

# The Offer

- The four communities around Binn Farm have been approached by Green Cat Renewables GCR offering 100% ownership of 2 x 2.35MW turbines located at the Binn Eco Park Wind Farm.
- The site qualifies for Feed-In-Tariff FiT that provides a guaranteed inflation adjusted subsidy for a period of 20 years. In order to be eligible for FiT the turbines must be commissioned by 31 March 2020
- A Bencom owns the 2 turbines. Currently funded by senior debt from Close Bros and equity from GCR. Energy Investment Fund equity loan will replace GCR equity if community ownership proceeds.

# Independent Assessment of Risks and Rewards

- Support from Local Energy Scotland carried out by GREA
- Appointments made for financial and legal assessments
- Johnston Carmichael CA on financial risks and rewards
- Anderson Strathearn on legal risks

## Financial Assessment: Johnston Carmichael JCCA

- Experienced Chartered Accountants who have worked on 120 renewable energy projects 87 of which are onshore wind farms
- Advised on the Lewis community wind farm (largest in UK) which is very similar to Binn Farm
- Have a Director on the board of Neilston Development Trust which had 28% interest in wind farm worth £2m.
- GCR are an experienced Renewable Energy Consultancy and Developer that has been operating since 2005.

# Project Stats

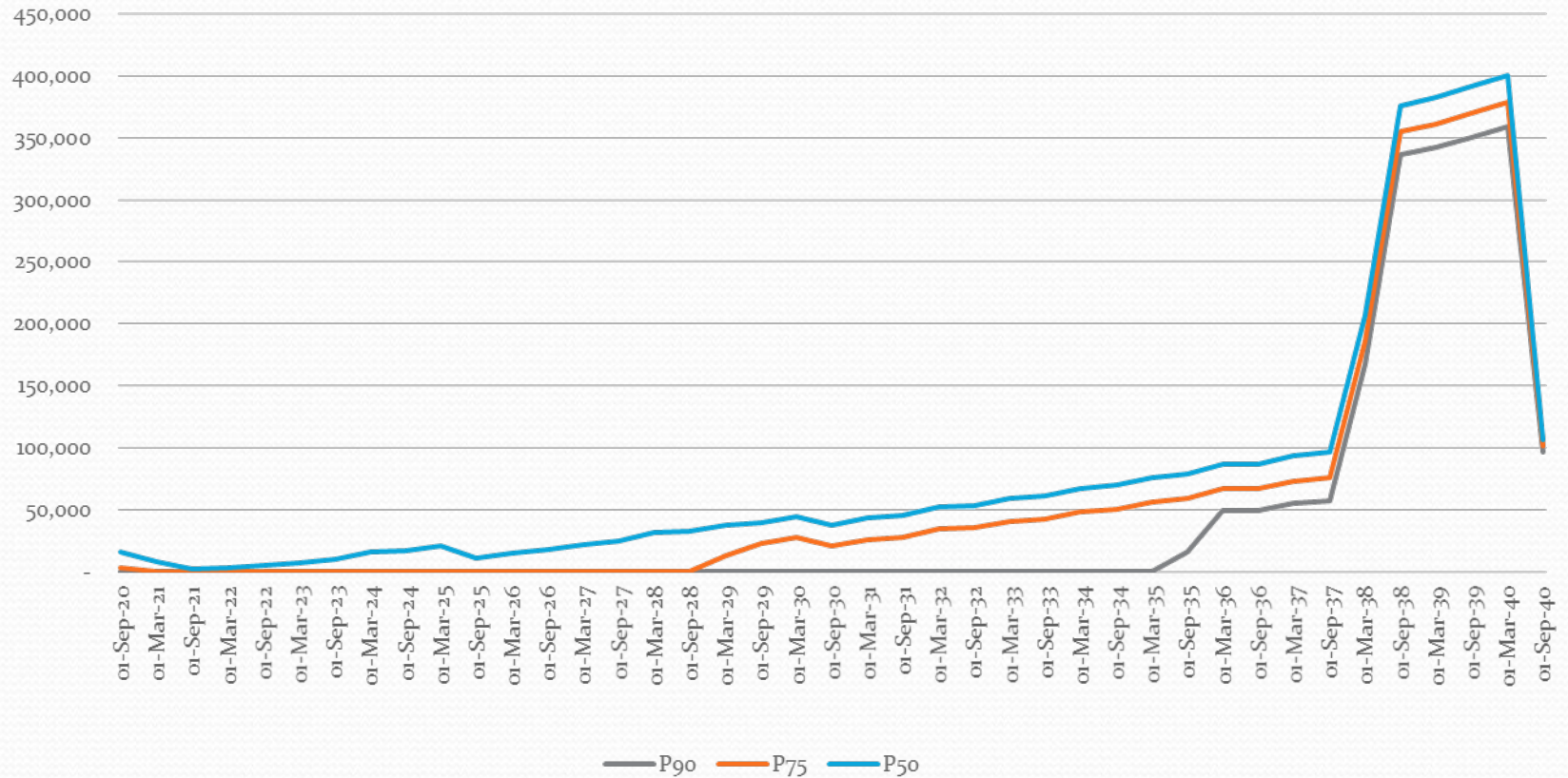
- **Turbine height 69m rated at 2.35MW Capex £6.1m**
- **Installed capacity 4.7MW (2 Enercon turbines)**
- **Operations period 20 years**
- **Annual Energy Yield**
  - P90: 24.9% (10,252MWh)
  - P75: 26.0% (10,705MWh)
  - P50: 27.2% (11,210MWh)
- **Electricity price FiT Export £5.30/MWh**
- **Inflation 2.5%**
- **Annualised operating expenses £156k**
- **Financing costs – Senior Debt 4.75% Sub Debt 7%**

# Financial issues (1)

- Examples of other GCR wind turbines show operating experience at close to P50 (equal chance of achieving projected output). P75 is the most likely output (75% chance of achieving projected output).
- Modelled different scenarios including +10% operating costs, +0.5% borrowing costs, and using wholesale pricing instead of FiT export prices (expected to be higher).
- £2.5m for community distribution in most likely base case
- For all scenarios at P75 there is enough cash to pay senior debt by the due dates. In two scenarios, subordinated debt cannot be paid when due.

# Base Case

## Base Case: Estimated Community Cashflows



# Financial risks and mitigation

## Risks

- Contractual risk of cost increases
- Insufficient size of grid connection.
- Insufficient cash to service sub debt on schedule
- Refinance risk after three years (could cost more or less)
- Lack of control over the Project
- Negative publicity if project fails

## Mitigation

- Community take ownership after construction and accreditation
- Legal agreement with GCR on export priority and attempt to secure larger connection
- Seek capital holiday with EIF for the first 12 months to build a Debt Service Reserve.
- Early discussions on refinance with the Funder or conduct a funding competition
- Ability to hold GCR accountable
- Document meetings detailing how key decisions have been made.

# Legal assessment: Anderson Strathearn

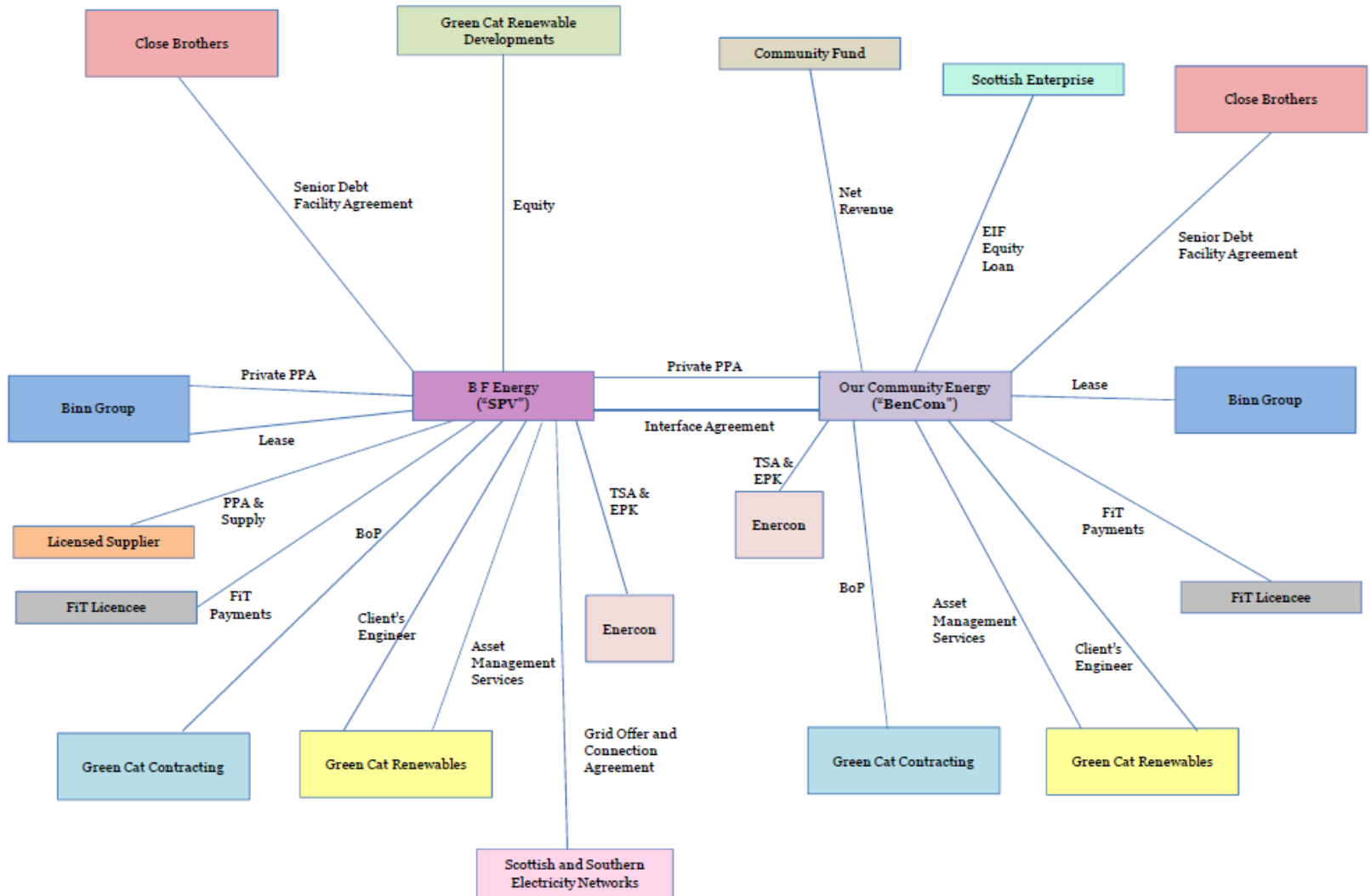
- One of Scotland's oldest and largest independent law firms with 52 partners and 240 employees.
- a multi-disciplinary renewable energy group of about 20 lawyers.
- have acted for a wide range of developers and community bodies in relation to developing wind energy projects.
- prior experience of working with community groups:
  - Mull & Iona Community Trust (MICT) and Green Energy Mull (GEM)
  - Windfall Community Development Trust- Forward Coupar Angus
  - Ballachulish Community Company
  - iPower Action Ltd- a company limited by guarantee
  - Muaitheabhal Community Windfarm Trust



# Key contractual arrangements

- Lease of wind farm site and corresponding land rights
- Power Purchase Agreement
- Construction contract or separate contracts for different elements of the construction of the wind farm
- O&M agreement
- Connection offer and agreement
- Financing documents
- Licences, permits and consents

**Project - Binn Wind Farm: Structure**



## Main legal points (1)

- Bencom is heavily reliant on the contractual performance of GCR. There is an exclusion in the PPA for recovery of any loss of profit or revenue. If Bencom couldn't export because of BF Energy breach of contract, then Bencom are unlikely to be able to recover their financial losses.
- Export capacity is less than full capacity of four turbines so need technical assurance that the system is configured to allow priority to OCE
- Fit accreditation. Preliminary accreditation has been received but full accreditation will need to be confirmed.

## Main legal points (2)

- Planning risk. There is a risk of non-compliance which would affect whole project. This needs technical assessment to confirm correct location of turbines and compliance with noise conditions.
- Lease. Landlord termination clause needs lifting. Access to highway needs clarification. Full title review recommended
- Enercon agreements are considered satisfactory
- Grid connection. What if BF Energy ceases to exist? A separate Gridco owned 50-50 would be one way of dealing with this

## Main legal points (3)

- Decommissioning: BF Energy will assume responsibility for decommissioning the wider site but will be entitled to invoice Bencom 50% of the cost.
- Finance is typical of a commercial project: there are obligations, restrictions, liabilities and indemnities under the Facility Agreement. Sub-debt documents have not been seen by AS. An inter-creditor agreement is likely to be required.

# Community ownership

- Public meetings in each community to gauge support for share ownership of Our Community Energy (at no cost)
- Need to identify individuals who would be interested in becoming shareholders (three from each participating community)
- Form joint committee of potential shareholders to undertake further detailed work as indicated in the consultant's reports (with LES support)
- Joint committee confirm shareholders who appoint directors to OCE (need same number from each participating community)
- Communities set up distribution organisations to contract with OCE to distribute surplus to community.