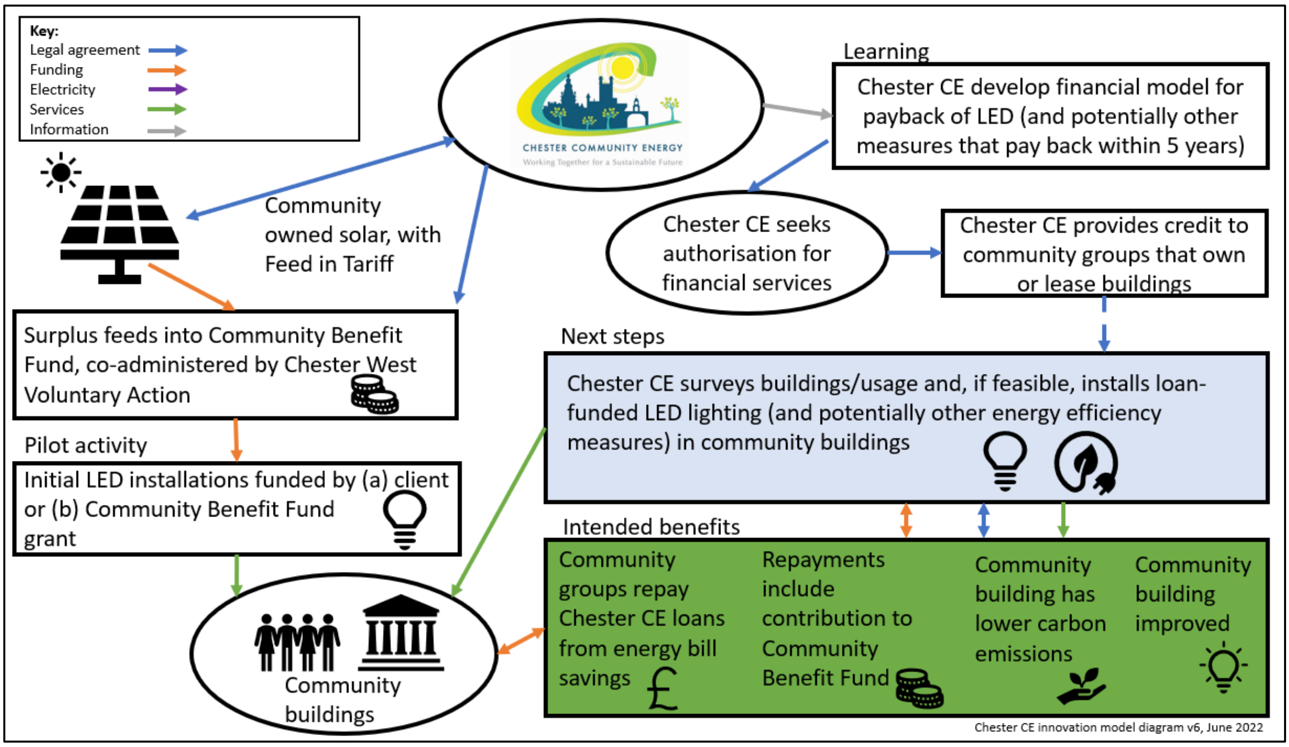
Next Generation end of project case study:
‘Pay as you save’ energy efficiency scheme for community buildings
Chester Community Energy Ltd

About Chester Community Energy:

Chester Community Energy Ltd (CCEL) was set up to create revenue from renewable energy generation. However, they recognise the need for energy reduction as a means of reducing carbon emissions.

About this innovation project and its impact:

The Next Generation Innovation support provided an opportunity to develop a ‘pay as you save’ business model for community buildings in Chester and the surrounding area.



The repayment of installation capital from savings in electricity costs was subject to consumer credit law because CCEL wanted to provide credit to unincorporated community groups. This required CCEL to be accredited by the Financial Services Authority (FCA) as a provider of credit. After 18 months of seeking to satisfy the legislation and to look for legal ways to formulate an agreement outside of the regulations, a decision was taken not to proceed with the original model. There were insufficient resources within the group to produce the standard of documentation required and CCEL was unable to demonstrate to the FCA that they had the resources to manage ongoing compliance monitoring and consumer services.

Eventually, approval for Limited Permission Lending was achieved in March 2022. This requires that interest is not charged on the loan. In this case the total price of repayments charged to a customer would have to be exactly the same as a single price offer charged at the point of sale. This is the option that CCEL will be using for the immediate future.

Prior to achieving FCA authorisation, CCEL undertook 8 separate installations in 7 buildings on a lump sum payment basis. All customers were reported to be satisfied with their lighting, all agreeing that the lighting was improved and created a more welcoming space for their users. CCEL added to their community benefit fund through the installations.

Advice for other groups considering this approach:

- There is considerable potential for replication of this business model, provided that FCA requirements can be met. This potential will rise further if LED prices continue to fall and electricity prices continue to rise.
- However, community energy organisations who are considering installing energy efficiency measures to individuals and unincorporated organisations on a repayment basis must first overcome a significant barrier, namely the need for the organisation to be authorised to provide credit by the Financial Conduct Authority (FCA).
- CCEL found that the best route was to pay a specialist firm to make an application for Limited Permission Lending on their behalf. They will pay this firm an ongoing fee for compliance monitoring services.

Key messages for policy-makers:

- Current regulations mean that that business model proposed for this project is complex and costly, at least if the provider of the services is a community benefit society and the customer is an individual, a collection of individuals (such as a trust) or an unincorporated organisation.
- There are various potential ways in which the current barriers could be reduced, including:
  - Improving the support for community organisations provided by the Financial Services Authority, including applications for Limited Permission Lending;
  - Making energy saving services exempt from consumer credit accreditation; and
  - Extending the exemption from the consumer credit regulatory regime for lending by community benefit societies to trusts and unincorporated organisations.

If you want to know more:

Graham Booth - bootyg1457@googlemail.com
https://www.next-generation.org.uk/resources