consider should be included?

It is important that the community action plan is community led. The guidance is useful for communities but it should be made clear that any associated costs of developing a community action plan are the community's responsibility and not that of the developer. It should be recognised that although the renewable energy company can encourage the community to develop and implement its community action plan, this is not the core business nor expertise of the company and this obligation should be placed on the community with support from relevant government agencies.

Communities should consult and offer to work with developers to understand how best the renewable energy company's skill set could best support specific local projects.

We recognise it can be a significant volume of work for a community to be involved in a successful community benefit scheme. Success is therefore heavily dependent on the organisation and capabilities within a community. The pre-existence of a community council and community action plan is beneficial, but it is crucial that a wider range of local groups are encouraged and empowered to become active in the process.

It is important to acknowledge that many communities will have several wind farms in planning in their area. We appreciate the valuable time spent by community members engaging with developers, particularly when not all planning applications will proceed to approval or construction. There is no guidance in the GPPs on how communities could more efficiently deal with multiple developers in discussing how funds could be administered.

Additionally, it should be unambiguous in the GPPs that the community action plan is not necessarily linked to the development process as this could risk delaying development. We would suggest making it clear that community benefit should only be paid out once a community action plan is agreed between the renewable energy company and the community.

Sections 4.3 and 4.4 seem to blur the lines between the community action plan and the drafting of documents to confirm the administration arrangements of a community benefit fund. It is sufficient in these sections to note that the community action plan can help create a lasting legacy and outline the strategies that can be utilised in constitution documents to ensure that this is revisited at stages throughout the administration of ~25-30 year community benefit funds.

Question 5: Do you have any other views on the revised GPPs?

Wider benefits of onshore renewables

We would like to see the GPPs provide broader context on the wider benefits of onshore renewables, such as new onshore wind projects' ability to provide the cheapest form of electricity as this is a major benefit for all consumers. The GPPs should also reference the industry's success at increasing the supply of renewable electricity onto the network, thus reducing our reliance on CO² emitting fossil fuel generators.

Operational projects

The revised GPPs state that while the updated guidance supersedes the 2015 version, Scottish Government recognises that "there will be a number of renewable energy projects, not yet operational, that will have already agreed a community benefits package or, are well advanced in their discussions," and that it "[does] not expect these arrangements to change as a result of the revised guidance." For the sake of clarity, it would be useful to also set out that no retrospective changes should be expected on projects that are already operating.

Technology and scale

The guidance states that “the onshore wind sector has been at the forefront in terms of offering community benefits but the Scottish Government would encourage all renewable generation developments irrespective of technology and scale to adopt the guidance.”

The GPPs should support a level playing field for all technologies across the energy sector, avoiding creating additional cost burdens. It is important to note that the guidance draws on the experience of onshore wind and applying this to other technologies is largely untested.

Additionally, if a target of £5k/MW equivalent community benefit is sought, communities should be aware that larger onshore wind turbines are likely to be required to generate the revenues necessary to justify such a cost. A reference to this should be made in the guidance so that all parties understand clearly what is required to meet the expectations set by the guidance. For more marginal projects where such a scale is not realistic, practical or otherwise desirable, then the guidance should make clear that community benefit payments will reasonably be smaller.

Pre-planning discussions

The GPPs provide little indication of where work is weighted along the development process. We suggest the document should emphasise an option to keep discussions at the pre-planning phase simple. A developer and the community may wish to come to a broad agreement as to key concepts of the fund and capture these within a Memorandum of Understanding (MOU). Should the project be approved and secure financing to construct, the MOU could be used as the basis for more detailed discussions.

Roles and responsibilities

Section 2.6 should make clear which party is responsible for submitting the details of the overall fund agreement on the Scottish Register of Community Benefits from Renewables and which has responsibility of keeping the register updated annually with fund allocation details.

Widening the area of benefit

Section 3.5 states that “there may be an opportunity to be more flexible in terms of widening the geographical area of benefit to reach a greater number of individuals and organisations would could [sic] support projects that are area-wide. This may be appropriate for larger projects of >100 MW.”

This should be reworded to clearly state whether this refers to widening the benefit area that has already been defined (as in the guidance in section 2.4) or the consultation area.

In some cases, the benefit area will be smaller than the consultation area and the guidance should not give the impression that those within a consultation zone will automatically be entitled to community benefit.

We do not feel it is useful to provide a single example stating renewable energy companies could consider widening the area of benefit for projects “> 100 MW” because this sets a limit. Instead we

suggest either providing several types of examples (e.g. where two smaller projects are close by) or simply noting that various factors could justify widening the area of benefit.

Achieving majority support

Section 3.7 should make a clear distinction between the consultation on the fund and the project itself. The guidance implies that the area of benefit should be set in advance of a planning decision being made, but sometimes this is not possible or advantageous to a project.

The role of local authorities

We support the guidance that local authorities' guidelines on community benefit should remain optional and should not be enforced through the planning system. This approach should be consistent across all local planning authorities. Where a local authority has a renewable energy fund, but the community has indicated a preference to administer a fund through a different means, the developer should not be obliged to contribute to the local authority fund through planning conditions and/or section 75 obligations.

The guidance that funds administered to communities by local authorities could be considered as state aid should be broadened to encourage local authorities to seek legal guidance. This should avoid replicating the example in the north of England where local authorities have administered funds and are now not considering the funding as state aid.

Additionally, further advice needs to be given (at the post consent stage) as to how communities and fund administrators should manage multiple funding sources and potentially multiple funds coming in at similar time scales. However, we are of the view that the local authority is not the appropriate body to manage this.

Effective fund administration

We suggest that section 5.3 should emphasise maximising fund value, such as through match funding opportunities or communities contributing benefits in kind (such as labour or materials) to a project.

Wider packages of benefit

Some wind farm operators may be able to offer initiatives to address fuel poverty or energy efficiency and we would like to see these included in the examples of packages of benefits set out in section 5.4.

Reporting

In addition to an annual report being published, we suggest that section 6.2 specify that this report should be published online to make it accessible to all.

Indicative timelines

The guidance could be confusing for someone with little knowledge of the planning system. We recommend that a timeline is inserted into this document to provide a clear indication of where some of the actions discussed in the document would be expected to fit into the planning process.