

Lesley Griffiths AM
Cabinet Secretary for Energy, Planning and Rural Affairs
Welsh Government

Dear Lesley,

7 February 2018

Community Energy Projects

At the meeting of the Climate Change, Environment and Rural Affairs Committee on 14 December 2017 Members discussed the issues facing community energy projects with representatives who run them.

We looked into the possible barriers to development of projects in Wales, how Wales can reach its target of generating 1GW from locally owned energy by 2030, and what support is available from the Welsh Government. We also asked our witnesses how the planning process can facilitate developments and if there are any other government interventions which could facilitate the expansion of community energy projects.

Those we spoke to were keen to highlight the good practice in Wales, described as a 'bright spot' in terms innovation and engagement. There was also praise for the support provided by Ynni Lleol which is seen as crucial to the success of community owned energy projects.

Following the discussion there were some issues which our Members wished to highlight:

- Expansion and longevity of Ynni Lleol;
- Access to finance;



- The need for the planning process to actively support community energy generation;
- Greater certainty of business rates and valuations and
- Delegation of national targets to the local level and greater transparency of levels of locally generated energy

1. Scaling up support for Ynni Lleol

We heard from Cwm Arian Renewable Energy of the support provided by Ynni Lleol in terms of providing training and skills for volunteers. This support was described as ‘essential in enabling communities to develop complex projects in an ever changing market’ by Community Energy Wales. Community Energy Pembrokeshire also said ‘Support from Ynni’r Fro was invaluable throughout the development of the wind turbine... Indeed, we wouldn’t continue without it as the financial, technical and legislative barriers continue to make it very challenging for community groups to get projects off the ground.’

Members would like to commend the excellent work delivered by Ynni Lleol, and expressed their desire to see community groups continue to be supported in this way. In particular, we heard of the importance of investing money in projects at the development stage.

Do you have any plans to ensure that the work of Ynni Lleol is expanded? Ensuring that funding for this scheme continues is important to reassure scheme operators. Can you confirm your plans in this regard?

2. Access to finance

We heard that planned schemes in Wales suffered as a result of the changes to the Feed in Tariffs which are set to end in April 2019. The witnesses highlighted the instability of schemes reliant on the volatility of the wholesale energy prices and the difficulty this poses when seeking investors. There were calls for a contract for difference for onshore wind and solar to set a price which will attract investors.

Also, community energy is specifically excluded from accessing Social Investment Tax Relief. Do you agree that calling on the Treasury to remove this ban would attract more investment to community energy in Wales?

What is being done in Wales to ensure community energy projects and social investors can access low cost finance to develop projects?

By opting to use energy from community renewables, public sector bodies can deliver the goals of the Wellbeing of Future Generations (Wales) Act 2015 in considering the long-term implications of their actions. We understand that there are barriers to matching supply and demand for community generated energy, not least, enabling greater grid access. Nevertheless, we would appreciate a greater understanding of what the difficulties are.

Can you comment on the call we heard for the Welsh Government and local authorities to become the 'buyer of choice for community generated energy throughout Wales'?

3. Planning guidance to support community energy projects

Members were concerned that decisions by planning authorities have resulted in considerable delay to projects which, in some cases, has made them unviable.

Members heard that those responsible for making planning decisions in local authorities feel that Welsh Government's guidance should be clearer and in many cases are failing to implement this guidance on the ground. We would be interested to know if you have received similar feedback.

Please can you comment on the extent to which you feel community energy solar projects could be included within the permitted development regime?

We heard that Ynni Lleol and Local Partnerships are separate organisations delivering separate support to local authorities and community groups and that this split does not foster cooperation. How do you intend to encourage greater joint working between local authorities and community groups?

4. Business rates and valuations applied to community energy projects

We heard from Cyd Ynni that the rate relief for small scale hydro-electricity projects was welcomed by the sector and they asked that this be extended to all community energy projects. They said that changes to Business rates in the last 12 months have resulted in increases of, in some cases, about 200 per cent. They told us that the way in which many of the hydro-electricity schemes are valued takes them above the threshold for the Small Business Rate Relief which is in danger of making them unprofitable.

Please can you set out how the thresholds for business rate relief will be calculated? Will the size of the enterprise be considered, or the ownership?

We would be grateful if you could clarify the expiration date of the rate relief for small hydro-electricity schemes announced in the budget agreement in November 2017 or confirm whether it will continue until the end of this Assembly.

The exchange of correspondence between Community Energy Wales and the Cabinet Secretary for Finance, attached at Annex 1, provides more detail. We considered this correspondence in advance of our meeting and in our discussions we agreed we would like to see the Welsh Government reconsider the decision not to exempt all community energy projects from business rates, as is the case in Scotland. Can you let us know of any discussions you have had with the Cabinet Secretary for Finance on this topic?

5. Targets for generating energy locally

The feedback we received is that the Welsh Government's target of generating 1GW by 2030 was realistic and attainable. However, it has been stressed that the political will and structures need to be in place to facilitate this. The delays

experienced in gaining planning permissions from local authorities have been cited as the most common barrier to launching successful projects.

Members have suggested that the national target for energy generation is translated into targets which correspond to local authorities. In this way they can be accounted for in the process of drawing up Area Statements and local planning considerations will take place in the context of local targets for community energy generation.

Members also requested greater transparency on the levels of renewable energy generated in Wales and the proportion of that which is generated by community owned assets. Do you have any plans to publish the levels of renewable energy generated in Wales? Do you agree with the suggestion to devolve national targets to local ones corresponding to local authorities?

I would be grateful if you could respond to these issues by 8 March as it would give greater clarity to those working in, and potential new entrants to, this field which will bring us closer to meeting the 2030 community energy target.

Yours sincerely,

A handwritten signature in black ink that reads "Mike Hedges". The signature is written in a cursive, slightly slanted style.

Mike Hedges AM

Chair of Climate Change, Rural Affairs and Environment Committee