

Solar PV Programme

Detailed Report for Executive Board

26 July 2016

Background

On 11th May 2015, Executive Board accepted the tender submitted by British Gas and Generation Community Ventures (GCV) for a solar PV community rent-a-roof programme.

GCV is a social enterprise funded by charitable foundations, which has partnered with British Gas Solar and Social Finance to deliver large scale community energy projects for local authorities and housing associations.

Under this proposed programme, solar PV systems were to be installed on the roofs of all suitable properties in the Council's housing stock and non-domestic property portfolio. The programme was initially estimated to have an approximate capacity of 10 MW.

Whilst the programme was fully financed and could be delivered at no cost to the Council, there were options for mutual ownership via a public share offer plus an opportunity for the Council to directly invest. An attraction of this innovative scheme was that some of the income arising from the receipt of Feed In Tariff (FIT) and Export Tariff payments would be made available to establish a community fund.

A new community benefit society named 'Egni Sir Gar Cyfyngedig' was established in August 2015 as the operating vehicle to own and install the systems, and be responsible for maintaining them.

Matters were progressing well until the Government announced a consultation on 27th August 2015 that proposed significant cuts to the FIT rates payable to solar PV installations. The Government proposal was to cut the domestic FIT by some 87% effective from 1st January 2016, with similar cuts also proposed for larger systems up to 5 MW.

Based on the severity of these proposed cuts, coupled to the imminent implementation date, it was agreed at the meeting of County Council on 9th September 2015 to suspend the development of an installation programme for domestic properties and to instead concentrate on maximising the programme for solar PV on the Council's non-domestic property portfolio. Accordingly, applications were submitted to Ofgem to pre-register as many properties as possible in order to secure the current FIT rates, which would be payable for installations completed within the next 12 months (this route was only available to community energy schemes / schools and excluded domestic properties). Unfortunately, the Government, at very short notice, closed this pre-registration route. It is understood that Ofgem received a more than 1,000 pre-registration applications, 95 of these being submitted by Egni Sir Gar Cyfyngedig for various Carmarthenshire County Council properties (mainly schools). Under this scheme, individual installations were

effectively capped at 50 kWp and must be completed before the end of August 2016 to receive the secured FIT rates.

Unfortunately, there are significant constraints on the local grid which require major reinforcement works. Whilst some of this work forms part of WPD's planned work programme over the next few years, the cost of some of the less major reinforcement would be payable by potential developers. In order to ensure the programme is financially viable, only properties where there are no costs for grid reinforcement works are viable. As a consequence, WPD has to-date only given consent for some 30 properties to be connected at the grid with most of these at a reduced capacity compared to that pre-registered with Ofgem. The total potential capacity of the programme is currently some 1.2MW.

In order to make the programme financially viable, it is proposed to require occupiers of properties with 30-50 kWp installations to sign Power Purchase Agreements (PPAs) where they pay Egni Sir Cyfyngedig for the generated electricity they consume on-site. Unit costs will track Ofgem's export tariff rate as opposed to the market price – currently 4.85 p/kWh compared to 10.6 p/kWh.

GCV will monitor electricity consumption at all properties with solar PV installations and will provide the necessary data to enable the Council to invoice appropriate properties, on behalf of Egni Sir Gar Cyfyngedig, for payment under their PPA.

We have liaised with all the properties that are pre-registered with Ofgem and where WPD has given consent for grid connection. The occupiers of these properties (including Governing Bodies for the schools) have formally agreed to the installation of solar PV systems and where appropriate to enter into a PPA. In addition, occupiers will be required to sign a lease arrangement – this currently being finalised.

The total project cost of the scheme currently stands at a maximum of £1.5m.

The Council has a permanent board position as the Custodian Trustee and in the County Council meeting on 10th March 2016 Councillor D.M. Jenkins, Executive Board Member for Resources, was appointed to sit on the Board of Egni Sir Gâr.

Current Position

- Technical Surveys have been completed
- Leases are in the process of being completed
- Installation dates have been scheduled for a number of properties with an overall completion date of August 2016.
- Work is still required to finalise the remainder of the properties on the programme – whilst some are falling-out of the programme, for various reasons, British Gas Solar are actively re-evaluating others in an attempt to include them in the programme where possible.

Next Steps

Although it has been decided that CCC is to invest directly in Egni Sir Gâr, a decision needs to be made whether the investment is going to be made through a share purchase agreement or a loan agreement.

To reduce complexity and cost of instrument setup and operation, and the fact that CCC is the only investor, a share purchase is proposed. A share instrument is simpler to tailor and offers the most flexibility, this is particularly beneficial for setting the annual interest rate and when share capital is repaid over the project lifetime. Appendix A is a summary of the Share Purchase Investment Instrument

Recommendations

- 1) It is recommended that Carmarthenshire County Council (CCC) purchases shares in Egni Sir Gâr to the value of the final investment (maximum £1.5m)**