

Community payments across Europe

RGI's work so far and next steps

1. Introduction

Intelligently designed community payments are often seen as a way to both increase local support and supply the appropriate gain to communities that host vital grid infrastructure. Many European TSOs have expressed an interest in the independent development of consistent guidelines for providing community payments as part of their development package. This is important for the needed expansion of the electricity grid, as projects are often either blocked or slowed down considerably due to the opposition of local stakeholders, and the lack of local “value” seen in the project.

TSOs and local Authorities are currently missing an opportunity to collaboratively ‘invest’ in the communities through which grid infrastructure is planned. In many cases, TSOs pay money to local authority budgets for poorly defined purposes, with the money going into the general operating budget, whilst not being spent on the immediately impacted areas closer to the line. In many cases, this money may be better spent conducting collaborative projects with local community groups, finding “win-win solutions”, and by taking a consultative approach to fund projects of immediate local benefit.

RGI began working on the issue of community payments in late 2014 with the purpose of understanding the legal landscape across Europe, sharing current practice and identifying good practice that could be scaled up to a pan-European context. The work follows RGI's key aim of facilitating the needed development of the European electricity grid, whilst being efficient, sustainable, timely, environmentally friendly, and socially acceptable to all stakeholders. For the purpose of this work the “community” is defined as a group of people that are largely representative of the local population (local government, interest groups, neighbourhood associations etc.). A comprehensive document with all findings of the initial phase is available [here](#).

2. Current practice and legislation

There currently exists no single European wide legislation or set of recommendations on community payments. If regulation does exist, it is at the national or municipal level and comes in a variety of forms. Such laws/guidelines come with a range of different organisational set ups, amounts paid and levels of municipal oversight. Examples of existing regulatory conditions include:

2.1 Ireland

The 2012 Government's “Policy Statement on the Strategic Importance of Transmission and Other Energy Infrastructure” underlined the appropriateness of incorporating community gain considerations into major infrastructure projects. This

gave companies working in the energy sector encouragement to start proactively involving community payment measures into their activities.

2.2 Germany

Based on this regulation in Electricity Network Charges Ordinance (Stromnetzentgeltverordnung or StromNEV, §5(4) TSOs can offer an optional payment to municipalities directly affected by the route of the line. The exact amount paid is based on objective criteria and is bounded by a “model agreement”. Decisive factors are the number and the transfer capacities of the installed electrical circuits. An affected municipality can obtain up to 40,000 € per kilometer of overhead line. The money is paid after successful commission of the line. This is a voluntary system enacted by the TSO.

2.3 Spain

There has been no legal obligation for community compensation/gain since the “Law 54/1997” was repealed by the new electricity “Law 24/2013”. It is often policy for the TSOs in Spain to give money to the municipality on a voluntary basis as part of their corporate social responsibility activities. Projects have included public parks, sporting clubs, social housing etc.

2.4 Italy

Regions and Local Authorities have the right to stipulate agreements with the TSOs in order to request compensation measures. Italian TSOs sign agreements with Regions, Provinces and Municipalities identifying actions of public interest to be realized within the boundaries of that territory and on public soil, e.g. street lights, pedestrian/cycling paths, restoration of public schools or cultural/artistic heritages, municipality buildings, parks, play-grounds.

2.5 France

The total amount that is to be spent for community payments is set by the French State – the TSO (RTE) negotiates the structuring of these payments, which represent 10 % of total project costs for lines at 400 kV or over 8 % of total project costs for any strength of line below 400 kV. When an overhead line project is proposed by RTE, with French legislation enabling local stakeholder committees to be set up by the relevant Préfet (administrative leader of a local region) in order to determine the scope and beneficiaries of any payments made by the TSO. The Préfet is able to establish different committees for each topic of interest (environment, tourism etc.) and choose the participants who will decide how the money will be spent.

For more information and a more detailed look at relevant case studies, please see RGI’s “Community Payments: case studies from across Europe” brochure [here](#).

3. The challenges faced

By looking at past work done on the issue of community payments, and through work already done by RGI and its partners, several challenges are evident. Understanding

these challenges is vital if detailed guidelines for community payments for grid expansion projects are to be correctly designed. These challenges include:

3.1 Issues of transparency

Broadening the pool of people who receive financial transfers as part of the project package can lead to the charge that the TSO is trying to bribe the public and buy acceptance. This means that transparency needs to be the priority, with a systematic process that incorporates a broad range of stakeholders in the decision making process. Important in this is defining the TSO's role in deciding how money is to be spent and what kinds of projects are to be funded.

3.2 The setting of legal precedent

There are ongoing questions surrounding the legal consequences of giving money to groups that do not suffer a direct monetary loss under the common definition of "loss". This could lead to problems for the TSO's legal liability, as the TSO may make itself open to litigation from others that feel impacted upon by the project. Discussions with the relevant legal experts need to be had to understand the full impact of this.

3.3 Variation in legal environments

As seen, the variation in policy between differing countries and municipalities on how communities can be compensated for hosting grid line infrastructure is large. While some implement some form of formal community payments through municipal structures (Germany), others have encouraged community gain activities from the TSOs without formal legislation (Ireland), while still others have no formal position on community compensation/gain (UK). This situation makes it difficult to form a European wide consensus on what appropriate policy should be, leading to a missed opportunity in promoting good practice and hence hindering the development and ultimate integration of the European electricity grid.

The variation in the way community payment practice across Europe addresses the above challenges is large. This disparity in practice will become more acute with the forecast increase in the number of cross border interconnectors. Inconsistent intra-country community payment policies have the potential to become another hurdle in the planning and permitting process. Cross border communities will likely object when a group one side of the border receives a substantially different community payment offering than they, or if they see the community payment scheme they qualify for as poorly planned, dispensed (or in the worse cases) corrupt.

4. Principles of effective community payments

After consultation with a select number of partners¹, RGI drafted an initial set of principles that could guide the creation of more detailed set of standards and recommendations for high quality community payment practices. The highest priority from participants was ensuring that any payment made by the TSO for local projects

¹ Partners included: 50Hertz, EirGrid, RTE, RSPB, CAN Europe, Terna, Germanwatch, IIASA and Elia

would be based on a pre-determined laws and guidelines and governed in a fully transparent and regulated way. The five principles agreed upon are as follows:

- 1. Principle rules governing community payments (e.g. total amount of money made available, activity areas it can be used for) should be clearly set out and defined by law.**
- 2. Incurred costs need to be recognised by the national regulatory authorities (NRAs).**
- 3. The decision processes within communities to take the money and how it should be used needs to remain flexible to local contexts. However, full transparency of these processes is indispensable.**
- 4. A consistent formula, governed by agreed upon variables, should set the individual amounts paid out and to whom. The procedure of determining and applying this formula needs to be developed to fit the specific local context.**
- 5. Payments should aim at promoting projects that give the greatest value to the greatest number of those affected. The development of good practice guidelines, which show how community payments can become a tool for early and positive stakeholder engagement, is recommended.**

The complex task of setting up representative bodies that can receive and dispense money in the name of the community will be highly reliant on local contexts and will have to remain sufficiently flexible. This being so, the above statements provide the beginnings of a “moral framework” that can act as a launch pad for further discussions. It is considered necessary by the RGI secretariat that more detailed set of standards and recommendations needs to be agreed upon if there is to be a standard set of guidelines for community payments across Europe.

5. Next Steps

As stated above, RGI believes that a set of more detailed guidelines at the European level is the next desirable step for this work. These guidelines would be available for project developers, regulators, national/local government and planning officials to guide the design, implementation and to monitor the effectiveness of community payment programs. We believe such guidelines are necessary for the following reasons:

- Payments to communities can form an important positive element to the local project offering, increasing real and perceived local benefit.
- Poorly planned and distributed community payment funds can provoke charges of corruption and “backroom dealing”: this is counterproductive.
- The forming of good practice guidelines will promote high standards, especially with regards to:
 - Communication and transparency
 - Defining eligibility

- Fund management and dispensation
- Role of local government and other legislative bodies
- Preferential projects for funding
- The forming of best practice guidelines will enable a productive exchange on this and related issues of community payments and shared benefit and its relationship to local acceptance

After seeking feedback from the RGI partners, the secretariat wants to share the working document with other pan-European organisations involved in grid planning and development, specifically ENTSO-E, the European Commission, ACER, ICER, CEER and the Florence school of regulators to collect their perspective on the topic. This initial feedback phase will serve to share the current findings and discuss what could be done from a European level to support the implementation of good practice approaches.