



Response to Welsh Government's call for evidence on Locally Owned Renewable Energy

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4th Floor, Trafalgar House | 5 Fitzalan Place | Cardiff | CF24 0ED

Tel: 03000 231 011 | Fax: 03000 231060

www.citizensadvice.org.uk

Citizens Advice in Wales

Citizens Advice is a charity founded in 1939. Since then, we've given advice, information and support on a range of everyday issues to anyone who needs it, from debt, money and welfare benefits to housing, employment and relationships.

Citizens Advice represents consumers across essential regulated markets. We are the statutory consumer advocate for energy and postal services in Great Britain.

In Wales we have a network of 19 local Citizens Advice¹ - all individual charities, staffed by nearly 800 dedicated volunteers and paid staff.

We remove the barriers to advice by going to places where people need us most, delivering advice from over 375 community locations in Wales, as well as offering services over the phone and online.

Every year across England and Wales millions of people turn to us. This gives us a unique insight into their needs and concerns. We use this knowledge to campaign on big issues, both locally and nationally. So one way or another, we're helping everyone – not just those we support directly.

In 2016 to 2017 the Citizens Advice service in Wales helped **114,282 people** with **436, 254 problems**. This is an increase on 2015 to 2016 of 4% more people and 4% more problems. On average people come to us with 3.8 problems.

¹ Citizens Advice is changing. We are modernising our services to respond to changing needs and to reach more people. As part of this process there will be a new name for the service - 'bureau' is now called local Citizens Advice.

Locally owned renewable energy - A call for evidence

Citizens Advice has a statutory role to represent consumers within the GB energy market, including by commenting on governments' energy policies. We primarily wish to explore some wider consumer issues raised by the proposed new targets but not covered by the call for evidence, as well as responding below to some of the specific questions.

The UK Government's policy levies and mechanisms² that form part of most renewable generator's profits are ultimately paid for by consumers. Citizens Advice wants to ensure they get value for money from these levies, and that any benefits are distributed fairly. With this in mind we would have some concerns about treating local ownership as an end in itself.

The call for evidence clearly sets out the low carbon transition as the key driver for proposing this target. Citizens Advice does not have evidence of whether locally owned renewables can be built more quickly, or are better value for money than the alternative. Though clearly this would need to be demonstrably true if they are to contribute to decarbonisation targets for Wales.

The document also states that a 'range of benefits' flow from local ownership. We do not question the potential to drive desirable outcomes using local ownership, and we explore each of the suggested benefits in more detail below.

However it is far from clear that achieving the local ownership target could be taken as direct evidence that the numerous and quite different benefits listed have been achieved. Therefore, we also explore how evidence should be gathered and monitored to ensure the desired benefits are clearly being achieved. By using local ownership as a proxy for other outcomes, there is a risk we may hit the target but miss the point.

This response to the call for evidence is set out in the following sections:

- Distributional impacts of renewables policy
- Evidencing benefits to consumers
- Non financial and indirect benefits
- Response to call for evidence questions

² e.g. Contracts for Difference, Renewables Obligation, Renewable Heat Incentive, Feed in Tariffs, Capacity Market

Distributional effects of renewables policy

As policy levies are paid for by all consumers, there are issues of fairness in ensuring that certain groups do not disproportionately benefit from them. Historically, the fair distribution of policy levy monies has been problematic within policies aimed at increasing uptake of renewable energy. We therefore welcome the Welsh Government's stated aim to "spread this benefit in a more equitable way".

Feed in Tariffs (FITs) are a case in point. Citizens Advice's research into Solar PV³ found that higher income socio-economic groups ('AB' households) represented around half of all those benefiting from FITs (48-56% depending on method of purchase), despite representing only around a quarter of the total population⁴. In short, FITs redistributed money from all consumers to wealthier consumers.

More affluent households are clearly more likely to have disposable income to invest, as well as more time to engage with complex share offers, or innovative ways of purchasing energy. However they are not usually the consumers policymakers and local groups have in mind when trying to set up schemes to redistribute energy profits.

We welcome clarity on what the Welsh Government intends when it aims for a 'more equitable' distribution of benefit, and how it would ensure that all members of a community can benefit - not just those with deep pockets and more free time.

Evidencing benefits to consumers

We recognise that financial benefits and reduced carbon emissions are not the sole desired outcome from the proposed targets, or from any individual scheme. However financial benefits, whether in the form of direct dividends or reduced energy to an organisation or household, have the advantage of being easy to record and compare 'before and after'.

Our forthcoming⁵ research report into early adopters' experience of community energy schemes suggests that even these eminently measurable benefits are not consistently captured by scheme managers. Consumers stated they believed

³ Citizens Advice, [Review of Consumer Experiences of Solar PV Systems](#) (2015)

⁴ Source: <http://www.nrs.co.uk/nrs-print/lifestyle-and-classification-data/social-grade/>

⁵ Due to be published spring 2018.

they were saving money, but did not have direct evidence, such as bill comparisons to prove that this was true.

Likewise, reductions in carbon emissions can be reasonably measured through directly monitoring generation mix and energy consumption, or estimated through 'deemed' savings from a particular measure. Wherever this can be done, it should be done - but again our forthcoming research on the community energy sector is that this is not done consistently.

Non-financial and indirect benefits

The call for evidence makes clear that the proposed target also aims to drive 'non-financial' benefits, and gives a list of examples. Again, the achievability of these benefits is very plausible, and likely to vary between schemes in different areas.

However it is not clear that all the items listed are, in fact, benefits for consumers, or how the benefits will be evidenced.

"Community empowerment" / "Increase cohesiveness of communities"

It is not clear what metrics or data sources might be used to evidence 'empowerment' or 'cohesiveness' for a given community. An existing proxy might be found in the National Indicators for Wales published under the Future Generations Act:

"27. Percentage of people agreeing that they belong to the area; that people from different backgrounds get on well together; and that people treat each other with respect."

However this indicator is measured using the National Survey for Wales⁶, and therefore recorded across quite long timescales, with the potential to be influenced by multiple factors. It remains challenging to evaluate what contribution a renewables project may have made (positively or negatively) to any change in that indicator.

If a benefit cannot be clearly measured, or attributed to a given intervention, it is arguably problematic to claim too strongly that this is an outcome of hitting the proposed target.

⁶ Welsh Government - [National Indicators for Wales](#) (2017)

“Skills development”

Skills development (and presumably by extension positive impacts on employment), are clearly measurable in terms of qualifications achieved, income levels etc. However there needs to be evidence of a causal link between the development of a renewables project and the achievement of those qualifications in the community.

It is unclear whether the Welsh Government envisages that profits from renewables projects would fund education and training in communities, or that job opportunities directly related to renewables projects would drive demand for new skills (which are then funded from elsewhere). Clearly both are plausible options, but we would welcome greater clarity on how the Welsh Government intends to ensure developers directly evidence claims around skills development arising from new renewables.

A related question would then be whether those new skills create opportunities for local residents, or for people outside the area to come in. Does the Welsh Government have a view on who should benefit from the investment in skills local ownership is expected to drive?

“Increased understanding of energy” / “Potential control of own energy supply”

We would argue that these do not in themselves constitute benefits to consumers, rather they are indirect outcomes through which direct benefits can be achieved.

Understanding energy is of little benefit if a household is not able to reduce their demand, for example because they have higher than average costs associated with medical equipment, or poor home energy efficiency performance. Therefore increased understanding needs to be underpinned by other policies that support demand reduction, if it is to result in tangible benefits. At present the Welsh Government invests heavily in energy efficiency grants through its Warm Homes schemes, but these schemes are not available to all consumers in all parts of Wales.

We would welcome more clarity over what ‘control of own energy supply’ might mean in this context, as this could be interpreted in a number of ways.

Given its essential for life nature, energy supply is currently controlled within a tightly regulated market with very clear licence conditions and requirements

around consumer protection. Any move away from this must be at least as good as the mainstream model, with clear consumer protection arrangements in place, robust complaints processes, and a clear path to redress if something goes wrong.

Whatever opportunities for benefits controlling one's own energy supply may create, our evidence suggests it is unlikely all consumers will be equally able to take advantage of them.

Our research into vulnerable consumers' needs during the smart meter rollout⁷ illustrates that some consumers needed tailored support just to make proper use of relatively straightforward information-based demand reduction remedies. Anything more complex is likely to present similar challenges. So increased control of their own energy supply may not be the best option for some consumers, and should not be assumed as an inherently beneficial outcome.

"Tackle local fuel poverty either by supporting energy efficiency measures or reduced fuel costs"

Decreasing fuel poverty and reducing bills is undoubtedly beneficial, and we reiterate the need to evidence the direct contribution made by a given project, or by local ownership of that project.

Where fuel poverty is concerned, the poor quality of data on fuel poverty levels in Wales is a concern we have raised in previous consultation responses on the Welsh Government's Warm Homes schemes⁸. We would welcome any improvement to monitoring of fuel poverty levels in Wales, as part of wider monitoring on the benefits of renewables.

"Acceptability of the project within the local area" / "Consequential support for other projects within the local area"

Whilst increased support for renewables may be a desirable outcome for the Welsh Government or developers, we would argue that it does not in itself constitute a direct benefit to consumers or communities.

⁷ Citizens Advice [Smart support](#): Support for vulnerable consumers in the smart meter roll-out (2017)

⁸ Citizens Advice response to [consultation](#) on a future demand led fuel poverty scheme for Wales (2016)

“Delivery of other local priorities from income received”

Where additional funding for local priorities becomes available as a result of redistributing profits through local ownership, we would emphasise again that fair allocation of this additional money should be a priority.

There should also be mechanisms within a scheme to ensure fair representation of all members of the community in agreeing what the local priorities are. Again this potentially impacts a Future Generations Act National Indicator.

“23. Percentage who feel able to influence decisions affecting their local area”⁹

Wherever possible, those priorities should benefit the community as a whole, rather than groups or individuals that are more willing or able to engage in local consultation processes.

Recommendations

A target which simply monitors the level of ownership risks not addressing the concerns set out above.

We would therefore urge the Welsh Government to support the wider aim of the local ownership target by:

- More clearly defining, or requiring developers to define, what the benefits to consumers will be of each given project
- Capture direct evidence that each of those desired benefits have been realised
- Monitor which consumers or households are receiving these benefits, and set a clear expectation that developers should ensure benefits are shared equitably

⁹ Welsh Government [National Indicators](#) (2017)

Response to call for evidence questions

Section 1: Targets

Question 1: Please provide evidence to support or reject expanding the 1GW target to encompass both electricity and heat projects.

Citizens Advice does not have a view on the inclusion of heat projects within this target, though we recognise their potential to contribute to decarbonisation, and we are currently undertaking two relevant pieces of research.

Firstly, exploring the Future of Heat we are undertaking a review of existing literature on the future of gas networks and delivery of heat to customers. We are concerned that a future heat strategy that is largely shaped by gas networks looking to protect their asset base, or by the outputs of energy system models that forecast decarbonisation pathways, is unlikely to adequately take account of consumers' needs and interests. Decisions must take realistic account of consumer behaviour, and avoid simplistic assumptions about technology use or adoption.

Secondly, a more detailed piece on District Heating Networks, exploring consumer protection issues, evidence of detriment or harm, and the role of future regulation. Early findings suggest this market has substantial issues, including high costs, lack of choice, poor service, and inadequate protection or redress for consumers.

Addressing any issues with the design and regulation of the heat networks market should be a precondition of any move to drive an increase in such projects in Wales.

We will share our findings with the Welsh Government at an early stage, with both projects likely to be completed in spring.

Question 2: Please provide evidence on the level of ownership we should consider reasonable to fulfil the requirement.

Citizens Advice has some concerns about treating local ownership as an end in itself, as set out above. It is also questionable whether every locally owned renewable project will contribute equally to all the potential benefits discussed above - some may have greater impact on household energy costs than on skills, for example.

It is therefore important to establish early on within a development which of these direct benefits a specific project is aiming to deliver, and using this to inform decisions about the level of local ownership in each case.

Section 2: Definitions

Question 4: Do you agree with the definition of local ownership above?

Agree

Please provide evidence to support or amend the local ownership definition.

We have nothing to add to the list of categories suggested. However it appears possible under the definition as set out, that all local ownership 'shares'¹⁰ in a project could be owned by an individual or organisation based in a different part of Wales. It is unclear how to then ensure their ownership stake benefits the community in the immediate vicinity of the project - and who may therefore be negatively impacted by it in some way.

This does not seem to be in the spirit of the proposed target, and could potentially be viewed negatively by the community 'on the doorstep'. We would welcome more information on whether the Welsh Government intends to introduce a more granular definition of 'local' beyond simply being based in Wales.

It would be useful for the Welsh Government to consider whether there will be any requirements on:

- how close to a renewable installation a individual /domestic local owner must live
- organisations to have clear links to a community - for example having premises based there?

There must also be consideration of whether these requirements will vary according to the size of the stake a 'local owner' may wish to take in a project.

Question 5: Do you agree with the definition of shared ownership above?

¹⁰ We use 'shares' here for simplicity's sake, whilst recognising that a formal share offer may not be the actual approach for any given project.

Question 6: Do you agree with the definition of community ownership above?

We agree with the proposed definition. However the concerns raised in respect of Q4 apply equally to these questions.

Question 17: We have asked a number of specific questions. If you have any related issues which we have not specifically addressed, please use this space to report them.

We have touched on the need for robust and accessible routes for complaints and redress for energy customers. Our 2015 report 'Knowing Who Can Help'¹¹ highlighted the confusion an energy consumer can face in accessing advice and redress, and suggested the need for more coordination between providers to make this simpler.

This is a recurring theme within our energy research, with a fast evolving market and sector bringing forward innovative ideas and products without consistently ensuring advice and support keeps pace. We would urge the Welsh Government to consider the provision of accessible advice on investments in renewables, and participation in any local schemes to support informed decision making, and ensure consumers are protected.

Responses to consultations are likely to be made public, on the internet or in a report. If you would prefer your response to remain anonymous, please tick here:

For any questions regarding this response please contact:

Andrew Regan - Senior Policy Officer
Citizens Advice Cymru
4th Floor, Trafalgar House,
5 Fitzalan Place,
Cardiff,
CF24 0ED
andrew.regan@citizensadvice.org.uk
03000 231 439

¹¹ Citizens Advice, [Knowing Who Can Help](#): The future for energy consumer advice and redress (2015)