

Community Energy England's response to Ofgem's Forward Work Programme 2025/26 Consultation

Note: we appreciate that not all of these proposals are within Ofgem's remit to enact alone. Other actors, such as DESNZ, GB Energy, DNOs and Elexon must work with Ofgem to deliver the energy transformation to net zero.

Reforming the connections queue

Proposals:

- Institute a 'designation' for community-owned energy and storage projects as part of NESO's Connections Reform process to fast track projects that are ready to go and will deliver significant social and community benefit
- Increase the Transmission Impact Assessment threshold from 1MW to at least 13MW for community and council projects

We welcome the prominence Ofgem is placing on reforms to the connections queue as part of their programme for meeting the Clean Power 2030 target. It is right for Ofgem to recalibrate its processes so that projects that are ready to go are prioritised. In addition, **projects that will deliver greater social benefit ought to be fast tracked through being 'designated' for priority connection.**

NESO recommended in their [advice to government in November](#) p45 on Clean Power 2030: "NESO considers that a project designation process is necessary to ensure that projects that demonstrate significant additional consumer, net zero and/or wider economic and/or societal benefits are capable of being included within the reformed connections queue and/or of being accelerated under the reformed connections process, due to the significant associated benefits that they can provide to GB consumers." This did not appear in the Clean Power Plan though a strong statement of the benefit of local and community energy did (p47).

Community Energy Scotland has been working closely with NESO and Ofgem on this and recommends that, as part of NESO's Connections Reform process, they **add criteria for 'designating' community-owned energy and storage projects**. This would mean that those community-owned projects could be included within the reformed connections queue and be prioritised for queue position within a Gate 2 assessment process. These changes would need to be made to the Connections Network Design Methodology (CNDM) and project designation methodology.

Ofgem has indicated to Community Energy Scotland that project designation for community energy would be a good route to give community energy priority access to the grid. However, Ofgem needs a statement of support from the UK Government in order to instruct NESO to include Community Project Designation. **We ask Ofgem to urge DESNZ to provide the strong steer to Ofgem and NESO that would allow them to 'designate community energy' for priority access to the Grid.** Community Energy England is making the same request.

We understand that this should not be a carte blanche for communities to connect the wrong projects in the wrong place. Community energy is committed to system transformation and

efficiency in the quest of decarbonisation and to working with partners on strategy by being at the heart of RESP and Local Area Energy Planning. **Priority should also be given to projects that are demonstrably delivering on a Local Area Energy Plan.**

We also welcome the modification initiated by the Transmission Operator to increase the Transmission Impact Assessment threshold from 1MW to 5MW in England and Wales, but this needs to go further.

We, in consultation with Community Power Solutions, suggest at least the TIA threshold should be at least 13MW certainly for community-led projects. (The designation ‘for community-led projects’ would reduce any tendency of commercial projects to be split up to get speedier connect, thereby reducing available capacity for small-scale sub 5MW and genuine community projects.) 13MW would allow two 6.2MW community-led/owned turbines to be connected. This size will soon be the most economical to install. We are advised by people who have had dealings with engineers dealing with local distribution grid capacity that when examined there is very often much more grid capacity than the DNOs initially estimate, especially in rural areas, and that this level of connection would in many cases not cause disruption to the grid especially as Active Network Management becomes more prevalent. See this [short article](#) by Charles Gamble of Community Power Solutions.

For more details on the specifics of our policy proposals on grid connections, see [our response](#) to Question 4 of the ESNZ Committee’s call for evidence on Unlocking Community Energy at Scale.

Incentivising the large-scale deployment of demand-side response

Proposals:

- **Mandate energy networks and suppliers to engage with and facilitate innovative local flexibility solutions**
- **Enable local supply and local markets to facilitate holistic Smart Local Energy Systems at distribution level on the last mile of the grid**
- **Fundamentally strengthen the position of local energy markets through improved incentives and regulation**
- **Reform regulations to enable replicability of business models like the one used by Energy Local to create local energy clubs**
- **Enact Elexon’s Modifications P441 and P442**
- **Remove the requirement for the generator and consumer to operate at the same voltage under the ‘complex site’ provisions**

The government’s Clean Power 2030 identifies a need for 12 GW of domestic flexibility by 2030. The NG ESO Future Energy Scenarios (Holistic Transition Scenario) modelled a need for 15 GW demand flexibility in 2030 and 71GW in 2050. If we can maximise intelligent flexibility the cost savings can be huge.

Community energy has a huge potential to drive “demand-side flexibility” including “consumer demand flexibility” at scale especially as it grows and spreads. Face to face engagement with trusted local intermediaries has been identified as the best way to encourage the adoption of new technologies, behaviours and retrofit. We set out two examples below.

The [Net Zero Terrace Streets project](#) is building demand side flexibility (DSF) into its holistic model to deliver affordable low carbon warmth to communities that would otherwise fall between commercial and government schemes. They calculate that there are 6 million smaller terraced properties across the country that would benefit from their solution and that this could enable 12GW of flexibility by reducing the need to heat at times of peak heat demand. This is achieved by using a Mixergy or equivalent smart hot water cylinder solution alongside retrofit to improve energy efficiency of properties and solar to increase local power generation. Revenue from delivering flexibility contributes to paying for the scheme, targeted at unable to pay communities. Community Energy England is working with NZTS to identify organisations to be early adopters of their model.

Lymm Community Energy applied to Scottish Power Energy Networks (SPEN) to connect a 5MW solar farm but were only allocated a 2.5MW connection. They proposed that they build a 2.5MW flexibility function using 600 Mixergy cylinders installed in the community to give cheap hot water, thereby guaranteeing that the 5MW solar farm would only ever need to export 2.5MWs to the grid. SPEN weren't able to facilitate this sort of innovation which will be vital to achieving net zero and clean power by 2030.

There needs to be a mandate on energy networks and suppliers to engage with and facilitate these innovative solutions.

Consumer demand flexibility should also be encouraged by enabling community energy organisations to supply electricity directly to consumers. Currently community energy organisations cannot sell their energy directly to local people without using complex workarounds.

Local supply and local energy markets must be enabled to facilitate holistic Smart Local Energy Systems at distribution level on the last mile of the grid (downstream of the primary substation). These projects can join up local supply and local demand, bringing greater flexibility into the system, which is necessary for both reducing pressure on the grid, the need for costly upgrades and lowering energy bills and delivering community benefit (all government policy priorities). This will ultimately reduce system costs levied on bills and help mitigate the problem of the Spark Gap (difference between gas and electricity prices which impedes the electrification of heat) when cheap local power can be used.

We list examples of community energy organisations successfully delivering Smart Local Energy Systems below. However, there are currently limits on their replicability due to an inflexible regulatory environment and minimal incentives. **Fundamentally the position of local energy markets must be strengthened** within the wider power market and their vital importance to achieving net zero and the transformation of the energy system recognised by the government and Ofgem and requisite duties, regulations and incentives put in place.

There must be rewards for reducing the costs of and need for upgrades to distribution and transmission networks. We understand that increased distributed generation presents challenges and necessitates upgrades to networks. However, some way of calculating the long-term 'avoided cost' of overbuilding the networks must be found and those enabling that cost to be avoided must be rewarded. Additionally the avoided carbon of a more efficient system must be factored into calculations and rewarded. Currently payments for flexibility services take account of avoided reinforcement but not of carbon savings from a more efficient system. Consequently the payments are too low for communities to be able to make a business case to build flexibility assets like storage.

Some community energy organisations demonstrate what the wider energy system stands to gain by enabling local supply and encouraging the development of Smart Local Energy Systems. [Energy Local](#) has developed a model which has enabled them to create local energy clubs, whereby households use local clean power when it is generated. This local balancing reduces the amount of electricity required from higher up the grid. Under Energy Local's model, clean power generators receive a fair price for their electricity and club members' bills are reduced. Feedback from a trial in 2016 showed 31 participants were influenced to change behaviour by participating in the scheme against 6 who were not. "to look out the window and see if the sun's shining, and think 'actually I could leave the washing until tomorrow if its pouring down with rain.' I would never do that before."

However, using this model has required several workarounds to satisfy regulation that currently detrimentally impacts the replicability of the model.

Additionally there are limitations and barriers which this model faces which limit its impact and roll-out. Examples of this include:

- the requirement for the generator to be connected to the grid at the same voltage as the consumer, which naturally limits the scheme to small scale renewable projects only;
- licensed suppliers are not mandated to offer such a mechanism,
- all members of a Local Energy Club have to change to the same supplier.

The balancing and settlement codes should be strengthened to protect these rights, for instance by passing modification P441 (more below).

Regulation must change to encourage local supply and local balancing.

Community energy has been at the forefront in the UK and Europe of developing and providing a 'community test bed' for local supply models. The majority of Ofgem's Sandbox projects have been community energy projects. See [Repowering London's innovation projects](#) working with the DNO, EDF, and multiple commercial partners. Repowering also runs an Energy Local club supplying social housing residents with a share of solar power from the roofs of their estate at 6.3p p kWh. They and other community energy organisations are pioneering blockchain solutions with commercial developers such as [Very](#) and UrbanChain which allow residents to trade their allocation of local renewable energy with one another. One estate resident said, "we are being empowered to generate, store and trade our own community energy."

Ellexon's Modification P441 must be enacted as a first step to enabling local supply. This would create 'Complex Site Classes', allowing 'non-standard' complex sites to be approved, whereby some local energy schemes of the type used by Energy Local, would not have to be granted an exception to operate. **The related Modification P442 should also be approved.**

The current requirement under the 'complex site' provisions for the generator and the consumer to operate at the same voltage should be removed. For example a generator connected to the transmission grid at 33kVA can still usefully supply local consumers operating at 240 volts.

Approving P441 and P442 would be a good starting point, but will not be nearly sufficient to truly enable and incentivise local flexibility and balancing.

For more details on the specifics of our policy proposals on demand side flexibility, see [our response](#) to Question 2 and 7 of the ESNZ Committee's call for evidence on Unlocking Community Energy at Scale.

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Further information

Community Energy England (CEE) was established in 2014 to provide a voice for the community energy sector, primarily in England. Membership totals over 320 organisations. The majority of the members are community energy organisations, but membership extends across a wide range of organisations that work with and support the community energy sector.

www.communityenergyengland.org