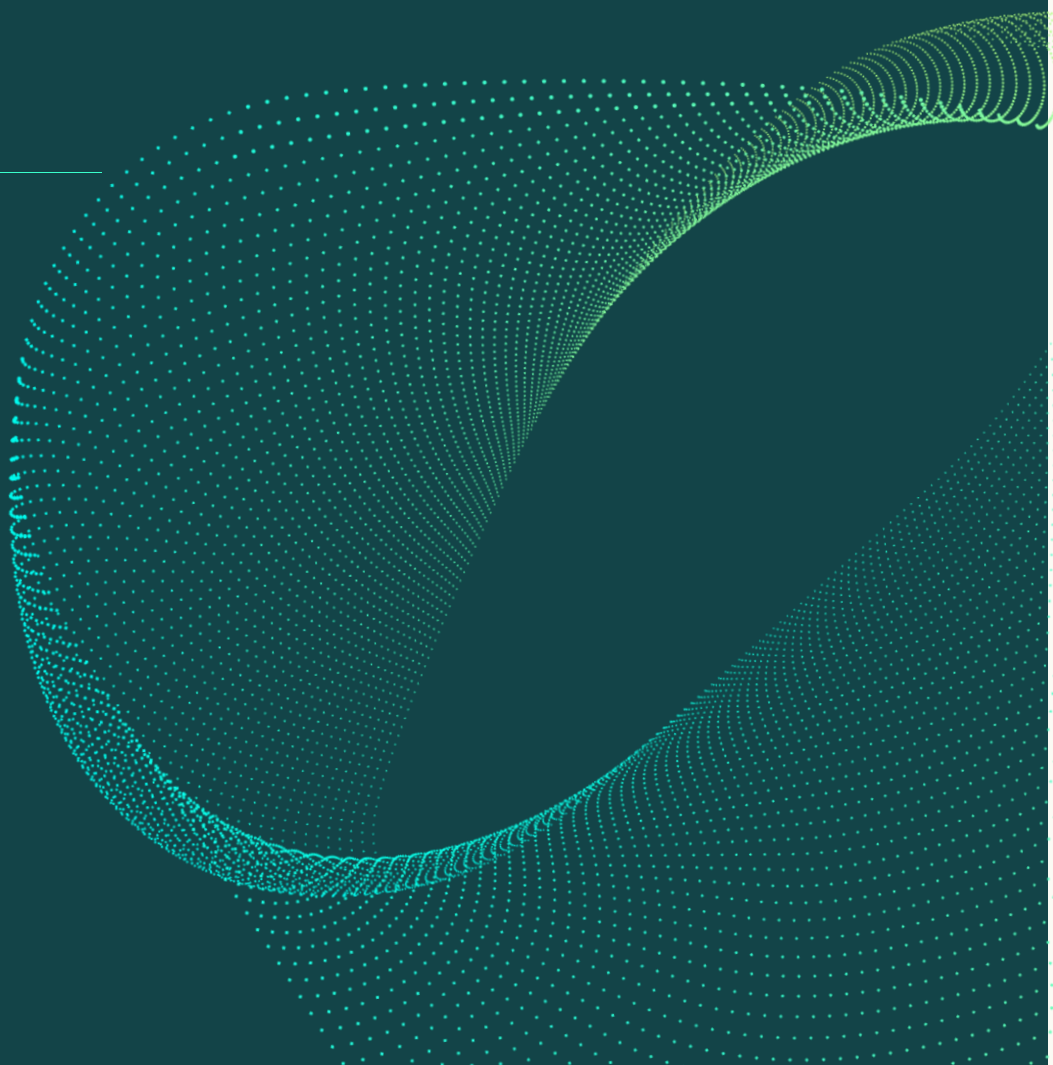
REGEN

Appendix 3: Emerging policy and regulatory reform

Overview of the current and emerging policy landscape for community energy.

AUGUST 2025



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Introduction

The UK government has signalled clear intent to accelerate local and community-owned energy as a core component of its Clean Power 2030 mission. Since taking office in June 2024, it has undertaken extensive engagement with the sector, with a view to understanding the core issues and tackling them via a programme of policy, market and regulatory reform to enable local and community energy at scale.

This includes not just addressing core issues that the community energy sector faces, but engaging with local and combined authorities, public sector and devolved governments to deal with wider challenges (such as planning and devolution) and supporting local partnerships on clean power and net zero projects.

This policy update report outlines the key changes under way in this space to clarify some of the major challenges, initiatives and emerging developments which may help (or hinder) local and community energy. Insights are drawn from latest policy announcements and Regen's strategic engagements with decision makers and the local and community energy sectors. It is particularly relevant to local and combined authorities, and their community energy partners, to make sense of these changes and identify future opportunities.

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GB Energy and the Local Power Plan

In its 2024 election manifesto, Labour set out plans to deliver 8 GW of local and community-owned energy by 2030. The main policy vehicle for achieving this is the Local Power Plan, largely to be administered by GB Energy. The GB Energy Bill achieved royal assent in May 2025, bringing GB Energy as an institution formally into being. Within the bill, there is an explicit commitment to delivering energy projects for the benefit of communities.

Since this commitment, the government has consulted with the sector via consultations, round tables, workshops and site visits on what is required to enable community energy and the sector's expectations for the Local Power Plan. It has also announced the first tranche of Local Power Plan funding, with £180 million targeted at solar on schools and hospitals. The purpose of this investment is to reduce energy costs for the public sector, enabling them to reinvest savings into frontline services. No provision was made for community ownership of these new assets, although Community Energy England and others are exploring the opportunity for recipient buildings to partner with community groups on their installations. The full Local Power Plan is expected in the 2025 autumn budget.

Alongside this funding, the government extended the Community Energy Fund (CEF) by £5 million over the next year to deliver community generation projects, administered by the Net Zero Hubs. This fund does not strictly increase community energy funding and is expected to mostly fund capital costs for projects already in the CEF pipeline.

Beyond this first tranche of funding, it is not clear how much money will be allocated to the Local Power Plan/GB Energy, or when. The June Spending Review confirmed that GB Energy would receive the £8.3 billion budget proposed in Labour's original manifesto, although more than £2 billion of this has since been earmarked for nuclear developments. It is not yet clear how this will impact GB Energy's Local Power Plan budget.

In April, Helen Seagrave was formally appointed the head of GB Energy Local, which will have remit over GB Energy's community energy and shared ownership activities. Helen is formerly chair of Community Energy England and Community Energy Manager at Electricity North West, and so knows the sector and the Manchester area well. Helen and the team are currently still bedding in and are yet to publish a clear work plan.

Local supply

Community energy generation projects have struggled to develop a robust business case since the Feed-in Tariff closed in 2021. Recent communications from the government suggest it does not intend to reinstate the Feed-in Tariff or allow community energy groups access to (for example) a Contracts for Difference scheme, although it may be open to implementing a floor price which guarantees a minimum return for generators. There has been no official announcement on this and we understand work is ongoing to explore different price mechanism options.

As part of the effort to rejuvenate the community energy business case in the absence of a price mechanism, the government and Ofgem are exploring ways to enable community energy projects to more easily and consistently supply the electricity they generate to local consumers. Local supply is technically possible already, for example via private wires or Power Purchase Agreements with public sector or commercial properties. However, the government is seeking ways to enable local supply to households directly, allowing community generators to sell their energy to citizens at a discounted rate.

There are currently two main challenges to this. First, it remains too **costly and complex** for most community energy groups to become licensed suppliers. Generators who do not become licensed suppliers must partner with one (such as Octopus or 100 Green) to sell, settle and balance their electricity locally. Suppliers have shown some reticence to engage with local supply models, however, citing the process as complicated to administer under current rules, with minimal benefit to them.

Second, the legislation and codes which govern **licence exemptions** (see next section) are notoriously opaque and complex. This makes it challenging for community energy organisations to navigate, with a noted lack of clarity on which exemptions apply to them and the costs they are (and are not) liable for under these arrangements.

Licence exemptions

The standard electricity bill has several components. The wholesale cost, which will vary depending on the wider market, accounts for the majority of this. The additional charges, or non-commodity costs[1] are applied by a licensed supplier who manages the transfer of energy. This includes VAT, network costs such as **Distribution Use of System (DUoS)** and

[1] Table 1 outlines non-commodity costs but does not include supplier costs or VAT, which are applicable to any energy sold via a licensed supplier.

Transmission Network Use of System (TNUoS), policy costs to support schemes such as the **Renewables Obligation** (RO), **Feed-in Tariff** (FiT), **Contracts for Difference** (CfD) and the **Capacity Market**, as well as money towards the Climate Change Levy and costs for the admin work being done by the supplier.

Table 1. Non-commodity energy charges (Source: Brownlow Utilities, Non-commodity energy costs Q1 2024).

Bill component	Cost	£/MW 2025/26
Energy	Wholesale annual cost	67.41
Losses	Distribution losses	3.31
	Transmission losses	0.20
Distribution/transmission	DUoS	24.75
	TNUoS	9.54
Levy Control Framework Charges	Renewable Obligation (RO)	30.51
	Feed in Tariff (FiT)	8.80
	Contracts for Difference (CfD)	6.39
Other charges	Elexon	0.12
	AAHEDC	0.45
	Capacity Market	5.00
	Climate Change Levy	7.75
	BSUoS	14.25
Total £/MW		178.48
p/kWh		17.85

These costs are paid by all consumers who purchase their electricity through a licensed supplier. However, there are some exemptions from some of these costs which can allow community energy generators to sell their electricity at a lower rate to consumers:

1. **Licence-exempt supply,** Set out in the The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001, a generator can be exempt from some of these costs if it does not at any time supply more than 5 MW of electrical power to

consumers, of which not more than 2.5 MW is for domestic use.[2] If a generator qualifies as licence-exempt, it is not required to pay environmental and social policy costs (highlighted in Table 1 above). Network costs, supplier costs and VAT are all still applicable.

2. **Private wire PPA.** If the project has a direct PPA via private wire with a buyer, it is exempt from all non-commodity costs except VAT. This includes exemption from network costs, as the project never actually touches the distribution or transmission networks. Any top-up energy required from a licensed supplier will be subject to all costs.

From recent discussions with the government and Ofgem, there is some understanding that the legislation which governs licence exemptions is complex, without specific provisions for community energy. They have been reticent to revisit this legislation, citing it as time-consuming, although they understand the challenges and are considering a fuller review (this was consulted on in 2021 under the Johnson administration, although it was never followed up with any tangible action).

Local supply: relevant code modifications

In addition to the existing exemptions regime, some other potential exemption opportunities are under review.

Balancing and Settlements code modification P441 (aka the Energy Local mod) seeks to enable local supply of energy using the distribution network. If enacted, this could, in theory, reduce the non-commodity costs for community generators further as such models would only use the distribution network and so could be exempt from transmission network charges. However, the details of this are yet to be confirmed. We understand that the government is minded to pass this modification, with consultation expected over the summer.

P441: what is it for?
'Creation of complex site classes' is a code modification raised by Energy Local. Energy Local is a model where renewable generation is matched with local demand connected to the same part of the electricity network, beneath the same primary substation. Complex sites were initially conceived as a method for universities or sites with campuses to collate their different buildings and meters and maximise their on-site consumption – increasing efficiency for the distribution network and reducing congestion at the transmission level. This allows Energy Local or "complex site" users to save on network and policy costs, which can then be shared across generators and demand customers. This modification is looking to clarify the treatment of 'complex sites' to allow for the Energy Local, or similar, models to be rolled out more widely.

[2] The Electricity (Class Exemptions from the Requirement for a Licence) Order 2001 outlines details on what qualifies as a licence-exempt supply. This legislation is notoriously opaque, with no specific provisions for community energy.

Balancing and Settlements code modification P442 came into force in February 2025. This provides a technical fix to ensure that suppliers who facilitate local supply through sleeving arrangements (in a sleeved PPA, for instance) can accurately meter and apply cost exemptions for licence-exempt supply.[3]

Beyond these code modifications, we expect GB Energy to provide support with developing Power Purchase Agreements with public sector organisations, although we do not yet have detail on what they will do in this space.

[3] Ofgem, 2024. Approval of BSC Modification P442.

3 Shared ownership

There is recognition that to get to the government's target, existing projects will need to incorporate a community-owned element

Given that most of the generation capacity needed to deliver Clean Power 2030 is already in the connections queue, the government's target of 8 GW local and community-owned energy by 2030 will be difficult to achieve without shared ownership arrangements between commercial developers and community organisations.

There have been some signals that it is interested in enabling shared ownership arrangements, including a recent consultation on the Shared Ownership and Community Benefits working paper and strategic meetings held with various organisations, including Regen, on the topic.

GB Energy is expected to play a key role in shared ownership, providing template agreements and guidance, potentially providing low- to no-cost finance to community organisations and underwriting agreements between communities and developers. It may also play a 'stewardship' role, where GB Energy takes ownership of a share of all new developments, then works with communities to build the capacity and finance to take ownership themselves.

Mandating shared ownership

The community energy sector has long advocated for the government to make it mandatory for commercial developers to offer shared ownership on all new renewable developments. This was a key recommendation from the government's 2015 shared ownership taskforce. However, the government appears reticent to do this at present, noting the potential for developers to object based on the perceived risk to their business cases or project progress should they have to consider shared ownership once planning permission and grid connections have been secured.

There are some policy levers that could be pulled, however. In the Infrastructure Act (2015), a provision was made (known as the Community Electricity Right) that developers should offer shared ownership on a voluntary basis, and that progress on this would be reviewed every seven years. If no progress was being made, government would consider a mandatory approach. The review of progress on shared ownership is now late by three years and could be used by government to justify mandating shared ownership – something which the community energy sector is pushing for.

Shared ownership and CP30

Another avenue through which shared ownership could be incentivised is via connections reform to deliver on the Clean Power 2030 targets.

Regen and others have advocated that projects which offer shared ownership could be prioritised within the connections queue, providing a positive push for developers to engage in this more often. We understand that this is under consideration, although no decision has been made.

4 Grid connections

Connecting to the grid can often be challenging; grid capacity, upfront costs and understanding the network can all be challenges faced by community energy groups.

Grid connections remain a key challenge for community energy groups – and to the Clean Power 2030 target. To that end, extensive connections reform is under way. Most of this is targeted at streamlining the connections queue so those which are **ready** and **needed** (i.e. have land rights and fit within the CP30 technology targets) are prioritised, while more speculative projects are moved down the list or kicked out entirely. Some of these processes and reforms are significant for community energy projects.

Transmission Impact Assessment

After lobbying from Regen and others, the National Energy System Operator (NESO) introduced a CUSC code modification (CMP446) to help community energy projects connect to the grid more quickly. NESO has agreed to raise the threshold for this assessment from 1 MW to 5 MW. This will allow community energy projects (typically smaller than 5 MW) to join the distribution network queue instead, avoiding the several-year-long transmission queue and speeding up the connection process.

However, there are still some challenges with connections at the distribution level, which are yet to be addressed. These include the need for distribution network upgrades, some of which are not planned for several years, and the connections process which can be complicated and expensive for community organisations to navigate. From previous engagements and correspondence, NESO has made clear that it sees decision-making on the distribution connections process as something for the distribution networks to hold responsibility for, and so maintaining close relationships with the DNOs will be crucial.

Designation and ‘needed’ for CP30

Another avenue through which connections could be accelerated for community energy generation is through the designation or ‘needed’ process. In its advice to the government, NESO outlined that there should be a process through which clean power projects which demonstrate unique social, economic or environmental value could be prioritised for a grid connection ahead of the current queue.

It has been argued that community energy fits this definition of value and so should qualify for this designation process. In recent engagements, NESO outlined that it is not opposed to this,

although the ultimate steer would have to come from the government. It would also need to be based on a legally robust definition of community energy to avoid gaming.

Review of Electricity Market Arrangements

After a lengthy debate around the merits of locational marginal pricing, the Review of Electricity Market Arrangements (REMA) concluded in July. In its final decision, the government ruled out a shift to locational pricing, opting instead for more fundamental reforms to network charging, balancing and capacity markets and constraint management processes as a means to making the network more cost and energy efficient, while providing certainty for renewable developers ahead of Clean Power 2030. Details of these reforms are yet to be clarified, although we expect to hear more in the coming months.

5 Planning

Planning reform has been occurring at a quick pace over the last year, with the updates set out below having particular relevance for local authorities.

National Planning Policy Framework (NPPF) 2025 updates

The National Planning Policy Framework (NPPF) was last updated in May 2025, as part of the government's broader agenda to accelerate housing delivery, infrastructure and the energy transition. These updates form part of the emerging planning landscape, alongside the Planning and Infrastructure Bill. It is anticipated that further revisions to the NPPF will be published before the end of 2025.

Key updates are as follows:

Weight given to climate change. Paragraph 163 states: "*The need to mitigate and adapt to climate change should also be considered in preparing and assessing planning applications, taking into account the full range of potential climate change impacts*."

Site identification for renewables. Paragraph 165(b) now states that local planning authorities should "*consider identifying suitable areas for renewable and low carbon energy sources"*, rather than being required to do so. This reversion to earlier wording is broadly welcomed by Regen and others, as it provides greater flexibility for LPAs.

Weight given to renewable energy. Paragraph 168 confirms that "*significant weight should be given to the need for renewable or low carbon energy*" in decision-making. However, this falls short of the "substantial weight" applied to Nationally Significant Infrastructure Projects (NSIPs), which are designated as Critical National Priorities. This distinction may create inconsistency in how different scales of projects are assessed.

Community energy. The NPPF continues to support community-led renewable energy projects, with paragraph 168 stating that local planning authorities should "*recognise that small-scale and community-led projects provide a valuable contribution to cutting greenhouse gas emissions*".

Repowering and life extension. Paragraph 168 of the revised NPPF requires LPAs to give significant weight to the benefits of repowering or extending the life of existing renewable energy sites.

Greybelt land. Paragraph 148 introduces the concept of 'greybelt' land: previously developed, low environmental value land within the Green Belt.

Infrastructure Planning (Onshore Wind and Solar Generation) Order 2025 (draft legislation)

The Infrastructure Planning (Onshore Wind and Solar Generation) Order 2025 is due to come into force at the end of the year. The Order amends the Planning Act 2008 to reintroduce onshore wind as a category of Nationally Significant Infrastructure Project (NSIP), a designation that had previously been removed in 2016 and changes the NSIP threshold for solar projects.

From 31 December 2025, onshore wind and solar energy projects with a capacity greater than 100 megawatts (MW) will be classed as NSIPs.

Local planning authorities will be decision makers for:

- Onshore wind projects up to and including 100 MW
- Solar PV projects up to and including 100MW.

This change will likely increase the number of large-scale solar applications coming to LPAs, especially for projects in the 50-100 MW range, which were previously NSIPs.

Transitional arrangements

To avoid disrupting projects already in the pipeline, the draft order sets out clear transitional provisions:

- **Solar projects (50-100 MW).** If an application under the 2008 Act has been accepted for examination or decided (approved or refused) before 31 December 2025, the project can continue through the existing DCO process for all subsequent decisions, modifications and appeals.
- **Onshore wind projects (any size).** If a planning application under the Town and Country Planning Act 1990 has been submitted, approved or refused before 31 December 2025, it can continue in the Town and Country Planning system, including for modifications and appeals.

Onshore wind strategy

In July 2025, the government published its Onshore Wind Strategy, the culmination of work by the Onshore Wind Taskforce, established in July 2024. The strategy outlines more than 40 government actions to lift previous barriers and significantly increase deployment, aiming to

reach 27-29 GW of installed capacity across Great Britain by 2030. The formation of an Onshore Wind Council aims to monitor progress, identify barriers and oversee strategy implementation.

Of particular note, the strategy commits to a consultation on permitted development rights, potentially simplifying small-scale projects. The consultation is expected later this year.

Alongside this the government has issued updated benefits guidance for onshore wind.

Community benefits – mandatory scheme under consideration

On 21 May 2025, DESNZ published a working paper titled 'Community benefits and shared ownership for low carbon energy infrastructure'. The consultation explored:

- Mandatory community benefit funds for low-carbon energy infrastructure
- Mandatory (or voluntary) shared ownership models in renewable projects.

It closed on 16 July 2025, so it is worth looking out for any updates in this area.

Planning and Infrastructure Bill

The Planning and Infrastructure Bill is a major piece of legislation introduced by the government in May 2025. The Bill is currently at the committee stage in the House of Commons, with the second reading having taken place in June 2025. Subject to parliamentary approval, it is expected to receive Royal Assent by early 2026, with phased implementation likely from mid to late 2026 through secondary legislation and government guidance.

Below, we highlight the key elements of the Bill most relevant to local authorities involved in planning for renewable energy.

Spatial Development Strategies (SDS)

The Bill re-introduces mandatory Spatial Development Strategies (SDSs) across England, requiring combined authorities, upper-tier county councils and unitary authorities, or designated groups of them, to produce regional-level strategies. These SDSs set strategic policies on housing distribution, infrastructure needs, climate resilience and nature recovery, without site allocations. Local plans must be in general conformity with SDSs once adopted

Manchester, along with the other nine local authorities in Greater Manchester, already has an SDS, called Places for Everyone.

Planning decision-making reforms

A national scheme of delegation will be introduced to clarify which planning decisions officers can determine and which require committee oversight. Committee size and structure will be regulated to encourage more effective, focused decision making.

Mandatory formal training for planning committee members is included, with certificates of completion to be published to ensure accountability. Regen has been pushing to ensure that this training includes renewable energy and energy storage projects.

Planning fee reforms

It is proposed that local planning authorities will be able set planning application fees (with oversight), enabling them to recover costs and reinvest in planning capacity.

Changes to NSIP processes

Proposed changes to the NSIP processes include:

- Five-year updates for National Policy Statements (NPSs) to ensure alignment with up-to-date policy and legal framework
- Clearer rules on judicial challenges for NSIPs
- Streamlining pre-application consultations for NSIP projects
- Changes to environmental requirements (environmental delivery plans)
- Community benefits for transmission infrastructure.

Local planning authority resourcing and skills

The government has committed to recruiting 300 additional planners across the country to support the planning system. While this is a positive step, Regen and others in the sector widely recognise that this commitment falls short of addressing the scale of resourcing challenges faced by local planning authorities.

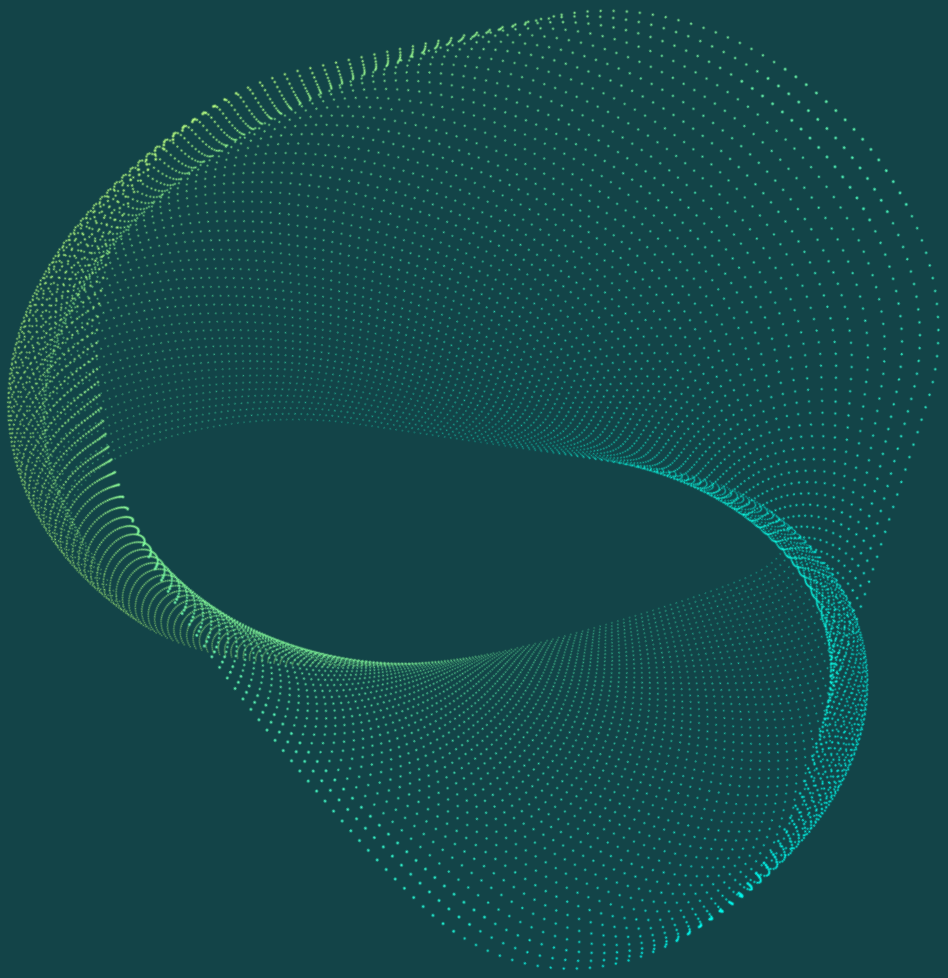
Planning teams are under increasing pressure to deliver across multiple priorities: housing delivery, climate adaptation, biodiversity net gain and a rapidly expanding pipeline of renewable energy and energy storage projects. Many authorities lack access to the specialist knowledge and capacity required to evaluate increasingly complex clean energy applications.

6 Energy planning

Regional Energy Strategic Plans

NESO is currently engaging networks, local authorities and wider stakeholders to develop the first iteration of Regional Energy Strategic Plans (RESPs). The purpose of RESPs is to provide a more regional, whole-system view of the energy transition, informed by extensive engagement and data at the local and regional levels. Greater Manchester falls under the North West RESP area. Within this process, there will also be a governance structure, including representation from local authorities and other significant local and regional stakeholders, to facilitate more democratic input into energy planning and to help shape and collaborate on regional energy ambitions.

Within RESPs, there is an opportunity to identify opportunities for community energy projects both within technical plans and via the governance structure, particularly in collaboration with other stakeholders like local authorities. We understand that some RESP areas already have representation from community energy sector organisations as part of their engagement and governance process.



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July 2025

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