

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF ENVIRONMENT AND NEIGHBOURHOOD SERVICES

TO:	Strategic Environment, Planning and Transport Committee		
DATE:	24 November 2015	AGENDA ITEM:	14
TITLE:	Solar Community Scheme		
LEAD COUNCILLOR:	Councillor Page	PORTFOLIO:	Strategic Environment, Planning and Transport
SERVICE:	Sustainability	WARDS:	All
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1.0 Executive Summary

- 1.1 This report outlines the changes that the government has proposed to reduce the subsidies for photovoltaic (electricity generating) solar panels by up to 87% from their existing rates from January 1st 2016 and recommends actions in relation to this.
- 1.2 These changes mean that renewable energy generators will be paid less than half the rate of grid electricity, making it unlikely that current business cases on solar PV systems would be viable.
- 1.3 An exemption from the new tariffs is available for one year for community schemes where they were pre-registered by 30th Sept 2015.
- 1.4 Reading Borough Council has identified 13 corporate buildings and the Reading Climate Change Partnership and community groups have identified 15 suitable buildings for solar PV projects.
- 1.5 The Council and other community buildings have submitted an application to pre-register these buildings through a Community Benefit Society (BenCom) supported by Energy4All, a national not for profit community renewable energy organisation.
- 1.6 The proposal is to seek delegations to enable the Council to enter into lease arrangements with Energy4All with respect to hosting solar panels that are funded through the issue of a community share offering.
- 1.7 Appendix A - List of sites for Pre-Registration
- 1.8 Appendix B - Energy4All Brochure

2.0 RECOMMENDED ACTION

- 2.1 That the Committee agree to work with the community organisation Energy4All to establish a community share model for Reading hosting solar panels on buildings which have been pre-registered.
- 2.2 That the Committee delegate authority to the Director of Environment and Neighbourhoods, the Head of Legal Services, the Head of Finance and the Lead Councillor for Strategic Environment, Planning and Transport to enter into an agreement between Energy4All and the Council to host solar panel systems on the Council's buildings subject to being satisfied that the legal and procurement requirements are met.

3.0 POLICY CONTEXT

- 3.1 The Feed in Tariff was launched in 2010. It is a subsidy for generating electricity using renewable energy equipment. The equipment must have been registered by an accredited installing company (Micro-generation Certification Scheme - MCS). The tariffs have changed many times since they were launched, with one major change in 2012 and a series of minor adjustments called 'degressions' since that time.
- 3.2 In 2011/12, the first phase of solar installations was progressed by the Council, installing 2500 solar panels onto 46 local buildings including schools, council and community buildings.
- 3.3 As part of the above scheme the Reading Climate Change Partnership (RCCP) funded a number of systems which are hosted on local community and small business buildings. The Council collect the Feed in Tariff on behalf of the partnership and proceeds are used to fund local partnership activities including the provision of grants to local community organisations for climate change activities.
- 3.4 This was followed by a further project which is nearing completion, installing approximately 5400 solar panels onto 490 Council houses. The installation of these is currently in progress and is due to be completed at the end of October 2015.

4.0 PROPOSAL

Current Position

- 4.1 On August 27th 2015 the Government announced their intention to reduce the feed-in-tariff by up to a further 87%, with the largest reductions being on domestic systems. (Figure 1)
- 4.2 The proposals also included a change from RPI indexing to CPI indexing which would significantly affect the Net Present Value of schemes.

Figure 1 - Proposed Solar Feed in Tariffs:

Capacity	New Feed-in tariff rate (p/kWh)	Existing Feed in tariff rate
0-4kW		12.47
0-10kW	1.63	11.30
10-50kW	3.69	11.30
50-250kW	2.64	9.21-9.63
250-1000kW	2.28	5.94
>1MW	1.03	5.94
Stand alone	1.03	4.28

Export tariff (for unused power) - p/kWh - 4.77

- 4.3 At the current market rate for solar panels, the changes have the impact of making projects initiated from January 2016 unviable without additional income from other sources such as energy sales to other sites or on site use.
- 4.4 The announcements made an exemption for community groups, who were able to fix the feed in tariff for one year if an application for a pre-registration was made by the 30th September 2015 and this application is accepted by Ofgem.
- 4.5 Only community organisations were eligible to pre-register buildings for the Feed in Tariff (FiT) payments. Only the registering organisation is eligible to receive the existing tariff rates for the 20 year life of the scheme and it is to be used for the benefit of the community.
- 4.6 Officers have been in conversation with a number of local and national community organisations who would be able to own the systems and gain the benefit of the current higher FiT payments. They would then be able to pass these back to shareholders and/or the Council or partnership and put surplus proceeds into a 'community benefit' fund.
- 4.7 Following these initial conversations, an organisation called Energy4All has pre-registered the solar panels on RBC's buildings using a local Community Benefit Society (BenCom) called 'Reading Campus Community Energy Society'. RCCES was set up by the University of Reading for a scheme which they have chosen not to progress. The name of this will be changed in due course.
- 4.8 The pre-registration of systems does not prevent the Council and or other organisations from installing systems sooner than January 1st and receiving the current tariff or from registering them after January 1st and receiving the new Feed in Tariff rate.
- 4.9 A number of community buildings have additionally been pre-registered by the Reading International Solidarity Centre. This will enable a direct arrangement to be established where free energy is offered to the host building and benefits are directed back to the partnership.

The buildings that were submitted to Ofgem to be pre-registered are attached as Appendix A.

Options Proposed

- 4.10 It is proposed that the sustainability team continue to work with Energy4All to develop a community share option to be hosted on the buildings that have been pre-registered.
- 4.11 Under the Energy4All arrangement, the host buildings would benefit from fixed low cost energy (likely to be 6 to 8 pence per kWh) for the lifetime of the scheme (20 years).
- 4.12 The local BenCom would receive proceeds after returns to local shareholders and the scheme administration costs have been taken out. The BenCom would be designed to support local activity relating to fuel poverty, low carbon development and climate change activity. The board would be likely to include members from RCCP, the Council and local organisations such as Reading Sustainability Centre and/or the Berkshire Energy Pioneers and Energy4All.

Other Options Considered

- 4.13 Berkshire Energy Pioneers are a local group that was in the process of constituting themselves to be able offer local share offers for renewable energy. Unfortunately it was not possible to pre-register systems through this group as there is not sufficient time to complete this process before the deadline for pre-accreditation.
- 4.14 Low Carbon Hub are an organisation based in Oxford who are able to support the development of local community share schemes. They had been advising Berkshire Energy Pioneers. It was unlikely that a BenCom could be established in the time allowed through this route.
- 4.15 There was an option to pre-register the systems through RISC, who are a local charity. Systems could potentially be funded through local share offer (although this would need to be set up), and/or through funding being made available directly from the Council or RCCP. Funding made available directly from public funds would need to be made available as a loan rather than as a grant in order to be eligible for the FiT. This is being pursued for a small number of systems for which the partnership hold funds (see 4.9 and 4.12).
- 4.16 Installing systems directly before the 1st January was considered, but with a small number of exceptions the time needed to gain approval to connect to the local electricity grid (District Network Operator - DNO) made the installation and procurement processes unobtainable in the time available.
- 4.17 Energy4All have appointed an interim board for RCCES. Energy4All recommend RBC elect members to join the board at the earliest opportunity. A total of 9 board members are recommended. It is recommended that the initial board is comprised as follows:
 - Energy4All - one board member
 - Reading Borough Council - Three board members (one officer and two Councillors).

- Berkshire Energy Pioneers (local community energy group) - Three board members.
- Reading Climate Change Partnership - 1 member

A description of skills needed on this board will be appended to this report once available.

- 4.18 Members of the board would decide what proportion of the profit goes to shareholders and what goes to towards local community / charity organisations.
- 4.19 RBC's capacity as an authority to back up a local share offer through its involvement in a scheme and actively publicising it will be beneficial to the BenComs reputation and ultimately its success.

5.0 CONTRIBUTION TO STRATEGIC AIMS

- 5.1 The scheme would contribute to the following strategic aims:

- 4. Keeping the town clean, safe, green and active;
- 5. Providing infrastructure to support the economy; and
- 6. Remaining financially sustainable to deliver these service priorities.

- 5.2 The project relates very strongly to the following additional objective of the Council.

- Sustainability

It also contributes to the following objective through the intended activities relating to fuel poverty.

- Health

6. COMMUNITY ENGAGEMENT AND INFORMATION

- 6.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".

- 6.2 Community engagement will be considered in the development of a scheme,

7.0 EQUALITY IMPACT ASSESSMENT

- 7.1 Under the Equality Act 2010, Section 149, a public authority must, in the exercise of its functions, have due regard to the need to—
- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

- 7.2 An Equality Impact Assessment is not required.

8. LEGAL IMPLICATIONS

- 8.1 A number of legal implications will be relevant to the delivery of a community solar scheme. The only legal implication at this stage of development is in respect of RBC entering into lease arrangements with Energy4All for RBC buildings. The specific legal implications of working through Energy4All will be considered in detail by officers and the report seeks delegation from the Committee for the Director of Environment and Neighbourhood Services, Head of Finance, Head of Legal Services and Lead Councillor for Strategic Environment, Planning and Transport to enter into the contracts with respect to the Council's roofs.
- 8.3 Reading Borough Council and RCCES would need to enter into lease arrangements which are hoped to be in place by end December 2015. This will include the price of electricity sold to the building, the conditions under which the panels could be moved if needed and also the cost of removing the building from the scheme.
- 8.4 Officers are currently seeking advice on the use of procurement exemption based on the time limitation for pre-registering our buildings and the lack of competition for Community Benefit Societies to deliver such a scheme for Reading Borough
- 8.5 Officers are also awaiting advice from the Legal team regarding the implications of RBC having board membership on RCCES. This will be referred to a future Committee, however.

9.0 FINANCIAL IMPLICATIONS

- 9.1 Careful consideration will be made of the financial implications of a scheme as it is developed.
- 9.2 Some minor costs have been met in obtaining the necessary information to pre-register sites but In the event of a scheme being successful these would be reimbursed.
- 9.3 By developing a local share offer, the direct financial income derived by the Council would be minimal unless they choose to purchase shares, which Energy4All encourage. The costs of the scheme would however be met by the community through share offer and the financial benefits would be made to local community activities.
- 9.4 The scheme would enable low cost fixed energy costs to be made available to host buildings such as schools and Council buildings.
- 9.5 The financial implication of removing a building from the scheme once the panels have been installed is predicted to be 125% of the depreciated capital cost of the solar PV installation.
- 9.6 Full consideration of the financial risks of a proposed scheme will be made as the scheme is developed, and agreements would only be entered into with the agreement of the head of finance in respect of financial risk.

10. BACKGROUND PAPERS

Appendix A - List of sites likely for Pre-Registration Application for community solar scheme.

Appendix B - Energy4All Brochure

http://energy4all.co.uk/wp-content/uploads/2014/06/E4A_Brochure.pdf

Appendix A - List of Sites for Pre-Registration

	Berkshire Energy Pioneers
1	Latin Link UK, 87 London Street, Reading RG1 4QA
2*	Just Around the Corner Ltd, Rehoboth, Forest Road, Wokingham RG40 5QY
3	Caversham Heights Methodist Church, 74 Highmoor Road, Caversham Heights, Reading RG4 7BG
4	Central Salvation Army Hall, Anstey Road, Reading RG1 7JR
5	Highdown School, Surley Row, Emmer Green, Reading RG4 8LR
6*	St Birinus Church, Empress Rd, Calcot, Reading RG31 4XR
7*	Aisha Masjid & Islamic Centre, London Rd, Reading RG6 1BW
8	Reading Community Church, 384, The Meadway, Tilehurst RG30 4NX
9	Lifespring Church, The Pavillion, Oxford Road, RG1 7UJ
10	The Milestone Centre, Northbrook Road, Caversham Park Village, Reading RG4 6PF
	Reading Climate Change Partnership
11	St Andrews Old Church Hall, Albert Road, Caversham RG4 7PL
12	ReadiFood Food Bank / Stepping Stones Housing, Faith Christian Group, 33, Boulton Road, Reading, RG2 0NH
13	Amersham Road Community Centre, Amersham Road, Reading RG4 5NA
14	True Food Coop, 61 & 61a Grove Road Emmer Green Reading RG4 8LJ
15	Coley Park Community Centre, 140 Wensey Road, RG1 6DW
	Reading Borough Council
16	Palmer Park Sports Stadium Wokingham Rd, Reading RG6 1LF
17	Tilehurst Library School Road, Tilehurst, Reading RG31 5AS
18	Reading Reference Library Reading Central Library Abbey Square, Reading RG1 3BQ
19	Block A Acre Road Business Park, Acre Road, Reading, RG2 0SA
20	Block B Acre Road Business Park, Acre Road, Reading, RG2 0SA
21	Block C Acre Road Business Park, Acre Road, Reading, RG2 0SA
22	Hexagon Reading RG1 7UA
23	Town Hall and Reading Museum Blagrove Street, Reading RG1 1QH
24	Berkshire Record Office 9 Coley Avenue, Reading RG1 6AF
25	Micklands Primary Micklands Road, Caversham, Reading, RG4 6LU
26	St Michael's Primary Dee Road, Tilehurst, Reading, RG30 4AS
27	Park Lane Infants School Road, Tilehurst, Reading, RG31 5AS
28	Blagdon Nursery Blagdon Road, Reading, RG2 7NT

* These sites are all located outside Reading Borough, but form part of the community scheme and will pay into same BenCom fund.

Appendix B

Energy4All Brochure

http://energy4all.co.uk/wp-content/uploads/2014/06/E4A_Brochure.pdf