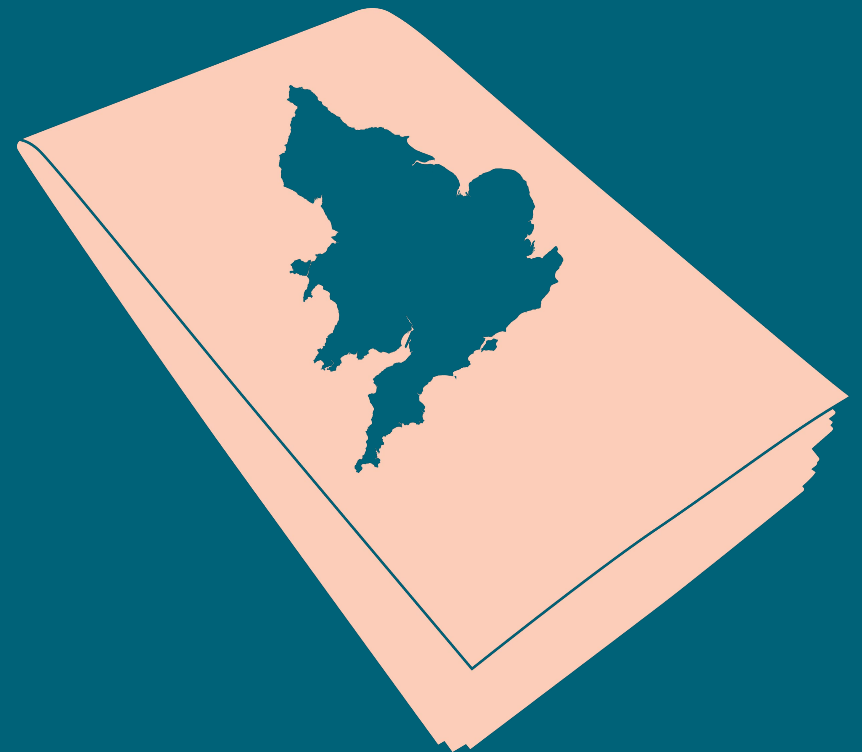


# Striking the right balance

Discussion paper

Putting people at the heart of local area energy plans



# Energy consumers and local area energy plans

Local area energy plans are becoming increasingly common across Great Britain. Citizens Advice is the statutory advocate for energy consumers. In this paper we start to explore what issues these plans cover, and how people can understand and engage with them. We are interested in how decisions about activities and actions in local area energy plans are made, and how much they cost. We want to know more about how these costs can be recovered in a fair way. They shouldn't disproportionately fall on those who can least afford it.

Activities related to energy and climate change could play a significant role as local authorities and city regions begin to consider how to stimulate economic recovery following the COVID-19 pandemic and lockdown. Local area energy plans could also play a vital role in the UK meeting its target of achieving net zero carbon emissions by 2050. We are keen to ensure that these plans put energy consumers at their heart, so people can benefit from locally-tailored approaches to the energy transition.

As a competitive market that has traditionally been strategically managed and planned at the national level, a move to more local energy decision-making is significant. We want to see it put consumers in a better place - whether that's in relation to customer experience, consumer protections or costs.

# What are local area energy plans?

Local area energy usually refers to energy projects that are led by local organisations, be they public, private or third sector, and run for local benefit<sup>1</sup>.

Local area energy plans can cover lots of different activities taking place within a local area.

These can include:

- Improving the energy efficiency of homes within a local area
- Installing micro-generation, for example, solar panels on the roofs of houses and community buildings

- Creating local generation (local wind farm that produces energy exclusively for consumers in that area)
- Managing local distribution, potentially via a 'smart' local grid (a network that moves energy around a small geographic area)
- Making public or on street electric vehicle charging points more widely available
- Taking action on climate change including requiring low carbon heat in new buildings, creating heat from waste, or public and private transport/clean air priorities such as low emission zones



# Local area energy activity

## **Lots of different organisations are involved in local area energy planning**

Local and regional authorities often lead the development of local area energy plans. 287 (70%) of District, County, Unitary & Metropolitan Councils and 8 Combined Authorities and City Regions have declared a Climate Emergency<sup>2</sup>

Some local authorities are beginning to lead shifts to smarter local energy systems.

In addition to home energy use, local energy can include local transport plans, small scale power generation, waste management planning, how public buildings use or produce energy, and sustainable local development.

This can in turn lead to a more 'democratised' energy system, where people in an area are not just energy consumers, but active participants (they have a role in deciding what happens locally) and producers (getting involved in decisions about power generation).

## **Local low carbon heat**

The government's forthcoming heat and buildings strategy will provide a roadmap for how Great Britain will move away from using natural gas to using low carbon heat. We expect this roadmap to include a local zoning approach for heat.

Heat is a good example of an area which can benefit from decisions being made at the local area level. Heat policies will be most effective where take into account local circumstances, like housing stock and space requirements, the different demographics in an area, and the needs of different communities.

## **Local energy generation and smart systems**

Some local area energy plans include local generation (producing electricity or heat) and distribution (moving that power/heat through a local grid).

For this system to be smart (automated and optimised to run smoothly), it needs to have good data management, an understanding of the market, and the institutional and regulatory frameworks that underpin these activities.

Consumer engagement will be needed to inform decision-making and scrutinise costs.

## Risks

Different local areas will face different challenges, opportunities and costs associated with decarbonisation, depending on their housing stock, demographics, and generation profile.

They will also have different priorities, funding or levels of expertise to develop and deliver energy plans. The COVID-19 crisis will have a long-lasting and asymmetrical impact on communities. Local authorities are starting to make new plans for regeneration, and seeking economic development opportunities during a potentially unprecedented recession.

In recent years, many new suppliers have entered the energy market then failed<sup>3</sup>. These failures can have a significant impact on consumer trust in the retail energy market. These kind of problems could be magnified if or when local authorities take on a greater role in the energy market. It is essential that any new entrants into the market are fully prepared.

## Costs

At the moment there is no clear evidence of whether local area energy plans will increase or reduce the cost of the overall transition of the energy system. A number of reports have outlined the potential benefits of local energy projects, but there has yet to be any detailed assessment of their financial impact<sup>4</sup>.

Currently, most of the costs of the UK's existing efforts to decarbonise are paid for through people's bills, rather than taxes. Electricity bill payers currently pay about £7 billion a year towards the roll-out of low-carbon power stations. By 2030, this is expected to increase to around £12 billion a year. As well as these direct decarbonisation costs, consumers pay for a range of other social and environmental policies, like energy efficiency, financial assistance to vulnerable consumers, and smart meters via their energy bills. Paying for policies in this way means costs disproportionately fall on the poorest households.

## Key questions

How are local energy projects paid for: bills or taxes?

There are a number of issues for government to consider regarding costs.

Who benefits? Do some people benefit more, or benefit sooner, than others?

For example, will social housing be easier to improve and those tenants reap greater benefits? Will people living in the private rented sector be left behind?

Can better-off or more energy aware households take more advantage of opportunities?

What types of financial support will be available? The Feed in Tariff (FiT) is no longer available. The Contracts for Difference (CfDs) that are available to support renewable generation are suited to large projects rather than local or community ones.

How will best practice and learning be shared? It will be important that the government provides effective help and support to local areas with developing local area energy plans.

# A national framework for local area energy?

Local area energy plans can tailor services, support and options for local people. This can help lead to outcomes that are fairer as well as more efficient and effective. But a local approach energy also risks creating uneven levels of support, inefficiencies and increasing the costs to consumers.

Citizens Advice works both nationally and locally, through our network of local advice charities. We understand the value of local expertise working alongside nationally coordinated services to deliver the best outcomes for people.

A national framework for local area energy could help ensure that plans are achievable, affordable and effective. Central government needs to make sure that plans are efficient, that people are protected and to be confident that the sum of many local plans delivers net zero carbon emissions nationally. This in turn could give people the confidence to engage with local energy projects.

Local area energy should build on local diversity whilst being supported by a national framework that ensures fair access for all energy consumers.

As more local areas consider how they may develop or deliver a local energy plan, there needs to be an agreed baseline of consumer protections, standards of service and complaints procedures that all local projects sign up to. As energy is an essential service, these should include specific support and options for people in vulnerable circumstances. Local area energy plans also need to build in effective external scrutiny, to ensure consumers are getting value for money.

Citizens Advice will be carrying out research this year to better understand what local area energy projects are currently going to inform, protect and support local people. If you'd like to know more about this work do get in touch.

## References

1. Definition from **BEIS Local Energy Team**
2. Correct at March 2020: **climateemergency.uk: list of councils**
3. Citizens Advice, **Picking up the Pieces**, 2019.
4. Energy Research Partnership, **The Challenges and Opportunities for Local Area Energy Systems in the UK Energy Sector**, 2019.

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