

<b>TITLE</b>	<b>Wokingham Community Energy (WCE)</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 28 January 2021
<b>WARD</b>	None specific;
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers
<b>LEAD MEMBER</b>	Executive Member for Resident Services, Communications and Emissions - Gregor Murray

## **PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)**

The aim of the Wokingham Community Energy (WCE) scheme is to create investment opportunities through a community share offering to encourage and facilitate a widespread uptake of the renewable energy installations within the Borough.

The WCE scheme is expected to primarily support achievement of 2 key objectives within the borough:

- to generate funding that can be invested in renewable energy installations through a community share offering
- Increase renewable energy generation on local buildings which will lead to a reduction in carbon emissions, contributing toward the Councils stated Climate Emergency aims.

The benefits of the scheme include

- Installation of renewable energy systems can take place where there is no investment required to the council and a reduction in carbon emissions by the generation of green energy.
- Participating in an existing project that is already running with systems and processes in place so we can be operational very quickly

## **RECOMMENDATION**

It is recommended that Wokingham Borough Council partner with the Wokingham Community Energy (WCE) scheme.

## **EXECUTIVE SUMMARY**

This report outlines:

- The Council's proposed Wokingham Community Energy (WCE) scheme, to enable residents and the community to become investors in renewable energy installations. The WCE will facilitate access to external funding to cover the cost of renewable energy installations across the Borough.
- Details of the MoU between Reading Community Energy Society (RCES) with services provided by Energy4All (E4A); and Wokingham Community Energy (WCE) and the governance arrangements for the delivery of the scheme.

- The report outlines the approach to encouraging and promoting the Wokingham Community Energy scheme as an investment opportunity for residents and the community, and the related benefits to address the climate emergency.
- The process for identification of potential sites for the installation, the process for funding of the renewable energy installations to be fitted and the construction and operation arrangements.

## BACKGROUND

The aim of the Wokingham Community Energy (WCE) scheme is to create investment opportunities through a community share offering to encourage and facilitate a widespread uptake of the renewable energy installations within the Borough. The scheme will enable individuals and local organisations to access the economic and social benefit associated with renewable energy schemes (such as solar and possibly other technologies) fitted on local buildings and other installations.

Wokingham Community Energy (WCE) aims to form an association with Reading Community Energy Society (RCES), as the incorporated body for investment and management. WCE is proposing to become a Community Action Group, which would give benefits such as the opportunity to direct which sites are used for renewable energy installations, election of a board member to ‘direct’ board decisions, opportunity to direct where funding goes provision of insurance cover, and recruitment of other volunteers. The opportunity to work in partnership with RCES will allow WCE to benefit from their experience and accelerate the implementation of this scheme.

WCE will appoint one of its members to be part of the RCES community fund committee, to evaluate and approve community fund applications in general and to encourage community groups from its local area to apply for grants. Once WCE’s ring-fenced community fund has sufficient funds to support its funding applications, a separate WCE community fund committee may be established, which should include at least one RCES Director to ensure funds are appropriately managed.

### Description of authority and responsibilities

Energy4All	<ul style="list-style-type: none"> <li>• Helps RCES to develop projects to a professional standard.</li> <li>• Provide administration and management services to RCES through a Service Agreement.</li> <li>• Prepares and manage all future RCES share offers</li> <li>• Receive an agreed fee from the proceeds of these offers</li> <li>• Appoints a project manager who has overall authority to approve actions</li> <li>• Project manager is authorised to make decisions on behalf of RCES or to grant delegated authority.</li> </ul>
Reading Community Energy Fund (RCEF)	<ul style="list-style-type: none"> <li>• RCES will fund the construction of solar pv at the Sites primarily by a community share offer (although it also has retained reserves and an ability to borrow as a temporary bridging loan until a share offer is realised).</li> <li>• The share offer will be made by RCES and shares issued in RCES.</li> <li>• The share offer will probably describe itself as being made by RCES in association with WCE and will use WCE branding for its publicity in its local area.</li> <li>• All legal documentation will be provided by RCES, with the inclusion of the WCE logo, and the words “RCES in association with WCE”.</li> <li>• RCES will seek to deliver the solar pv on the sites on the commercial terms agreed by RCES provided that the pricing for</li> </ul>

	<p>that site is based on RCES's financial model, and the outcomes meet RCES's financial criteria</p> <ul style="list-style-type: none"> <li>• RCES director is authorised to make decisions on behalf of RCES or to grant delegated authority.</li> <li>•</li> </ul>
<p>Wokingham Community Energy (WCE)</p>	<ul style="list-style-type: none"> <li>• Incorporated as a Community Action Group for investment and management</li> <li>• WCE will work closely with RCES on the community share offer, aiming to publicise the share offer and encourage residents from within its local area to raise the sum required to construct solar pv at the Sites, using the broader E4A support to its funding as a fall back.</li> <li>• WCE will take responsibility to organise publicity, advertising, leaflets and public meetings or other promotion of the share offer in the Wokingham Borough area, including circulating to likely investors.</li> <li>• WCE will remain independent of RCES and may seek grants for its work (which RCES will support applications for if that helps) and will seek to continue to develop renewable energy in Wokingham Borough and its environs.</li> <li>• WCE will not be eligible to appoint an individual to become a Director of RCES, as such Directors are required to be members of RCES. However, WCE's own volunteers are eligible to invest in RCES when share offers are made whether or not they involve WCE installations.</li> <li>• WCE will continue as an independent organisation to seek to deliver climate change mitigation and adaptation projects within its geographic area as it feels that local residents would find it easier to associate with a local organisation.</li> <li>• WCE will identify potential sites;</li> <li>• discuss a potential renewable energy installation with their owners/tenants;</li> <li>• obtain details of energy bills, and with RCES's agreement, obtain an installation quotation from RCES's preferred supplier(s);</li> <li>• complete a provisional pricing proposal (for RCES to agree);</li> <li>• and subsequent to the agreement on pricing, WCE will facilitate the legal agreement with the owners/tenants, with support or advice, if required from RCES.</li> </ul>

Reading Community Energy Society (RCES) is a not for profit community based social enterprise founded in 2016, with a mission to establish and expand community-owned renewable energy facilities in the Reading area. It is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014. RCES is supported by Energy for All, which supports 28 community benefit societies and co-operatives nationally.

WCE as an associated body of RCES, will be managed for the benefit of the community and owned by investors, who will be mainly local people. These investors will be CEF' Members and are protected by limited liability status. WCE will function as an independent organisation and would require limited resource or support from the council.

WCE generates income by selling the electricity back to the building owners/users in a profitable way compared to existing supplier rates. Electricity can also be sold to the

National Grid. Any income made is fed into the fund for growth and invested in the local community through projects. A grant scheme offers funding between £100 – £5,000 to organisations to support a wide range of initiatives that deliver sustainability and renewable energy generation.

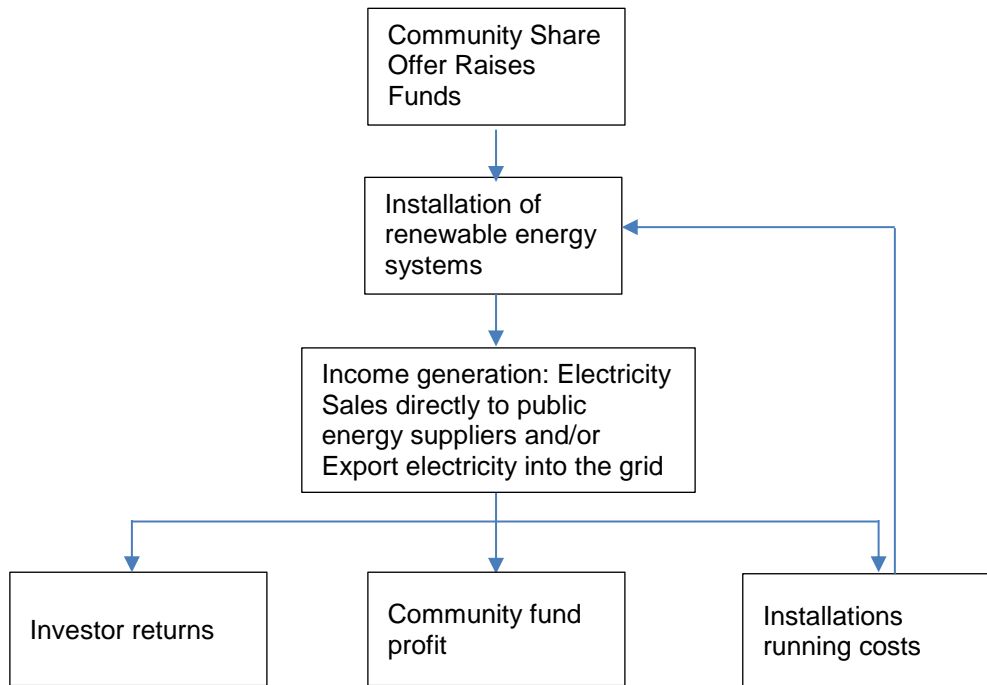


Figure 1. WCE financial flow – Investment, income generation

WCE would be able to sell the energy, set allowance for energy generated, strike a price, which states for the 20 year of the project duration.

WCE could also sell the energy through a power purchase agreement to the building user at an agreed price (with a defined level of inflation) for a 20-25 year contract duration. The building owner would have the option to buy out the solar PV system should circumstances change, though this would impact the community benefit of the scheme.

In the future, changing electricity market rules may enable any excess generation to be sold directly to local users. Currently, it would be sold back to the national grid.

### Key Elements of Wokingham Community Energy

WCE aims to fund renewable energy installations through local shares from the community. WCE will have a Wokingham brand and will support Wokingham-based projects. This scheme will provide an opportunity to engage residents with the climate emergency agenda and let them be part of the solution. The key elements for the scheme are as follow:

## Offering to investors

- WCE investors could be people exclusively locally to Wokingham, or a wider public in the Berkshire area. To be part of the scheme, investors can contribute with a minimum £200 upwards, which is a tried and tested investment range.
- The maximum limit to an investor will be defined by RCES and WCE. This is typically £20,000, but may be up to £50,000. This is for the portfolio basis, and not for individual sites. This will reduce the risk of having only one person in the decision-making process.
- Shares have a fixed value of £1 per share.
- WCE financial projections assume all members' investment will be repaid over the 20-year life of its projects. Shares are only withdrawable at the discretion of the board. This means that they may be cancelled and subject to the society's financial standing and the provisions in its rules, the money paid for the shares is returned to the member(s) requesting the withdrawal. The reason for this rule is that a community benefit society has a duty to protect the interests of the society and its share capital. Funds raised via member investment are used to build community renewables projects which are long term, capital intensive projects. Unlike some other types of investment, WCE projects will not be easily dismantled or sold in order to yield cash which could then be made available to investors. The possibility to establish a 'break clause' every five years, will be considered, however, this will be at the board's discretion.
- Community shareholders will receive between 4% and 4.5% interest on their investment annually. The return on investment will be equivalent to the investment put forward.
- As a not for profit organisation, any surplus funds each year will contribute to a Community Fund to support local projects focussed on carbon reduction, energy efficiency and wider sustainability.
- Investors will have the opportunity to stand for election to be a member of the Board.
- Wokingham Borough Council will be able to invest following the scheme specifications but will share the return on investment with the other investors.
- New investments are decided by the Members of the Wokingham Community Energy.
- Exact terms (contract length, shareholder returns, investment limits) will be set for the individual share raises in discussion between WCE and RCES. RCES' Board will have the final decision.

## Offering to buildings

- Building owners and users will benefit through WCE purchasing and installing renewable energy solutions at no cost to the building owner
- Purchasing electricity generated at a preferential price, fixed for at least 5 years, and index-linked at or below RPI for a further 15-20 years;
- Demonstrably supporting the uptake of low carbon technologies, and supporting local community initiatives through the Community Fund
- The installations will be monitored & maintained by WCE
- Optionally, invest in the scheme itself, to benefit from the projected shareholder returns
- Any assets that are included in the scheme will be fixed to the project for the lifetime of the PV system, usually 20 years.

Buildings that are particularly suitable for partnership with WCE include:

- Medium or large buildings, with suitable roof space of at least 50 m<sup>2</sup>
- Those that have a single occupier and a single electric meter
- Those using most of the electricity generated
- Unshaded roofs facing south-east to south-west in a good state of repair
- Suitable buildings include schools and colleges, offices, museums, medical centres and care homes as well as commercial buildings such as factories, technology centres and retail stores.

## **Analysis of Issues**

Wokingham Borough Council declared a climate emergency in July 2019. The declaration set a commitment to achieve net-zero carbon by 2030. In order to achieve the Council's stated aims, it is necessary to support the uptake of renewable energy installations and to realise external funding opportunities wherever these are available.

The benefits of renewable energy have increasingly been recognised. A post-pandemic transition to a greener economy is gaining a lot of popularity among the government, corporates, and the public. Supporting renewable energy generation projects at Wokingham has both short-term and long-term benefits. The short-term benefits would lead to economic activation and job creation and, the long-term benefits would result in a more sustainable and environment-friendly energy source with lower or zero carbon footprint.

Community energy funds are emerging as a way to create extra funding to support the transition to cleaner energy options. For example, Reading Community Energy Society (RCES) has raised over £500,000 since 2016 when it was founded. This has allowed the installation of twenty-two solar photovoltaic (PV) systems in the area, generating a total of 529 kWp (approximately 2,000 individual panels), which is enough to generate enough electricity each year to power 157 homes. We believe that Wokingham residents would better identify themselves with a local organisation supported by the council.

## **Finance**

The WCE scheme will not incur significant financial expenditure for the Council as it seeks to promote innovative financing solutions to help the transition from fossil fuels to renewable and greener solutions while demonstrating the council's support and commitment for delivering renewable energy locally.

The initial council's support for promoting the scheme might be needed. However, WCE will fund its marketing and commercialisation material.

Running WCE scheme will not incur capital costs. The Energy Team within Commercial Property will be assigned as the 'Representative Council Officer' (as a member of WCE board) and will undertake additional tasks related to the project as an extension of their substantive role.

## Governance

The Wokingham Community Energy (WCE) will be formed by a combination of members from the local community, Wokingham Borough Council and Reading Community Energy Society (RCES) with services provided by Energy4All (Figure 2). The scheme operates similar to a cooperative, with an obligation to members but specifically delivery benefit back to society.

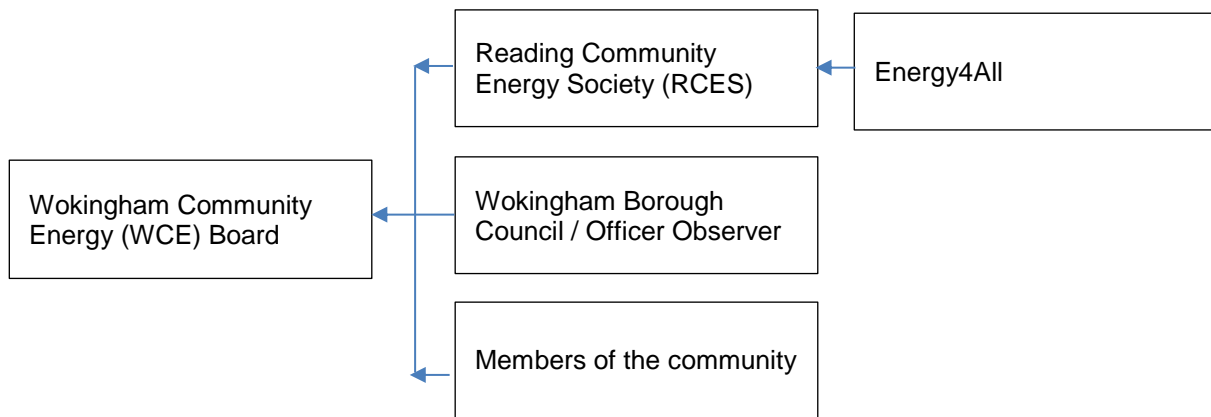


Figure 2. WCE governance structure

Energy4All is a non-profit distributing organisation dedicated to helping communities around the UK to own and operate renewable energy schemes. Energy4All itself is owned by the community co-operatives it creates and is unique in the UK. It was established in 2002 by Baywind Energy Co-op in Cumbria and has now set up (and administers) 28 additional co-ops. Its constitution is in the form of Rules approved by and registered with the Financial Conduct Authority (FCA). Energy4All projects have raised over £77 million to build and operate community renewable energy generation all over the UK.

The Board of Directors are all investors in the scheme and typically live in the local area. They are all volunteers, with a range of relevant experience to offer, and share a common interest in increasing the uptake of renewable energy locally. The board will act as an independent body formed by community mindful individuals.

WCE will remain independent of RCES and may seek grants for its work (which RCES will support applications for if that helps) and will seek to continue to develop renewable energy in Wokingham Borough and its surroundings.

WCE will appoint one of its members to be part of the RCES community fund committee, to evaluate and approve community fund applications in general and to encourage community groups from its local area to apply for grants. Once WCE's ring-fenced community fund has sufficient funds to support its funding applications, a separate WCE community fund committee may be established, which should include at least one RCES Director to ensure funds are appropriately managed.

A member of the Energy Team within Commercial Property will be assigned as the 'Representative Council Officer' and will undertake additional tasks related to the project as an extension of their substantive role.



## **Next steps**

Following Executive approval, the MoU document between Wokingham Community Energy (WCE) and Reading Community Energy Society (RCES) will be sent for signing by the Chief executive.

Setting up WCE.

WBC will assess potential buildings that could be considered for the scheme.

The Council will undertake advertisement of WCE scheme via the website, social media, and local publications to ensure that the scheme is publicised through the Borough.

The current timescales for WCE are that it will be launched in March 2021.

## **BUSINESS CASE**

Wokingham Borough Council undertook to reduce its carbon emissions to net-zero by 2030. In order to achieve this, a rapid transition to the generation and uptake of renewable energy within the borough is required.

To tackle carbon emissions within the Borough the council will need to support and facilitate the uptake of renewable energy within Wokingham Borough, it is considered that the WCE scheme as outlined above is ideal due to the benefits it provides with limited additional costs.

There are approximately 2,014 installations of renewable energy in Wokingham, of this, 2,008 are photovoltaics<sup>1</sup>. The current baseline for small-scale photovoltaics generation is 28,978 MWh/year<sup>2</sup>. WCE scheme seeks to further increase the installation of small-scale PV systems to generate an additional 27 MWh/year of renewable energy. This will generate enough electricity each year to power 157 homes and save an estimated 6.90 tCO<sub>2</sub>e of carbon savings annually and has the potential to save 60tCO<sub>2</sub> over the next 10 years. This is based in the best scenario, and it depends on investors, which we do not have control on.

The grant funding nature of the WCE scheme with funds provided from local investors (as outlined above) enables renewable energy installations to be undertaken at no cost to building owners or the council. There is subsequently a clear cost-benefit to the council in making use of WCE funding and advertising this opportunity to residents.

With the adoption of the WCE scheme, the expected outcomes will be an uptake of grant-funded installations in qualifying properties and council-owned assets with these resulting in an increase of renewable energy generation as well as reduction of carbon emissions for these properties.

This scheme represents a positive undertaking by the council that will benefit not only its assets but also qualifying installations within the borough, all of which advances the council's position in respect of its climate emergency declaration.

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<sup>1</sup> Renewable electricity for Wokingham as 2018 (BEIS Sept 2019)

<sup>2</sup> This data is not based on any detailed technical feasibility; rather the national generation is scaled by number of households, land area, etc. SCATTER 2019.

Renewable energy offers local communities the opportunity to deliver their own sources of clean, green sustainable power through wind, water, biomass and solar resources, reduce carbon emissions and provide a new income source, particularly to remote rural areas. The council wants the local community to carry on seeing schemes happen in our neighbourhood, with more people able to access the benefits of community energy.

This scheme will help the community transition to a more equitable, cleaner, greener energy market with people at its core. The scheme will help reduce carbon emissions, address fuel poverty, and make renewable energy more commonplace in Wokingham.

Projects can be wholly owned by the community or the ownership shared with a developer or landowner. Individual membership starts at £200, so almost everyone can join the scheme. Members will receive a fair return on their investment from the sale of green electricity with some of the profits also granted to a community fund.

Investors can get great returns and do something good with their money, providing jobs and clean energy for the UK economy. The scheme is open to anyone over the age of 16, and co-operatives, community benefit societies, companies and other incorporated associations may also apply for shares.

**Associated risks**

There are very few notable risks to the council associated with uptake of WCE since the financial costs for this are placed on external grant funding.

The main risks associated with this scheme, therefore, through publicity associated with the works carried out. However, the council itself will not bear any responsibility for works to third party properties as these will be carried out by WCE which is an independent body. The council’s involvement for the scheme is to publicize the scheme.

The biggest notable risks for the WBC surround negative publicity in NOT support a local community energy scheme. Community energy funds are emerging as a way to create extra funding to support the transition to cleaner energy options. Many neighbouring local authorities already have similar schemes in place.

As an investor, the council will face potential loss of earnings, this might depend on the probability of the share offer not raising enough capital, the project performance may be lower than predicted, government change to FIT schemes, electricity price, value of future local electricity markets, installation and operational costs, and/or regulatory impact on potential income.

Other potential risks associated with investing in community energy schemes and the installation of renewable energy systems are listed in the table below:

Long term investment	These projects are all long term, and investors are informed of the 20-year timeframe. The money invested is usually log for at least three years and, with some, for as long as 20 years. Shares are withdrawable, subject to funds being available and at the discretion of the Members and Board
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Shares are transferable in exceptional circumstances	Shares in Wokingham Community Energy are transferable in the event of death or with prior agreement of the RCES / WCES at 'break clause' intervals.
Volatility of the energy market	Prices in the energy market could collapse or expected levels of energy production from a turbine or solar array might not materialise. Share interest will be paid on an annual basis and will vary from year to year dependent on the amount of energy produced by the installation. Energy4All estimates are based on best estimates informed by historical price fluctuations and market conditions. Industry experts are consulted for their opinions. Any shortfall in income arising from a lower than anticipated energy price may be reflected in changes to the agreement term.
Lost of investment	Reading Community Energy Society (RCES) with services provided by Energy4All (E4A) is registered with but not authorised by the Financial Conduct Authority and therefore the money pay by investors for their Shares is not safeguarded by any depositor protection scheme or dispute resolution scheme. If the scheme goes bust, investors could lose their money.
Fluctuation in value	The value of shares cannot go up and may go down so that investors may not get back the amount invested. Payment of interest on the shares is dependent on the financial stability of the WCE and Members' approval. Investment in smaller unquoted businesses is likely to involve a higher degree of risk than investment in larger companies and those traded on a stock exchange.
Ineligible for tax relieve	Shares are not eligible for EIS tax relief. They will normally be exempt from inheritance tax providing they are held for two years. Investors are advice to seek further advice from a financial advisor or accountant on tax matters as appropriate.
Inflation	WCE will benefit from inflation-linked income streams on agreement terms of up to 20 years. While every effort is made to match the heat load or electricity consumption and agreement term as accurately as possible, a financial model is carefully developed for each project, there are still underlying risks.
Feed-in Tariff and Renewable Heat Incentive	Changes in legislation, especially to the value or availability of the Feed-in tariff and the Renewable Heat Incentive may affect WCE income. In particular the FIT and the RHI may be subject to change at short notice. Reading Community Energy Society (RCES) will include the most recent tariff in the finance models for their projects. The government has been consistently reducing the Feed-in tariff subsidy, to the extent that it ceased for new projects on 1 April 2019. We expect that a similar reduction pattern will apply to the Renewable Heat Incentive payments.
Projects encounter delays	There is a risk that projects are not installed in time to meet subsidy deadlines, meaning they will not qualify for the RHI payments.

	Realistic timeline with installers is agreed at the beginning of the project such that the current heat projects should be installed ahead of the 31 March 2021 deadline. Sleeving arrangements / agreements will always be sought where any potential risk to income exists.
Weather conditions	Atypical short-term weather conditions and equipment loss or damage could affect expected levels of energy generation and therefore income, although overall patterns outside anticipated parameters are unlikely.
Technology failure	Although modern solar panel installations are extremely reliable, electrical or other failure can interrupt the generation of electricity or the distribution network and lead to unexpected costs and interruptions of generation. Manufacturer warranties and guarantees offer some protection. The performance of the systems will be monitored remotely to identify shortfalls in energy production as soon as possible to take action to rectify any problems.
Disrupted income stream	WCE income is dependent on the customers to whom it supplies electricity and heat to pay for energy in accordance with their agreement with the scheme.
Third-party risk	Equipment purchased by WCE is supported by guarantees from companies believed to be financially strong, however the risk remains that a third-party could fail to meet their obligations to WCE.
Selling of an asset	If an asset is sold there is an opportunity to sell the equipment. Any risks here are factored into the sale price.

A formal share offer will be published for each share raise, setting out the terms of offer, the key risks and potential rewards. Investors will make their own assessment of the risks involved, as well as the potential benefits of the scheme. RCES has a well-established track record of delivery, supported by Energy4All's 18 years' of experience in this field.

### **Key Performance Indicators**

The performance of the WCE scheme will be measured in terms of the number of installations/measures undertaken.

The WCE scheme will initially aim to support six renewable energy systems to be installed in its first full year.

The data for renewable energy installations will be provided by Wokingham Community Energy in an annual report.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

*The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.*

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£0	Yes	
Next Financial Year (Year 2)	£0	Yes	
Following Financial Year (Year 3)	£0	Yes	

### Other Financial Information

The wider WCE scheme will involve the Housing department to facilitate use of WCE as well as the Communications team to assist in advertising.

Energy cost savings may be realised if installations are made on WBC buildings.

### Stakeholder Considerations and Consultation

No

### Public Sector Equality Duty

Equality Assessment completed and attached

**Climate Emergency – *This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030***

The delivery of the WCE scheme will have a direct impact in carbon emissions across the Borough. By increasing the generation of renewable energy, carbon emissions will be directly reduced.

### List of Background Papers

MoU between Reading Community Energy Society and Wokingham Community Energy

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