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& Industrial Strategy

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Our ref: MCB2021/28617
Your ref: ML.GH.C0166.OP.29.11.21

15 December 2021

Dear Caroline,

Thank you for your email dated 29 November regarding the Local Electricity Bill. The Government is committed to achieving its net zero target by 2050 and is supportive of community energy, recognising the valuable role that community and locally owned renewable energy projects can and do, play in supporting our efforts to decarbonise the economy. The Government understands the role of community energy in raising awareness, increasing participation and, promoting the behaviour change necessary if we are to achieve both net-zero and a green recovery.

As you note, while the Government agrees with the broad intentions of what the Local Electricity Bill seeks to achieve and wants to see more local energy schemes as part of delivering a net-zero energy system, it does not support the Bill as the means to enable local energy supply.

The right to local energy supply already exists under the Electricity Act 1989 and Ofgem, the independent energy regulator, has existing flexibility to award supply licences that are restricted to specified geographies and/or specified types of premises. Changing the licensing framework to suit specific business models risks creating wider distortions elsewhere in the energy system, which could increase costs for other consumers and further unintended consequences.

It is important that we take a broad view of all consumers when making changes to the energy markets. The December 2020 Energy White Paper committed the Government to review the overall retail market regulatory framework. Through this review we will assess what changes may be needed to allow for new supply propositions to come forward. We will engage with relevant stakeholders widely as part of this review.

Jointly with Ofgem, we have recently published our new Smart Systems and Flexibility Plan and the UK's first Energy Digitalisation Strategy, the latter which was also jointly developed with Innovate UK. Many of the actions we have set out in those documents aim to improve locational signals and help to enable smart local energy solutions, such as facilitating further growth of local flexibility markets. For further information, please see: www.gov.uk/government/publications/transitioning-to-a-net-zero-energy-system-smart-systems-and-flexibility-plan-2021

and

www.gov.uk/government/publications/digitalising-our-energy-system-for-net-zero-strategy-and-action-plan.

In addition, Ofgem's Access and Forward-Looking Charging Review is seeking to deliver more efficient choices about where users locate on the networks, and how they use the networks on an ongoing basis. The introduction of better price signals is important in ensuring that local generation is rewarded for the benefits it can bring to the system. As part of its review, Ofgem published proposals for consultation on 30 June 2021. The proposals include a better choice for smaller users in how they access the network, and a possible reduction in the upfront charge smaller users pay for connecting to the network. It is recognised that, in some parts of the country, the costs of connecting to the grid can act as a barrier to community energy projects and that is why Ofgem is working with distribution network operators to deliver quicker and more efficient connections. Ofgem's consultation closed on 25 August 2021 and is now awaiting decision. Further information regarding Ofgem's consultation can be found here: www.ofgem.gov.uk/publications/access-and-forward-looking-charges-significant-code-review-consultation-minded-positions.

As you may be aware, the Government currently funds the Rural Community Energy Fund, a £10 million scheme delivered through the Local Energy Hubs which supports rural communities in England to develop renewable energy projects, which provide economic and social benefits to the community.

Future plans for community energy are outlined in the Net Zero Strategy, which was published on Tuesday 19 October and can be found here: <https://www.gov.uk/government/publications/net-zero-strategy>.

I appreciate your offer to meet with yourself and Mr Shaw to discuss the Local Electricity Bill. Unfortunately, I am unable to accept this invitation – as I hope you will appreciate, my diary is already heavily committed.

Thank you once again for writing on this matter I hope you will find this response helpful.

Yours ever,

A handwritten signature in blue ink, appearing to be 'G Hands', written over a faint circular stamp.

THE RT HON GREG HANDS MP
Minister of State for Energy, Clean Growth and Climate Change