12 DEMONSTRATION FARM

NFU Scotland

Dingwall community Co-op Wind Turbine

Dingwall Community Wind Turbine (Co-op)
Knockbain Farm
Dingwall
IV15 9TJ

Landowners: David and Richard Lockett
Date of Event - 10th December 2014

The Directors of Dingwall Wind Co-operative raised £850,000 to install Scotland's first fully co-operatively owned wind turbine, a 250kW WTN. The Co-op is made up of 179 members.

The Project

WTN 250kW turbine • Hub height: 30 metres • Rotor diameter: 30 metres • Tip height 45 meters • wind speeds (W90) 6.0m/s, (W50) 6.5m/s

The turbine is the first 100% co-operatively owned wind development in Scotland with 75% of the owners living within 15 miles of the project. There are five Directors (with two changes made at the last AGM) and 179 members. The purpose of the co-operative was to raise £850,000 for the planning, construction and operation of the turbine. The funding was secured through a share option. In less than two months it was oversubscribed by 50%.

The turbine is built on land (Knockbrex Farm) owned by David and Richard Lockett who are paid a rent by the Co-op. The farm is currently let to a neighbouring farmer and Richard runs his own farm conservation advisory business.

David and Richard are investors in the wind turbine as well as Directors of the Board. The Lockett family initiated the project, originally in a private capacity, securing planning consent in late 2012. The concept for developing a co-op was triggered by a desire to earn a reasonable return for the project but also to take advantage of an exciting opportunity to enable the financial benefits of the project to be shared more widely through community involvement.

The electricity from the wind turbine is exported onto the local grid. The Feed in Tariff (FIT) and the wholesale price of electricity that is exported produces the turnover for the co-op. On average the wind turbine supplies enough energy to power 120 homes and creates a carbon saving of 240 tonnes per year (figure from share offer document).

The Co-op

Dingwall Co-operative was incorporated on the 16th May 2013 by its' five founding Directors. It is one of several renewable energy co-operatives across the UK being developed with support from Shareenergy and was established using the Shareenergy Model Rules, which have been used by 25 renewable energy co-ops to date. A copy of the Dingwall Wind Co-op's Rules is available from the project website: http://dingwallwind.org.uk/

At the time of writing, the co-operatives sole planned activity is to own and operate the single 250kW turbine; however, the Co-op is open to the possibility of owning and operating other turbines if the opportunity arises on terms which do not compromise the purpose or viability of the Co-op.

The Scottish Government
The European Agricultural Fund for Rural Development: Europe investing in rural areas
savills

Project Timeline

December 2012
Planning approval received

16th May 2013
Co-op incorporated

30th September 2013
Share offer launch

30th November 2013
Conclusion of Share offer

December 2013
Firm orders placed for turbine

Spring 2014
Ground works start on site.

16th June 2014
Completion and commissioning of turbine (completed by RM Energy)

July 2014
First co-op AGM

Spring 2015
First Payments to Co-operative Member and Community Fund and Second Co-op AGM

Financial

Capital cost. Turnkey quote from RMEnergy (including contingency and warranty)	£669,000
Repayment of project costs to date and recompense of project risk taken by David and Ricard Lockett (Knockbain Renewables).	£157,000
Cost of establishing Co-op, share Offer costs and legal documents (work carried out by Sharenergy and others)	£30,000
Total cost of project	**£856,000**
Generation (W90)	431MWh
Income from FIT (@18.04/kWh) and sales of electricity to the grid (base price 4.77p/kWh)	£98,000
1st year operating costs	£24,000
Other costs (rent, community fund etc.)	£12,000

Tax Benefits and recent changes to EIS

The Co-operative secured both the Seed Enterprise Investment Scheme (SEIS) and Enterprise Investment Scheme (EIS) tax reliefs. This was of significant benefit to investors who were taxpayers, irrespective of the amount or the rate at which income tax was paid, the relief available provided the individual with a tax liability at least equal to the value of the relief. Unfortunately on the 3rd December 2014 the chancellor of the Exchequer, George Osbourne amended the EIS rules so that shares in renewable projects that receive subsidies will no longer be eligible for EIS and SEIS support.

However the Government also announced on the 3rd December that they are looking to change the rules of the Social Investment Tax Relief (SITR) scheme to include projects that benefit from electricity sales and Feed in tariff. The benefits of SITR closely resembles those of EIS i.e. 30% income tax or capital gains tax benefits. At the time of writing this case sheet the exact changes that will be implemented are not clear.

Pioneer Shares

Members applying were asked if they would like to be considered pioneers. In total there were 850,000 shares allocated (each share value is £1) the first 149,090 of shares applied for and paid up by members who asked to be pioneers were issued as soon as this threshold was reached. These shares qualified for SEIS funding tax relief which had a 50% income tax relief rate rather than 30% for the EIS investors.

Pioneers funds were spent before the conclusion of the Share Offer to acquire the planning consent secure by the Lockett family and to secure a grid connection. If the Share offer had failed to raise the required funding, despite any extension, then the land owner would have looked to find alternative means of financing the project as a private endeavour. Under this scenario the land owner would have looked to buy back the part of the project owned by the Co-op.

As these pioneer investors were exposed to more risk they receive higher rates of return than those who invested later. The table below details the returns that are expected for the wind turbine. A range has been provided as returns are based on wind speed and energy yields which will differ from year to year.

Members Projected return (IRR)			
	NO EIS	EIS	SEIS
Base Case	6.5%	9.8%	12.8%
Expected Case	7.5%	10.9%	14.0%

“Co-ops are an excellent way of raising the funds for renewable energy projects. They can provide a higher rate of return and have the satisfaction of wider community involvement.”
Richard Lockett, December 2014