

Striking the right balance for energy communities

Energy communities have so far focused on expanding decentralized renewable energy. The next priorities are to integrate the additional renewable energy sources in the system and ensure fair cost and benefit distribution. To achieve this, **two key recommendations emerged** from the workshop discussions: **energy communities should generate value beyond their members**, benefiting the wider system and society, and **their business models should be clarified** through regulation to support their growth and scalability.

Creating additional value through technological and market integration

Energy communities can improve grid stability and support innovation, but their success depends on well-designed incentives.

- **Local energy sharing can optimize distributed renewable energy**, reducing reliance on high-voltage transmission **as long as it stays as local as possible**. However, **these schemes create costs for DSOs**, particularly in data management and billing, which must be factored into policy design.
- **Aligning price signals with local network needs is essential**. Lower grid tariffs for energy sharing are useful, but reductions must reflect real grid usage and needs rather than act as subsidies.
- **The electrification of heating and transport will increase voltage management and congestion challenges**. While digitalization and automation can help manage these complexities, technology alone is not enough. Without clear economic incentives and a well-defined value proposition, even advanced technological solutions may fail to scale, limiting citizen participation and empowerment.

Scaling energy communities from early-adopters to mainstream

The workshop highlighted the need to move beyond the early-adopter phase and scale energy communities up, making them key contributors to the energy transition. Scaling up requires a policy framework that supports their growth while ensuring they provide real value.

Policymakers should focus on:

- **Reassessing participation and ownership rules** to enable broader engagement.
- **Designing incentives that reward grid contribution**, encouraging investments in shared infrastructure and flexible consumption beyond individual prosumers.
- **Providing standardized management templates** to simplify operations and support scalability.

While pioneers have demonstrated the feasibility of local energy sharing, widespread adoption is crucial for energy communities to live up to their ambitions: enhancing system efficiency, integrating renewables, and delivering consumer benefits at scale.

The problem is that **restrictive regulation, misaligned incentives for communities' members, and weak business models slow down their deployment**. Current frameworks limit ownership, participant diversity, and innovation, reducing their ability to contribute. Policymakers should focus on:

- **Clarifying the role of Balancing Responsible Parties (BRPs)** in the context of energy communities and simplify regulations.
- **Designing participation rules so that energy communities are structured to support local flexibility**, clearly defining who can join and under what conditions, including proximity criteria and the eligibility of shiftable assets, while ensuring that risks are not unfairly shifted onto citizens.

At the same time, energy communities must be seen realistically. They do not replace traditional balancing mechanisms, but they can complement system operators and flexibility markets where they add value.

Governance and risk-sharing structures also need reform. As citizen-driven, non-profit initiatives, energy communities often lack the financial and technical capacity to manage market risks. **Policymakers should facilitate greater access for intermediary actors** to provide expertise and financial backing, ensuring their involvement strengthens rather than undermines community participation. Financial flows and risk-sharing mechanisms must be designed to support long-term viability.

Energy communities' business model is often described as **fragmented**, as the benefits they can generate impact multiple stakeholders across the energy system. **Clarifying the value that energy communities create would not only strengthen citizen participation but also provide a clearer path to financial sustainability**. Addressing this challenge requires incentive structures that fairly distribute these benefits, ensuring financial viability while maintaining social and environmental contributions.

Striking the right balance means enabling energy communities to create value for the electricity system. This requires policy choices that recognize their strengths, address their limitations, and position them as key partners in the broader energy transition, rather than isolated actors in a parallel system.