

Finance and Resources Committee

10.00am, Thursday, 15 August 2019

Edinburgh Community Solar Co-operative – Phase 2

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 That Committee delegates decision making authority to the Executive Director of Resources, in consultation with the Convenor and Vice-Convenor of Finance and Resources Committee, to grant a 21-year Licence to Edinburgh Community Solar Co-operative to install solar PV panels on up to 11 Council owned buildings.
- 1.2 Note that any grant of licence shall be subject to Edinburgh Community Solar Co-operative submitting a viable business case that demonstrates both the financial and wider community benefit of the proposal.

Stephen S. Moir

Executive Director of Resources

Contact: Paul Jones, Energy and Sustainability Manager,
Property and Facilities Management Division, Resources Directorate

E-mail: paul.jones@edinburgh.gov.uk | Tel: 0131 469 3607

Edinburgh Community Solar C-operative – Phase 2

2. Executive Summary

- 2.1 In 2016, Edinburgh Community Solar Co-operative (ECSC) installed 1.4MW of solar PV panels in 24 Council buildings. The [Board](#) of Edinburgh Community Solar Co-operative are currently preparing a proposal and financial model for a second phase of solar panel installations. In order to meet the timelines set within the Government's feed in tariff scheme, this report is requesting that Committee delegate decision making authority to the Executive Director of Resources, in consultation with the Convenor and Vice-Convenor of Finance and Resources Committee, to grant a 21 year Licence to Edinburgh Community Solar Co-operative to install solar PV panels on up to 11 Council owned buildings. Any approval would be subject to Edinburgh Community Solar Co-operative submitting a viable business case that demonstrates both the financial and wider community benefit.

3. Background

- 3.1 Edinburgh Community Solar Co-operative (ECSC) is one of the largest urban renewables projects in the UK. Three Elected Members sit on the [board of ECSC](#) (Cllrs MacInnes, Doran and Burgess).
- 3.2 In August 2015, the Finance and Resources Committee approved the [grant of a 21 year licence](#) to Edinburgh Community Solar Co-operative (ECSC) to install solar PV panels on the roofs of Council owned buildings. In September 2015, ECSC raised £1.4m through a community share offer and went on to install 1.4MWh solar PV across 24 Council owned buildings. Since the project started shareholders have received a return on investment of 5% (linked to RPI) per annum. The shares are structured on a reducing balance basis. £37k of surplus from the scheme has been paid in to the community benefit fund with £29k currently allocated to community projects.
- 3.3 In 2018/19, 1.1GWh of renewable electricity was generated by panels owned by ECSC across 21 Council operated buildings and 3 Edinburgh Leisure sites. 70% of this electricity was used directly onsite reducing building related carbon emissions by over 230 tonnes.

- 3.4 Under the original scheme, the rate that the Council pays for electricity is fixed at 2015 electricity rates. There has been limited financial saving to the Council to date, as many sites had to change their utility tariff structure to support the metering of solar PV export, which resulted in a disaggregation of charges reducing the initial opportunity for saving. However, it is anticipated that the Council will realise a saving on electricity costs of around £6k in 2019/20 from onsite use of ECSC's solar generation in Council operated buildings. If, as anticipated, electricity costs continue to increase, then this saving will become more pronounced over the duration of the contract.

4. Main report

- 4.1 ECSC are looking to progress a second phase of community-owned solar panel installations. Following initial discussion between the Council and ECSC, an outline list of suitable buildings were identified. This includes 4 Edinburgh Leisure buildings and 7 Council buildings (See Appendix 1)
- 4.2 Historically, qualifying solar panel installations have been able to benefit from Government subsidy in the form of a [Feed in Tariff](#). This scheme closed for solar installations at the end of March 2019, but community groups were able to benefit from pre-accreditation which requires installations to be completed within 12 months of registration. ECSC applied for pre-accreditation for phase 2 buildings and therefore need to complete installations by March 2020 to qualify for Feed in Tariffs.
- 4.3 ECSC have carried out an initial technical assessment of the proposed phase 2 buildings that has established outline feasibility. They are currently working on a detailed proposal and an associated financial model (see Appendix 2 for an outline of the anticipated level of detail that the proposal will include).
- 4.4 Given the compressed timeline involved with securing the feed in tariff payment, Committee approval is being sought to delegate decision making on the phase 2 proposal and subsequent grant of a 21 year Licence to Edinburgh Community Solar Co-operative to install solar PV panels on up to 11 Council owned buildings, to the Executive Director of Resources, in consultation with the Convenor and Vice-Convenor of Finance and Resources Committee. This approach will allow ECSC time to develop a financial model and detailed proposal without compromising the ability for ECSC to meet Feed in Tariff deadlines. Once submitted, the proposal and financial model will be subject to review and comment by Council Officers to ensure due diligence is carried out.
- 4.5 If a decision to proceed with the project is received, ECSC will raise funds for the project through a community share offer and, once funding is in place, progress with the procurement and appointment of a contractor(s) to deliver the works. Without a detailed proposal from ECSC it is not possible to list benefits or highlight the scale of the project. However, the original phase of the project demonstrates that ECSC have the capability to raise funding, install and manage solar PV panels and

maintain and distribute a community benefit fund. The expansion of the project aligns well with the wider Council's wider [Sustainability Approach](#) including the target to reach net zero carbon emissions by 2030.

- 4.6 There is an inherent risk with a compressed programme. This will be a focus of Council Officers both during the evaluation of the proposal /financial model and during any subsequent consideration of design submissions and the management of site works. There is a possibility that some (or all) of the works may not meet the March 2020 deadline for feed in tariffs, therefore, the sensitivity of the financial model to feed in tariffs will be considered alongside other factors during evaluation.
- 4.7 It is anticipated that phase 2 can be accommodated via a variation to the existing legal agreement which will limit the level of legal input required to support the second phase. However, Council resource will be required to support the assessment of the proposal and financial model and during design review and installation works. Phase 2 buildings include key operational buildings for the Council therefore appropriate coordination of works to minimise operational impact will be critical.

5. Next Steps

- 5.1 Once submitted, ECSC's proposal and financial model will be scrutinised by Council Officers to assess viability, benefits and risks. Outcomes will be reported to the Executive Director of Resources to inform delegated decision making.
- 5.2 If approval to proceed with phase 2 is granted, work will be undertaken to draft the associated variation to the existing legal agreement, and a project team will be formed to support the review of designs and coordination of site works.

6. Financial impact

- 6.1 Paragraph 3.4 of this report provides high level detail on the financial impact of the first phase of solar panel installations by Edinburgh Community Solar Co-operative. However, direct financial benefit for the Council is not the principal driver for this project. Whilst there is the opportunity of reduced electricity tariffs over time, there is a degree of exposure to increased costs through either the removal of panels for works or the disposal of buildings during the 21-year life of any licence.
- 6.2 A second phase of panel installations will require significant input from Council Officers within Property and Facilities Management, Legal Services and Finance.
- 6.3 Through the encouragement of energy co-operatives there is the opportunity to accelerate the expansion of distributed generation across Edinburgh. This offers the potential to support Council targets with limited financial commitment from the Council.

- 6.4 The potential creation of additional money for the community benefit fund through a phase 2 of solar PV installations would benefit community groups.

7. Stakeholder/Community Impact

- 7.1 Edinburgh Community Solar Cop-operative are a community benefit society with over 540 members. They aim to maximise the social, economic and environmental benefits of renewable energy.
- 7.2 The expansion of building mounted solar PV panels across the Council estate will contribute towards the reduction of building related carbon emissions and assist in the delivery of Council obligations under the [Climate Change Act \(Scotland\)](#).

8. Background reading/external references

- 8.1 [Transport and Environment Committee, June 2019, Business Bulletin, Edinburgh Community Solar Co-operative, Page 3-4](#)
- 8.2 [Finance and Resources Committee, August 2015, Approval to Grant a Licence to Edinburgh Community Solar Co-operative to Install Solar PV Panels on Council Owned Buildings](#)
- 8.3 [Corporate Policy and Strategy Committee, Tuesday 14 May 2019, Sustainability Approach](#)

9. Appendices

Appendix 1 – List of Proposed Phase 2 Buildings

Appendix 2 – Outline detail requested in Phase 2 Proposal

Appendix 1 – List of Proposed Phase 2 Buildings

East Neighbourhood Office

St John's RC Primary School

Bankhead Depot

Drumbrae Library Hub

Seafield Recycling Centre

Sighthill Recycling Centre (still under defect liability period following construction, therefore works only suitable post April 2020)

Waverley Court Office

Edinburgh International Climbing Centre	Edinburgh Leisure
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Kirkliston Leisure Centre	Edinburgh Leisure
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Craiglockhart Leisure Centre	Edinburgh Leisure
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Gracemount Leisure Centre	Edinburgh Leisure
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Appendix 2 – Outline of detail requested in Phase 2 Proposal

Overview of the Proposal	List of buildings, proposed size of installations, solar electricity generated, price of solar electricity purchased from ECSC, benefits to Edinburgh and Council (including projected solar generation and proposed community benefit)
Delivery	Procurement route, programme (including building warrant/planning timelines and dates for site access) and project delivery team (detailing responsibilities for management of health and safety, management of site works and technical review of design)
Operational Management	Detail on how the scheme will be managed over duration of the project (20 years).
Funding and Financials	Detail on share offer (capital to be raised, timescales, return on investment for investors), financial model outlining business case including capital costs, income, expenditure and share repayment across the duration of the project, sensitivity analysis, projections for community benefit fund
Risk Register	Key project risks (to be developed in discussion with Council Officers)