



Department for
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& Industrial Strategy

Minister of State
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Dear Carolyn,

Thank you for your letter of 23 July regarding the Local Electricity Bill.

As I am sure you will appreciate, the Local Electricity Bill is a Private Members Bill and therefore it would not be appropriate for me to comment specifically on this. Nevertheless, local energy is a key cornerstone of the Government's ambition for our transition to a low-carbon, smart energy system.

I agree that Local authorities play a central role in creating sustainable communities, particularly through the provision of local generated, renewable electricity. Our ability to meet our net zero target by 2050 across the electricity, heating and transport sectors will depend on the Government working with business, local authorities and communities at the local level.

My Department's Local Energy Programme was launched in 2018 and is designed to maximise the local contribution to clean growth and decarbonisation and so help reach that net zero target. The programme works with Local Enterprise Partnerships, local authorities and communities in England to drive the development of clean growth and support clean growth investment. Five regional Local Energy Hubs were set up to address local barriers and to carry out the early development work across a pipeline of local authority energy projects. The key focus is to bring these projects to an investable stage that will allow the mobilisation of private sector finance that would not otherwise happen.

We are also providing support to communities through the Rural Community Energy Fund, which is helping rural communities in England to develop renewable energy projects that provide economic and social benefits to their community.

My Department acknowledges the importance of a route to market for small-scale low-carbon generation for communities. On 10 June 2019, we launched the Smart Export Guarantee (SEG), which ensures that small-scale low-carbon generators are paid for the power they export to the grid. The SEG provides space for innovative market solutions to come forward and supports the uptake of flexible technologies such as batteries - reinforcing our smart energy agenda. Eligible community projects will be able to benefit from the SEG. However, we recognise that it may be more suitable for

some projects than others. We are continuing to consider what measures we could take to support the efforts of communities that wish to invest in low-carbon community energy.

The Government is reviewing the future energy retail market jointly with Ofgem, to ensure all consumers secure a fair deal for their energy and are appropriately safeguarded in the future. The review will identify how the regulatory framework might need to evolve to ensure the energy market is fit for the future, so that consumers can take advantage of the increased flexibility and lower costs of a low-carbon, smart energy system. Our 'Flexible and Responsive Energy Retail Markets' consultation closed on 16 September 2019 and the responses are being analysed. A summary of the responses will be published shortly.

On the subject of community energy generation schemes being able to supply local consumers, there are alternatives to a generator needing to become a licensed electricity supplier. For example, class exemptions to the requirement to hold a licence are available, and can be found at:

www.gov.uk/guidance/electricity-licence-exemptions.

In addition, a peer to peer arrangement enables a generator to form an agreement with one or more demand customers to supply them with electricity over the public network. To enable this agreement, a supplier is used as a facilitator by arranging and paying for the transport of that electricity and managing the risk of a supply and demand mismatch. It may also be helpful to note that Ofgem's 'Innovation Link' is a dedicated service providing feedback to interested parties on what the regulatory framework might mean for them. Further information is available at:

www.ofgem.gov.uk/about-us/how-we-engage/innovation-link.

Thank you again for taking the time to write. I hope you find this information helpful.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Kwasi Kwarteng', written in a cursive style.

RT HON KWASI KWARTENG MP
Minister of State for Business, Energy and Clean Growth