



ISLINGTON

# **Community Energy Scrutiny Review**

## **REPORT OF THE ENVIRONMENT AND REGENERATION SCRUTINY COMMITTEE**



**London Borough of Islington  
February 2016**

# EXECUTIVE SUMMARY

## Community Energy Scrutiny Review

### Aim

To explore and understand the community energy options available for Islington, their respective opportunities and issues and make recommendations on their relevance for the borough.

### Evidence

The review ran from October 2014 until January 2016 and evidence was received from a variety of sources:

1. Presentations from witnesses – Fiona Booth, Head of Community Energy, Department of Energy and Climate Change (DECC), Reg Platt, Senior Partnerships Manager for OVO Communities at OVO Energy, Agamemnon Otero, Repowering London and Oliver Hombersley, Senior Sustainability and Climate Change Officer, Hackney Council, Gail Scholes, Head of Energy, Nottingham City Council and Robert Purdon, Contracts Manager, Nottingham City Council.
2. Presentations from council officers – Lucy Padfield, Energy Services Manager, Andrew Ford, Energy Advice Manager
3. Written evidence – Jenny Coles, Low Carbon City Officer, Plymouth City Council, the final report of the Solar Panel Task and Finish Group

### Main Findings

1. The Committee were advised that Community Energy had emerged relatively recently as a catch-all for a broad range of energy projects and schemes which benefited and involved the community. A community could be an individual school, housing estate or ward, or group of people with a similar interest.
2. In the Department of Energy and Climate Change's (DECC) Community Energy Strategy, community energy was defined as "community projects or initiatives focused on the four strands of reducing energy use, managing energy better, generating energy or purchasing energy. This included communities of place and communities of interest. These projects or initiatives shared an emphasis on community ownership, leadership or control where the community benefited. It referred to all activities encompassed by the above definition and also considered shared ownership or joint ventures where benefits were shared by the community. This included activities based on formal community ownership models such as co-operatives, social enterprises, community charities, development trusts and community interest companies, as well as projects without these formal structures."
3. Energy schemes were generally carried out in line with the energy hierarchy i.e. firstly, reducing energy; secondly, insulating homes; and thirdly, generating energy. The most energy efficient was council housing, followed by social housing, then owner occupied housing and then private rented housing. Most council housing was flats which were generally more energy efficient than houses due to there being fewer roofs.
4. The Community Energy Strategy was launched on 27 January 2014. It was the UK's first ever Community Energy Strategy. It aimed to enable anyone who wanted to get involved with generation, managing, purchasing or reducing energy to do so.
5. Repowering was a not-for-profit co-operative which specialised in co-producing community owned renewable energy, mentoring and fuel poverty. It was a community benefit society

which delivered social outcomes and it was registered with the Financial Conduct Authority. It had undertaken work in Hackney and Lambeth. Intermediaries did not generate energy so they had to buy it. Repower could work with intermediaries to provide energy.

6. Repowering work included:
  - reducing CO<sub>2</sub> emissions by generating decentralised low-carbon energy
  - tackling fuel poverty and educating residents about energy efficiency
  - promoting local leadership through community engagement and ownership
  - providing opportunities for local and responsible financial investment
  - creating training, internships and employment opportunities for local people
  - encouraging behaviour change
7. Plymouth Energy Community was a cooperative formed in 2013. It was owned and run by its members. It aimed to negotiate a better price for energy for local people; address the challenges of fuel poverty, including for those on the lowest incomes; increase renewable energy in Plymouth; provide advice on energy issues; and reinvest its profits locally.
8. Plymouth Energy Community aimed to get the best deal through a group switch. Work was done with energy suppliers to achieve the best deal for customers. All participants were offered the best deal for them individually. The process was managed by a broker who was independently assessed for ethics and transparency. Beneficial offers were provided for all meters, including prepayment meter users and support was provided for people in debt.
9. Nottingham had a long history in municipal energy. It had a district heating scheme in the 1970s and was now one of the more energy sufficient cities with high local generation. There was large scale photovoltaic solar installation with 2,300 homes equipped with solar panels over the last three years. The council paid for, installed and maintained the solar panels and retained the feed-in tariff with the residents getting electricity. The scheme included both social housing and private sector housing.
10. Nottingham City Council would be extending the solar panel scheme to 3,000 additional homes from 2015. Once this was complete, 5,300 out of approximately 150,000 homes in the city would have solar panels. Whereas the feed-in tariff for the first 2,300 homes had been secured when it was at the highest rate, the feed-in tariff for the next 3,000 homes would be at the lower rate. Nottingham City Council had set up an in-house installation team of accredited installers. This reduced costs and created jobs. Most of the homes with solar panels were three bedroom semi-detached houses. Lower income areas were targeted. The first solar panel scheme in Nottingham outperformed by £120,000 per year and the additional money went into the council's general fund.
11. To reduce fuel poverty, Nottingham City Council set up a fully licensed energy company by buying a pre-accredited licensed company. This was quicker to set up than if the council set up the company itself. The council had approved the first year's operating costs of £11 million. The company had to use the national grid and pay transmission and distribution costs as it only had one block with private wire and extending this would be too expensive. The cost model showed that Nottingham's energy company was likely to be one of the cheapest suppliers on the market. Nottingham had found a meter asset provider who would enable the council to rent or pay for the use of smart meters and a smart meter pre-payment system would be put in place.
12. The committee heard that the energy supply market was transforming. In 1997 the 'Big Six' energy suppliers shared almost 100% of the market, In Autumn 2014, independent suppliers had a 9% market share and the Citibank prediction was for independent suppliers to have a 30% share of the market by 2020. Councils could use collective switching to reduce energy bills in their borough. Approximately two thirds of households did not switch and often

overpaid significantly when compared with the cheapest prices. Many of these householders were on low incomes and were vulnerable and often they did not switch as they had a mistrust of energy companies and/or did not know how to switch. Local authorities could reach these customers because they were trusted and could engage people through unique channels. Many Islington residents could save up to £300 by switching and customers who used prepayment meters could also save.

13. It was suggested that if local councils became energy suppliers this could ensure people and businesses paid a fair price for their energy; it could integrate with other energy activities (e.g. energy efficiency, renewable generation and community energy) and maximise their value and it could be self-financing and potentially income generating.
14. Councils could become energy suppliers using an intermediary such as OVO's supply licence and back office functions. The intermediary would act as a platform and councils could choose to migrate from the platform to have a full supply licence. OVO advised that they could provide a supply licence and provide services such as customer service and a billing service and the council's responsibilities would include setting the price, designing the tariff and acquiring customers. All customer facing services could have council or partner branding or be co-branded. OVO services could be provided at cost plus a 3% margin and there would be no set up costs. Operational costs were fixed but the cost of energy fluctuated so the tariff could be changed at a tariff review meeting each month or could be changed less regularly i.e. up to every three months.
15. OVO planned to be at the forefront of the move to smart meters which provided better, real-time data, smarter homes and enabled more customer engagement as well as flexible payments. OVO would remove prepayment meters from those who signed up and were currently using them and replace these with smart meters. These could be used in a similar way to prepayment meters or could be topped up using a phone if the resident had set up a link to their bank account. If the person was a low credit risk, they could be moved onto a standard tariff.
16. Local authorities played an important part in the delivery of community energy. Local authorities had skills, knowledge, trust and could broker partnerships. They could help to support their local communities to identify opportunities to save and generate energy.

## **Conclusions**

The Community Energy Scrutiny Review heard evidence about a number of community energy schemes across the country and heard from a variety of witnesses about the various ways in which community energy schemes and council schemes could be undertaken.

The Committee hoped the recommendations would improve community energy work in the borough to improve outcomes for residents.

## **Recommendations**

1. That the council continues to apply for any available funding to undertake energy efficiency measures in the borough.
2. That more information on community energy could be provided to councillors, staff and tenants and residents' associations so they could provide residents with information.
3. That work take place to ensure there was a joined up approach between different departments dealing with energy issues for residents.
4. That the council should look to provide a retail offering to residents, however, the committee did not feel the council currently had the expertise in-house, and therefore should undertake

initial discussions with 'White Label' providers who could run the back office elements of the Islington offering.

5. That any final decision of provider should be based against, council control of tariffs, which should include a green tariff, a resident focused debt process, and the long term economic sustainability of the company.
6. That any retail offering should be looked at holistically, with residents encouraged to switch tariffs, but also include the installation of smart meters, energy efficiency measures, and where possible, community energy generation. This would be more cost-effective, save residents more money, and should be done on street by street, estate by estate basis.
7. That the council should do more to encourage community energy and that consideration be given to working with an organisation such as Repowering London to provide a community energy scheme in Islington, or in-house capacity be found to help schemes get off the ground.

## MEMBERSHIP OF THE ENVIRONMENT AND REGENERATION SCRUTINY COMMITTEE

### COUNCILLORS - 2014/15

**Councillors:**

Councillor Court (Chair)  
Councillor Diarmaid Ward (Vice-Chair)  
Councillor Doolan  
Councillor Gantly (until February 2015)  
Councillor Heather  
Councillor Jeapes  
Councillor Russell  
Councillor Turan  
Councillor Nick Ward

**Substitutes:**

Councillor Kay  
Councillor Michael O'Sullivan  
Councillor Alice Perry  
Councillor Rupert Perry  
Councillor Shaikh  
Councillor Smith  
Councillor Wayne

### COUNCILLORS – 2015/16

**Councillors:**

Councillor Court (Chair)  
Councillor Diarmaid Ward (Vice-Chair)  
Councillor Debono  
Councillor Doolan  
Councillor Hamitocuhe MBE  
Councillor Heather  
Councillor Jeapes  
Councillor Russell  
Councillor Spall

**Substitutes:**

Councillor Diner  
Councillor Kay  
Councillor Alice Perry  
Councillor Poyser

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*Zoe Crane – Democratic Services  
Lucy Padfield – Energy Services Manager  
Andrew Ford, Energy Advice Manager  
Lucy Rees, Energy Adviser*

## **1. Introduction**

- 1.1 Community Energy had emerged relatively recently as a catch-all for a broad range of energy projects and schemes which benefited and involved the community. A community could be an individual school, housing estate or ward, or group of people with a similar interest.
- 1.2 In the Department of Energy and Climate Change's (DECC) Community Energy Strategy, community energy was defined as "community projects or initiatives focused on the four strands of reducing energy use, managing energy better, generating energy or purchasing energy. This included communities of place and communities of interest. These projects or initiatives shared an emphasis on community ownership, leadership or control where the community benefited. It referred to all activities encompassed by the above definition and also considered shared ownership or joint ventures where benefits were shared by the community. This included activities based on formal community ownership models such as co-operatives, social enterprises, community charities, development trusts and community interest companies, as well as projects without these formal structures."
- 1.3 Community energy projects often focused on social outcomes such as community cohesion, reducing fuel poverty and re-investment of profits, as well as an interest in sustainability. Schemes to date tended to depend on volunteers and relied heavily on gaining broad support within a local community for their activities. Many groups were set up as co-operatives, community interest companies and charities or trusts. Community energy was largely focused on renewable electricity generation, especially solar photovoltaics (PVs) and onshore wind. Solar panels worked best when facing south and could not be used when facing north.
- 1.4 Community energy schemes normally sought to use their profits to fund programmes to address local social needs through energy efficiency funds or similar. They also often sought to support local jobs and training in the green economy.
- 1.5 Local authorities played an important part in the delivery of community energy. Local authorities had skills, knowledge, trust and could broker partnerships. They could help to support their local communities to identify opportunities to save and generate energy.

## **2. Findings**

### Previous and Current Work in Islington

- 2.1 The council had previously carried out specific Community Engagement programmes and learning from these had flagged up a number of possible relevant groups including the Better Archway Forum and the Islington Environment Forum. To date, no community groups had approached the Energy Team about community energy projects. If a community group contacted the council, the Energy Team would try and support them and put them in touch with the relevant people. For the past few years there had been no resources to undertake community engagement. However, Islington's Energy Services Team monitored work taking place across the UK. The Energy Team was not aware of any Islington residents having taken out the Green Deal.
- 2.2 The council had undertaken energy reduction programmes. In the past, funding had been used for door-knocking, surveys, draught proofing, infra-red surveys to show heat leakage, awareness raising programmes and workshops. The council had also undertaken solid wall insulation. There had also been plans for a wide scale project on roofs but the Feed-In Tariff

changed and made the project unachievable. There were now 20 small schemes on low rise blocks. The national Solar Schools initiative was being tested following an approach for help by an Islington primary school interested in participating in a crowd-funded scheme to install solar PV panels on the school roof.

- 2.3 The Energy Team acted as consultants to the Housing department, advised them when grants were available and advised on the design of buildings and schemes. Often government grant money came with conditions. The council successfully bid for £6.5m between six boroughs. The funding required owner occupiers to contribute to work on their properties and they could apply for Green Deal finance to assist with this. Although this funding could only be used for owner occupied properties, the council combined the grant with other grants to do work on whole blocks as this was cost effective.
- 2.4 Landlords did not always invest in making their properties more energy efficient. The council's housing department had a health and safety rating system with 29 measures including cold, damp and mould checks. The environmental health team conducted spot checks and residents could also contact them to request a visit. If the property was found to be inadequate, the landlord could be required to deal with the problem within a specified time period. If they did not do this, the council could do the work and then charge the landlord for the work.
- 2.5 Energy schemes were generally carried out in line with the energy hierarchy i.e. firstly, reducing energy; secondly, insulating homes; and thirdly, generating energy. The most energy efficient was council housing, followed by social housing, then owner occupied housing and then private rented housing. Most council housing was flats which were generally more energy efficient than houses due to there being fewer roofs.
- 2.6 Barriers to people having work done included not wanting strangers in their homes, being unwilling to clear their lofts for insulating work and being unwilling to go through the disruption associated with work taking place in their homes.
- 2.7 Condensation could create a problem because people would open windows to deal with the condensation and then have to turn up their heating due to the heat loss out of the windows. To solve the problem of condensation, it was important to understand the cause. It could be a result of breathing, cooking, the design of buildings, especially those not designed for modern heating systems, or structural issues e.g. pathways over rooms on the Andover Estate.
- 2.8 It was important to ensure there was a joined up approach between different departments.

#### Options for Councils

- 2.9 Roles local authorities could play included providing funding and/or assets e.g. roofs for installations.
  - Delivery options included:
    - Council options –
      - 1) Council investment – all council-owned roofs

If the council installed PV panels on all council owned housing and corporate buildings it would cost in the region of £38m for a 12 year return on investment. The council would save through bill savings and would receive income from the government's Feed-in Tariff (FIT). It could be argued that council-led schemes were not community energy schemes. If all the homes in the council's stock were able to be directly supplied by the panels then each household would save around £40 per year on their electricity bills, assuming all the power generated could be used instantaneously and that all homes could be



physically connected. Generally schemes on social housing were connected in to the landlord supply.

2) "Rent a Roof" PV schemes

The council did not necessarily have to invest funds as there were several offers for "free" rent a roof PV schemes where the installer received the Feed-In Tariff and installed the panels at no charge to the council. The council would then benefit from reduced price electricity. This could be incorporated into Housing's re-roofing programme.

3) Community Energy options –

Community Energy was a fast changing environment with regular developments. Current activity included:

1. Social Inclusion focussed schemes. Repowering (Brixton and Hackney) was an example of a PV Local Share Offer in relation to Social Housing – Social Housing scheme whereby PV was installed on housing stock for £40,000 and residents were engaged. Residents could not benefit from the generated electricity directly. The capital cost for the PV was raised through a share offer. Much of the funding was raised beyond the local area and across the UK. A PV Local Share Offer in relation to Housing/Schools was Gen community (backed by British Gas).
2. Schemes to help address fuel poverty. Cornwall, Kirklees and Camden had revolving loan funds for energy efficiency measures which were re-invested in further energy efficiency measures. This required a large initial investment, however the benefit to addressing fuel poverty was likely to be the greatest.
3. Schemes to support community groups. Bristol and Plymouth had seed funds to start community schemes. These required a large initial investment. Bath and North East Somerset Council had a Cooperation Agreement with Bath and North East Somerset Council to help deliver their carbon reduction targets. Bulk buy schemes could be used by communities working together to get a discount on energy efficiency measures by buying in bulk. These would only benefit those who were able to invest in energy efficiency measures.
4. Other options. OVOs were Virtual Energy Companies. A local authority could use OVO's energy supply licence to offer a unique tariff for local renewable generation. There was a risk that the tariff would not be the cheapest on the market. Nottingham intended to buy an existing Energy Services Company (ESCo) which already had a licence to retail to the domestic market and sell the electricity generated by their waste incinerator. Nottingham County Council had committed £1million to the procurement and expected to spend many more millions to progress the project. Cambridge planned to deliver a programme of energy saving building retrofits in Council buildings (including schools) through support and loans. Bristol intended for its ESCo to be self-funding after initial set up costs and intended to provide a revenue stream for the city focusing on solar, district heating and retrofit. There was a large investment and time requirement. Lancashire County Council was trialling investing their pension fund in large scale community energy.

2.10 The Committee could consider the outcomes it wanted to achieve e.g. social inclusion, energy saving, community engagement or employment opportunities, in order to decide on the most appropriate approach.

2.11 It was not possible for schemes e.g. solar projects to directly provide energy for the residents of the buildings due to the significant costs of obtaining a licence. Instead the energy fed into the national grid and money would be given through the Feed-In Tariff. This was not the case with non-domestic buildings which were dealt with under different regulations. Council schemes were not classed as community energy and therefore the

energy could go into the landlord's supply which could result in a decrease in service charges.

### National Programmes

- 2.12 The Community Energy Strategy was launched on 27 January 2014. It was the UK's first ever Community Energy Strategy. It aimed to enable anyone who wanted to get involved with generation, managing, purchasing or reducing energy to do so.
- 2.13 Key announcements for this year included a £10m Urban Community Energy Fund, a One Stop Shop and a Community Energy Saving Competition for community group schemes. There was no limit to the number community groups in a borough which could receive funding. It was anticipated that the One Stop Shop would simplify and improve the information available to community groups.
- 2.14 The evidence was Forum for the Future's response to the Department of Energy and Climate Change's Consultation on Cutting the Cost of Keeping Warm: a New Fuel Poverty Strategy for England. The document outlined the resources community groups would need. These included the provision of clear and accurate information, access to training providers and advice and resources for marketing campaigns. Typically resources came from local authorities.

### OVO Energy

- 2.15 OVO was an independent energy supplier which was launched in 2009 and had 440,000 customers. It aimed to have 1 million customers by 2017. It was the 10<sup>th</sup> fastest growing company in the UK. OVO's mission was to be the UK's most trusted energy supplier. It had a high customer satisfaction level, offered competitive pricing and had won a number of awards.
- 2.16 The energy supply market was transforming. In 1997 the 'Big Six' energy suppliers shared almost 100% of the market, In Autumn 2014, independent suppliers had a 9% market share and the Citibank prediction was for independent suppliers to have a 30% share of the market by 2020. Councils could use collective switching to reduce energy bills in their borough. Approximately two thirds of households did not switch and often overpaid significantly when compared with the cheapest prices. Many of these householders were on low incomes and were vulnerable and often they did not switch as they had a mistrust of energy companies and/or did not know how to switch. Local authorities could reach these customers because they were trusted and could engage people through unique channels. Many Islington residents could save up to £300 by switching and customers who used prepayment meters could also save.
- 2.16 If local councils became energy suppliers this could ensure people and businesses paid a fair price for their energy; it could integrate with other energy activities (e.g. energy efficiency, renewable generation and community energy) and maximise their value and it could be self-financing and potentially income generating.
- 2.17 Councils could become energy suppliers using OVO's supply licence and back office functions. OVO would act as a platform and councils could choose to migrate from the platform to have a full supply licence. OVO could provide a supply licence and provide services such as customer service and a billing service and the council's responsibilities

would include setting the price, designing the tariff and acquiring customers. All customer facing services could be branded as council partner or co-branded. OVO services could be provided at cost plus a 3% margin and there would be no set up costs. Operational costs were fixed but the cost of energy fluctuated so the tariff could be changed at a tariff review meeting each month or could be changed less regularly i.e. up to every three months.

- 2.18 This service was only available to councils, social housing providers and community groups. The model was independent from national policy and was strongly supported by government. OVO would launch one partnership per month from March 2015. The first partnerships would be with Cheshire East Council, Peterborough City Council and Southend-on-Sea. OVO had 300 potential partners, 150 of which were councils.
- 2.19 OVO planned to be at the forefront of the move to smart meters which provided better, real-time data, smarter homes and enabled more customer engagement as well as flexible payments. OVO would remove prepayment meters from those who signed up and were currently using them and replace these with smart meters. These could be used in a similar way to prepayment meters or could be topped up using a phone if the resident had set up a link to their bank account. If the person was a low credit risk, they could be moved onto a standard tariff.
- 2.20 The lead in time for setting up a scheme with OVO was two months. Councils signed up for a five year contract and residents signed up for one year. OVO would manage debt collection and the liability of debt would sit with them. The cost of managing the debt would be included in the tariff. Energy companies could only offer four tariffs but Ofgem had given OVO an exemption so each partner could set its own four tariffs with one of these at a variable rate. It was possible that a subsidised tariff could be set up for vulnerable residents and another for those willing to pay a premium to benefit the community. Councils could register void properties to receive a council energy supply.
- 2.21 OVO had passed the Energy Companies Obligation threshold which meant it had to spend a certain amount of money on energy efficiency improvements which met certain criteria. It would spend this money with partners.
- 2.22 The energy supplied by energy companies contained on average 15% renewable energy. OVO's target was 30%. OVO helped support and supply local zero carbon power and reduce bills. If the council generated energy e.g. solar energy or CHP, this could be used in the supply of energy.

### Repowering London

- 2.23 Repowering was a not-for-profit co-operative which specialised in co-producing community owned renewable energy, mentoring and fuel poverty. It was a community benefit society which delivered social outcomes and it was registered with the Financial Conduct Authority.
- 2.24 Repowering work included:
- reducing CO2 emissions by generating decentralised low-carbon energy
  - tackling fuel poverty and educating residents about energy efficiency
  - promoting local leadership through community engagement and ownership
  - providing opportunities for local and responsible financial investment
  - creating training, internships and employment opportunities for local people
  - encouraging behaviour change

- 2.25 Repowering's vision was to create resilient, empowered communities that controlled and owned the generation and usage of renewable energy and to promote and facilitate the wide scale development and local ownership of renewable energy projects across London.
- 2.26 The services provided by Repowering included technical, financial, legal and administrative expertise needed to deliver projects. It also offered a range of guidance, advisory and project management services. It provided access to a network of potential investors to assist the financial backing for a community-owned renewable energy project and it specialised in community engagement. A 20 year lease to the co-operative was required to ensure longevity and payback. Management costs were built into the project costs. However these could be reduced by the community taking on a management role.
- 2.27 £165 million left Islington each year in energy bill payments and £13 billion left London each year. Repowering had installed 500 kilowatts peak (kWp) of community owned renewable energy, saving almost 200 tonnes of CO<sub>2</sub> per annum. It had delivered a series of energy advice sessions, community events, home energy audits and energy surveys. Many people did not know how to claim fuel poverty credits. Door knocking was used to engage residents. Specific programmes were held for the unemployed, young people and to upskill professionals. Under the Repowering scheme, the community invested in the renewable energy co-operative and the co-operative installed new renewable energy on local buildings. The technology generated an income which was used to pay into a community energy efficiency fund, an annual dividend for shareholders and covered the administration costs. Each investor had one vote.
- 2.28 Individuals who had invested received a return on their investment. There were no direct savings on energy bills from the energy produced. Energy bills could be reduced by energy switching and draught-proofing. Draught-proofing resulted in a 40% reduction in energy bills.
- 2.29 95% of funding for projects was raised from local people within 1½ miles from the scheme. If shareholders wanted to sell their shares, they sold them back to the co-operative rather than transferred them to another individual as the shares were non-transferable and could not be sold on the open market. If community engagement dropped below a certain level, door knocking would be increased to engage and consult the community.
- 2.30 Intermediaries did not generate energy so they had to buy it. Repower could work with intermediaries to provide energy. There were a number of intermediaries Repower could work with and the options were being considered.
- 2.31 Repower had run a course for residents on how to use their boilers. This was run in community centres and if residents preferred, they would be visited in their homes to be shown how to use their boilers.
- 2.32 The council could be a shareholder of a community energy co-operative. Investors included tenant management organisations (TMOs), councils and local residents. Repowering's first social enterprise scheme was in Brixton and investment just came from local residents. Stakeholders included schools, installation companies, residents and the council. Inputs included project management, financial modelling, community engagement, legal and IT expertise, public relations and marketing. Outcomes were related to wellbeing.
- 2.33 Lambeth Council had funded a community energy officer for a two year programme to increase energy resilience and security. Although the council provided the funding for the officer, the scheme was not a council run scheme. It collaborated with a not for profit organisation called Repowering London. There were three community-owned solar projects on social housing estates in Brixton and this was the first inner city scheme of its kind.

£180,000 had been raised from the local community and there was a £50,000 community fund. 10 apprenticeships had been set up for young people from estates.

- 2.34 The programmes undertaken in Brixton allowed people to invest in their community. Residents were consulted and then a programme was delivered in line with the consultation results. A solar energy project had taken place on Banister Estate, Hackney. This estate had 15 blocks, all with flat roofs. There were 340 residents. Repowering did not just undertake solar projects and other renewable projects could be undertaken. There were many buildings in Islington where solar panels could be installed. Projects on bigger estates were the most effective.
- 2.35 Barriers to community energy schemes included the Financial Conduct Authority changing the way it dealt with co-operatives and changes to the distribution of funding through the Community Infrastructure Levy (CIL).
- 2.36 Hackney Council had provided £40,000 seed funding plus officer time and procurement advice for a community energy pilot on an estate. The chosen estate had an active Tenants' and Residents' Association and the scheme was installed at the same time as a roof renewal programme. The scheme resulted in community development and cohesion. As part of the last project, 15 young people had been given internships and had then gone on to full time employment or education. Hackney had a long term community energy strategy which included a link to health and wellbeing work.

#### Plymouth Energy Community

- 2.37 Plymouth Energy Community was a cooperative formed in 2013. It was owned and run by its members. It aimed to negotiate a better price for energy for local people; address the challenges of fuel poverty, including for those on the lowest incomes; increase renewable energy in Plymouth; provide advice on energy issues; and reinvest its profits locally.
- 2.38 Plymouth Energy Community aimed to get the best deal through a group switch. Work was done with energy suppliers to achieve the best deal for customers. All participants were offered the best deal for them individually. The process was managed by a broker who was independently assessed for ethics and transparency. Beneficial offers were provided for all meters, including prepayment meter users and support was provided for people in debt.
- 2.39 In the future, Plymouth Energy Community would continue to negotiate better electricity and gas deals, it would continue to offer advice on any energy efficiency grants available, there would be opportunities for the community to invest in solar energy on community buildings and other initiatives could be undertaken subject to demand.

#### Nottingham City Council

- 2.40 Nottingham had a long history in municipal energy. It had a district heating scheme in 1970s and was now one of the more energy sufficient cities with high local generation. There was large scale photovoltaic solar installation with 2,300 homes equipped with solar panels over the last three years. The council paid for, installed and maintained the solar panels and retained the feed-in tariff with the residents getting electricity. The scheme included both social housing and private sector housing.
- 2.41 Nottingham City Council would be extending the solar panel scheme to 3,000 additional homes from 2015. Once this was complete, 5,300 out of approximately 150,000 homes in the city would have solar panels. Whereas the feed-in tariff for the first 2,300 homes had

been secured when it was at the highest rate, the feed-in tariff for the next 3,000 homes would be at the lower rate. Nottingham City Council had set up an in-house installation team of accredited installers. This reduced costs and created jobs. Most of the homes with solar panels were three bedroom semi-detached houses. Lower income areas were targeted. The first solar panel scheme in Nottingham outperformed by £120,000 per year and the additional money went into the council's general fund. Following this scheme, it was decided that more panels should be put on each roof.

- 2.42 In Nottingham, 12% of the energy demand was met from Combined Heat and Power (CHP) and 3% was met from a waste plant. The district heating scheme included a council office building, offices, a hotel, an apartment block, a concert venue and a biosite. The scheme provided a more secure supply than the national grid would. There were four means of supplying buildings and many were willing to pay a premium for this. The district heating scheme was controlled by the council and run as a limited company.
- 2.43 There was a new energy park in Nottingham and planning consent had been given for a 160,000 tonne gasification plant. This could as much as double Nottingham's energy generation capacity. Other councils paid Nottingham to take their rubbish and Nottingham had a large commercial waste business. Waste disposal costs were minimal. Emissions were monitored.
- 2.44 To reduce fuel poverty, Nottingham City Council set up a fully licensed energy company by buying a pre-accredited licensed company. This was quicker to set up than if the council set up the company itself. The council had approved the first year's operating costs of £11 million. The company had to use the national grid and pay transmission and distribution costs as it only had one block with private wire and extending this would be too expensive. The cost model showed that Nottingham's energy company was likely to be one of the cheapest suppliers on the market. Nottingham had found a meter asset provider who would enable the council to rent or pay for the use of smart meters and a smart meter pre-payment system would be put in place. Pre-payment smart meters were being installed and those in fuel debt were signposted to advice centres and were helped to manage their debt. Nottingham would not sell debts to debt collection agency. The first three stages of debt collection were undertaken by the council and if these were not successful, a debt collection agency would be used, although the council would retain control. A fixed fee would be agreed for each stage and there would be an agreed set of principles.
- 2.45 In the first year, Nottingham had 50,000 customers, in the second year the figure rose to 150,000 and in the third year it was 250,000. Although Nottingham City Council would trigger ECO Energy Company Obligations once it reached the criteria for this, this would provide the local authority with the opportunity to invest.
- 2.46 Nottingham would become the first local authority energy company. Most of the day-to-day running of Nottingham's Energy Services Company was undertaken in-house and six managers managed the project. At the moment, Nottingham was undertaking controlled market entry. This meant a small number of customers were being taken on to prove the processes worked. In October 2015, this would be rolled out. Other councils could use Nottingham's white label offer. Nottingham could provide four tariffs and the other council could label and promote them to residents. Nottingham had spent £1.5m on systems to enable this to happen and for other councils to capitalise on the work Nottingham had done. This approach would also create local jobs e.g. call centres, when the number of residents using this supply reached a certain volume.
- 2.47 Switching to the Nottingham supplier saved a typical household £200 per year. The council had a tool on its website so potential customers could see how much they could save by switching.

### **3. Conclusion**

- 3.1 The Community Energy Scrutiny Review heard evidence about a number of community energy schemes across the country and heard from a variety of witnesses about the various ways in which community energy schemes and council schemes could be undertaken.
- 3.2 The Committee hoped the recommendations would improve community energy work in the borough to improve outcomes for residents.

#### **APPENDIX – SCRUTINY INITIATION DOCUMENT**

<b>SCRUTINY REVIEW INITIATION DOCUMENT (SID) DRAFT</b>
Review: <b>Community Energy</b>
Scrutiny Review Committee: <b>Environment and Regeneration</b>

Director leading the Review: <b>Kevin O’Leary</b>
Lead Officer: <b>Lucy Padfield</b>
Overall aim:  <b>To explore and understand the community energy options available for Islington, their respective opportunities and issues, and make recommendations on their relevance for the borough.</b>
Objectives of the review:  <ul style="list-style-type: none"> <li>• <b>To understand the benefits and risks to Islington of the different community energy models</b></li> <li>• <b>To learn from examples of established projects in other councils and communities across the UK.</b></li> <li>• <b>To specifically understand the overarching theme of their impact on fuel poverty and energy efficiency.</b></li> </ul>
Scope of the Review  Types of evidence will be assessed by the review:  1. The proposed suggested structure of the witness evidence is as follows:  <b>October</b> - Introduction and overview: Written evidence in advance – Setting the scene DECC community Energy Strategy (awaiting response) – Presentation by external speaker  <b>November or December</b> - Impact on fuel poverty and energy efficiency improvement: Forum for the Future ( <i>agreed to speak however time TBA</i> ) – Research findings on role of community Energy in alleviating fuel poverty. Community Engagement (in Islington) – Andrew Ford <i>OR</i> Camden?  <b>December or February</b> - Energy supply and resilience: OVO Energy and/or one of their Local Authority partners (to be approached)  <b>March</b> - Ownership, funding and revenue structures of potential schemes: Crowd funding – Julia Grove (to be approached) – Presentation by external speaker Finance and Legal – Owen Darracott and Ramani Chelliah, LBI  2. Suggest visits to – <ul style="list-style-type: none"> <li>• <b>Bristol - CSE</b> – Bristol Community Energy and possibly also <b>Bristol City Council (TBC)</b> – Setting up an ESCo and seed funding for community energy projects (December)</li> <li>• <b>Hackney or Repowering London</b> - contribution of the Repowering London model to skills, job creation and economic growth in the borough (Jan/Feb)</li> </ul>