COIGACH
COMMUNITY DEVELOPMENT COMPANY

5th July 2025

Dear Jamie Stone,

HOW UK GOVERNMENT CAN ENABLE 'LOCAL ENERGY MARKETS' TO TACKLE HIGH BILLS AND LOWER A SERIOUS BARRIER TO ITS FLAGSHIP LOCAL POWER PLAN

We're Coigach Community Development Company (CCDC), a local community development trust based in your Caithness, Sutherland and Easter Ross constituency. We want to set up a local energy market linking our existing community owned 500kW wind turbine with local households and businesses, and form an arrangement which benefits us all financially, as well as adding local clean electricity capacity in our area.

There is scope for local energy trading under current regulations but sadly we are unable to benefit from this. Under current regulations, the wind turbine and the local electricity supply must operate at the same voltages. Our turbine generates energy at a higher voltage than the local energy network and as a result we can only export electricity to the National Grid rather than use it locally. However, there is action the UK government can take to allow more communities including ourselves to benefit from a local energy market.

We therefore ask you to please contact the Department for Energy Security and Net Zero to highlight the practical, no-cost steps they can take to enable more 'local energy markets'.

<u>The big picture</u>

The UK's national electricity system faces urgent capacity issues and economic barriers that are holding back decarbonisation and the use of our natural resources.

These connection capacity issues are likely to seriously hinder the UK government's own 8GW Local Power Plan.

Local energy markets provide a mechanism to match local generation with local demand, potentially lowering bills for households, providing better value for community generators, and enabling better management of capacity problems.

Practical changes that will help

A regulatory modification called P441 is being considered by a working group in Elexon, which oversees electricity trading arrangements and is regulated by Ofgem.

In brief, P441 would simplify the process of setting up a local energy market, put the concept on a more robust footing, and allow more electricity generators of varying sizes to enter beneficial arrangements with local people.

As our MP, please contact the Secretary of State for Energy Security and Net Zero Ed Miliband, and the UK Minister for Energy Michael Shanks to:

- **explain how the local energy market model could help address pressing problems, including fuel poverty and electricity system capacity;**
- **urge them to direct Ofgem to implement a policy to establish local energy markets with an incentive for local balancing, in particular with respect to the P441 modification to the Balancing and Settlement Code, overseen by Elexon;**
- **urge them to direct and remind Ofgem that achieving net zero and growth in renewables is part of its remit, and that this therefore this needs to be taken into account in all parts of their regulation, and to hold Ofgem accountable for this; and**
- **in the longer term, urge them to mandate that licensed suppliers must support local energy trading.**

We have attached a briefing from the social enterprise Energy Local to further explain these points.

We are exploring setting up a local energy cooperative, a form of local energy market, with the guidance of Energy Local, who would be happy to speak or meet with you if you would like more information.

We look forward to hearing from you to discuss this further,

Many thanks

Laura Hamlet

Chief Executive Officer

Coigach Community Development Company

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and the undersigned members of the community