

Item No. 8	Classification: Open	Date: 14 October 2021	Meeting Name: Environment Scrutiny Commission
Report title:		Summary of Community Energy scrutiny work	
Ward(s) or groups affected:		N/a	
From:		Julie Timbrell, Project Manager, scrutiny.	

RECOMMENDATIONS

1. That the Environment Scrutiny Commission note the work undertaken by scrutiny over the previous three years and use this to inform the current Energy scrutiny review.

BACKGROUND INFORMATION

2. There are three principle pieces of work summarized below; these are :
 - a) A Community Energy review report, produced by the Housing and Environment Scrutiny Commission, in the administrative year 2018/19.
 - b) A one off agenda item updating the Environment Scrutiny Commission on 'Green Energy and Community Energy' undertaken in March 2020 with Repowering London, the cabinet lead for the Environment and officers.
 - c) A tracking report, included as an appendix, setting out the recommendations of the Community Energy review report done in June 2019, the cabinet response received October 2019 and follow up requests made and received in Spring 2021 by last year's Environment Scrutiny Commission.

SUMMARY OF PREVIOUS SCRUTINY REPORTS AND UPDATES

3. **Community Energy, June 2019, report of the Housing and Environment Scrutiny Commission 2018/19**

3.1 Community Energy's role in tackling the Climate Emergency

In 2018 the Council adopted a commitment in its Council Plan to: "support the creation of community led sustainable energy projects on estates to help residents reduce their energy bills". The commitment was carefully crafted to promote community energy projects, in particular, in order to support the Council's ambition to decarbonise while delivering on its commitment to

Climate Justice.

Community Energy was prioritised by the Housing & Environment Commission in the administration year 2018 – 19 in order to help meet this Council Plan commitment, particularly in the context of government plans to end Feed in Tariffs (FiT) in April 2019, which would make solar energy projects less viable, thus requiring a consideration of future implementable models.

The other driver was growing urgency in tackling the environmental crisis and the need for a step change in efforts to meet net zero. Council Assembly passed a motion declaring Climate Emergency in March 2018, pledging to go carbon neutral by 2030, twenty years earlier than previously planned.

Nationally renewable energy and energy reduction has been identified by environmental researchers as having a crucial role in achieving this aim. Zero Carbon Britain estimates that in order to maintain our modern lifestyles and meet the Climate Emergency we will need to switch to 100% renewable energy and reduce by 60% the current amount of energy required. Community Energy delivers both more renewable energy, as well as frequently undertaking energy demand reduction activities.

Community Energy has been organically growing in cities over the last several years, usually powered by volunteers using a Community Benefit Society ('BenCom') model, whereby the capital is raised through a local stock offer to local residents, and funds are set aside to invest in social and environmental priorities, which are chosen locally, by the beneficiaries. Projects frequently use solar in cities to generate energy as this is one of the best sources of renewables in an urban environment. Historically these have generated an income by providing electricity to the communal areas of the project and by selling electricity to the grid at preferential rates; these are the Feed in Tariffs (FiT), which ended in April 2019.

Under this arrangement solar array projects with the right aspect have been able to generate enough money to pay back the capital costs and generate a surplus to invest in social benefits; often these are about energy reduction and focused on the residents in fuel poverty.

As well as contributing to increasing the amount of renewable energy available, and reducing carbon consumption, schemes also build the community capacity to address the climate emergency through engaging people in local schemes. This can be particularly beneficial on housing estates and in schools as it is widely accepted that the Climate Emergency can only be tackled by a broad coalition of citizens and stakeholders, and that social equity in both participation and outcomes must be addressed; the Climate Justice principle.

3.2 Review approach

The review tracked the work of the council, who decided to take forward the council plan commitment to deliver Community Energy by supporting three pilot projects on three different estates: Juniper House, Haddonhall and Brenchley Gardens.

The commission heard directly from the stakeholders involved in the three pilots, which included estate tenants and homeowners, Juniper House Tenants and Residents Associations (TRA) and Brenchly Gardens and Haddonhall Tennant Management Organisation (TMO), council officers and South East London Energy Company (SELCE), a community energy social enterprise working with Haddonhall.

On 17 December 2018 a Commission roundtable meeting was convened, which started with an overview of the Council's work on climate change and carbon reduction, followed by presentations on the three pilots, and then a longer roundtable discussion on some of the challenges and possible approaches to delivery of community energy. As well as hearing from the stakeholders involved in the three pilots, the commission also heard from elected members from the council and GLA, and two other local community energy social enterprises: Repowering London and SE24. The roundtable [the minutes can be accessed here.](#)¹

Lastly the Commission considered the report by the BRE Group, who were employed by officers to evaluate the pilots and provide the council with a criteria to judge the viability of future projects.

3.3 The pilots

The Council explored three different Community Energy approaches, all testing different models, with different technical challenges in order to understand the potential benefits. All three estates chosen had a strong Tenants and Residents Associations (TRA) or a Tennant Management Organisation (TMO) who expressed an interest in Community Energy, demonstrating existing community enthusiasm and buy-in.

Haddonhall project

Situated by the Bricklayers Arms roundabout, Haddonhall TMO worked with South East London Community Energy (SELCE) to explore a scheme by which

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https://moderngov.southwark.gov.uk/mgAi.aspx?id=52205&fbclid=IwAR0yESFyv8E69ww1TVaubgV15bzjNW3UkTCGa9gsxwXZhSdh_BY4Hk6KaUg

shareholders would invest in solar panels to be sited on the estate use this to power communal energy and to generate income through Feed in Tariffs (FiT). SELCE applied for Feed in Tariffs (FiT) by the pre-registration deadline of March 31; the last tranche of projects who were able to apply to utilise this funding.

In addition utilising FiT to sell energy back to the grid, the Haddonhall business model also incorporated working with a partner, such as Energy Local, to enable residents to access the cheaper solar energy from the site during the day through a green energy supplier. The other opportunity considered was a combination of batteries and electric vehicle charge-points.

Juniper House

Juniper House is a 5-storey block with 75 flats on the border with Lewisham. There is a mix of stock in the building; 61 of the flats are leased from the Council, the remaining 14 are privately owned. The block was previously managed by Juniper House Tenant Management Community (TMC), a community run cooperative. The operation was in the course of being handed back to the Council and a Tenant Management Organisation (TMO) set up.

While a Housing cooperative (TMC), Juniper House accumulated over £30,000 in its Surplus Fund. With the ending of the cooperative Juniper House Tenants and Residents association (TRA) were exploring investing this money into a solar project, however there were caveats: the money had to be used to benefit all residents; both tenants and leaseholders, and residents strong preference was for this to be a cash benefit .

Juniper House TRA's aspiration was for the solar energy to be used, in part, to power the communal energy needs of the estate and for this to lead to reduced leaseholder and rental charges. However, this was problematic as although tenant and leaseholders/ homeowners receive a separately itemised bill for communal energy, the calculations are done differently for council tenants. This proved a stumbling block to take the project forward as there would not be an equitable reduction in bills.

Brenchley Gardens

Located next to Honor Oak cemetery, SE23, the estate is comprised of 96 properties with a 50/50 split of council tenants and private owners. The TMO was keen to explore the options for renewable energy generation on the estate, which is composed of both blocks and houses and has a considerable amount of communal land. The work on sustainability was still in a development stage. They were considering:

- Roof Solar Panels;

- Green Roofs;
- Solar Powered Lighting;
- Insulation to Blocks of Flats;
- Composting (from flats).

3.4 BRE Group

BRE Group was commissioned by the council to consider the solar capacity on the roofs of the three pilot projects and the opportunities for reducing energy in the communal areas. As part of this work they also considered different models to take forward solar energy projects, specifically who would be the owner of the renewable energy, usually solar.

BRE identified four stakeholders:

- Electricity consumer (Landlord/ TMO)
- Property owner (LBS)
- Renewable Electric (RE) system owner
- EPC contractor (commissioned by RE system owner to install the solar PV system)

Their conclusion was broadly that most of the projects did not have sufficient demand from the communal areas to justify solar generation, and that initiatives to reduce communal energy consumption (LED lights and movements sensors) would be more cost effective.

However, the report had its limitations; tenants were not listed as stakeholders, the report did not consider the capacity of schemes to reduce tenants bills (an aim of the Council Plan commitment on Community Energy) and nor did it consider the wider social and environmental benefits of Community Energy. Specifically the scheme did not factor in the desire from the Juniper House TRA residents to invest their own capital, arising from the former cooperative, into renewables and that as such the scheme was unlikely to draw significantly from council capital. It was also not only a cash equation for the residents involved; they were also looking for an investment that will reap social, community and environmental benefits. When considering the Haddonhall / SELCE business case the BRE report did not factor in the model that is being used by SELCE / Haddonhall to sell solar directly to leaseholders and tenants on site through a third party local supply model and/or electrical cars, possibly as this is emerging technology.

3.5 Financial Model post FIT

The government replacement for FiT was a new Smart Export Guarantee (SEG), which would require large suppliers to buy solar generated electricity at a published price. The 'smart' part refers to the likelihood that the tariff would be based on the requirements of the grid, so more will be paid when demand is at the highest, and less when demand is lower. The SEG was under consultation and due to replace the current export tariff arrangement sometime summer 2019. This means there was a gap in moving from one business model to the next. SEG was predicted to also only last for a finite period, and was therefore considered to be only one component when assessing future viability. The uncertainty surrounding government solar policy was flagged up during the Housing & Environment Commission roundtable as an ongoing challenge for Community Energy projects.

Community Benefit companies said that other sources of support will become an important part of the mix. The London Mayor is committed to solar and is providing grants for feasibility studies, as well as developing energy supply models. Islington have utilised carbon offset from development schemes to support solar, and Lewisham is developing a similar scheme.

3.6 Conclusion

The report concluded that at the time of writing the renewable community energy sector was in a period of uncertainty as it moved from the FiT model to an alternative model. The future model was likely to involve a combination of the SEG, local electricity supply models, grants, access to subsidized capital from carbon offset funds and other sources of finance, such as pension renewable infrastructure funds, community stock investment and donations.

The most common, tried and tested form of community energy is solar delivered by a Community Energy social benefit company. Encouraging TMOs and TRAs to work with a third party, such as local Community Energy companies, is most likely to see projects getting off the ground quickly as they have technical expertise to take forward projects and a financial model to raise the necessary capital. They also have tested ways to reduce energy bills via projects to reduce fuel poverty and an emerging model to reduce estate residents' bills directly through new energy supply models. The ethos of Community Energy community benefit companies is also most closely aligned to the local authority and the Council Plan commitment to deliver community led renewable energy initiatives.

As well as estates there is a significant opportunity to realize the benefits of Community Energy in local schools and the council could promote this opportunity in partnership with community energy companies, where viable

post FiT.

Energy reduction is one of the most effective ways of reducing carbon, with estimates that every £1 pound spent will realize £99 in savings and associated carbon reduction². Initiatives like the Mayor of London's London Homes Energy Efficiency Programme [LHEEP] would provide technical support to enable project planning of the council social housing portfolio. This is likely to lead to significant savings in carbon, as well as a positive impact on fuel poverty, and residents' fuel bills.

Longer-term, the Council may wish to pursue setting up either a SPV and or an Energy Supply Company (ESCO) to deliver solar and other renewable energy projects, such as Combined Heat and Power. This would take significant organizational and technical investment, however it is likely to both contribute to reducing carbon and potentially generate money as we move away from an high intensity fossil fuel grid to renewables, and the associated development of distributed, decentralized and digitized energy system.

3.7 Recommendations

1. Scope out the possibility for Southwark to develop a SPV and/ or local electricity supply model to support solar and other renewable energy projects, including Combined Heat and Power. Explore the feasibility of engagement in London-wide initiatives through the GLA including through its 'License Lite' supply arrangement.
2. Encourage TMOs and TRAs to explore community energy through the Great Estates programme, in partnership with local Community Energy community benefit companies. This could also directly link with the development and roll-out of electric vehicle charging points.
3. Join the Mayor of London's 'London Homes Energy Efficiency Programme' [LHEEP] and use this to plan energy efficiency on estates and assist project planning the best time to fit renewables, where feasible.
4. In relation to the existing pilot projects, we would encourage the Council to recognize some of the limitations of the BRE studies, and factor in emerging models such as that being proposed by SELCE with Haddonhall. The enthusiasm and desire from residents to make all three projects work must be built upon.

² SELCE presentation to Public Policy Exchange

5. Work with other parts of the borough estate, particularly schools, to support the development of Community Energy solar projects, recognizing that this support may require a commitment of resources.
6. Ensure that the planning process is rigorous in its promotion of carbon-neutral schemes and that the Council's own developments in particular, are best in class in relation to energy efficiency. Look at the opportunities provided by any resulting carbon offsets, particularly resulting from regeneration schemes, to invest in community energy.

4. The Environment Scrutiny Commission 2019/ 20 received an update on 'Green Energy on Estates and Community Energy' on Tuesday 10 March 2020.

4.1 Repowering London

Dr Afsheen Kabir Rashid provided a presentation on Community Energy. The presentation outlined how community led renewable energy is based on facilitating a decentralised model of empowering communities and Community benefit companies. As well as the more obvious benefits of carbon reduction there are also the social benefits that come from visible solar projects in the community and the cooperative model that is used, and the ability of local community energy projects to mobilise and enthuse people.

The Repowering London highlighted these actions and opportunities to improve viability:

- The new finance model allows for a mixture of capital investment
- Carbon Offsets have been used to pump prime schemes in other local authorities
- Community buildings, such as schools and community centres, can be good sites for solar schemes as energy use is in the day, improving economic viability, and the social outcomes from working with school children are also high.

4.2 Officer and member update

Councillor Richard Livingstone, the cabinet lead for the environment, and officer lead, Martin Kovats, Community Projects Manager, also updated the Commission on Community Energy. Councillor Richard Livingstone said that introducing Community Energy has posed challenges with the end of the Feed in Tariff. The Community Projects Manager said three pilots were conducted and the evaluations concluded that they were not viable, when measuring solely economic benefits, and excluding intangibles. Officers

reported that they are now looking more broadly as housing estates. Councillor Richard Livingston added they are looking at other sources of investment e.g. SIL, and Carbon Offsets to improve viability.

4.3 Discussion

In the follow up discussion with members Dr Afsheen Kabir Rashid advised a collaborative relationship between Community Energy orgs, councils and residents as Community Energy schemes are long term projects spanning 25 years. She advised that the council consider schools, leisure centres, and local business as they are a good fit with the new finance model as consumption of electricity matches energy generation. She said that Southwark in a good place to initiate schemes and once one project is in place it is easier to scale up.

[More information is available here](#)³.

5. Community Energy scrutiny review tracking report,

Appendix one collates the recommendations from the Community Energy, June 2019 report, and subsequent cabinet responses, and updates arising from these, received by the Environment Scrutiny Commission last administrative year 2020/21.

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<https://moderngov.southwark.gov.uk/mgAi.aspx?id=56831&fbclid=IwAR1YCF3vDeLTjrIcoN9esvMmApnRao-14soC9fnuNkBVoSrgf0T2-PV-mJo>

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Environment Scrutiny Commission agenda and minutes	Southwark Council Website	Julie Timbrell Project Manager
Link: https://moderngov.southwark.gov.uk/ieListMeetings.aspx?Committeeld=518		

APPENDICES

No.	Title
Appendix 1	Community Energy scrutiny review tracking report