# Local Energy Policy Statement

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**Key Principles**

**1. Are you clear on the purpose of the statement? Please explain your view.**

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 transition. We represent around 260 organisations across the full range of renewable energy technologies in Scotland and around the world, ranging from energy suppliers, operators and manufacturers to small developers, installers and community groups, as well as companies throughout the supply chain.

Scottish Renewables welcomes the Scottish Government's commitment to local energy systems and are clear on the purpose of the statement.

**2. What are your views on the 10 principles?**

We are supportive of the 10 principles outlined within the statement, along with the associated outcomes. However, we have outlined within our response areas where barriers to deployment still exist and where there is clear need for action from both Scottish Government and UK Government to ensure that this vision can be realised.

**3. How can the Scottish Government encourage stakeholders to adopt the principles set out within this document?**

To ensure that stakeholders adopt these principles, Scottish Government must ensure there is effective communication and interaction with all parties likely to be involved in the development of local energy systems. Stakeholders will engage with the process in different ways and it is important that the Scottish Government consider this early on when planning how they raise awareness of the policy statement. It is also likely that some of the key stakeholders identified will not familiar with the energy sector and therefore the explanation of key concepts and principles involved in local energy should be kept as simple as possible. This will ensure that stakeholders are fully aware of the practices that should be followed before their projects begin.

It is also important that there is a long-term commitment from Scottish Government to continue engagement with stakeholders after the implementation of the Local Energy Policy Statement to assess what is working and whether any improvements could be made.

**4. Are you clear about the roles of all the different stakeholders who may be involved in the development of local energy systems?**

We are clear on most of the key stakeholders identified, however there is still some uncertainty around the role that larger-scale developers will play. It is also important to note that others who may be involved in developing local energy systems may not be familiar with each stakeholder's role. Further guidance from the Scottish Government, perhaps in a supplementary document, would be beneficial to ensure that all parties fully understand their roles.

While there is a clear articulation of the range of stakeholders that should be involved, it is not clear how joint working between these stakeholders will be facilitated or who will take responsibility for the coordination of this joint working. In existing local energy projects this role has often been undertaken by a project coordinator specifically recruited for the purpose and supported through the Climate Challenge Fund. Careful consideration needs to be given to how such roles will be supported in the future both financially and through capacity building to ensure there is sufficient support and expertise to enable effective local energy systems collaborations.

We would also note that Local Planning Authorities should be specifically mentioned within the list of stakeholders as the length and complexity of the planning process has a significant impact on project viability.

**Chapter 1: People**

**5. What options should we consider to ensure that the local energy transition is fair and inclusive for all consumers?**

**6. How can we ensure that people and communities across the whole of Scotland can participate in local energy projects?**

To ensure that everyone can participate in this transition there must be a greater awareness around the benefits that local energy systems can bring and how individuals can get actively involved in projects.

Local energy projects will differ depending on their location and the desired outcomes so there must be an appreciation that the way in which people engage with projects will also be different. Where individuals, local businesses or community groups are involved in these projects it is important to consider that they may have limited knowledge of developing local energy systems. Where volunteers are involved, they will often be working on the project in their spare time while holding down full-time jobs. These groups will likely be collaborating with full-time employees who have specialist knowledge, and this creates the potential for misalignments between parties. There must be careful consideration given as to how these communities are supported to ensure that they are able to take a full and active role in the process.

In addition to this, the level of community engagement to be undertaken as described within the policy statement could likely add additional costs to projects coming forward, increasing the risk of some projects becoming financially unviable. Given the post-subsidy reality of delivering renewable energy projects, a balance must be struck between reducing costs and still ensuring communities and individuals are consulted on at appropriate points throughout the project. In addition to this, the statement does not make it clear what the advantage is for developers to engage in local energy projects with communities. Consideration should be given to whether projects based on community collaboration should be given more incentives, perhaps being looked on more favourably by the planning system or attracting additional government support.

**Chapter 2: Places**

**7. What do you think the wider benefits of developing local area energy plans might be?**

Industry is keen to see LHEES conducted robustly and rapidly since they are key to unlocking investment in new heat networks, provided the Heat Networks Bill ensures that zones are exclusive. Therefore, whilst we can see the value of local area energy plans that allow consideration of the energy system as a whole, the integration of this aspect shouldn't be allowed to further delay conducting LHEES. If local area energy plans are slower to develop, their findings could be incorporated into the LHEES assuming there are set review dates.

**8. How can we encourage greater collaboration between the key parties involved in the development of local energy plans?**

**9. How do we ensure that whoever is leading a local energy plan is fully integrated into the LHEES process?**

**Chapter 3: Networks & Infrastructure**

**10. What infrastructure challenges are you aware of that present an obstacle to delivering local energy projects? What actions would help solve the issue?**

Access and cost of connecting to the electricity network remains a major barrier for the development of all renewable energy projects connected to the transmission and distribution grid. Timescales for connection are often long and the costs involved can be expensive, making some projects potentially unviable. There must be continued engagement between network operators and those involved in the development of local energy projects to help generators through the process of connecting to the grid, as well as communicating any grid services that they can become involved in. This will ensure that generators fully understand any requirements, timescales and costs involved.

The difficulty of connecting to the grid is worsened by the increasing constraints on the network, with reinforcements only progressing once there is a guarantee that projects will be go ahead and taking a considerable amount of time to be completed. Local energy systems will play a key role in balancing local supply and demand and flexibility services will allow more projects to connect even in constrained areas. However, it must be recognised that long-term investment in infrastructure will be required as we transition to a decentralised energy system.

Smart meters will be an important part of the energy transition as they will provide the real-time data needed for the operation of a smart grid. We are already aware of local energy schemes, such as the SMART Fintry project, that are dependent on the installation of smart meters to enable them to forecast local demand against generation and allow for system balancing.[1] The delayed roll-out of smart meters across the UK remains a barrier to certain projects coming forward and there must be a commitment to see the roll out completed as quickly and efficiently as possible.

## 11. What other actions could the Scottish Government take to ensure Scotland will have the necessary infrastructure in place to enable resilient, local energy systems?

We are likely to see increasing constraints on our networks due to the rapid rise in Electric Vehicles (EVs) and the electrification of heat. As we have already mentioned, any major reinforcements to the grid will take a considerable amount of time and money to come forward and therefore new, flexible solutions to managing the network will be necessary. This provides local generation and storage projects with an opportunity to take an active role in emerging flexibility markets and local system management. One major opportunity will be how EVs interact and provide flexibility benefits to the network. We would be keen to see the further development of EV charging and vehicle to grid infrastructure throughout Scotland to ensure that local projects can take advantage of the flexibility services associated with these.

## Chapter 4: Pathway to Commercialisation

## 12. What significant barriers are there to the replication of existing local energy projects and systems in Scotland that this policy statement should take account of?

Most of the existing local energy projects have been based on financial incentives which have provided a financially viable business case. With the closure of the Renewables Obligation and Feed-in Tariff schemes, there remains a lack of a clear route to market for most renewable generators. Where subsidy-free projects have taken place, these have been on a relatively small scale and have been helped by the local community raising money. Not all future local energy systems will be developed by community groups and therefore it is unlikely they would be able to raise the same level of funding.

The Smart Export Guarantee (SEG) scheme which will come into effect in January 2020 is unlikely to support many of the local energy projects that could come forward. We have set out elsewhere[2] that this is not a commercially viable model for community or small-scale commercial projects which rely on long-term contract visibility in order to secure project finance and a floor-price for revenue. Instead the SEG model is likely to expose these participants to market volatility.

New revenue streams are beginning to emerge as flexibility services develop which we see local energy systems being able to get actively involved in. However, these are currently only being taken up by a small number of informed consumers. A clear route to market mechanism will still be required in tandem with operational flexibility markets to lower the risk for local projects.

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[1] http://smartfintry.org.uk/
[2] https://www.scottishrenewables.com/publications/sr-consultation-response-thesmart-export-guarantee/

**13. What actions can we take to accelerate the focus on economically and commercially viable low carbon local energy solutions in an inclusive way?**

We believe that accelerating the focus on low carbon local energy solutions will require a range of measures designed to support the wider roll-out of renewable generation and Scottish Government will need to utilise all policy levers within their powers to achieve this. There must be incentives in place to encourage local energy projects to come forward – these could come in the form of additional government support, business rate relief, or local energy projects being looked on more favourably by the planning system. Public sector organisations that own or manage land also have a key role to play by enabling renewable development on their land and providing favourable rental agreements for local energy projects.

In addition to this, the Scottish National Investment Bank should support the development of local energy systems once it is operational in 2020. This would align with the bank's primary mission to support Scotland's transition to a net zero economy.

We are also supportive of the commitment from the statement to share lessons learned and case studies from projects that have been through Low Carbon Infrastructure Transition Programme and Community and Renewable Energy Scheme. It is important that those who will be involved in future projects can fully understand what has and has not worked previously in order to maximise the success of their own developments.

**Chapter 5: Opportunity**

**14. How can we ensure that Scotland capitalises on the economic opportunities from the development of local energy systems?**

The opportunities associated with the development of local energy systems is substantial – from creating new jobs to bringing investment to local infrastructure and businesses. It is important to note that a great deal of Scotland's natural renewable resource is typically spread across a wide and remote geographical area. While these resources are still distributed and decentralised, they are often located away from populated areas. Alongside the development of local energy systems, the scale of these resources provide an important opportunity for exporting energy to the rest of the UK and Europe while still providing local benefits to the peripheral regions.

**15. Do you have any opinions on the initial focal typologies chosen?**

**16. How can local energy considerations become business as usual for industry?**

Industry in Scotland has already seen wide success in developing distributed and decentralised energy systems which already provide benefits to local communities. Delivering local energy systems will build on this further, but there must be a robust policy framework in place at both a local and national level to address the major infrastructure and commercial barriers we have highlighted in our response in order for this to come forward. There is still uncertainty from industry as to what future local energy systems will look like, particularly as this will vary greatly from remote locations to urban areas. There is a need for a clear timeline and concrete next steps from Scottish Government on how the principles and outcomes identified within the policy statement can be realised.