

Energy Local: a summary for policymakers



Energy Local is a social enterprise seeking to transform the electricity market for local communities and small-scale generators. Local community members trade electricity through the creation of Energy Local clubs. This enables them to reduce their electricity costs whilst increasing export prices for local generators.



Energy Local is pioneering the development and uptake of new tariffs and services that work for consumers and contribute to net zero by innovating how to think about and act on energy issues. The Energy Local approach produces multiple benefits in line with the government's ambitions to transform the energy system and mitigate climate change. Supporting the development and replication of models such as Energy Local directly contributes to the next phase of green innovation.



Benefits of Energy Local

Energy Local promotes efficiency and flexibility using existing distributed generation assets.

- It helps balance electricity grids locally, whilst reducing line losses, curtailment and potential grid constraints.

Energy Local offers a fairer deal for consumers and renewable energy generators.

It increases **affordability and fairness** by offering reduced electricity bills for consumers, and higher export prices for local generators. All with no upfront costs to consumers.

Energy Local puts consumers in charge of their energy use. Smart meters and digital infrastructure help increase choice, control and flexibility.

- Energy Local offers a digital energy service tied to smart tariffs allowing members to track and understand their energy use. The model develops energy literacy and empowers consumers within the market.
- Energy Local therefore addresses the key commitments of **protecting consumer interests and reducing barriers to consumer engagement so that more households make informed choices about the products and services they receive.**
- The Energy local approach stimulates demand for smart meters, and the move to half-hourly settlement, which Ofgem calculates will bring net benefits for consumers of between £1.6 billion and £4.6 billion by 2045¹. It therefore supports the key commitments of **advancing smart meter roll-out and building a world-leading digital infrastructure.**

Actions to support Smart and fair local energy



- 1. Establish national funding programmes to develop and scale innovative community activities, going beyond generation.** Whilst the Rural Community Energy Fund provides support to develop community renewable projects, there is no urban equivalent. Moreover, there is currently no support for communities to engage in innovative new activities beyond generation. The Next generation programmeⁱⁱ was the only source of business development grants specifically aimed at communities prior to the pandemic. No programmes currently exist. New community business models will not be developed in a vacuum. Public support is required to de-risk experimentation, and find scalable activities and models that benefit both consumers and the wider energy system.
- 2. Foster genuine collaborations between licensed suppliers and community-focused actors.** Genuine collaborations between communities and commercial actors are currently weakly supported and few. To foster innovation, government could use public grants and R&D financing to promote and support genuine, sustained collaborations, using a range of existing and new approaches, and covering the ways communities can participate in emerging markets as well as the rules governing how this occurs.
- 3. Increase the number and range of voices shaping the rules of the game.** Large incumbent utilities currently exercise disproportionate power over how the rules governing the energy system evolve. Meanwhile, small players, including communities, do not have the access, time, or resources to participate. Increased representation of consumers and new market actors in shaping the rules of the game is required. In practice this means opening up Ofgem and Elexon decision-making processes so that more can participate, with meaningful mechanisms to propose improvements.
- 4. Increase opportunities for new actors to participate in energy markets.** Reforms to the supplier hub model are required that create opportunities for new actors, including communities, to participate in energy markets. Incentivising appropriate and proportionate participation will be central to delivering services that benefit consumers and the wider energy system.

Environmental Change Institute



The research, used in this report was conducted by the Horizon 2020 NEWCOMERS project.



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 837752.

ⁱ Ofgem (2020), 'Electricity Retail Market-wide Half-hourly Settlement: Draft Impact Assessment Consultation', <https://www.ofgem.gov.uk/publications-and-updates/electricity-retail-market-wide-half-hourly-settlement-draft-impact-assessment-consultation>

ⁱⁱ The Next generation programme was administered by Power to Change and supported by the National Lottery. <https://www.powertochange.org.uk/get-support/programmes/next-generation-community-energy-programme/>