SP Energy Networks

Community Energy Strategy





As a Distribution Network Operator (DNO) we are responsible for delivering electricity from the national grid to homes and businesses. At SP Energy Networks, we play a central role in community energy by facilitating local renewable energy projects and supporting energy efficiency initiatives.

Community groups are at the forefront of creating innovative energy solutions. They provide encouragement and share valuable lessons as we transition to smarter, low-carbon heating and power technologies, and a more decentralised energy system. Deeply rooted in their communities, these organisations play crucial roles in the energy transition. Their local presence allows them to effectively drive community energy projects, significantly impacting the broader community energy sector. By leveraging their unique position, they can engage in key and nuanced roles that are distinct from the public and private sectors.

We have created this strategy to empower communities, enhance energy resilience, and contribute to the transition to a low-carbon future. Our goal is to provide communities with the tools and support they need to develop sustainable energy solutions, ultimately helping to achieve net-zero targets and fostering stronger, more energy-independent communities.

Our Community Energy Strategy outlines how we plan to build on our existing support to work more closely and strategically with community groups, our customers and stakeholders, to address some of the main barriers limiting the growth of essential community energy solutions.

To facilitate this, we have created a dedicated community energy team tasked with ensuring that the support we offer for our communities and supporting the delivery of community energy solutions is embedded in our planning and delivery activities. We will also ensure this strategy remains fit for purpose moving forward and remains aligned to our communities needs.

In developing this strategy, we have engaged with community energy representative bodies across our licence area: Community Energy England, Community Energy Scotland, and Community Energy Wales, to understand the unique issues and challenges faced by the sector across our licence areas.

We have also carried out extensive consultation and online engagement with customers, stakeholders, and grassroots community energy organisations across the UK, including with those customers living in vulnerable circumstances.

We are committed to working with existing local organisations and providing tailored support to encourage and facilitate more community- led renewable energy projects across our licence areas. We believe this approach will empower our customers, stakeholders and communities to achieve a just transition for all.

Rula M. Comment

Nicola Connelly
CEO, SP Energy Networks



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^{*} All referred terms can be found in the glossary section at the end of this document.

Introduction

About us

SP Energy Networks is a Transmission and Distribution Network Operator that owns and operates three regulated electricity network business in the UK: SP Transmission plc (SPT), SP Distribution plc (SPD) and SP Manweb plc (SPM). We transport power on behalf of supply companies through a network of undergound cables and overhead power lines to homes and businesses across Central & Southern Scotland, North and Mid Wales, Merseyside, Cheshire and North Shropshire. We are also the only network operator to serve communities across all three governments, each with their own Net Zero targets (2045 for Scotland and 2050 for England and Wales).

What is Community Energy?

Community Energy is the delivery of community-led renewable energy, demand reduction, low-carbon transport or energy supply projects, whether wholly owned and/or controlled by communities or through partnership with commercial or public sector partners.²

Community energy projects can include the local generation of renewable power or heat, collective purchasing or peer-to-peer trading of energy, energy efficiency improvements or low carbon community transport and EV charging. With democratic control, shared benefits and active participation at its core, community energy supports the major shifts in culture and infrastructure needed to reduce the impact of climate change and increase security of local energy supply.

Why it's important to support Community Energy?

To help the UK achieve its Net Zero targets, millions of individuals and local communities will need to change how they use electricity in their day-to-day lives. To use energy as efficiently as possible will mean adopting more 'smart' devices in our homes, increasing our use of personal or shared electric transport solutions, and generating electricity to be used on-site or traded locally. The rate and speed of behavioural change and technological uptake required could easily lead to more consumers being considered as living in vulnerable circumstances and more customers being left behind.

There are many fantastic examples of community groups responding to local network needs and establishing community energy business models and approaches to local participation that can be replicated or adapted to meet the varied needs of communities and local network conditions across Britain. According to the Future of Community Energy³, an independent research report that we commissioned, community energy could deliver as much as 2.5m tonnes of carbon emission savings per year and power 2.2m homes with renewable energy by 2030.

While community energy brings many benefits, we know from our engagement that the sector also faces some key challenges and this is why we are committed to supporting and facilitating its growth which we believe will help to drive customer bill savings and CO₂ reductions across our licence areas.

By 2030, using renewable energy, Community Energy could power

2.2m homes

Community Energy in our licence areas

10,284

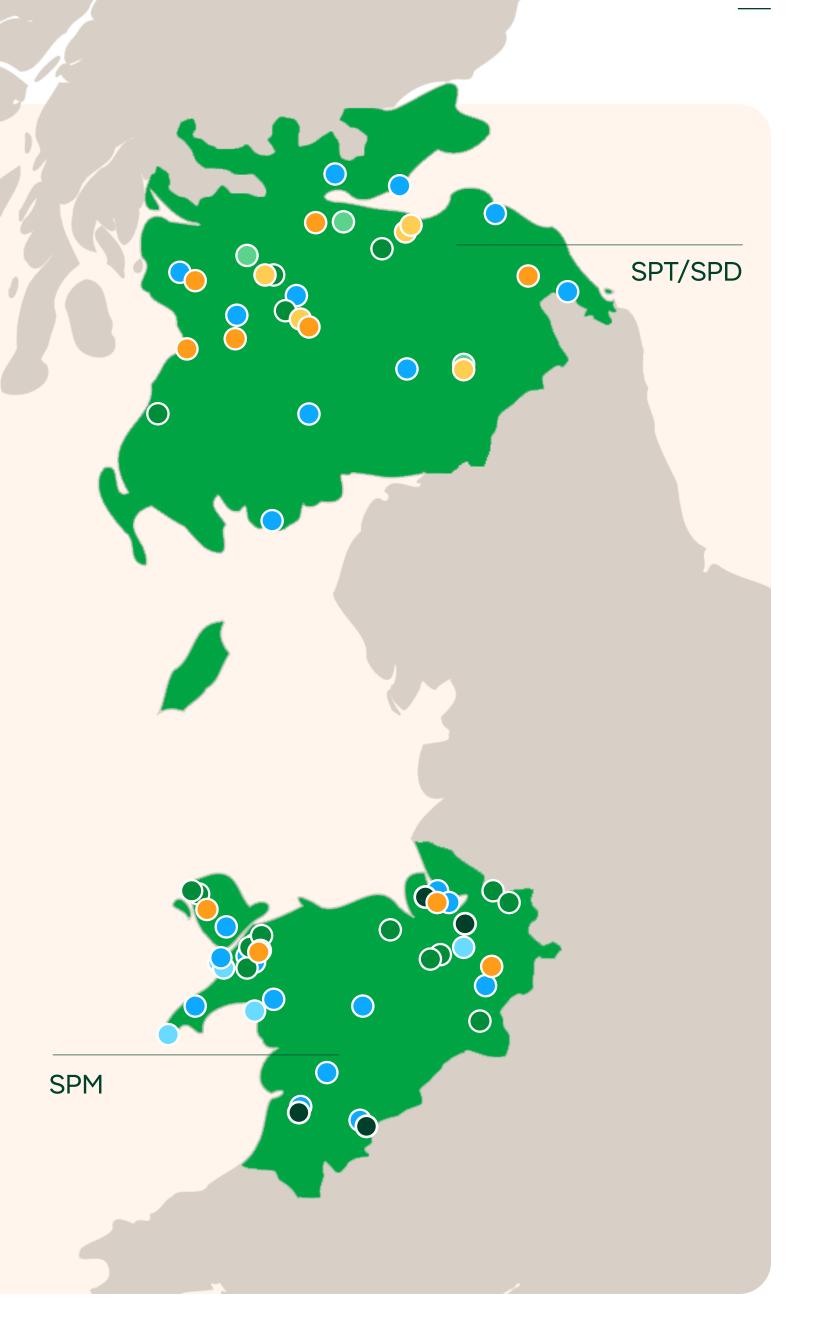
members of Community **Energy Groups**

19.3 MW

community-owned renewable electricity capacity

community groups comprising of:

- Charity
- Community Benefit Society
- Community Interest Company
- Company limited by Guarantee
- Co-operative
- Unincorporated
- Other



Engaging with our stakeholders

We have a long history of providing support and working in partnership with communities and recognise that effective engagement with community energy stakeholders helps us deliver better outcomes for our customers. We have consulted with our stakeholders to ensure we are implementing measures which will deliver the support they want and require.

We have been actively working with our stakeholders and have:



Commissioned 'The Future of Community Energy' independent report by WPI Economics⁴



Produced a bespoke Community Energy Guide aimed at community groups looking to develop renewable energy projects



Sponsored the Community Energy State of the Sector annual research⁵



Signed the Local Electricity Bill in 20216



Developed our free, online Zero Carbon Communities Hub tool⁷



Carried out 5 community energy focused stakeholder events under the topic of 'Smart Communities'

4https://www.spenergynetworks.co.uk/pages/wpi_report_the_future_of_community_energy.aspx ⁵https://communityenergyengland.org/files/document/960/1720710752_CommunityEnergyStateoftheSector2024UKOverview.pdf ⁶https://staticl.squarespace.com/static/5ff35be80400f408900d4cf9/t/63d002939ff9f527a897lc29/1674576531187/ Local+Electricity+Bill+2022-23+session.pdf ⁷https://www.spenergynetworks.co.uk/pages/zero_carbon_community_tools.aspx



What we have learned from our stakeholders

In 2024, we asked the representative community energy bodies - Community Energy England, Community Energy Scotland, Community Energy Wales and selected grassroots community groups in our licence areas across the UK, to review and feed into the barriers affecting the sector, as well as review the original commitments published as part of our RIIO-ED2 Business Plan in November 2021.

We wanted to identify gaps and gather additional insight into the wants, needs and preferences of community groups as well as any new barriers for the sector. Alongside this, we ran a series of bilateral interactions with key stakeholders and two separate online surveys to capture more detailed feedback and refine and strengthen our commitments.

Our most recent stakeholder survey, carried out in 2024, gathered feedback from 4 community groups and 27 Community Energy Councils. 84% of respondents reported that they find the connections process confusing and would like access to a 'how-to-connect' guide.

Other areas we identified where further support would be useful:

- 55% wanted support with the Connections Process
- 55% wanted support to understand available technologies
- 26% of respondents wanted support to understand the Distribution Systems Operator transition/Flexible Connections.

Examples of comments from our stakeholders:

"There should be a focus on strategic partnerships with SPEN, the government, and community groups."

"I would like to see SPEN as an educator, in relation to explaining available local supply capacity. Enabling an educative function in highlighting what is actually available and grid capacity and helping connections to go ahead reasonably quickly."

Our stakeholders ranked how useful the following information would be on our website:

Newsletter	13%
Case Studies	19%
Customer Surgeries	26%
FAQ's	26%
Guides and Documents	52%
Contact Information	63%

Barriers to Community Energy Growth

While community energy brings with it many benefits, we know from our engagement that these are dependent on overcoming key challenges. For example, our customers and stakeholders have told us that community groups are often constrained by time and financial resource. We also know that there is limited knowledge across community groups about the changes coming to the energy system and the possibilities for community energy as a result of these changes. The confidence to develop new projects is often low across their community members because of the highly technical development process and a lack of available data to effectively assess project feasibility.



Key barriers identified by our community stakeholders

- Grid constraints/connecting to the grid
- Sourcing correct DNO contacts
- Lack of funding support (capital and revenue)
- Highly technical development process
- Difficulty of establishing viable financial models
- Lack of community confidence & capacity to act
- Lack of knowledge on what is possible on local networks
- Difficulty in assessing viability of non-firm connections
- Limited knowledge of how DNOs can support community groups
- Lack of availability of network monitoring data or proactive information on optimal grid locations for local supply
- Difficulty identifying the best grid locations for the development of distribution level flexibility services
- Low level of understanding/capacity in community groups of the need and possibilities linked to 'flexibility' and Distribution System Operator development

We will support communities to overcome the barriers which exist and help them to prosper in the changing policy landscape by:

- · Helping community groups navigate the cluttered and diverse landscape of policy, financial, project development, and technical advice and resources which are available to communities
- Working directly with communities that have a local interest in the development of local energy networks
- Taking a holistic approach to community energy and the role of community groups as key actors in their local areas delivering a broad range of benefits, direct and indirect.

Supporting our stakeholders

You also told us we should focus our support in the following key areas:



Community collaboration and strategic partnerships at multiple levels

What you said:

SPEN should work with Government and different industries to avoid "sounding in a vacuum."

SPEN should engage with local authorities, community energy organisations, other utilities, and organisations such as Citizens Advice and the Energy Saving Trust, some of which may be better placed to connect with communities.

How we responded

- · Reviewed our current activities, latest community energy research findings and customer and stakeholder feedback.
- Launched our free online Zero Carbon Communities Hub.
- Collaborated with communities and trusted support organisations to facilitate community energy ambitions quickly and strategically.
- Supported the broader community energy sector by becoming a member of the community energy representative organisations and sponsoring their events.
- Participation in cross-DNO working group to share best practices.



Advice and support

What you said:

92% of stakeholders surveyed agreed that network operators like SPEN should play a role in supporting community energy as they have the knowledge, resources, and infrastructure to support the sector.

SPEN should provide education and advice to the public, including providing examples of successful community energy projects to enable shared learning.

How we responded

- · Reviewed our current activities, latest community energy research findings and customer and stakeholder feedback.
- Created a dedicated community energy team.
- Launched our free online Zero Carbon Communities Hub.
- We are developing a catalogue of community energy workshops focussed on supporting our community energy stakeholders.



Raising awareness

What you said:

SPEN should be more ambitious in its education provision by helping to address the skills gap in community groups as well as the knowledge gap.

Stakeholders wanted to see a "deeply rooted" local energy education programme.

How we responded

- · Used our leading role in the energy system, and worked with local support organisations, to establish how best to spread awareness quickly and cost-effectively on community energy opportunities and benefits.
- Initiated the development of an awarenessraising programme to be launched in 2024.
- We sponsored the publication of the Community Energy: State of the Sector 2024 report.



Provide funds to help make projects viable

What you said:

Clear, flexible funding with a simple application process, taking into account local energy plans, as well as feasibility and capital.

SPEN should raise its ambition by separating out funding for community projects and funding for larger-scale projects and creating a business-as-usual community energy model.

How we responded

- Under our ED2 Business Plan (2023 to 2028) we aimed to provide specific financial support to help support and empower our community energy stakeholders, however this request wasn't supported by Ofgem.
- In response to this, we are now developing a funding database that community groups can access. This includes details of Community Benefits Schemes, as well as our SP Transmission Net Zero Fund, accessible in Scotland.

Our aim is to support the growth of the community energy sector within our licence areas. We want to support pioneering communities and community support organisations that have worked tirelessly over the last decade to provide local network solutions and innovative community energy business models.

We recognise the need to work with community groups to develop a strong degree of trust, consent and collaborative partnerships for the successful delivery of local energy solutions.

UK Community Energy Targets.

The UK Government, along with the devolved administrations in Scotland and Wales, have also established ambitious targets for local community energy initiatives.

Scotland

The Scottish Government aims to achieve 2GW (2,000MW) of community and locally owned energy in Scotland by 2030.



2,000MW: Has the potential to power up to

2 million homes.

England

The newly elected government's Local Power Plan could provide grants and low-interest loans for community-led clean energy projects. Over five years, it aims to deliver 8GW of solar and onshore wind.



8,000MW: Has the potential to power up to

8 million homes.

Wales

The Welsh Government aims to expand renewable energy generation by over 100MW through public bodies and community enterprises by 2026, toward the 1GW locally owned target by 2030.



100MW: Has the potential to power up to

100,000 homes.

Our commitments and actions

As part of our ED2 business plan, we have established commitments to provide community energy support.

These commitments, shaped through extensive stakeholder engagement, outline our strategic actions to foster growth in community energy. Our action plan is designed to showcase our specific objectives to meet the needs of our stakeholders, ensuring that our support for community energy is both effective and responsive.

The commitments that we have developed address several of the barriers that our communities have told us they have experienced, however it is important to recognise that not all barriers relate to our role as a network operator. For example, we cannot make decisions on local energy tariffs. We will, however, look to work in partnership with key stakeholders and contribute to discussions with Ofgem, policymakers and other key decision makers. We are also keen to work with other DNO's and the Energy Networks Association to explore opportunities to develop a more standardised approach to supporting community groups across the UK and are actively engaged with a newly established DNO group.

These commitments are designed to maximise local opportunities for all of our customers and stakeholders, including aggregators and developers who will need to support community groups, and increase the number of community energy projects across our licence areas.

Our commitments are categorised into the following three areas:

- 1. Support
- 2. Awareness
- 3. Continuous Improvement

1. Support: Action plan

Our newly established, dedicated community energy team will offer a range of support to our community energy stakeholders. By offering technical advice, optioneering and signposting to impartial support organisations, our team will support local groups in need of assistance through our connections process.

What do we mean by this?

Our stakeholders have told us that the process of developing community energy initiatives can be technical and complex. They have highlighted how they perceive the barriers preventing more community projects could be overcome:

- Improved understanding of grid constraint.
- Increased support in assessing the viability of connections.
- Support in identifying the best grid locations for the development of distribution level flexibility services.
- Increased availability of information on optimal grid locations for local supply.
- Increased direct Distribution Network Operator engagement or knowledge of how DNOs can support community groups.

In order to achieve this, we will:

Establish a dedicated team to support community energy projects and community groups covering our license areas. This team will act as a central contact point, guiding community groups through the process, connecting them with the relevant areas of our business as needed.

Develop a dedicated section on our website, tailored to community groups. This section will house essential information, guidance, contact information and support mechanisms to empower communities and showcase community driven initiatives.

Create a dedicated mailbox for community groups and key stakeholders, which will serve as a direct channel for our communities to contact us.

Engage in further collaboration across our business areas to gain a deeper understanding of the practical challenges faced by community groups and proactively identify sector advancements to support these groups. Develop process and technology guides tailored to community groups, in response to stakeholder feedback. These guides will be readily accessible at any stage of their journey to support and inform community groups.

Keep our community groups informed about the tools available for self- service and the range of resources that are available to support stakeholders.

Develop a comprehensive workshop programme based on the specific topic areas identified through stakeholder feedback. This targeted approach will ensure our workshops directly equip community groups with relevant knowledge and skills.

Provide dedicated support for community groups pursuing innovative ideas and Community Energy projects.





2. Awareness: **Action Points**

We will work in partnership with local support organisations to deliver community energy awareness campaigns at scale and education outreach activities to raise knowledge and awareness of the changes coming to the energy sector and how individuals and their communities can participate and benefit. We will review our engagement, including who/how best to deliver information and remain flexible and innovative in our approach.

What do we mean by this?

We will support communities to understand low carbon technology opportunities, local energy schemes and network flexibility to raise local awareness and understanding in order to encourage community groups to participate and benefit. This commitment supports many of the improvements required, as highlighted to us by our stakeholders. In particular it aims to address:

- Increased confidence and capacity to take forward community energy initiatives.
- Improved capacity to recruit participants to take part in community energy projects.
- Increased understanding of the need for, and possibilities linked to, DSO development including flexibility opportunities.



In order to achieve this, we will:

Collaborate with the community energy representative bodies and other relevant support organisations to raise awareness about our organisation and how we can assist community groups. By leveraging their platforms, we intend to engage effectively with community groups and facilitate communication within the sector.

Collaborate with these bodies and organisations to help us engage with new and existing community groups that we are not aware of and to be kept up to date in what's happening in the industry.

Create an inclusive engagement plan that leverages multiple communication channels to connect with community groups and key stakeholders. These channels will include but not limited to emails, social media platforms, and workshops.

Promote customised educational workshops through collaboration with the community energy representative bodies tailored to the specific needs and interests of local groups.

Inform community groups and key stakeholders whenever we update relevant sections of our website with new information.

Actively participate in external conferences to connect with our stakeholders. These events provide valuable opportunities for networking, knowledge sharing, and collaboration. Our presence at these conferences will aim to foster meaningful relationships and enhance our engagement with key stakeholders.



We will publish a Community Energy Strategy to clearly show how we will embed community energy thinking across our business to support community groups and their community energy projects across our licence areas. Our strategy will be independently reviewed every year to make sure we are learning as we go and adjusting to changes in the external environment.

What do we mean by this?

Our community energy team will prioritise community groups and community energy solutions in our planning and delivery. By doing this, we ensure that their feedback shapes our strategy development, guiding us on the next steps to take.

Our community energy team will measure and report on the impact of this strategy by using data from the State of the Sector report. This data will be crucial for continuously developing our strategy, ensuring it meets community needs and adapts to changing circumstances.



In order to achieve this, we will:

Sponsor the State of the Sector report which will enable us to gain insights into the distinct challenges encountered by community groups. This understanding will directly inform and enhance our strategy.

Fully utilise the State of the Sector Regional report data to delve deeper into the statistical trends within our license areas and develop our strategy developments. This tailored information will be invaluable for ensuring our future strategies are in alignment with the community energy sector's needs.

Continually analyse our progress towards achieving the objectives and commitments outlined in this strategy. By regularly assessing the impact of our initiatives we will gain valuable insights to inform future strategy updates.

Conduct an annual survey to gain insight into the evolving needs of our community groups. We will use this information to determine our stakeholders changing requirements so that we can enhance our strategy. This will ensure that our strategy remains responsive and effective in supporting the Community Energy sector.

Continue to work with local support organisations, to identify innovative methods of promoting the opportunities and benefits of community energy.

Work with partners to develop our community energy educational resources and outputs.



How we will measure success

We will review our impact annually to adjust our approach. We will work with the community energy representative bodies to share information on our activities and outcomes for our licence areas. Our impact will be reviewed independently by the community energy bodies in an annually published Community Energy report, which will include detail on the extent of our community energy activities and achievements over the year across our two licence areas.

Data gathered from the Community Energy: State of the Sector report include metrics that will enable us to monitor and assess the delivery of our strategy such as:



Number of new community energy projects



Awareness and education reach



CO₂ Savings



Consumer bill savings

We will also monitor and report on the impact of our community energy commitments using a combination of the following metrics:



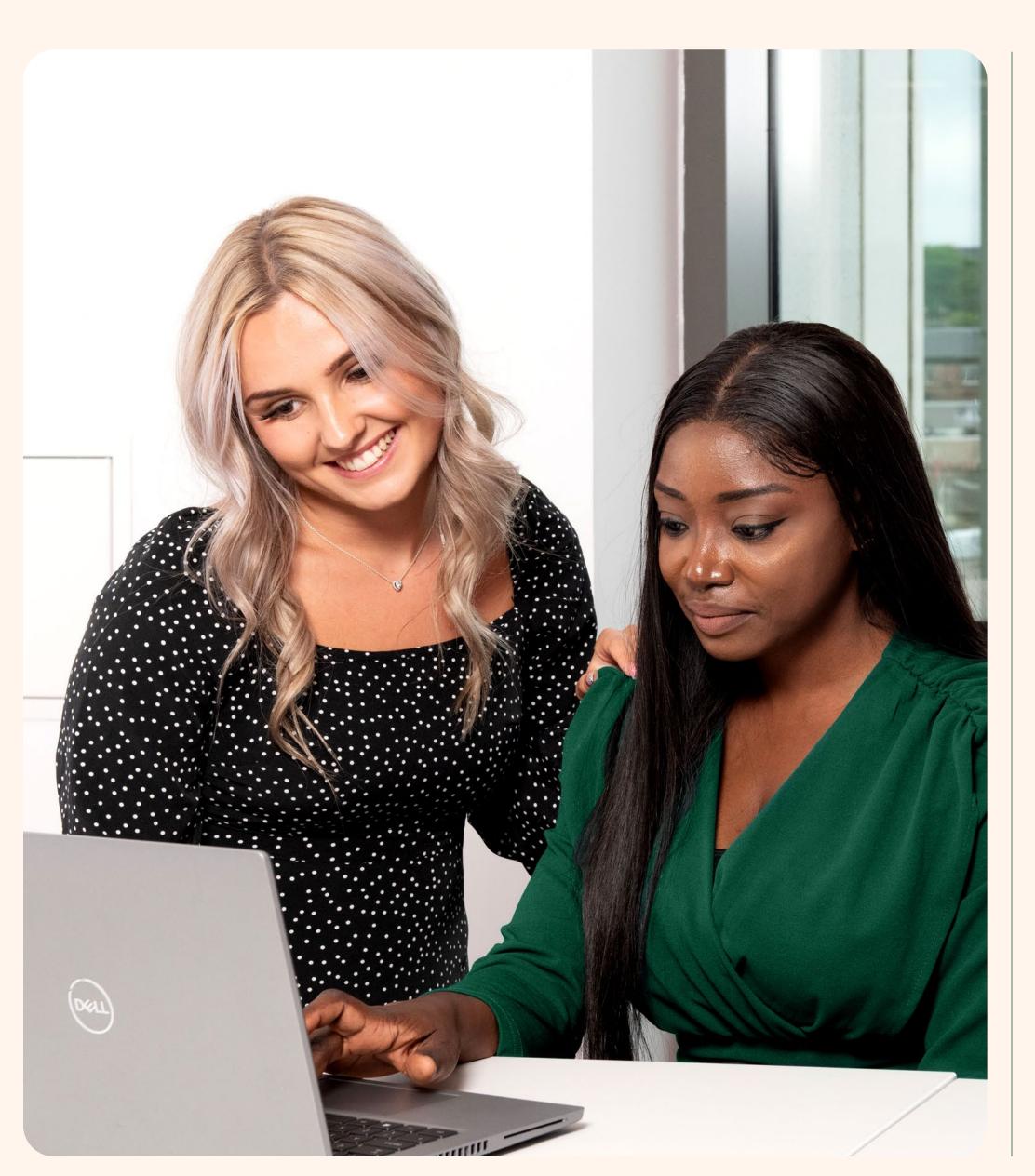
Stakeholder satisfaction surveys



Case study evaluation



Independent annual review of CE strategy delivery



Get in touch

If you are developing a community or local energy project, please get in touch to discuss your plans. We also welcome any feedback you may have on this strategy.

Community Energy

Communityenergy@spenergynetworks.co.uk

Connection Application and Enquiries

gettingconnected@scottishpower.com

Keep up-to-date:

Register as a stakeholder and receive regular updates and opportunities to engage in community energy here:

Register as a Stakeholder Or visit our **Community Energy website**



Charity: Typically focuses on supporting a geographical area, primarily by facilitating and pooling donations used to address community needs and support local non-profits.

Community Anchor Organisations: Organisations which are well respected within the communities, and which sit under the control and ownership of local people. They represent the interests of that community to external stakeholders and may also own a range of community assets (land and buildings) and possess the means to generate their own independent income stream.

Community Benefit Society: A legal corporate form that benefits a wider community. It is regulated by the Financial Conduct Authority (FCA) and has a cooperative membership structure that adheres to the principle of 'one member, one vote'.

Community Energy Groups: Localised organisations where people work together to develop, manage or generate benefit for their community through sustainable energy practices or utilising renewable energy projects.

Community Energy Representative Bodies: Membership-based organisations with extensive networks that offer a platform for community groups to connect with each other and support and accelerate the transition to a fair, low-carbon and community-led energy system: specifically, Community Energy England, Community Energy Scotland and Community Energy Wales.

Community Groups: Set up by local people or communities of interest who have identified a need for a particular activity or service in their area, often aimed at making improvements to a community's social health, well-being, and overall functioning.

Community Interest Company (CIC): Similar to a business but with a social purpose to benefit the community, with profits reinvested.

Company Limited by Guarantee: A business structure with limited liability for members, can be used for community energy but less common.

Co-operative: A democratically controlled business owned and run by its members. Members of a Cooperative share ownership of a business or organisation and make decisions collectively ensuring everyone has their say.

Distribution Network Operator (DNO): The organisations that own and control the electricity distribution network that connects generators, suppliers, energy users and consumers.

DSO: Depending on context, means the act of distribution system operation, or the distribution system operator (the party carrying out the act of distribution system operation).

Flexibility: Changing how and when we consume and produce energy to ensure that the power generated and delivered to us always matches the amount we use.

Local energy schemes: Programmes offering financial support, such as grants or low interest loans, to facilitate community groups in developing and implementing community energy projects.

Low Carbon Technology: Technology that reduces greenhouse gas emissions compared to traditional fossil fuels, used for electricity generation or reducing energy use.

Flexibility: The ability of a customer to change their import/export position in a controlled manner in response to an external signal. With the push towards the electrification of heat and transport, being able to flexibly utilise demand and generation will help minimise the amount of additional network capacity required, balance the system and provide system stability – these can all help reduce customer electricity bills.

Non-firm Connection: A connection that may be restricted by conditions such as a maximum export, or constraining output under certain network conditions.

Other Groups: Additional examples of community groups include resident associations, local-authority partnerships, development trusts and social enterprises.

RIIO-T2: The price control for the high voltage electricity transmission networks and high-pressure gas transmission networks which transmit energy across Britain from where it is generated.

State of the Sector Report: A comprehensive review of community energy in the UK, that collaborates with Community Energy Wales and Community Energy Scotland to provide essential data for community energy organisations, stakeholders, and policymakers. The report equips people within and beyond the sector with key data, demonstrating the scale and impact of community energy projects. Policymakers can use this information to create supportive policies for community energy development.

SPD: Abbreviation for ScottishPower Distribution, a wholly owned subsidiary of SP Energy Networks responsible for the distribution of electricity in central and southern Scotland (33kV and below).

SPM: Abbreviation for ScottishPower Manweb, a wholly owned subsidiary of SP Energy Networks responsible for the distribution of electricity in North Wales and in Merseyside, Cheshire and North Shropshire in England (132kV and below).

SPT: Abbreviation for ScottishPower Transmission plc, a wholly owned subsidiary of SP Energy Networks. We are responsible for the transmission of electricity in central and southern Scotland.

Unincorporated: An 'unincorporated body' is an organisation set up through an agreement between a group of people who come together for a reason other than to make a profit. Unincorporated bodies or associations do not have legal personality and therefore cannot own land in their own right.

SP Energy Networks Community Energy Strategy

spenergynetworks.co.uk



