

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2331

Title: London Community Energy Fund 2018-2020

Executive Summary:

The Mayor wants to make London a zero-carbon city, as set out in his Environment Strategy. For this to happen, London will need to be supplied by a range of efficient and clean energy sources and reduce its energy use.

The first phase of the Mayor's London Community Energy Fund (LCEF) was launched in October 2017 to support community solar projects. Under cover of MD2137 and DD2200 the award of grant funding of up to £150,000 was approved to provide development support to up to 13 community energy projects in London. Following the success of the first phase, this MD seeks approval to launch subsequent phases of the LCEF and grant fund an additional £250,000 to support community energy projects out to 31 March 2020 (resulting in a total of £400,000 funding for this scheme). This will help support more community energy groups to deliver energy projects in London and help to fulfil the Mayor's aspiration for a zero carbon London by 2050 and to put London on track to achieve two gigawatts of installed solar capacity by 2050. Pressing ahead with further phases of LCEF now will also enable community groups to apply for the national Feed-in-Tariff while it is still available.

Decision:

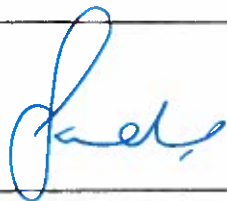
That the Mayor approves the allocation of £250,000 in the form of grant funding for future phases of the London Community Energy Fund out to 31 March 2020 (taking total programme expenditure to £400,000), to support solar and other community energy projects.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

7/8/18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The Mayor wants to make London a zero-carbon city by 2050. For this to happen, London will need to be supplied by a range of low carbon energy sources. Energy generated from solar and other renewable technologies will need to provide a significant proportion of London's energy mix. The Mayor's Solar Action Plan, published in June 2018, is the first of its kind for London and sets out how the Mayor will seize the opportunity for solar energy in the capital and increase deployment in the coming years. This plan sets out a range of actions to realise London's solar potential, increase the share of decentralised energy generation and alleviate fuel poverty as part of the Mayor's Energy for Londoners (EfL) programme. EfL aims to make London's homes warm, healthy and affordable, its workplaces more energy efficient, and to supply the capital with more local clean energy.
- 1.2 Supporting community energy, such as energy efficiency or solar projects, helps deliver the Mayor's ambition for London to become a zero-carbon city by 2050 and his aspiration to put London on track to achieve 2 gigawatts (GW) of installed solar capacity by 2050. Community energy groups have a key role to play in London. As well as delivering renewable energy schemes, they raise local awareness of energy and climate change issues and the benefits of clean and local energy. These groups have become experts in putting in place decentralised sustainable energy systems. Examples include installing solar photovoltaics (PV) on churches, social housing blocks and schools. This is often financed through the purchasing of shares by members of the local community.
- 1.3 Some community groups focus on promoting energy efficiency and tackling fuel poverty, through financing or enabling the retrofit of measures that will reduce energy demand. This also fits well with some of the objectives in the Mayor's London Environment Strategy (e.g. promoting clean local energy in objective 6.2) and the Mayor's Fuel Poverty Action Plan.
- 1.4 Community energy groups face several challenges when delivering energy projects. For solar installations for example, groups have cited problems identifying suitable sites for energy installations, low levels of available capital to get projects 'investor ready', a lack of resources (time and money) to develop a business case for investment, and challenges in coordinating activities with local authorities. Since 2015 the rate of the national Feed-in-Tariff (FiT – which incentivises solar installations), reduced significantly and the Government's Urban Community Energy Fund (UCEF) closed, meaning that many community energy groups have found it challenging to get new projects off the ground. It has also meant that it is harder for smaller or new community groups to establish themselves.
- 1.5 To provide much needed support to community energy groups in London and help get projects off the ground, the Mayor launched his London Community Energy Fund (LCEF) on 13 October 2017. This first phase of the Fund focused solely on solar projects to respond to the demand for such technology from London community groups and to contribute to the Mayor's aspiration of one gigawatt (GW) of solar capacity by 2030. Phase 1 offered grants of up to £15,000 to support the development stages of community solar projects (solar photovoltaics and storage). Funding was made available for the work required to get a community energy project to the stage where it is ready to be financed, removing the financial risks in funding project development work. Funding was used, for example, to carry out preliminary feasibility studies for solar energy or develop a financial business case.
- 1.6 The first phase of the LCEF was allocated £75,000 under MD2137 (as part of the 2017/18 Environment Team Work Programme). Once launched, the fund was oversubscribed with high quality applications and, to support as many good applications as possible, we requested that an

additional £75,000 was brought forward to this first phase to make a total of £150,000 available in 2017/18. The expenditure of up to an additional £75,000 was approved through DD2200.

- 1.7 For the first phase of the LCEF, we received 18 applications from 13 different community groups across 11 London boroughs. In total, we offered grant funding to 13 solar PV projects totaling £150,000. Eleven projects are progressing which will have a combined estimated potential to deliver just over 800 kilowatt hour peak (kWp) of solar PV. It is expected that the installations will be completed by December 2018. A summary of the status of these 13 projects is given in Appendix 1.
- 1.8 The community groups are raising capital for these projects mainly through share offers to community members to become shareholders in the project. Some projects are also receiving grants from the private sector towards capital costs. With the FiT still in place and significant interest from members of the community, raising the required capital isn't currently seen as an issue by the community groups. Raising capital to install solar PV projects is likely to be more of a barrier when the FiT is closed to new applicants from April 2019.

Rationale for further phases of LCEF

- 1.9 There is strong rationale for launching further phases of LCEF to support community energy groups by allocating an additional £250,000 for community energy support¹ out to 31 March 2020:
- **Demand and diversification** – through LCEF phase 1, applications for grant funding was oversubscribed and community groups tell us they have many more projects in the pipeline. We also want to help develop energy projects more broadly (see paragraph 1.11)
 - **Urgency** – FiT-reliant community projects, such as solar photovoltaics panels, need to develop projects ready for delivery ahead of next year when the national subsidy is removed. It is important therefore to launch phase 2 of the LCEF as soon as possible to enable successful applicants considering solar projects to still be able to register for the FiT. Discussions with community energy groups who have successfully installed solar panels suggest that projects require 4-6 months from initial feasibility assessment to final installation
 - **Enabling self-sustaining community groups** – given the FiT is to cease we want to support the development of innovative business cases for solar, that can be delivered without the need for government subsidy or funding in the future. We recommend supporting projects considering solar installations post April 2019 (that are not reliant on the FiT) alongside non-solar projects such as those proposing energy efficiency improvements (e.g. LED retrofit) or other types of decentralised clean energy generation. This should provide an opportunity to help community energy groups to develop a portfolio of projects with a strong business case post FiT and expand their skillset beyond solar. This will help to reduce the likely short-term negative impact of the FiT cessation on community energy groups and ultimately make these groups more self-sustainable longer-term, without the need for future grant funding support.

Scheme design - phase 2

- 1.10 To help inform and shape future phases of LCEF, we have consulted community energy groups and they have told us they would benefit from:
- receiving as much notice as possible to prepare for a second phase of LCEF
 - **getting help to upskill community energy groups to continue to produce viable projects** especially if solar becomes less viable as the government is removing its FiT subsidy
 - **widening the scope of LCEF beyond solar**

¹ The Mayor has announced that a total of £400,000 would be allocated to community energy over four years (https://www.solarpowerportal.co.uk/news/london_open_for_business_as_new_solar_community_energy_fund_is_launched)

- receiving support for project development and to **help maximise/optimize existing projects** (batteries, storage, metering, etc)
- receiving support to deliver workshops, training, toolkits, energy advice provision and community outreach
- **potential capital funding in the future when** the FiT is scrapped early next year.

1.11 Taking all these considerations on board, officers developed a range of options for phase 2 of the LCEF which were weighed up with the Deputy Mayor for Environment and Energy. It is proposed that phase 2 is allocated £150,000 (leaving £100,000 for further phases) and involves:

- **grants of up to £15,000 for project development support for a range of community energy projects** (encompassing, for example, solar, renewable heat and energy demand reduction/management like battery or thermal storage). However, based on the current experience of community energy groups and removal of the FiT in the future, solar is still likely to be the most popular in the short term
- **extending eligibility of community projects** to include clean and renewable energy generation (electricity and heat) and energy reduction/saving (e.g. energy efficiency measures, LEDs), alongside solar
- **enabling solar projects to be fast-tracked** so measures can be installed and registered for the FiT before the end of March 2019. Applications will be assessed as soon as they are received and grants allocated on a first-come-first-served basis as long as the project meets a set of criteria (established from learnings from phase 1 of the LCEF). In practice this will involve issuing two application forms alongside the prospectus (one application form for 'Solar PV fast-track' for solar projects reliant on the FiT and another for all other energy projects (included non-FiT dependent solar projects)
- **encouraging innovation around business models that do not rely on government subsidy**, and supporting projects looking to optimise existing installations (for example by adding battery storage to existing solar PV).

1.12 We propose earmarking around half of the £150,000 (about £75,000) towards solar fast-track projects and the other half (plus any unspent from the solar fast-track projects) to the other energy projects.

1.13 We would strive to build capacity through this phase to nurture existing community groups and enable them to develop new business models (to be self-sustainable without subsidies) and also reach out to as many new community groups as possible. We would work closely with Community Energy London (a collaboration of community energy groups) to develop some outreach activities to get new groups on board.

1.14 We would also explore how projects could be funded, for example, Borough offset funds, crowdfunding, wider regeneration schemes, etc.

Scheme design - phase 3

1.15 We anticipate running a third phase of the LCEF, up to a value of £100,000 (but flexible according to application quality and demand for funding in phase 2). The scope and timing of phase 3 will be determined based on the evaluation and feedback from phase 1 and 2 and the policy landscape at that time (e.g. taking into account what other support mechanisms and grants might be in place).

1.16 We will consider providing capital grants towards the installation of projects supported through phase 1 and 2 in 2019/20 that are not dependent on the FiT. This would help convert the pipeline

developed under LCEF phase 1 and 2 into actual installations should capital funding become a barrier.

2. Objectives and expected outcomes

- 2.1 To contribute to London's zero carbon target by 2050, it is estimated that London will need to install up to 1 GW by 2030 and around 2 GW of solar energy by 2050. In support of this within his Solar Action Plan, the Mayor proposes to undertake actions within his powers to increase the level of solar energy technologies installed in London. This includes funding community energy projects.
- 2.2 Project development funded through the LCEF will provide each community energy group with a strong and detailed business case for investment and ensure each project is ready to proceed to investment, and ultimately, delivery. As part of the project development process, the applicants will share their experiences, photos and testimonials to inform and inspire other like-minded groups to deliver similar projects.
- 2.3 By working with Community Energy London and facilitating joint-working between community groups, we are also aiming to ensure community groups learn from each other, share experiences and resources so that new community groups get the support they need to establish themselves and go on to deliver more projects in the future without the need for GLA support.
- 2.4 Through the LCEF, we also aim to enable new business models to be developed for community groups. This will support our objective for more community projects to be financially viable without grant funding.

3. Equality comments

- 3.1 To date, the LCEF has been widely promoted by key stakeholders including Community Energy London, charities, NGOs and trade associations and on various social media sites to ensure that we reached a wide audience. In addition, all boroughs were informed of this fund. By supporting community groups, including those with protected characteristics under the Public Sector Equality Duty, the fund appeals to a diverse range of groups who might otherwise be excluded by having insufficient funds to initiate a project.
- 3.2 Furthermore, community energy projects often seek to directly support the more deprived members of the community. Benefits to the local community, including social benefits, formed part of the scoring criteria used to select the projects. Benefits that the projects deliver include:
 - (a) Using profits generated by the community energy scheme to alleviate fuel poverty;
 - (b) Directly alleviating fuel poverty through energy efficiency projects saving, meaning occupants directly benefit from lower energy bills;
 - (c) Seeking to supply local buildings with cheaper electricity. This could mean lower energy bills for its occupants, who may not be able to afford solar panels; and
 - (d) Allowing members of the local community to own a share of the project and benefit from any return on investment rather than only financial institutions benefiting.
- 3.3 LCEF will enable community groups to bring awareness of renewable energy and bill saving to groups who would not normally have had access to such technology (e.g. school pupils, members of varied faith groups, local resident association members, leisure centre users, city farm visitors, art centre visitors, etc). The range of Londoners benefiting from these community energy projects is wide. By supporting community energy groups in London, a diverse range of people become

beneficiaries, which is broader than, for example, when funding domestic owner-occupier solar installations (who tend to be more affluent), or industrial/commercial installations.

- 3.4 Projects supported by the LCEF are provided with an equality and diversity monitoring form which they are required to fill in when engaging with members of the community including information on the volunteers they work with. This allows us to monitor and ensure these projects have reached those with protected characteristics and provide equal opportunities to members of the community.

4. Other considerations

(a) key risks and issues

4.1 Risks and mitigation

Risk description	Likelihood (out of 5)	Impact (out of 5)	Rating	Mitigation actions
Potential applicant not suitable for receiving grant leading to fraud	1	1	1	Financial due diligence is undertaken by GLA Finance for all applicants. The questions in the application form also gets to previous experience of the applicants and asked for references. Maximum grant funding is £15,000 per project. Finally, the grant money is given in tranches upon completion by the successful applicant of milestones and on presentation of clear evidence. Therefore fraud would be spotted very early on and could be of minimum loss (i.e. tranche 1 payment maximum).
Community groups are unable to complete project development work funded through the LCEF	1	2	2	Like phase 1, the second phase of the LCEF supports the development of community energy projects. GLA officers will work closely with successful applicants and provide guidance to develop strong projects. The GLA will help to support community groups by facilitating workshops and working closely with Community Energy London (CEL) to enable the sharing of resources and experience between the community groups supported by the LCEF.

<p>GLA money is spent on developing projects which are not feasible</p>	<p>1</p>	<p>2</p>	<p>2</p>	<p>Instead of allocating funds in just one or two tranches, we would recommend that, as for phase 1, we put in place staggered funding for certain elements of the project development work where progress is dependent on the completion of key milestones. Funds will be released on delivery of specified milestones, such as getting planning consent (if relevant), getting landlord approval or having a roof survey done which shows that the roof is structurally sound to receive solar panels. That way we will minimise any money being spent on unsuitable projects.</p> <p>If some projects are deemed unfeasible after the initial technical feasibility assessment or the business case doesn't stack up, it is proposed that the remainder of the funding for that given project is transferred over to support potential projects on a reserve list or earmarked for phase 3 of the LCEF.</p> <p>Based on learning from phase 1, this risk is low as only two projects out of 13 so far were not able to proceed and at a 'cost' to the GLA of only £407.</p>
<p>Projects funded for solar through the fast-track route experience delay and potentially miss out on FiT subsidy</p>	<p>2</p>	<p>2</p>	<p>4</p>	<p>The assessment process for the fast track projects will rigorously consider the likelihood of completion before early next year and funding will not be allocated to projects that are unable to provide evidence of likely completion, through a detailed project plan with realistic timescales, as part of the application form. We will continue to work with UK Power Networks and other stakeholders to try and prevent administrative delays.</p>

Measures are not installed	2	2	4	Phase 2 of this fund would provide revenue funding for project development work. There is a risk that these community groups may not be able to access the amount of capital funding required for the project delivery stage of their project. The application form requires applicants to set out how they will access the necessary funds to install the measures and this will be taken into consideration when assessing the applications received. GLA officers will also work with CEL to make applicants aware of any possible capital grant programmes they could apply to (e.g. Local Planning Authority offset funds). Should any project encounter difficulty raising capital, the GLA could help publicise the community share offer, for example through its crowdfunding platform. Through phase 3 we will consider the possibility of grant funding to help ensure the delivery of projects where community groups are unable to raise capital funds.
Estimates of development costs are unrealistic	1	1	1	Steps will be taken to minimise this risk, through the appraisal process assessing project development activities and associated costs to ensure they are realistic, including clarification questions to the applicants when not enough detail had been provided. Our experience from phase 1 shows that broadly the costs stated in the application were in line with real expenditures encountered. We also now have outturn costs from the 11 projects from phase 1 to use as benchmarks for future applications.

(b) links to Mayoral strategies and priorities

- 4.2 The London Community Energy Fund has been developed to help meet objectives in the London Environment Strategy and the associated Solar Action Plan and Fuel Poverty Action Plan.

(c) impact assessments and consultations.

- 4.3 This proposal to support community energy projects was publicly consulted on as part of the Draft London Environment Strategy and the Draft Solar Action Plan.
- 4.4 The integrated impact assessment report for the Draft Environment Strategy identified that the Mayor's support for decentralised and community based energy systems would facilitate more resilient communities.

4.5 Furthermore, the objectives and outcomes of the London Community Energy Fund are derived from Mayoral strategies which themselves have been subject to extensive consultation and impact assessment. Additionally, the lead organisations for projects being supported by the LCEF will undertake community engagement and consultation on each project.

5. Financial comments

5.1 The first phase of the London Community Energy Fund was approved under MD2137 and DD2200 to award grant funding of up to £150,000 to provide development support to up to 13 community energy projects in London. This Mayoral decision is seeking to launch subsequent phases of the London Community Energy Fund with up to an additional £250,000 grant funding to support community energy projects between now and 31 March 2020, giving a total of £400,000 for this programme.

5.2 This grant funding to community groups is to be funded from Environment team's 2018-19 to 2020-21 Solar and Community Grant programme budget.

5.3 Revenue expenditure up to £150,000 is expected to be for phase 2, across 2018 and 2019 with the remaining expenditure up to £100,000 for phase 3 on capital grants in 2018/19 or 2019/20. More details on the amounts for phase 2 and 3 will be known once the quality and volume of applications for the grants is received. At this stage officers will also know how much of the grant is to be capital funding for phase 3. Once known officers will need to obtain appropriate approval from the Executive Director of Resources to convert the revenue budget to capital before any capital funding is agreed.

6. Legal comments

6.1 The foregoing sections of this report indicate that:

6.1.1 the decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the statutory powers of the GLA to do such things as may be considered to further, and or be facilitative of or conducive or incidental to the furthering of, the improvement of the environment in Greater London; and

6.1.2 in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory duties to:

(a) Pay due regard to the principle that there should be equality of opportunity for all people;

(b) Consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and

(c) Consult with appropriate bodies.

6.2 Officers have indicated that the expenditure proposed will amount to the provision of grant funding as a contribution to the project costs of successful funding applicants and not a payment for services to be provided. They must ensure that the proposed funding is disbursed in a fair and transparent manner in accordance with the GLA's Contracts and Funding Code and funding agreements are put in place between and executed by the GLA and successful applicants before any commitment to the provide funding is made.

6.3 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

7. Planned delivery approach and next steps

Activity	Timeline
For solar projects relying on FiT (fast-track solar)	
Prospectus and application form for LCEF phase 2 launched	August 2018
Applications assessment and offers of grants	Ongoing - as and when received – with a final deadline of October 2018
Funding agreements signed with successful applicants	September to November 2018
Project development phase completed and all claims received	January 2019
Projects delivered	By 31 March 2019
For non-FiT dependent projects	
Prospectus and application form for LCEF phase 2 launched	August 2018
Applications assessment and offers of grants	October 2018
Funding agreements signed with successful applicants	From November 2018
Project development phase completed and all claims received	June 2019
Projects installed and completed	By August 2019
Phase 3	TBC

Appendices and supporting papers:

Appendix 1: Status of community solar PV projects supported under LCEF phase 1 (as of 23 July 2018)

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason:

We need to keep details of future phases of LCEF confidential until we have assessed bids for phase 2.

Until what date: December 2018

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Sylvia Baron has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Lucy Owen has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Shirley Rodrigues has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 6 August 2018

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. [Signature]

Date

6.8.18

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. [Signature]

Date:

6/8/2018.

